

INDEPENDENT SCHOOL DISTRICT #2534
BOLD PUBLIC SCHOOLS

AUDITED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

JUNE 30, 2021

CONWAY, DEUTH, & SCHMIESING
CPAS & ADVISORS
WILLMAR, MINNESOTA

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INDEPENDENT SCHOOL DISTRICT #2534

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INDEPENDENT SCHOOL DISTRICT #2534

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INDEPENDENT SCHOOL DISTRICT #2534

BOARD OF EDUCATION AND ADMINISTRATION
JUNE 30, 2021

<u>Board of Education</u>		<u>Term Expires</u>
Chairperson	Jill Hanson	1/1/2023
Clerk	Traci Buchtel	1/1/2024
Treasurer	Sandy Benson	1/1/2023
Director	Jamie Bohlin	1/1/2023
Director	Brian Boen	1/1/2024
Director	Theresa Jacobs	1/1/2024
<u>Administration</u>		
Superintendent	James Menton	
Business Manager	Lindsey Heine	

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Independent School District #2534
Olivia, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund and aggregate remaining fund of Independent School District #2534, Olivia, Minnesota, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund and aggregate remaining fund of Independent School District #2534, Olivia, Minnesota, as of June 30, 2021, and the respective changes in financial position and the respective budgetary comparison for the General Fund and the Food Service and Community Service Special Revenue Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Partial Comparative Information

We have previously audited the District's 2020 financial statements and we expressed unmodified audit opinions on those audited financial statements in our report dated November 23, 2020. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived. Refer to Note 16 of the Notes to the Financial Statements for additional information regarding the prior year partial comparative information.

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

Supplementary and 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 Board of Education and Administration page and the statements and schedules listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

Other Matters (Cont'd)

Supplementary and Other Information (Cont'd)

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

The Board of Education and Administration page 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 the information presented.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely 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 Minnesota Statutes, we have also issued our report dated October 25, 2021, on our consideration of the District's compliance with provisions of the *Manual for Activity Fund Accounting* issued by the Minnesota Department of Education, pursuant to Minnesota Statutes §123B.49. The purpose of that report is to determine if the District has complied with Minnesota laws and regulations. That report is an integral part of an audit performed in the State of Minnesota.

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
CPAS & ADVISORS
LITCHFIELD, MINNESOTA

October 25, 2021

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REQUIRED SUPPLEMENTARY INFORMATION

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INDEPENDENT SCHOOL DISTRICT #2534

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2021

This section of Independent School District #2534's annual financial report presents the District's management discussion and analysis of the District's financial performance during the fiscal year that ended June 30, 2021. Please read it in conjunction with the District's financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* issued 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 reporting requirements that include financial statements, expanded disclosure, and supplemental information, including the MD&A (this section).

FINANCIAL HIGHLIGHTS

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

- Net Position increased by \$559,634 from \$297,286 in 2019-2020 to \$856,920 in the current year. This increase is largely driven by increases in revenue from property taxes and federal sources along with continued amortization of deferred outflows of resources and deferred inflows of resources related to pensions.
- General Fund - fund balance increased by \$927,497. At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,062,992 or 13.0 percent of total General Fund expenditures.
- The District's enrollment in fiscal year 2021 was 613 average daily membership (ADM) compared with 667 ADM in fiscal year 2020.
- The Food Service Fund balance increased by \$31,858 and the Community Service Fund balance decreased by \$86,904 during 2020-2021.

OVERVIEW OF THE FINANCIAL STATEMENTS

supplementary information, which includes Management's Discussion and Analysis (this section), and the basic financial statements. The basic financial statements include two types of statements that present different views of the District:

- The first two statements are government-wide financial statements (including the Statement of Net Position and the Statement of Activities), provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.
- The governmental fund 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.
- Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

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

INDEPENDENT SCHOOL DISTRICT #2534

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

OVERVIEW OF THE FINANCIAL STATEMENTS (Cont'd)

Government-wide Statements

The government-wide financial statements (Statement of Net Position and Statement of Activities) 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 and deferred outflows of resources and liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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

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

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

- Governmental activities - The District's basic services are included here, such as administration, district support, regular and special education services, instructional support, food service and community service. 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 as 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 as required by the Minnesota Department of Education.

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 fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near term to finance the District's programs. This information does not encompass the additional long-term focus of the government-wide statements, we provide additional information (reconciliation schedules) following the governmental fund statements that explain the relationship (or differences) between them.
- Fiduciary Funds: The District is a trustee, or fiduciary, for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only by those to whom the assets belong. The District's fiduciary activities (consisting of a trust fund) are reported in a separate Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

INDEPENDENT SCHOOL DISTRICT #2534

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The District's combined net position was \$856,920, on June 30, 2021 (see details in Table A-1). This was an increase of \$559,634 from \$297,286 at June 30, 2020.

**Table A-1
Condensed Statement of Net Position**

	Governmental Activities	
	2021	2020
Current and Other Assets	\$ 5,122,570	\$ 4,500,697
Capital Assets	5,755,772	6,177,318
Total Assets	\$ 10,878,342	\$ 10,678,015
Deferred Outflows of Resources	\$ 2,383,673	\$ 3,983,978
Long-Term Liabilities	\$ 5,933,441	\$ 6,051,932
Other Liabilities	872,797	778,378
Total Liabilities	\$ 6,806,238	\$ 6,830,310
Deferred Inflows of Resources	\$ 5,598,857	\$ 7,534,397
Net Position		
Net Investment in Capital Assets	\$ 5,755,772	\$ 5,822,318
Restricted	1,130,347	998,708
Unrestricted	(6,029,199)	(6,523,740)
Total Net Position	\$ 856,920	\$ 297,286

INDEPENDENT SCHOOL DISTRICT #2534

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Cont'd)

Change in Net Position

The increase in net position is a result of the change in deferred outflows of resources related to pensions, deferred inflows of resources related to pensions and net pension liability under GASB 68 as well as increases in federal revenues. A summary of the revenue and expenses is presented in Table A-2 below.

**Table A-2
Change in Net Position from Operating Results**

	Governmental Activities for the Fiscal Year ended June 30,	
	2021	2020
Revenues		
Program Revenues		
Fines, Fees, and Charges for Services	\$ 217,933	\$ 334,970
Operating Grants and Contributions	2,622,757	2,171,464
General Revenues		
Property Taxes	1,596,248	1,247,844
Aids and Payments from the State	5,280,178	5,417,238
Other	172,576	123,747
Total Revenues	9,889,692	9,295,263
Expenses		
Administration	425,964	456,483
District Support Services	369,147	336,842
Regular Instruction	4,197,004	4,359,203
Vocational Education Instruction	160,931	181,176
Special Education Instruction	870,810	1,031,464
Instructional Support Services	531,504	521,439
Pupil Support Services	1,097,664	1,126,652
Sites and Buildings	799,081	861,436
Fiscal and Other Fixed Costs Programs	68,263	58,600
Food Service	406,291	443,138
Community Services	399,177	392,331
Interest and Fiscal Charges on Long Term Liabilities	4,222	10,808
Total Expenses	9,330,058	9,779,572
Increase (Decrease) in Net Position	559,634	(484,309)
NET POSITION, BEGINNING OF YEAR	297,286	781,595
NET POSITION, END OF YEAR	\$ 856,920	\$ 297,286

The District's total revenues were \$9,889,692 for the year ended June 30, 2021. Property taxes and state aids accounted for 16% and 53%, respectively, of total revenues. Program revenues accounted for 29% of revenues.

INDEPENDENT SCHOOL DISTRICT #2534

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Cont'd)

Change in Net Position (Cont'd)

The total cost of all programs and services were \$9,330,058. Most of these costs are instructional and pupil support services, 62% and 12% respectively. Administration, district support, and sites and buildings costs combined accounted for 17% of total costs. Fiscal and other fixed costs combined with interest and fiscal charges on long-term liabilities accounted for 1%. Food service costs for the District accounted for 4% of total costs, with community service at 4%.

Total revenues expenses exceeded expenses by \$559,634 for the year ended June 30, 2021.

Table A-3 presents the total cost of governmental activities as well as the net cost of these activities. The net cost represents total cost less program revenues applicable to each category.

**Table A-3
Net Cost of Governmental Activities**

	2021		2020	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Administration	\$ 425,964	\$ (425,964)	\$ 456,483	\$ (456,483)
District Support Services	369,147	(369,147)	336,842	(336,842)
Regular Instruction	4,197,004	(2,973,245)	4,359,203	(3,278,221)
Vocational Education Instruction	160,931	(154,694)	181,176	(176,757)
Special Education Instruction	870,810	(29,758)	1,031,464	(410,090)
Instructional Support Services	531,504	(522,779)	521,439	(506,963)
Pupil Support Services	1,097,664	(1,044,721)	1,126,652	(1,054,520)
Sites and Buildings	799,081	(757,856)	861,436	(854,665)
Fiscal and Other Fixed Costs Programs	68,263	(68,263)	58,600	(58,600)
Food Service	406,291	33,109	443,138	57,329
Community Education and Services	399,177	(171,828)	392,331	(186,518)
Interest and Fiscal Charges on Long-Term Liabilities	4,222	(4,222)	10,808	(10,808)
	<u>\$ 9,330,058</u>	<u>\$ (6,489,368)</u>	<u>\$ 9,779,572</u>	<u>\$ (7,273,138)</u>

The total cost of all governmental activities for the year ended June 30, 2021, was \$9,330,058. A portion of the costs, \$217,939 was paid by users of the District's programs. The federal and state governments subsidized certain programs with grants and contributions of \$2,622,757. Most of the District's costs, however, were paid by general education aids, \$5,280,178, with \$1,596,248 paid by property taxes and \$172,576 paid by other revenues.

INDEPENDENT SCHOOL DISTRICT #2534

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Fund Balance

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$3,022,884. This amount is a \$878,272 increase over the \$2,144,612 June 30, 2020 fund balance.

Revenues and Expenditures

Revenues of the District's governmental funds totaled \$9,891,596 while total expenditures were \$9,013,324. A summary of the revenues and expenditures reported on the governmental fund financial statements appear in Table

**Table A-4
2021 Summary of Revenues and Expenditures - Governmental Funds**

	<u>Revenue</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>	<u>Fund Balance Increase (Decrease)</u>
General Fund	\$ 8,811,674	\$ 7,884,177	\$	\$ 927,497
Food Service Fund	439,741	407,883		31,858
Community Service Fund	307,274	394,178		(86,904)
Debt Service Fund	332,907	327,086		5,821
Total	<u><u>\$ 9,891,596</u></u>	<u><u>\$ 9,013,324</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 878,272</u></u>

2020 Summary of Revenues and Expenditures - Governmental Funds

	<u>Revenue</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>	<u>Fund Balance Increase (Decrease)</u>
General Fund	\$ 8,189,589	\$ 7,875,472	\$ (16,954)	\$ 297,163
Food Service Fund	500,788	426,614		74,174
Community Service Fund	292,198	365,389	16,954	(56,237)
Debt Service Fund	314,755	327,618		(12,863)
Total	<u><u>\$ 9,297,330</u></u>	<u><u>\$ 8,995,093</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 302,237</u></u>

The General Fund revenue had a total increase of \$622,085 from prior year's revenue. The main reason for this increase was the increase to property tax revenues and federal sources revenues offset by a decrease in sales and other conversions of assets.

INDEPENDENT SCHOOL DISTRICT #2534

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2021

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (Cont'd)

Revenues and Expenditures (Cont'd)

General Fund fund balance expenditures increased by \$8,708. The main reason for this increase is due to increases in district support services and regular instruction current expenditures in addition to an increase in capital outlay expenditures in the current period.

