



Financial Statements
June 30, 2020

Independent School District No. 717

Jordan, Minnesota

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Independent School District No. 717
Jordan, Minnesota
List of Elected School Officials (Unaudited)
June 30, 2020

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
School Board		
Deb Pauly	Chairperson	2022
Tom Vogel	Vice Chairperson	2020
Sandy Burke	Clerk	2022
Connie Hennen	Treasurer	2022
Lauren Pedersen	Member	2020
Rob Langheim	Member	2020
Ryan Dahnert	Member	2022
Administration		
Ranae Case	Superintendent	
Amy Hafemann	Finance Director	



Independent Auditor's Report

The School Board of
Independent School District No. 717
Jordan, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 717 (the District), Jordan, Minnesota, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1 and 8 to the financial statements, the District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in an adjustment of the net position and fund balance of the General Fund as of July 1, 2019. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The School Board and Administration, schedule of changes in UFARS fund balances, combining and individual fund schedules, and uniform financial accounting and reporting standards compliance table are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the Legal Compliance Audit Guide prepared by the Office of the State Auditor pursuant to Minn. Stat. §6.65, we have also issued a report dated November 23, 2020, on our consideration of the County's compliance with aspects of the provisions of the Minnesota Legal Compliance Audit Guide for Counties. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not directed primarily toward obtaining knowledge of noncompliance. That report is an integral part of procedures performed in accordance with the Office of the State Auditor's Minnesota Legal Compliance Audit Guide for Counties in considering the County's compliance with certain regulatory requirements pursuant to Minn. Stat. §6.65.



Mankato, Minnesota
November 23, 2020

**INDEPENDENT SCHOOL DISTRICT #717
JORDAN PUBLIC SCHOOLS
JORDAN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

This section of Independent School District No. 717 – Jordan Public Schools' annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2020. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

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

- Overall government-wide revenues were \$27,980,620 while overall expenses totaled \$28,791,683 , resulting in an ending net deficit of \$10,441,445 . Also included in the government-wide statements is \$22,132,209 of deferred outflows, deferred inflows, and liabilities related to OPEB and net pension liability. Excluding the reporting of those, ending net position would be \$11,690,764 .
- The district's overall fund balance decreased by \$1,463 .
- The District's net outstanding long-term liabilities decreased by \$2,153,795 or 3.61 percent.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

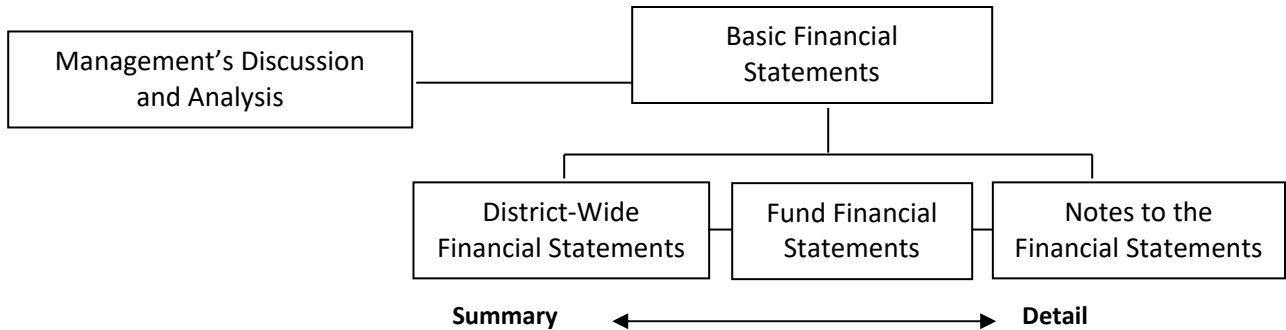
- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District's overall financial status.
- The remaining statements are *fund-financial statements* that focus on individual parts of the District, reporting the District's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

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

**INDEPENDENT SCHOOL DISTRICT #717
JORDAN PUBLIC SCHOOLS
JORDAN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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



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

**INDEPENDENT SCHOOL DISTRICT #717
JORDAN PUBLIC SCHOOLS
JORDAN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

District-wide Statements

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

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

Over time, increases or decreases in the District's net position is 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 school buildings and other facilities.

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

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

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds – focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

The District has three kinds of funds:

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

**INDEPENDENT SCHOOL DISTRICT #717
JORDAN PUBLIC SCHOOLS
JORDAN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

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

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

**INDEPENDENT SCHOOL DISTRICT #717
JORDAN PUBLIC SCHOOLS
JORDAN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

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

Net Position

The District's net deficit was \$10,441,445 on June 30, 2020. This represents an increase when compared to the \$9,630,382 deficit balance, as restated, on June 30, 2019.

Statement of Net Position June 30, 2020 and 2019		
	2020	As Previously Reported 2019
Assets		
Current assets	\$ 30,820,467	\$ 30,580,684
Capital assets	47,005,052	48,729,783
Total assets	77,825,519	79,310,467
Deferred Outflows of Resources	10,912,730	15,974,805
Liabilities		
Other liabilities	2,895,995	2,975,391
Long-term liabilities	73,460,972	75,234,371
Total liabilities	76,356,967	78,209,762
Deferred Inflows of Resources	22,822,727	26,934,765
Net Position (Deficit)		
Net investment in capital assets	9,658,744	9,261,605
Restricted for specific purposes	20,256,031	19,809,306
Unrestricted	(40,356,220)	(38,930,166)
Total net deficit	\$ (10,441,445)	\$ (9,859,255)

**INDEPENDENT SCHOOL DISTRICT #717
JORDAN PUBLIC SCHOOLS
JORDAN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

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

	2020	As Previously Reported 2019
Revenues		
Program revenues		
Charges for service	\$ 1,896,094	\$ 2,374,667
Operating grants and contributions	4,348,916	4,328,286
Capital grants and contributions	328,559	343,942
General		
Property taxes	5,772,788	5,582,140
Aids and payments from state and other	14,195,237	14,578,245
Miscellaneous revenues	1,439,026	1,371,728
Total revenues	<u>27,980,620</u>	<u>28,579,008</u>
Expenses		
Administration	1,090,393	1,094,043
District support services	781,229	736,845
Regular instruction	11,986,068	6,883,934
Vocational instruction	352,765	299,771
Special education instruction	4,043,724	3,582,564
Community education and services	1,466,388	1,609,736
Instructional support services	1,004,180	805,013
Pupil support