The Food Service Special Revenue Fund fund balance increased \$31,858. Revenues decreased \$61,047, and expenditures decreased by \$18,731. Revenues decreased due to lower sales and other conversion of assets.

The Community Service Special Revenue Fund fund balance decreased \$86,904. Revenues increased \$15,076 and expenditures increased by \$28,789. Revenues from the state increased \$2,708 and expenditures increased due to resumption of activities and programs suspending in 2021 due to the COVID pandemic.

The Debt Service Fund fund balance increased \$5,821. Revenues increased \$18,152 due to higher revenue from state sources. Expenditures decreased \$532 due to decreased interest payments.

General Fund Budgetary Highlights

During the year ended June 30, 2021, the District issued a budget revision subsequent to the original budget which was adopted as required by state statute prior to July 1, 2020. The revised budget changed categorical spending. The final approved budget anticipated expenditures and other financing uses over revenues of approximately \$377,686 while an actual excess of \$927,497 was experienced.

The actual expenditures being less than expected relates to budgeted amount for pupil support services and sites and buildings being higher than experienced.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2021, the District had over \$16.6 million invested in capital assets. (Detailed information on the capital assets can be found in Note 6 to the financial statements.) Most of this investment is in the District's buildings. There were \$34,978 in capital asset additions in 2021.

Long-Term Liabilities

At year end, the District had \$26,250 in special assessments payable to the City of Olivia, and \$12,374 in compensated absences payable compared to \$35,000, and \$8,992 respectively in 2020. (Detailed information on long-term liabilities can be found in Note 7 to the financial statements.)

INDEPENDENT SCHOOL DISTRICT #2534

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following existing conditions that could significantly affect its financial condition in future years:

The District, like many in the State of Minnesota, receives a large percentage of revenue from State and Federal funding sources. Budgetary issues at the State and Federal level may negatively impact both the amount of available aid and the timing of the aid payments. Also, funding based on student enrollment will be negatively impacted by any projected decreases in student enrollment.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Office, Independent School District #2534, 701 South Ninth Street, Olivia, MN 56277.

BASIC FINANCIAL STATEMENTS

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INDEPENDENT SCHOOL DISTRICT #2534

STATEMENT OF NET POSITION
 JUNE 30, 2021
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2020

	Governmental Activities	
	2021	2020
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Cash and Investments	\$ 3,629,720	\$ 2,545,586
Receivables	617,900	894,941
Due from Other Governments	853,207	1,036,978
Inventory	12,993	14,442
Prepaid Items	8,750	8,750
Capital Assets		
Assets Not Being Depreciated	188,077	188,077
Other Capital Assets, Net of Depreciation	5,567,695	5,989,241
Total Assets	<u>10,878,342</u>	<u>10,678,015</u>
Deferred Outflows of Resources	<u>2,383,673</u>	<u>3,983,978</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 13,262,015</u>	<u>\$ 14,661,993</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Liabilities		
Payables	\$ 803,188	\$ 667,620
Due to Other Governments	13,448	85,732
Interest Payable		2,864
Unearned Revenue	56,161	22,162
Long-Term Liabilities		
Net Pension Liability	4,730,125	4,586,995
Total OPEB Liability	1,164,692	1,100,945
Other Long-Term Liabilities Due Within One Year	8,750	328,750
Other Long-Term Liabilities Due in More Than One Year	29,874	35,242
Total Liabilities	<u>6,806,238</u>	<u>6,830,310</u>
Deferred Inflows of Resources	5,598,857	7,534,397
Net Position		
Net Investment in Capital Assets	5,755,772	5,822,318
Restricted for		
Operating Capital	154,368	283,978
State-Mandated	761,718	521,398
Student Activities	129,217	115,715
Debt Service	85,044	77,617
Unrestricted	<u>(6,029,199)</u>	<u>(6,523,740)</u>
Total Net Position	<u>856,920</u>	<u>297,286</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 13,262,015</u>	<u>\$ 14,661,993</u>

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #2534

STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2021
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			Net (Expense) Revenue and Changes in Net Position	2020 Net (Expense) Revenue and Changes in Net Position
	Expenses	Program Revenues			
		Fees, Fines, and Charges for Services	Operating Grants and Contributions		
				Governmental Activities	Governmental Activities
GOVERNMENTAL ACTIVITIES					
Administration	\$ 425,964	\$	\$	\$ (425,964)	\$ (456,483)
District Support Services	369,147			(369,147)	(336,842)
Regular Instruction	4,197,004	60,956	1,162,803	(2,973,245)	(3,278,221)
Vocational Education Instruction	160,931		6,237	(154,694)	(176,757)
Special Education Instruction	870,810	48,121	792,931	(29,758)	(410,090)
Instructional Support Services	531,504	8,618	107	(522,779)	(506,963)
Pupil Support Services	1,097,664		52,943	(1,044,721)	(1,054,520)
Sites and Buildings	799,081	5,670	35,555	(757,856)	(854,665)
Fiscal and Other Fixed Costs Programs	68,263			(68,263)	(58,600)
Food Service	406,291	16,097	423,303	33,109	57,329
Community Education and Services	399,177	78,471	148,878	(171,828)	(186,518)
Interest and Fiscal Charges on Long-Term Liabilities	4,222			(4,222)	(10,808)
Total Governmental Activities	\$ 9,330,058	\$ 217,933	\$ 2,622,757	\$ (6,489,368)	\$ (7,273,138)
GENERAL REVENUES					
Taxes Levied for					
General Purposes				1,322,055	966,533
Community Education and Services				70,571	73,167
Debt Service				203,622	208,144
Aids and Payments from the State				5,280,178	5,417,238
Other General Revenues				166,270	115,120
Investment Earnings				6,306	8,627
Total General Revenues				7,049,002	6,788,829
Change in Net Position				559,634	(484,309)
NET POSITION, BEGINNING OF YEAR				297,286	781,595
NET POSITION, END OF YEAR				\$ 856,920	\$ 297,286

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #2534

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2020

	General	Food Service	Community Service	Debt Service	Total Governmental Funds	
					2021	2020
ASSETS						
Cash and Investments	\$ 3,355,926	\$ 202,918	\$	\$ 70,876	\$ 3,629,720	\$ 2,545,586
Receivables						
Accounts			1,142		1,142	55,765
Current Property Taxes	573,858		34,154		608,012	830,312
Delinquent Property Taxes	7,007		346	1,393	8,746	8,864
Due from Other Funds	388,975				388,975	361,901
Due from Other Governments						
Other Minnesota School Districts	1,552				1,552	1,150
State Department of Education	640,154		7,195	12,775	660,124	835,259
Federal Department of Education	156,972	20,484			177,456	161,809
Other Governmental Units			14,075		14,075	38,760
Inventory		12,993			12,993	14,442
Prepaid Items	8,750				8,750	8,750
Total Assets	\$ 5,133,194	\$ 236,395	\$ 56,912	\$ 85,044	\$ 5,511,545	\$ 4,862,598
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE						
Liabilities						
Payables						
Accounts	\$ 211,829	\$ 5,413	\$ 5,513	\$	\$ 222,755	\$ 115,570
Contracts						
Payroll	546,242	11,723	22,468		580,433	552,050
Due to Other Funds			388,975		388,975	361,901
Due to Other Governments						
Due to Other Minnesota School Districts	7,338				7,338	18,243
Due to Other Governmental Units	5,906		204		6,110	67,489
Unearned Revenue		34,869	21,292		56,161	22,162
Total Liabilities	771,315	52,005	438,452	0	1,261,772	1,137,415
Deferred Inflows of Resources						
Unavailable Revenue - Delinquent Property Taxes	7,007		346	1,393	8,746	8,864
Property Taxes Levied for Subsequent Year	1,144,782		73,361		1,218,143	1,571,707
Total Deferred Inflows of Resources	1,151,789	0	73,707	1,393	1,226,889	1,580,571
Fund Balance						
Nonspendable	8,750				8,750	8,750
Restricted	1,045,303	184,390	14,660	83,651	1,328,004	1,163,651
Committed	765,045				765,045	765,045
Assigned	328,000				328,000	328,000
Unassigned	1,062,992		(469,907)		593,085	(120,834)
Total Fund Balance	3,210,090	184,390	(455,247)	83,651	3,022,884	2,144,612
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 5,133,194	\$ 236,395	\$ 56,912	\$ 85,044	\$ 5,511,545	\$ 4,862,598

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #2534

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2021
WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2020

	<u>2021</u>	<u>2020</u>
Total Fund Balances - Governmental Funds	\$ 3,022,884	\$ 2,144,612
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental funds are not financial resources and therefore are not reported as assets in the governmental funds. Those assets consist of:		
Land	188,077	188,077
Land Improvements, Net of Accumulated Depreciation	1,069,455	1,097,740
Buildings, Net of Accumulated Depreciation	4,232,423	4,570,153
Equipment, Net of Accumulated Depreciation	265,817	321,348
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as unavailable revenue in the funds.	8,746	8,864
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred Outflows of Resources	2,301,422	3,915,539
Deferred Inflows of Resources	(4,348,064)	(5,924,599)
Deferred outflows and inflows of resources related to other post employment benefits are applicable to future periods and, therefore, are not reported in the funds.		
Deferred Outflows of Resources	82,251	68,439
Deferred Inflows of Resources	(32,650)	(38,091)
Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the Statement of Net Position. Balances at year-end are:		
Bond Principal Payable		(320,000)
Special Assessment Payable	(26,250)	(35,000)
Compensated Absences Payable	(12,374)	(8,992)
Net Pension Liability	(4,730,125)	(4,586,995)
Total OPEB Liability	(1,164,692)	(1,100,945)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		(2,864)
Total Net Position - Governmental Activities	<u>\$ 856,920</u>	<u>\$ 297,286</u>

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #2534

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2021
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	General	Food Service	Community Service	Debt Service	Total Governmental Funds	
					2021	2020
REVENUES						
Local Sources						
Property Taxes	\$ 1,320,735	\$	\$ 70,751	\$ 204,880	\$ 1,596,366	\$ 1,249,911
Interest Earnings	5,683	341		282	6,306	8,627
Other	246,001	598	162,562		409,161	324,438
State Sources	6,485,827	489	71,173	127,745	6,685,234	6,788,566
Federal Sources	675,807	422,281	2,708		1,100,796	700,629
Insurance Recovery	66,192				66,192	32,741
Sales and Other Conversions of Assets	11,429	16,032	80		27,541	192,418
Total Revenues	8,811,674	439,741	307,274	332,907	9,891,596	9,297,330
EXPENDITURES						
Current						
Administration	414,358				414,358	416,476
District Support Services	371,788				371,788	333,000
Regular Instruction	3,525,037				3,525,037	3,485,703
Vocational Education Instruction	149,941				149,941	156,486
Special Education Instruction	846,621				846,621	944,211
Instructional Support Services	405,929				405,929	424,702
Pupil Support Services	1,084,871				1,084,871	1,116,165
Sites and Buildings	845,275				845,275	834,644
Fiscal and Other Fixed Costs Programs	68,263				68,263	58,600
Food Service		407,883			407,883	426,614
Community Service			394,178		394,178	365,389
Capital Outlay	172,094				172,094	105,485
Debt Service						
Principal				320,000	320,000	314,000
Interest and Fiscal Charges				7,086	7,086	13,618
Total Expenditures	7,884,177	407,883	394,178	327,086	9,013,324	8,995,093
Excess (Deficiency) of Revenues Over (Under) Expenditures	927,497	31,858	(86,904)	5,821	878,272	302,237
OTHER FINANCING SOURCES (USES)						
Transfers In						
Transfers Out						16,954
Total Other Financing Sources (Uses)	0	0	0	0	0	(16,954)
Net Change in Fund Balances	927,497	31,858	(86,904)	5,821	878,272	302,237
FUND BALANCE, BEGINNING OF YEAR	2,282,593	152,532	(368,343)	77,830	2,144,612	1,842,375
FUND BALANCE, END OF YEAR	\$ 3,210,090	\$ 184,390	\$ (455,247)	\$ 83,651	\$ 3,022,884	\$ 2,144,612

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #2534

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	<u>2021</u>	<u>2020</u>
Total Net Change in Fund Balances - Governmental Funds	\$ 878,272	\$ 302,237
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p> <p>Capital outlay is reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.</p>		
Capital Outlay	34,978	
Depreciation Expense	(456,524)	(440,044)
<p>The governmental funds report bonds issued as financing sources, while repayment of bond principal is reported as an expenditure. In the Statement of Net Position, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities and repayment of principal reduces the liability. 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. The net effect of these differences is as follows:</p>		
Payment of Bond Principal	320,000	314,000
Payment of Special Assessment	8,750	8,750
Change in Accrued Interest Payable	2,864	2,810
<p>Delinquent property taxes receivable will be collected this year but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.</p>		
	(118)	(2,067)
<p>In the Statement of Activities, certain operating expenses - pension, other post-employment benefits and compensated absences - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).</p>		
Pensions	(180,712)	(458,843)
Other Post-employment Benefits	(44,494)	(208,418)
Compensated Absences	(3,382)	(2,734)
	<u> </u>	<u> </u>
Change in Net Position - Governmental Activities	<u>\$ 559,634</u>	<u>\$ (484,309)</u>

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #2534

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED JUNE 30, 2021
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			Over (Under) Final Budget	2020
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES					
Local Sources					
Property Taxes	\$ 1,307,002	\$ 1,317,491	\$ 1,320,735	\$ 3,244	\$ 968,344
Interest Earnings	8,970	8,970	5,683	(3,287)	7,763
Other	143,350	257,264	246,001	(11,263)	178,682
State Sources	6,521,845	6,477,759	6,485,827	8,068	6,577,505
Federal Sources	307,899	686,161	675,807	(10,354)	357,765
Insurance Recovery		53,512	66,192	12,680	32,741
Sales and Other Conversions of Assets	59,400	6,687	11,429	4,742	66,789
Total Revenues	<u>8,348,466</u>	<u>8,807,844</u>	<u>8,811,674</u>	<u>3,830</u>	<u>8,189,589</u>
EXPENDITURES					
Current					
Administration	436,896	435,886	414,358	(21,528)	416,476
District Support Services	348,216	417,767	371,788	(45,979)	333,000
Regular Instruction	3,487,509	3,612,369	3,525,037	(87,332)	3,485,703
Vocational Education Instruction	156,627	160,414	149,941	(10,473)	156,486
Special Education Instruction	982,883	928,704	846,621	(82,083)	944,211
Instructional Support Services	390,712	422,568	405,929	(16,639)	424,702
Pupil Support Services	1,296,010	1,231,488	1,084,871	(146,617)	1,116,165
Sites and Buildings	959,818	961,500	845,275	(116,225)	834,644
Fiscal and Other Fixed Costs Programs	131,400	82,768	68,263	(14,505)	58,600
Capital Outlay					
Regular Instruction	2,600	41,091	38,101	(2,990)	5,124
Vocational Education Instruction		923	923		936
Special Education Instruction	1,000	1,000		(1,000)	1,400
Instructional Support Services	105,000	112,000	121,535	9,535	84,717
Pupil Support Services		15,680	9,621	(6,059)	
Sites and Buildings	19,000	6,000	1,914	(4,086)	13,308
Total Expenditures	<u>8,317,671</u>	<u>8,430,158</u>	<u>7,884,177</u>	<u>(545,981)</u>	<u>7,875,472</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	30,795	377,686	927,497	549,811	314,117
OTHER FINANCING SOURCES (USES)					
Transfer Out					(16,954)
Net Change in Fund Balance	<u>\$ 30,795</u>	<u>\$ 377,686</u>	927,497	<u>\$ 549,811</u>	297,163
FUND BALANCE, BEGINNING OF YEAR			2,282,593		1,985,430
FUND BALANCE, END OF YEAR			<u>\$ 3,210,090</u>		<u>\$ 2,282,593</u>

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #2534

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOOD SERVICE SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2021
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			Over (Under) Final Budget	2020
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES					
Local Sources					
Interest Earnings	\$ 250	\$ 250	\$ 341	\$ 91	\$ 321
Other	550	65	598	533	1,375
State Sources	17,700	510	489	(21)	30,754
Federal Sources	210,700	412,049	422,281	10,232	342,864
Sales and Other Conversions of Assets	156,400	22,931	16,032	(6,899)	125,474
Total Revenues	<u>385,600</u>	<u>435,805</u>	<u>439,741</u>	<u>3,936</u>	<u>500,788</u>
EXPENDITURES					
Current					
Food Service	<u>436,726</u>	<u>439,751</u>	<u>407,883</u>	<u>(31,868)</u>	<u>426,614</u>
Net Change in Fund Balance	<u>\$ (51,126)</u>	<u>\$ (3,946)</u>	31,858	<u>\$ 35,804</u>	74,174
FUND BALANCE, BEGINNING OF YEAR			<u>152,532</u>		<u>78,358</u>
FUND BALANCE, END OF YEAR			<u>\$ 184,390</u>		<u>\$ 152,532</u>

INDEPENDENT SCHOOL DISTRICT #2534

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 COMMUNITY SERVICE SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2021
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			Over (Under) Final Budget	2020
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES					
Local Sources					
Property Taxes	\$ 79,042	\$ 70,137	\$ 70,751	\$ 614	\$ 73,215
Other	205,500	188,437	162,562	(25,875)	144,381
State Sources	64,840	71,938	71,173	(765)	74,447
Federal Sources			2,708	2,708	
Sales and Other Conversions of Assets	1,000		80	80	155
Total Revenues	<u>350,382</u>	<u>330,512</u>	<u>307,274</u>	<u>(23,238)</u>	<u>292,198</u>
EXPENDITURES					
Current					
Community Service	454,419	467,705	394,178	(73,527)	365,389
Capital Outlay					
Community Service		5,056		(5,056)	
Total Expenditures	<u>454,419</u>	<u>472,761</u>	<u>394,178</u>	<u>(78,583)</u>	<u>365,389</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(104,037)	(142,249)	(86,904)	55,345	(73,191)
OTHER FINANCING SOURCES (USES)					
Transfer In					16,954
Net Change in Fund Balance	<u>\$ (104,037)</u>	<u>\$ (142,249)</u>	(86,904)	<u>\$ 55,345</u>	(56,237)
FUND BALANCE, BEGINNING OF YEAR			(368,343)		(312,106)
FUND BALANCE, END OF YEAR			<u>\$ (455,247)</u>		<u>\$ (368,343)</u>

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #2534

STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUND

JUNE 30, 2021

WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash	<u>\$ 194,423</u>	<u>\$ 190,848</u>
LIABILITIES AND NET POSITION		
Liabilities		
Payables		
Accounts	\$	\$ 1,500
Net Position		
Restricted for Scholarships	<u>194,423</u>	<u>189,348</u>
Total Liabilities and Net Position	<u>\$ 194,423</u>	<u>\$ 190,848</u>

INDEPENDENT SCHOOL DISTRICT #2534

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 CUSTODIAL FUND
 YEAR ENDED JUNE 30, 2021
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	<u>2021</u>	<u>2020</u>
ADDITIONS		
Local Sources		
Earnings from Investments and Gifts	\$ 8,825	\$ 7,094
DEDUCTIONS		
Scholarships	<u>3,750</u>	<u>4,000</u>
Changes in Net Position	5,075	3,094
NET POSITION, BEGINNING OF YEAR	<u>189,348</u>	<u>186,254</u>
NET POSITION, END OF YEAR	<u><u>\$ 194,423</u></u>	<u><u>\$ 189,348</u></u>

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INDEPENDENT SCHOOL DISTRICT #2534

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Independent School District #2534 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB pronouncements are recognized as accounting principles generally accepted in the United States of America. The more significant of the government's accounting policies are described below.

A. REPORTING ENTITY

The Independent School District #2534 Board of Education ("District") is the basic level of government which has the financial accountability and control over all activities related to the public school education for the BOLD Public School District. The District receives funding from local, state, and federal sources and must comply with the expenditure requirements of these funding source entities.

The financial statements present the District and its component units. The District includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate from such. Component units are legally separate entities for which the District is financially accountable, or for which the exclusion of the component unit would render the financial statements of the District misleading.

The criteria used to determine if the District is financially accountable for a component unit includes whether or not 1) the District appoints the voting majority of the potential component unit's governing body and is able to impose its will on the potential component unit or is in a relationship of financial benefit or burden with the potential component unit, or 2) the potential component unit is fiscally dependent on and there is a potential for the potential component unit to provide specific financial benefits to, or impose specific financial burdens on, the District.

As a result of applying the component unit definition criteria above, it has been determined the District has no component units.

Joint Powers Agreement

The Swimming Pool is included as a part of the Community Service Fund. The Swimming Pool consists of a four member board, of which two members are City Council and two members are School Board. The Swimming Pool is operated in the City of Olivia to provide services and activities to the school and the community. The pool is financed from grants, donations, program fees, and funds contributed. As of January 1, 2020, the City contributed 100% of the net funds required of the established general operations budget for the pool. Separate financial statements for the Swimming Pool are not issued.

Extracurricular student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside school hours. The School Board has a fiduciary responsibility in establishing general policies and ensuring that appropriate financial records are maintained for student activities. In addition, these accounts of the District are under the School Board's control. The activity of the student activity accounts is accounted for in the General Fund.

INDEPENDENT SCHOOL DISTRICT #2534

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Elimination of all charges would distort the direct costs and program revenue reported for the various functions concerned.

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are fiduciary 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 generally recognized as revenues in the fiscal year for which they are levied, except for amounts advance recognized in accordance with statutory "tax shift" described later in these notes. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting, in which revenues are recognized when they become measurable and available. Revenues are considered to be measurable when the amount of the transaction can be determined and available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

INDEPENDENT SCHOOL DISTRICT #2534

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

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

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

Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to Minnesota Statutes and accounting principles generally accepted in the United States of America. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition, and other miscellaneous revenue (except interest earnings) are recorded as revenues when received because they are generally not measurable until then. Interest earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. The District does not use encumbrances for either budgeting or financial reporting purposes.

It is generally the District's policy to use restricted resources first, then unrestricted resources as they are needed when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Description of Funds:

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

Major Governmental Funds:

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

The Food Service Special Revenue Fund accounts for all activities associated with the preparation and serving of regular and incidental meals, lunches or snacks in connection with school activities. Revenues for the Food Service Fund are generated from user fees, federal reimbursements, and state credits.

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

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

INDEPENDENT SCHOOL DISTRICT #2534

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

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

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

Description of Funds: (Cont'd)

Fiduciary Fund:

The Custodial Fund is used to account for arrangements under which principal and income benefits individuals, private organizations, or other governments. This fund accounts for gifts and bequests that are to be used for scholarships with no legally binding trust agreement.

D. BUDGETS AND BUDGETARY ACCOUNTING

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

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

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

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

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

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION AND FUND BALANCE

Cash and Investments:

The District's cash and cash equivalents are considered to be cash on hand, deposits and highly liquid debt instruments purchased with original maturities of three months or less from the date of acquisition.

INDEPENDENT SCHOOL DISTRICT #2534

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

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

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION AND FUND BALANCE (Cont'd)

Cash and Investments: (Cont'd)

The District may invest in the following types of investments as authorized by Minn. Stat. §§118A.04 and 118A.05:

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. §118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) time deposits that are fully insured by the Federal Deposit Insurance Corporation or bankers acceptances of United States bank;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by at least two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Cash and investments were comprised of demand deposit accounts, money market accounts, non-negotiable certificates of deposit and an external investment pool.

Cash balances from all funds of the District are pooled and invested, to the extent available, in allowable cash management accounts. Earnings from such accounts are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

The District invests in an external investment pool, the Minnesota School District Liquid Asset Fund, which is created under a joint powers agreement pursuant to Minn. Stat. §471.59. The Minnesota School District Liquid Asset Fund is not registered with the Securities Exchange Commission (SEC), but satisfies the requirements of Rule 2a-7 prescribed by the SEC pursuant to the Investment Company Act of 1940 (17 CFR §270.2a-7), as amended. The investment in the pool is measured at the net asset value per share provided by the pool.

INDEPENDENT SCHOOL DISTRICT #2534

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

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

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION AND FUND BALANCE (Cont'd)

Cash and Investments: (Cont'd)

The District has an investment policy in place that addresses interest rate risk, credit risk, concentration of credit risk and custodial credit risk as follows:

Custodial Credit Risk: - Deposits. Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to it. Minnesota Statutes require all District deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies, general obligations of a state or local government rated "A" or better and revenue obligations of a state or local government rated "AA" or better; unrated general obligation securities of the District; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The District does not have a policy that further limits its collateral choices.

Custodial Credit Risk: - Investments. For an investment, this is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy on custodial credit risk states securities shall be held in third party safekeeping by an institution designated as custodial agent. The institution or dealer shall issue a safekeeping receipt to the District listing the specific instrument, the name of the issuer, the name in which the security is held, the rate, the maturity, serial numbers and other distinguishing marks, and other pertinent information related to the securities held.

Interest Rate Risk: This is the risk that the market value of securities will fall due to the changes in market interest rates. The District's policy states investment maturities shall be scheduled to coincide with projected District cash flow needs, taking into account large routine or scheduled expenditures, as well as anticipated receipt dates of anticipated revenues. Maturities for short-term and long-term investments shall be timed according to anticipated need. Within these parameters, portfolio maturities shall be staggered to avoid undue concentration of assets and a specific maturity sector. The maturities selected shall provide for stability of income and reasonable liquidity.

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. State law limits certain investments to the top two ratings issued by the rating organizations. The District's investment policy states it will comply with Minnesota Statutes Chapter 118A.

INDEPENDENT SCHOOL DISTRICT #2534

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

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

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION AND FUND BALANCE (Cont'd)

Cash and Investments: (Cont'd)

Concentration Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. The District's investment policy states the District shall diversify its investments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities.

Accounts Receivable:

Accounts receivable represents amounts receivable from individuals, firms, and corporations for goods and services furnished by the District. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary.

Current Property Taxes Receivable:

Current property taxes receivable represent current real and personal property tax levies, certified the previous December and collectible in the current calendar year, which have not been received by the District.

Delinquent Property Taxes Receivable:

Delinquent property taxes receivable represent taxes collectible in the years 2010 to 2020 that remain uncollected at June 30, 2021. They are equally offset by a deferred inflow of resources amount in the governmental fund financial statements.

Prepaid Items:

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

Inventory:

Inventories are recorded using the consumption method of accounting and consist of purchased food and supplies. Food and supply purchases are recorded at invoice cost, computed on a first-in, first-out method.

Property Taxes Levied for Subsequent Years:

Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the state which will be recognized as revenue in the next fiscal year beginning July 1, 2021, are included in this account to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

Capital Assets:

Tangible and intangible capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded at their estimated acquisition value at the date of donation. The District maintains a threshold level of \$5,000 for capitalizing tangible and intangible capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

INDEPENDENT SCHOOL DISTRICT #2534

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

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

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION, AND FUND BALANCE (Cont'd)

Capital Assets: (Cont'd)

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

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

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

The District does not possess any material amounts of intangible capital assets.

Deferred Outflows of Resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future reporting period. During that future period, it will be recognized as an outflow of resources (expense/expenditure). The District has items that qualify for reporting in this category on the government-wide Statement of Net Position which are related to pensions and OPEB.

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. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

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

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION, AND FUND BALANCE (Cont'd)

Compensated Absences:

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability for compensated absences is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences are accrued when incurred in the government-wide financial statements. The government-wide Statement of Net Position reports both current and noncurrent portions of compensated absences using full accrual accounting. The current portion consists of an amount based on expected or known retirements coming in the next fiscal year. The noncurrent portion consists of the remaining amount of vacation and total vested sick leave.

Vacation Pay:

Employees earn annual vacation pay at rates dependent upon each employee group labor contract. All outstanding unpaid vacation pay is payable upon termination of employment.

Sick Pay:

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

Other Postemployment Benefits:

Under the terms of previous employment contracts, when certain qualified employees retired between the ages of 55 to 65, the District provided health insurance benefits which would cease when such employees attain the age of 65. This benefit is no longer available to employees; however, the District continues to pay health insurance for qualified individuals that retired when this benefit was in effect. All premiums are funded on a pay-as-you-go basis. The District provides an annual amount to qualified employees with the employee paying the amount in excess of what is provided by the District.

Pensions:

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, 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. 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.

The District participates in various pension plans; total pension expense for the fiscal year ended was \$541,146. The components of pension expense are noted in the plan summaries.

INDEPENDENT SCHOOL DISTRICT #2534

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

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

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION, AND FUND BALANCE (Cont'd)

Pensions: (Cont'd)

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. This direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association 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 in 2015.

Unearned Revenue:

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and certain other payments received before eligibility requirements are met are also recorded as unearned revenue.

Deferred Inflows of Resources:

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period. During that future period, it will be recognized as an inflow of resources (revenue). The District has items that qualify for reporting in this category on both the government-wide Statement of Net Position and the governmental fund financial statements related to property taxes, pensions and OPEB.

Fund Balance:

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

Nonspendable: Consists of amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact, such as, inventories and prepaid items.

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

Committed: Consists of amounts that are constrained for specific purposes that are internally imposed by formal action of the Board of Education. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. These constraints are established by Resolution of the Board of Education.

Assigned: Consists of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to School Board Policy, the Business Manager and Superintendent are authorized to establish assignments of fund balance.

INDEPENDENT SCHOOL DISTRICT #2534

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

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

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION, AND FUND BALANCE (Cont'd)

Fund Balance: (Cont'd)

Unassigned: Is the residual classification for the General Fund and also reflects negative residual amounts in the remaining governmental funds.

The District requires restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Board of Education has formally adopted a fund balance policy for the General Fund. The District's policy is to strive to maintain at least 40% of the District's General Fund operating budget, excluding those accounts associated within the restricted category.

Net Position:

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

F. REVENUES AND EXPENDITURES

Revenues:

Property tax levies are established by the Board of Education in December each year and are certified to the County for collection in 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 January 1. Taxes are due on May 15 and October 15. The County generally remits taxes to the District at periodic intervals as they are collected. A portion of property taxes levied is paid through various state tax credits which are included in revenue from state sources in the governmental fund financial statements.

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

INDEPENDENT SCHOOL DISTRICT #2534

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

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

F. REVENUES AND EXPENDITURES (Cont'd)

Revenues: (Cont'd)

In accordance with State law, the current tax shift consists of an amount equal to 31% of the District's 2000 Pay 2001 operating referendum which is frozen at \$96,802 for the District. For the year ended June 30, 2021, State law is not requiring recognition of the current operating referendum and all other levies other than Career Technical and Reemployment Insurance. Career Technical and Reemployment Insurance tax levies are recognized early based on statutory requirements in the amounts of \$44,257 and \$1,677, after adjustments, respectively.

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

Expenditures:

Expenditure recognition for governmental fund types is limited to amounts represented by current liabilities. Long-term liabilities are not recognized as governmental fund expenditures or fund liabilities.

G. USE OF ESTIMATES

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

H. PRIOR YEAR INFORMATION

The basic financial statements include certain prior-year partial comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2020, from which the partial information was derived.

INDEPENDENT SCHOOL DISTRICT #2534

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. VIOLATIONS OF FINANCE-RELATED OBLIGATIONS

There were no violations of finance-related obligations.

B. DEFICIT FUND BALANCES

The following funds had a deficit balance:

Community Service Fund	\$ (455,247)
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C. EXCESS OF EXPENDITURES OVER BUDGET

There were no violations of excess of expenditures over budget.

NOTE 3. CASH AND INVESTMENTS

A. DEPOSITS

The District's deposits were sufficiently covered by insurance through FDIC as well as collateralized with securities held by the pledging institution's trust department or agent in the District's name.

The District had the following deposits:

Governmental Activities

Pooled Cash in Checking Accounts	\$ 1,025,478
Pooled Cash in Money Market Accounts	250,472
Non-Negotiable Certificates of Deposit	2,352,478
Petty Cash	1,060
	<hr/>

Total Governmental Activities	3,629,207
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Fiduciary Fund

Pooled Cash in Checking Accounts	\$ 63,085
Non-Negotiable Certificates of Deposit	131,338
	<hr/>

Total Fiduciary Fund	<hr/> 194,423
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Total Deposits	<hr/> <hr/> \$ 3,823,630
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INDEPENDENT SCHOOL DISTRICT #2534

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3. CASH AND INVESTMENTS (Cont'd)

B. INVESTMENTS

The District had the following investments:

Governmental Activities

Investment at Amortized Cost:

External Investment Pool

Liquid Asset Fund

Liquid Class

\$ 327

MAX Class

186

Total Investments

\$ 513

The credit rating for the MSDLAF+ Classes was AAA. The non-negotiable certificates of deposit were not rated.

The following is a summary of deposits and investments:

Deposits (Note 3.A.)

\$ 3,823,630

Investments

513

Total Deposits and Investments

\$ 3,824,143

Deposits and Investments are presented in the basic financial statements as follows:

Statement of Net Position

Cash and Investments

\$ 3,629,720

Statement of Fiduciary Net Position

Cash and Investments

194,423

Total Cash and Investments

\$ 3,824,143

B. INVESTMENTS

Interest Rate Risk. This is the risk that the market value of securities will fall due to the changes in market interest rates.

Concentration Risk. This is the risk of loss attributed to the magnitude of an investment in a single issuer. More than 5 percent of the District's investments are in MSDLAF. MSDLAF is 100% of the District's investments.

INDEPENDENT SCHOOL DISTRICT #2534

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4. RECEIVABLES

Receivables were as follows:

	<u>Total Receivables</u>	<u>Amounts not Scheduled for Collection During the Subsequent Year</u>
<u>Governmental Activities</u>		
Receivables		
Accounts	\$ 1,142	\$
Current Property Taxes	608,012	
Delinquent Property Taxes	8,746	
Total Receivables	<u>617,900</u>	<u>0</u>
Due from Other Governments		
Other Minnesota School Districts	1,552	
State Department of Education	660,124	
Federal Department of Education	177,456	
Other Governmental Units	14,075	
Total Due from Other Governments	<u>853,207</u>	<u>0</u>
Total Governmental Activities	<u>\$ 1,471,107</u>	<u>\$ 0</u>

NOTE 5. DUE TO OTHER GOVERNMENTS

Due to Other Governments were as follows:

	<u>Total Payables</u>
Due to Other Governments	
Due to Other Minnesota School Districts	\$ 7,338
Due to Other Governmental Units	6,110
Total Due to Other Governments	<u>\$ 13,448</u>

INDEPENDENT SCHOOL DISTRICT #2534

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6. CAPITAL ASSETS

Capital asset activity was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated				
Land	\$ 188,077	\$	\$	\$ 188,077
Capital Assets, Being Depreciated				
Land Improvements	1,641,064	34,978		1,676,042
Buildings	12,141,794			12,141,794
Equipment	2,680,551			2,680,551
Total Capital Assets, Being Depreciated	16,463,409	34,978	0	16,498,387
Less Accumulated Depreciation for				
Land Improvements	543,324	63,263		606,587
Buildings	7,571,641	337,730		7,909,371
Equipment	2,359,203	55,531		2,414,734
Total Accumulated Depreciation	10,474,168	456,524	0	10,930,692
Total Capital Assets, Being Depreciated, Net	5,989,241	(421,546)	0	5,567,695
Governmental Activities				
Net Capital Assets	\$ 6,177,318	\$ (421,546)	\$ 0	\$ 5,755,772

Depreciation expense was charged to functions/programs as follows:

<u>Governmental Activities</u>	
Regular Instruction	\$ 448,590
Food Service	2,137
Sites and Buildings	5,797
	<hr/>
Total Depreciation Expense - Governmental Activities	\$ 456,524

INDEPENDENT SCHOOL DISTRICT #2534

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 7. LONG-TERM LIABILITIES

A. COMPONENTS OF LONG-TERM LIABILITIES

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

	Original Amount Issued	Final Maturity Date	Interest Rate	Balance Outstanding
<u>Governmental Activities</u>				
Special Assessment	\$ 140,000	12/15/2024	0.00%	\$ 26,250
Compensated Absences				12,374
				<u>38,624</u>
Total Governmental Activities				<u>\$ 38,624</u>

B. MINIMUM DEBT PAYMENTS

Minimum annual principal and interest payments required to retire long-term debt, not including severance payable and vacation payable, are as follows:

Year Ending June 30	<u>Governmental Activities</u>	
	<u>Special Assessment</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 8,750	\$
2023	8,750	
2024	8,750	
	<u>\$ 26,250</u>	<u>\$ 0</u>

INDEPENDENT SCHOOL DISTRICT #2534

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 7. LONG-TERM LIABILITIES

C. DESCRIPTION OF LONG-TERM LIABILITIES

Special Assessment Payable:

As of November 25, 2009 the District has entered into a \$140,000, 16 year non-interest bearing special assessment agreement with the City of Olivia. The conditions of the agreement state that the District must pay the City Of Olivia in annual installments of \$8,750 with the first payment due December 15, 2009 and the final payment due December 15, 2024. The Special Assessment will be paid by the General Fund.

Tax Abatement Bonds:

As of June 26, 2018 the district issued \$634,000 of General Obligation Tax Abatement Bonds, Series 2018A. The proceeds of this issue will be used to finance an infrastructure project. The principal will be paid in two installments with the first being due February 01, 2020. Interest payments will be made bi-annually starting February 01, 2019 with an interest rate of 2.148%.

Compensated Absences Payable:

Compensated absences payable consists of unused vacation and other compensated absences paid at retirement for certain employees based on the employment contract. In the past, vacation expense has been paid by the General, Food Service, and the Community Service Funds.

D. CHANGES IN LONG-TERM LIABILITIES

The following table summarized changes in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
Special Assessment	\$ 35,000	\$	\$ (8,750)	\$ 26,250	\$ 8,750
G.O. Tax Abatement Bonds, Series 2018A	320,000		(320,000)		
Compensated Absences	8,992	25,189	(21,807)	12,374	
Total Governmental Activities	<u>\$ 363,992</u>	<u>\$ 25,189</u>	<u>\$ (350,557)</u>	<u>\$ 38,624</u>	<u>\$ 8,750</u>

INDEPENDENT SCHOOL DISTRICT #2534

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

The following is a summary of the major components of deferred outflows and inflows as presented in the Statement of Net Position:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Related to Pensions	\$ 2,301,422	\$ 4,348,064
Related to OPEB	82,251	32,650
Property Taxes Levied for Subsequent Year		<u>1,218,143</u>
Total	<u>\$ 2,383,673</u>	<u>\$ 5,598,857</u>

NOTE 9. INTERFUND BALANCES AND TRANSFERS

A. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances was as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Community Service Fund	<u>\$ 388,975</u>

The purpose of the above interfund loan was to cover a deficit cash balance.

INDEPENDENT SCHOOL DISTRICT #2534

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10. FUND BALANCES

The following is a summary of fund balance components:

	General	Food Service	Community Service	Debt Service	Total
Nonspendable					
Prepaid Items	\$ 8,750	\$	\$	\$	\$ 8,750
Restricted					
Student Activities	129,217				129,217
Staff Development	247,891				247,891
Operating Capital	154,368				154,368
Basic Skills					
Program	21,997				21,997
Area Learning Center	23,446				23,446
Safe Schools Levy	41,597				41,597
LTFM	291,307				291,307
Medical Assistance	135,480				135,480
Other Fund Activities		184,390	14,660	83,651	282,701
Total Restricted	<u>1,045,303</u>	<u>184,390</u>	<u>14,660</u>	<u>83,651</u>	<u>1,328,004</u>
Committed					
Compensated					
Absences	5,801				5,801
Preschool	60,000				60,000
Assessments	52,500				52,500
HVAC	493,400				493,400
Roof Repairs					
2016-2018	153,344				153,344
Total Committed	<u>765,045</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>765,045</u>
Assigned					
Gym Wood Floor	56,000				56,000
Building Upgrades	272,000				272,000
Total Assigned	<u>328,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>328,000</u>
Unassigned	<u>1,062,992</u>		<u>(469,907)</u>		<u>593,085</u>
	<u>\$ 3,210,090</u>	<u>\$ 184,390</u>	<u>\$ (455,247)</u>	<u>\$ 83,651</u>	<u>\$ 3,022,884</u>

Fund Equity:

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

INDEPENDENT SCHOOL DISTRICT #2534

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10. FUND BALANCES (Cont'd)

Fund Equity: (Cont'd)

A. RESTRICTED FOR STUDENT ACTIVITIES

The fund balance restriction represents unspent resources available for student activity expenditures.

B. RESTRICTED FOR STAFF DEVELOPMENT

In accordance with state statute, the District is required to restrict 2.0% of basic General Education revenue for staff development. The cumulative excess of such revenues over staff development expenditures is reported as a restriction of fund balance in the General Fund.

C. RESTRICTED FOR OPERATING CAPITAL

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

D. RESTRICTED FOR BASIC SKILLS

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

E. RESTRICTED FOR AREA LEARNING CENTER

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

F. RESTRICTED FOR SAFE SCHOOLS LEVY

The fund balance restriction represents unspent resources available from the safe schools levy.

G. RESTRICTED FOR LONG-TERM FACILITIES MAINTENANCE (LTFM)

The fund balance restriction represents accumulated resources available for allowable expenses in accordance with their long-term facilities maintenance plan.

H. RESTRICTED FOR MEDICAL ASSISTANCE

The fund balance restriction represents unspent resources available for medical assistance expenditures.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11. DEFINED BENEFIT PENSION PLAN - STATEWIDE

A. PLAN DESCRIPTION

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

General Employees Retirement Plan (GERP; General Employees Plan; accounted for in the General Employees Fund):

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

Teachers Retirement Association (TRA):

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 school, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members (except those employed by St. Paul schools or Minnesota State colleges and universities). Educators first hired by Minnesota State may elect either TRA coverage or coverage through the Define Contribution Plan (DCR) administered by the State of Minnesota.

B. BENEFITS PROVIDED

GERP Benefits:

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

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

INDEPENDENT SCHOOL DISTRICT #2534

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

B. BENEFITS PROVIDED (Cont'd)

GERP Benefits: (Cont'd)

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

TRA Benefits:

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

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

Tier I 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 are up to July 1, 2006	1.2% per year
	First ten years if service are up 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.

INDEPENDENT SCHOOL DISTRICT #2534

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

B. BENEFITS PROVIDED (Cont'd)

TRA Benefits: (Cont'd)

- 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. CONTRIBUTIONS

GERP Contributions:

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

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2021 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2021 were \$80,326. The District's contributions were equal to the required contributions as set by state statute.

INDEPENDENT SCHOOL DISTRICT #2534

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

C. CONTRIBUTIONS (Cont'd)

TRA Contributions:

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

	<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>
Basic:			
Employee	11.00%	11.00%	11.00%
Employer	11.71%	11.92%	12.13%
Coordinated:			
Employee	7.50%	7.50%	7.50%
Employer	7.71%	7.92%	8.13%

The District's contributions to TRA for the plan's fiscal year ended June 30, 2021 were \$250,330. The District's contributions were equal to the required contributions for each year as set by state statute.

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

Employer Contributions Reported in TRA's CAFR, Statement of Changes in Fiduciary Net Position	\$425,223,000
Add Employer Contributions Not Related to Future Contribution Efforts	(688,000)
Deduct TRA's Contributions Not Included in Allocation	<u>(486,000)</u>
Total Employer Contributions	424,049,000
Total Non-Employer Contributions	<u>35,588,000</u>
Total Contributions Reported in Schedule of Employer and Non-Employer Allocations	<u><u>\$459,637,000</u></u>

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

INDEPENDENT SCHOOL DISTRICT #2534

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

D. PENSION COSTS

GERP Pension Costs:

At June 30, 2021 the District reported a liability of \$851,355 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$26,185. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The District's proportion share was 0.0142% at the end of the measurement period and 0.0146% for the beginning of the period.

Districts proportionate share of the net pension liability	\$ 851,355
State of Minnesota's proportionate share of the net pension liability associated with the District	<u>26,185</u>
Total	<u><u>\$ 877,540</u></u>

There were no provision changes during the measurement period.

For the year ended June 30, 2021, the District recognized pension expense of \$75,603 for its proportionate share of GERP's pension expense. In addition, the District recognized \$2,279 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the annual \$16 million contribution

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 7,990	\$ 3,221
Changes in Actuarial Assumptions		32,328
Differences Between Projected and Actual Investment Earnings	8,626	
Changes in Proportion		40,449
Contributions Paid to GERP Subsequent to Measurement Date	<u>80,326</u>	
Totals	<u><u>\$ 96,942</u></u>	<u><u>\$ 75,998</u></u>

INDEPENDENT SCHOOL DISTRICT #2534

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

D. PENSION COSTS (Cont'd)

GERP Pension Costs: (Cont'd)

\$80,326 reported as deferred outflows of resources related to pensions resulting from District contributions to GERP subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to GERP pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	<u>Pension Expense Amount</u>
2022	\$ (77,867)
2023	(12,778)
2024	10,693
2025	20,570

TRA Pension Costs:

On June 30, 2021, the District reported a liability of \$3,878,770 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. District proportionate share was 0.0525% at the end of the measurement period and 0.0593% 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	\$ 3,878,770
State's Proportionate Share of the Net Pension Liability Associated with the District	325,054

For the year ended June 30, 2021, the District recognized pension expense of \$384,022. It also recognized \$29,777 as an increase to pension expense for the support provided by direct aid.

INDEPENDENT SCHOOL DISTRICT #2534

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

D. PENSION COSTS (Cont'd)

TRA Pension Costs: (Cont'd)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 77,785	\$ 67,065
Changes in Actuarial Assumptions	1,481,646	3,686,218
Differences Between Projected and Actual Investment Earnings	24,795	
Changes in Proportion	369,924	518,783
Contributions Paid to TRA Subsequent to Measurement Date	<u>250,330</u>	
Totals	<u>\$ 2,204,480</u>	<u>\$ 4,272,066</u>

\$250,330 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	<u>Pension Expense Amount</u>
2022	\$ 18,652
2023	(1,269,861)
2024	(1,025,887)
2025	15,277
2026	(56,097)

E. ACTUARIAL ASSUMPTIONS

GERP:

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

Actuarial Assumptions

Inflation	2.50% per year
Active Member Payroll Growth	3.00% per year
Investment Rate of Return	7.50%

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

INDEPENDENT SCHOOL DISTRICT #2534

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

E. ACTUARIAL ASSUMPTIONS (Cont'd)

GERP: (Cont'd)

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

The following changes in actuarial assumptions and plan provisions occurred in 2020:

Changes in Actuarial Assumptions:

The price inflation assumption was decreased from 2.50% to 2.25%.

The payroll growth assumption was decreased from 3.25% to 3.00%.

Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.

Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.

Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.

Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.

The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.

The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.

The assumed spouse age difference was changed from two years older for females to one year older.

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

INDEPENDENT SCHOOL DISTRICT #2534

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

E. ACTUARIAL ASSUMPTIONS (Cont'd)

GERP: (Cont'd)

Changes in Plan Provisions:

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

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

Asset Class	Target Allocation	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%	5.30%
Cash Equivalents	2.00%	0.00%
Total	<u>100.00%</u>	

TRA:

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

Actuarial Information

Valuation Date	July 1, 2020
Experience Study	June 5, 2015 November 6, 2017 (Economic Assumptions)
Actuarial Cost Method	Entry Age Normal

INDEPENDENT SCHOOL DISTRICT #2534

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

E. ACTUARIAL ASSUMPTIONS (Cont'd)

TRA: (Cont'd)

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	1.0% for January 2020 through January 2023, then increasing by 0.1% each year up to 1.5% 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 TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2016 is six years. The Difference between Expected and Actual Experience, Changes of Assumptions, and Changes in Proportion use the amortization period of six years in the schedule presented. The amortization period for Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments” is five years as required by GASB 68.

The following changes in actuarial assumptions occurred 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 at least age 62 with 30 years of service credit are exempt.

INDEPENDENT SCHOOL DISTRICT #2534

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

E. ACTUARIAL ASSUMPTIONS (Cont'd)

TRA: (Cont'd)

The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.

Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.

Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.

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

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%
Cash	2.00%	0.00%
Total	100.00%	

F. DISCOUNT RATE

GERP:

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

INDEPENDENT SCHOOL DISTRICT #2534

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

F. DISCOUNT RATE (Cont'd)

TRA:

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

G. PENSION LIABILITY SENSITIVITY

The following presents the District's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraphs, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	<u>GERP</u>		<u>TRA</u>	
1% Lower	6.50%	\$ 1,364,427	6.50%	\$ 5,938,356
Current Discount Rate	7.50%	851,355	7.50%	3,878,770
1% Higher	8.50%	428,112	8.50%	2,181,776

H. PENSION PLAN FIDUCIARY NET POSITION

GERP:

Detailed information about the 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.

TRA:

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

INDEPENDENT SCHOOL DISTRICT #2534

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 12. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN

A. PLAN DESCRIPTION

The District operates a single-employer retiree benefit plan (the Plan) that provides health, dental, and life insurance to eligible employees and their spouses through the District's commercial insurance plans. There are 102 active participants and 8 retired participants. Benefit and eligibility provisions are established through negotiations between the District and employee groups including a union. The union contract is renegotiated each two-year bargaining period. The Plan does not issue a publicly available financial report. No assets are accumulated in a trust that meets all of the criteria in GASB Statement No. 75, paragraph 4.

B. TOTAL OPEB LIABILITY

The District's total OPEB liability of \$1,164,692 was measured as of July 1, 2019, and was determined by an actuarial valuation as of that date. Updated procedures were used to roll forward the total OPEB liability to June 30, 2021.

C. CHANGES IN TOTAL OPEB LIABILITY

Changes in the total OPEB liability were as follows:

	<u>Total OPEB Liability</u>
Balance at June 30, 2020	\$ 1,100,945
Changes for the year:	
Service Cost	56,903
Interest	34,841
Changes of Assumptions or Other Inputs	40,442
Benefit Payments	<u>(68,439)</u>
Net changes	<u>63,747</u>
Balance at June 30, 2021	<u>\$ 1,164,692</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.10% in 2020 to 2.40% in 2021.

INDEPENDENT SCHOOL DISTRICT #2534

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 12. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN (Cont'd)

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

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.40%) or 1-percentage-point higher (3.40%) than the current discount rate:

	1.0% Decrease in Discount Rate (1.40%)	Discount Rate (2.40%)	1.0% Increase in Discount Rate (3.40%)
Total OPEB Liability	\$ 1,231,806	\$ 1,164,692	\$ 1,098,422

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.25% decreasing to 4.00%) or 1-percentage-point higher (7.25% decreasing to 6.00%) than the current healthcare cost trend rates:

	1.0% Decrease (5.25% decreasing to 4.00%)	Healthcare Cost Trend Rates (6.25% decreasing to 5.00%)	1.0% Increase (7.25% decreasing to 6.00%)
Total OPEB Liability	\$ 1,101,657	\$ 1,164,692	\$ 1,239,488

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$91,358. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$	\$ 19,280
Changes in Actuarial Assumptions or Other Inputs	35,387	13,370
Contributions Paid Subsequent to Measurement Date	46,864	
Totals	<u>\$ 82,251</u>	<u>\$ 32,650</u>

INDEPENDENT SCHOOL DISTRICT #2534

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 12. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN (Cont'd)

D. OPEB EXPENSE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB (Cont'd)

\$46,864 reported as deferred outflows of resources related to OPEB resulting from the District contributions to subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in OPEB expense as follows:

Year ended June 30,	OPEB Expense Amount
2022	\$ (387)
2023	(387)
2024	(387)
2025	(387)
2026	(387)
Thereafter	4,672

E. ACTUARIAL METHODS AND ASSUMPTIONS

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

Inflation	2.50%
Salary Increases	Based on the most recently disclosed assumptions for the pension plan in which the employee participates.
Healthcare Cost Trend Rates	6.25% for 2021, decreasing on average 0.25% per year to an ultimate rate of 5.00% for 2026 and later years.
Retiree's Share of Benefit-Related Costs	Assumed to increase with healthcare trend rates.

A discount rate of 2.40% was applied in the measurement of the total OPEB liability. The discount rate is based on the index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

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

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2018–June 30, 2019.

INDEPENDENT SCHOOL DISTRICT #2534

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 13. WEIGHTED AVERAGE PUPIL UNITS

The weighted average pupil units (WAPU) for calculating various aids is as follows:

Resident Students	678.47
Open Enrollment	
Residents Out	(131.41)
Non-Residents In	<u>128.99</u>
	<u>676.05</u>

NOTE 14. COMMITMENTS AND CONTINGENCIES

A. FEDERAL AND STATE PROGRAMS

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

B. LITIGATION

The District is not involved in any litigation as of the date of the report.

NOTE 15. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters and workers' compensation. To mitigate these risks, the District has obtained commercial property and casualty insurance and workers' compensation coverage. The District pays an annual premium with no additional assessments.

The District has joined together with other school districts in Minnesota in the Southwest Central - West Central Service Cooperative Gross Self-Insured Health Insurance Plan, a public entity risk pool currently operating as a common risk management and insurance program for member districts. The District pays an annual premium to this plan for its health insurance coverage. These premiums are used to purchase reinsurance through commercial companies. The administrators of the plan believe assessment to participating districts for future losses sustained is extremely remote.

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

NOTE 16. RECLASSIFICATIONS

Certain immaterial prior year financial statement amounts have been reclassified to conform to current year's presentation. There was no affect on total net position or fund balance.

INDEPENDENT SCHOOL DISTRICT #2534

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 17. COVID-19

In March 2020, the World Health Organization declared the novel coronavirus disease (COVID-19) a pandemic, and the United States declared a national emergency. Various governmental measures to control the spread of the virus have been implemented throughout the country, including temporary closure of businesses, restrictions on travel, and other limitations on the conduct of business. The pandemic is disrupting supply chains and affecting production and sales across a range of industries. The continued spread of the coronavirus globally could have an effect on the District's business, net position, and results of operations in the next year.

REQUIRED SUPPLEMENTARY INFORMATION

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INDEPENDENT SCHOOL DISTRICT #2534

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITIES
FOR PENSION PLANS ADMINISTERED THROUGH A TRUST
JUNE 30, 2021

Fiscal Year Ending	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) and the State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer (a+b)	Employer's Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<u>Pensions</u>							
<u>GERP</u>							
6/30/2020	0.0142%	\$ 851,355	\$ 26,185	\$ 877,540	\$ 1,015,693	86.40%	79.06%
6/30/2019	0.0146%	807,201	25,166	832,367	1,036,896	80.27%	80.23%
6/30/2018	0.0150%	832,139	27,310	859,449	1,003,602	85.64%	79.53%
6/30/2017	0.0158%	1,008,662	12,679	1,021,341	1,000,719	102.06%	75.90%
6/30/2016	0.0147%	1,193,567	15,597	1,209,164	925,880	130.60%	68.91%
6/30/2015	0.0158%	818,838		818,838	922,227	88.79%	78.19%
6/30/2014	0.0158%	742,205		742,205	841,160	88.24%	78.75%

The District implemented GASB Statement No. 68 for fiscal year ended June 30, 2015. Information for prior years is not available.

INDEPENDENT SCHOOL DISTRICT #2534

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITIES
FOR PENSION PLANS ADMINISTERED THROUGH A TRUST
JUNE 30, 2021

Fiscal Year Ending	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) and the State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer (a+b)	Employer's Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<u>Pensions</u>							
<u>TRA</u>							
6/30/2020	0.0525%	\$ 3,878,770	\$ 325,054	\$ 4,203,824	\$ 3,017,323	139.32%	74.48%
6/30/2019	0.0593%	3,779,794	334,252	4,114,046	3,392,607	121.27%	78.21%
6/30/2018	0.0592%	3,718,612	349,552	4,068,164	3,313,107	122.79%	78.07%
6/30/2017	0.0605%	12,076,897	1,166,584	13,243,481	3,304,446	400.78%	51.57%
6/30/2016	0.0559%	13,333,484	1,338,097	14,671,581	2,865,667	511.98%	44.88%
6/30/2015	0.0586%	3,624,990	444,722	4,069,712	3,062,613	132.88%	76.77%
6/30/2014	0.0666%	3,068,880	215,936	3,284,816	3,074,629	106.84%	81.50%

The District implemented GASB Statement No. 68 for fiscal year ended June 30, 2015. Information for prior years is not available.

INDEPENDENT SCHOOL DISTRICT #2534

SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR PENSION PLANS ADMINISTERED THROUGH A TRUST
JUNE 30, 2021

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)
<u>Pensions</u>					
<u>GERP</u>					
6/30/2021	\$ 80,326	\$ 80,326	\$	\$ 1,071,013	7.50%
6/30/2020	76,177	76,177		1,015,693	7.50%
6/30/2019	77,767	77,767		1,036,896	7.50%
6/30/2018	75,271	75,271		1,003,602	7.50%
6/30/2017	75,066	75,066		1,000,719	7.50%
6/30/2016	69,441	69,441		925,880	7.50%
6/30/2015	69,167	69,167		922,227	7.50%
<u>TRA</u>					
6/30/2021	250,330	250,330		3,079,090	8.13%
6/30/2020	238,972	238,972		3,017,323	7.92%
6/30/2019	261,570	261,570		3,392,607	7.71%
6/30/2018	248,483	248,483		3,313,107	7.50%
6/30/2017	247,846	247,846		3,304,446	7.50%
6/30/2016	214,925	214,925		2,865,667	7.50%
6/30/2015	229,696	229,696		3,062,613	7.50%

The District implemented GASB No. 68 for fiscal year ended June 30, 2015. Information for prior years is not available.

INDEPENDENT SCHOOL DISTRICT #2534

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY
JUNE 30, 2021

	Measurement Date			
	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Service Cost	\$ 56,903	\$ 49,517	\$ 47,192	\$ 45,817
Interest	34,841	34,781	37,237	37,952
Changes in Benefit Terms		198,002		
Differences Between Expected and Actual Experience		(25,708)		
Changes in Assumptions	40,442	(17,826)		
Benefit Payments	(68,439)	(220,695)	(98,339)	(113,868)
Net Change in Total OPEB Liability	63,747	18,071	(13,910)	(30,099)
Total OPEB Liability - Beginning of Year	1,100,945	1,082,874	1,096,784	1,126,883
Total OPEB Liability - End of Year	<u>\$ 1,164,692</u>	<u>\$ 1,100,945</u>	<u>\$ 1,082,874</u>	<u>\$ 1,096,784</u>
Covered Employee Payroll	<u>\$ 4,062,176</u>	<u>\$ 3,943,860</u>	<u>\$ 3,833,837</u>	<u>\$ 3,722,172</u>
Total OPEB Liability as a % of Covered Employee Payroll	<u>28.67%</u>	<u>27.92%</u>	<u>28.25%</u>	<u>29.47%</u>

The District implemented GASB Statement No. 75 for the year ended June 30, 2018. Information for prior years is not available.

INDEPENDENT SCHOOL DISTRICT #2534

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021

NOTE 1. CHANGES IN PLAN PROVISIONS

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP)

2020 Changes:

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

2019 Changes:

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:

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:

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:

No changes.

INDEPENDENT SCHOOL DISTRICT #2534

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021

NOTE 1. CHANGES IN PLAN PROVISIONS (Cont'd)

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP) (Cont'd)

2015 Changes:

On January 1, 2015 the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

2014 Changes:

No changes.

B. TEACHERS RETIREMENT ASSOCIATION (TRA)

2020 Changes:

No changes.

2019 Changes:

No changes.

2018 Changes:

The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.

Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.

The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.

Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.

Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.

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

2017 Changes:

No changes.

INDEPENDENT SCHOOL DISTRICT #2534

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021

NOTE 1. CHANGES IN PLAN PROVISIONS (Cont'd)

B. TEACHERS RETIREMENT ASSOCIATION (TRA) (Cont'd)

2016 Changes:

No changes.

2015 Changes:

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

2014 Changes:

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

C. OTHER POST-EMPLOYMENT BENEFITS PLAN (OPEB) NOT ADMINISTERED IN A TRUST

2020 Changes:

No changes.

2019 Changes:

Eligibility for the retirement benefit for Teachers hired before July 1, 2000 was changed to include those who elected the 403(b) Matching Plan.

2018 Changes:

No changes.

2017 Changes:

No changes.

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP)

2020 Changes:

The price inflation assumption was decreased from 2.50% to 2.25%.

The payroll growth assumption was decreased from 3.25% to 3.00%.

Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.

Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.

Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.

INDEPENDENT SCHOOL DISTRICT #2534

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS (Cont'd)

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP) (Cont'd)

2020 Changes: (Cont'd)

Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.

The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.

The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.

The assumed spouse age difference was changed from two years older for females to one year older.

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

2019 Changes:

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

2018 Changes:

The mortality projection was changed from MP-2015 to MP-2017.

The assumed benefit increase was changed from 1.00% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

2017 Changes:

The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability and 3.0% for non-vested deferred member liability.

The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

2016 Changes:

The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all years.

The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.

Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

INDEPENDENT SCHOOL DISTRICT #2534

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS (Cont'd)

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP) (Cont'd)

2015 Changes:

The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

2014 Changes:

No changes.

B. TEACHERS RETIREMENT ASSOCIATION (TRA)

2020 Changes:

Assumed termination rates were changed to more closely reflect actual experience.

The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back 5 years and female rates set back 7 years. Generational projection uses the MP-2015 scale.

Assumed form of annuity election proportions were changed to a more closely reflect actual experience for female retirees.

2019 Changes:

No changes.

2018 Changes:

The investment return assumption was changed from 8.50% to 7.50%.

The price inflation assumption was lowered from 3.00% to 2.50%.

The payroll growth assumption was lowered from 3.50% to 3.00%.

The wage inflation assumption (above price inflation) was reduced from 0.75% to 0.35% for 10 years followed by 0.75%, thereafter.

The total salary increase assumption was adjusted by the wage inflation change.

The amortization date for the funding of the Unfunded Actuarial Accrued Liability (UAAL) was reset to June 30, 2048 (30 years).

A mechanism in the law that provided the TRA Board with some authority to set contribution rates was eliminated.

2017 Changes:

Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%.

The investment return assumption was changed from 8.00% to 7.50%.

INDEPENDENT SCHOOL DISTRICT #2534

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS (Cont'd)

B. TEACHERS RETIREMENT ASSOCIATION (TRA) (Cont'd)

2017 Changes: (Cont'd)

The price inflation assumption was lowered from 2.75% to 2.50%.

The payroll growth assumption was lowered from 3.50% to 3.00%.

The general wage growth assumption was lowered from 3.50% to 2.85% for 10 years followed by 3.25%, thereafter.

The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

2016 Changes:

The price inflation assumption was lowered from 3.00% to 2.75%.

The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.50%.

Minor changes at some durations for the merit scale of the salary increase assumption.

The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back 6 years and female rates set back 5 years. Generational projection uses the MP-2015 scale.

The post-retirement mortality assumption was changed to the RP-2014 white collar annuitant table, male rates set back 3 years and female rates set back 3 years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.

The post-disability mortality assumption was changed to the RP-2014 disabled retiree mortality table, without adjustment.

Separate retirement assumptions for members hired before or after July 1, 1989 were created to better reflect each group's behavior in light of different requirements for retirement eligibility.

Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.

A minor adjustment and simplification of the assumption regarding the election of optional forms of payment at retirement were made.

2015 Changes:

The Cost of Living Adjustment was not assumed to increase to 2.5%, but remain at 2.0% for all future years.

The investment return assumption was changed from 8.25% to 8.00%.

INDEPENDENT SCHOOL DISTRICT #2534

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS (Cont'd)

B. TEACHERS RETIREMENT ASSOCIATION (TRA) (Cont'd)

2014 Changes:

The Cost of Living Adjustment was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2034.

C. OTHER POST-EMPLOYMENT BENEFITS PLAN (OPEB) NOT ADMINISTERED IN A TRUST

2020 Changes:

The discount rate was changed from 3.10% to 2.4%.

2019 Changes:

The health care trend rates were changed to better anticipate short term and long term medical increases.

The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale.

The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and contract group.

The discount rate was changed from 3.40% to 3.10%.

2018 Changes:

No changes.

2017 Changes:

No changes.

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SUPPLEMENTARY INFORMATION

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INDEPENDENT SCHOOL DISTRICT #2534

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 DEBT SERVICE FUND
 YEAR ENDED JUNE 30, 2021
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			Over (Under) Final Budget	2020
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES					
Local Sources					
Property Taxes	\$ 210,525	\$ 190,766	\$ 204,880	\$ 14,114	\$ 208,352
Interest Earnings	400	400	282	(118)	543
State Sources	108,000	127,759	127,745	(14)	105,860
Total Revenues	<u>318,925</u>	<u>318,925</u>	<u>332,907</u>	<u>13,982</u>	<u>314,755</u>
EXPENDITURES					
Debt Service					
Fiscal and Other Fixed Costs Programs					
Principal	320,000	320,000	320,000		314,000
Interest and Fiscal Charges	8,560	7,086	7,086		13,618
Total Expenditures	<u>328,560</u>	<u>327,086</u>	<u>327,086</u>	<u>0</u>	<u>327,618</u>
Net Change in Fund Balance	<u>\$ (9,635)</u>	<u>\$ (8,161)</u>	5,821	<u>\$ 13,982</u>	(12,863)
FUND BALANCE, BEGINNING OF YEAR			<u>77,830</u>		<u>90,693</u>
FUND BALANCE, END OF YEAR			<u>\$ 83,651</u>		<u>\$ 77,830</u>

INDEPENDENT SCHOOL DISTRICT #2534

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 SWIMMING POOL JOINT POWERS
 PART OF COMMUNITY SERVICE FUND
 YEAR ENDED JUNE 30, 2021
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			Over (Under) Final Budget	2020
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES					
Local Sources	\$ 93,000	\$ 93,000	\$ 79,039	\$ (13,961)	\$ 63,129
EXPENDITURES					
Current					
District Support Services	93,000	93,000	79,039	(13,961)	80,083
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0	0	(16,954)
OTHER FINANCING SOURCES (USES)					
Transfers In					16,954
Net Change in Fund Balance	<u>\$ 0</u>	<u>\$ 0</u>	0	<u>\$ 0</u>	0
FUND BALANCE, BEGINNING OF YEAR			(4,644)		(4,644)
FUND BALANCE, END OF YEAR			<u>\$ (4,644)</u>		<u>\$ (4,644)</u>

REQUIRED REPORTS

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INDEPENDENT SCHOOL DISTRICT #2534

UFARS COMPLIANCE TABLE
YEAR ENDED JUNE 30, 2021

	Audited	UFARS	Difference		Audited	UFARS	Difference
<u>01 GENERAL FUND</u>					<u>06 BUILDING CONSTRUCTION</u>		
Total Revenue	\$ 8,811,674	\$ 8,811,674	\$	Total Revenue	\$	\$	\$
Total Expenditures	7,884,177	7,884,175	(2)	Total Expenditures			
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
460 Nonspendable	8,750	8,750		460 Nonspendable			
<i>Restricted/Reserved:</i>				<i>Restricted/Reserved:</i>			
401 Student Activities	129,217	129,217		407 Capital Projects Levy			
403 Staff Development	247,891	247,891		409 Alternative Facilities Program			
406 Health and Safety				413 Project Funded by COP/LP			
407 Capital Projects Levy				<i>Restricted:</i>			
408 Cooperative Programs				464 Restricted			
414 Operating Debt				<i>Unassigned:</i>			
416 Levy Reduction				463 Unassigned			
417 Taconite Building Maintenance							
423 Certain Teacher Programs				<u>07 DEBT SERVICE</u>			
424 Operating Capital	154,368	154,368		Total Revenue	332,907	332,907	
426 \$25 Taconite				Total Expenditures	327,086	327,086	
427 Disabled Accessibility				<i>Nonspendable:</i>			
428 Learning & Development				460 Nonspendable			
434 Area Learning Center	23,446	23,446		<i>Restricted/Reserved:</i>			
435 Contracted Alt. Programs				425 Bond Refundings			
436 State Approved Alt. Programs				451 QZAB and QSCB Payments			
438 Gifted & Talented				<i>Restricted:</i>			
441 Basic Skills Programs	21,997	21,997		464 Restricted	83,651	83,651	
445 Career & Technical Programs				<i>Unassigned:</i>			
448 Achievement and Integration				463 Unassigned			
449 Safe Schools - Crime Levy	41,597	41,597					
450 Transition for Pre-Kindergarten				<u>08 TRUST</u>			
451 QZAB and QSCB Payments				Total Revenue			
452 OPEB Liab Not Held in a Trust				Total Expenditures			
453 Unfunded Sev & Retirement Levy				<i>Unassigned:</i>			
467 LTFM	291,307	291,307		422 Unassigned			
472 Medical Assistance	135,480	135,480					
<i>Restricted:</i>				<u>18 CUSTODIAL</u>			
464 Restricted				Total Revenue	8,825	8,825	
<i>Committed:</i>				Total Expenditures	3,750	3,750	
418 Separation/Retirement Benefits				401 Student Activities			
461 Committed	765,045	765,045		402 Scholarships	194,423	194,423	
<i>Assigned:</i>				448 Achievement and Integration			
462 Assigned	328,000	328,000		464 Restricted Fund Balance			
<i>Unassigned:</i>							
422 Unassigned	1,062,992	1,062,994	2	<u>20 INTERNAL SERVICE</u>			
				Total Revenue			
<u>02 FOOD SERVICE</u>				Total Expenditures			
Total Revenue	439,741	439,741		<i>Unassigned:</i>			
Total Expenditures	407,883	407,883		422 Unassigned			
<i>Nonspendable:</i>							
460 Nonspendable				<u>25 OPEB REVOCABLE TRUST</u>			
<i>Restricted/Reserved:</i>				Total Revenue			
452 OPEB Liab Not Held in a Trust				Total Expenditures			
<i>Restricted:</i>				<i>Unassigned:</i>			
464 Restricted	184,390	184,391	1	422 Unassigned			
<i>Unassigned:</i>							
463 Unassigned				<u>45 OPEB IRREVOCABLE TRUST</u>			
				Total Revenue			
<u>04 COMMUNITY SERVICE</u>				Total Expenditures			
Total Revenue	307,274	307,273	(1)	<i>Unassigned:</i>			
Total Expenditures	394,178	394,177	(1)	422 Unassigned			
<i>Nonspendable:</i>							
460 Nonspendable				<u>47 OPEB DEBT SERVICE</u>			
<i>Restricted/Reserved:</i>				Total Revenue			
426 \$25 Taconite				Total Expenditures			
431 Community Education	(258,543)	(258,543)		<i>Restricted:</i>			
432 E.C.F.E	(70,324)	(70,324)		464 Restricted			
444 School Readiness	(136,308)	(136,308)		<i>Unassigned:</i>			
447 Adult Basic Education				463 Unassigned			
452 OPEB Liab Not Held in a Trust							
<i>Restricted:</i>							
464 Restricted	14,660	14,660					
<i>Unassigned:</i>							
463 Unassigned	(4,732)	(4,731)	1				

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INDEPENDENT SCHOOL DISTRICT #2534

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2021

Federal Grantor / Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Expenditures
U.S. Department of Agriculture			
Minnesota Department of Education			
Child Nutrition Cluster:			
Commodity Cash Rebate Program			\$ 1,179
Food Distribution (Commodities-noncash)			30,408
Total National School Lunch Program	10.555 *		31,587
Special Milk Program	10.556 *		394
COVID-19 Summer Food Service Program	10.559 *		382,677
Total Child Nutrition Cluster and U.S. Department of Agriculture			<u>414,658</u>
U.S. Department of Education			
Minnesota Department of Education			
Title I - Grants to Local Educational Agencies	84.010		149,989
Migrant Education State Grant Program	84.011		133,475
Title II, Part A - Supporting Effective Instruction State Grants	84.367		24,823
Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act			
Governor's Emergency Education Relief Fund	84.425C		9,581
Elementary and Secondary School Emergency Relief Fund	84.425D		99,126
Total Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act			<u>108,707</u>
SWWC Service Cooperative			
Special Education Cluster			
Special Education Grants to States	84.027		51,133
Special Education Preschool Grants	84.173		1,397
Total Special Education Cluster			<u>52,530</u>
Career and Technical Education - Basic Grants to States			
Basic Grants to States	84.048A		6,301
U.S. Department of the Treasury			
Minnesota Department of Education			
Coronavirus Relief Fund	21.019 *		176,148
Coronavirus State and Local Fiscal Recovery Fund	21.027		2,708
Kandiyohi County			
Coronavirus Relief Fund	21.019 *		10,000
Renville County Public Health			
Coronavirus Relief Fund	21.019 *		20,000
Total Federal Awards			<u>\$ 1,099,339</u>

* Denotes major program

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

INDEPENDENT SCHOOL DISTRICT #2534

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2021

NOTE 1. REPORTING ENTITY

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by the Independent School District #2534. The District's reporting entity is defined in Note 1 to the financial statements.

NOTE 2. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the Independent School District #2534 under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in financial position, or cash flows of the District.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, Subpart E - Cost Principles, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 4. FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the Fair Market Value of the Commodities received and disbursed.

NOTE 5. SUBRECIPIENTS

During the year ended June 30, 2021, the District did not pass any federal money to subrecipients.

NOTE 6. DE MINIMIS COST RATE

The District elected not to charge the de minimis indirect cost rate of 10% to federal programs.

COMPLIANCE SECTION

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

To The Board of Education
Independent School District #2534
Olivia, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund and aggregate remaining fund as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 25,

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

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.

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
CPAS & ADVISORS
LITCHFIELD, MINNESOTA

October 25, 2021

Table with 5 columns: Willmar Office, Benson Office, Morris Office, Litchfield Office, Sartell Office. Each column contains address and phone number information.

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INDEPENDENT AUDITOR'S REPORT ON STUDENT ACTIVITIES COMPLIANCE

To The Board of Education
Independent School District #2534
Olivia, Minnesota

We have audited Independent School District #2534's compliance with the types of compliance requirements described in the Manual for Activity Fund Accounting issued by the Minnesota Department of Education, pursuant to Minnesota Statutes §123B.49 for the year ended June 30, 2021. The Manual for Activity Fund Accounting provides uniform financial accounting and reporting standards for student activities.

Management's Responsibility

Management is responsible for compliance with the requirements referred to above.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the Manual for Activity Fund Accounting. Those standards and the Manual for Activity Fund Accounting require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the District occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the Manual for Activity Fund Accounting. Our audit does not provide a legal determination of the District's compliance with those requirements.

Opinion

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the Student Activity Fund for the year ended June 30, 2021.

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
CPAS & ADVISORS
LITCHFIELD, MINNESOTA

October 25, 2021

Table with 5 columns: Willmar Office, Benson Office, Morris Office, Litchfield Office, Sartell Office. Each column contains address and phone number information.

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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*

To The Board of Education
Independent School District #2534
Olivia, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund and aggregate remaining fund of Independent School District #2534, Olivia, Minnesota, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 25, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2021-001 and 2021-002 that we consider to be significant deficiencies.

Willmar Office 331 Third St SW, Ste 2 PO Box 570 Willmar, MN 56201 (320) 235-3311 (888) 388-1040	Benson Office 1209 Pacific Ave, Ste 3 Benson, MN 56215 (320) 843-2302	Morris Office 401 Atlantic Ave Morris, MN 56267 (320) 589-2602	Litchfield Office 820 Sibley Ave N Litchfield, MN 55355 (320) 693-7975	Sartell Office Ste 110 2351 Connecticut Ave Sartell, MN 56377 (320) 252-7565 (800) 862-1337
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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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

District's Response to Findings

The District's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
CPAS & ADVISORS
LITCHFIELD, MINNESOTA

October 25, 2021



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

To the Board of Education
Independent School District #2534
Olivia, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Independent School District #2534's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Program

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

Report on Internal Control Over Compliance

Management of Independent School District #2534 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
CPAS & CONSULTANTS
LITCHFIELD, MINNESOTA

October 25, 2021

INDEPENDENT SCHOOL DISTRICT #2534

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2021

I. SUMMARY OF AUDITOR'S RESULTS

A. FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
- Material weakness(es) identified?	No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?	2021-001, 2021-002
Noncompliance material to financial statements noted?	No

B. FEDERAL AWARDS

Type of auditor's report issued on compliance for major program(s):	Unmodified
Internal control over major programs:	
- Material weakness(es) identified?	No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?	No
Any audit findings disclosed that are required to be reported in accordance with Part 200.516(a) of the Uniform Guidance?	No

C. IDENTIFICATION OF MAJOR PROGRAMS

CFDA No.:	10.555, 10.556, 10.559, 21.019
Name of Federal Program or Cluster:	Child Nutrition Cluster Coronavirus Relief Fund
Dollar threshold used to distinguish between Types A and B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

INDEPENDENT SCHOOL DISTRICT #2534

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2021

II. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS

FINDING: 2021-001 LIMITED SEGREGATION OF DUTIES

Condition: There is an absence of appropriate segregation of duties consistent with appropriate control objectives due to a limited number of employees.

Criteria: The basic premise is that no one person should have access to both physical assets and the related accounting records or to all phases of a transaction. The lack of such controls could result in the occurrence of a material error or fraud in relation to the financial statements not being detected by management.

Cause: The District has assigned duties to staff based on a cost-benefit relationship to the District and the practicality of the level of staffing the District maintains.

Effect: The lack of segregation of duties could adversely affect the District's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

Recommendation: The District should continue to monitor and evaluate the job responsibilities assigned to staff to determine whether there is an unacceptable risk.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Findings:

None

Actions Planned in Response to Finding:

The District is aware of the limited segregation of duties and will continue to review internal controls and make changes when they can be made.

Official Responsible for Ensuring CAP:

Lindsey Heine, Business Manager

Planned Completion Date for CAP:

June 30, 2022

Plan to Monitor Completion of CAP:

Board of Education

INDEPENDENT SCHOOL DISTRICT #2534

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2021

II. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS (Cont'd)

FINDING: 2021-002 AUDITOR PREPARED FINANCIAL STATEMENTS

Condition: The District does not have an internal control system designed to provide for the preparation of the financial statements and the related notes being audited. However, based on the degree of complexity and level of detail needed to prepare the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), the District has requested the auditors to prepare them.

Criteria: The preparation of the financial statements and the related notes are the responsibility of management.

Cause: There are a limited number of office employees and resources available to allow for the adequate preparation of the financial statements and the related notes by the District.

Effect: This could result in a material misstatement to the financial statements and related notes that would not be prevented, or detected and corrected as a result of the District's current internal control.

Recommendation: The District should continue to request the assistance to draft the financial statements and related notes and thoroughly review these financial statements after they have been prepared so the District can take responsibility for them.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Findings:
None

Actions Planned in Response to Finding:

The District is aware of this; however, due to significant cost and a limited number of employees, it is in the District's best financial interest to contract for the preparation of the financial statements.

Official Responsible for Ensuring CAP:
Lindsey Heine, Business Manager

Planned Completion Date for CAP:
June 30, 2022

Plan to Monitor Completion of CAP:
Board of Education

III. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS

None

INDEPENDENT SCHOOL DISTRICT #2534

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2021

Finding Reference	Finding Title	Status	Year Finding Initially Occurred	If Not Corrected, Provide Planned Corrective Action or Other Explanation
Financial Statement Findings:				
2020-001	Limited Segregation of Duties	Not Corrected	2007	See current year finding 2021-001
2020-002	Auditor Prepared Financial Statements	Not Corrected	2007	See current year finding 2021-002
Federal Audit Findings:				
None				
Minnesota Legal Compliance Findings:				
2020-03	Pledged Collateral	Resolved	2020	N/A
Manual for Activity Fund Accounting Findings:				
None				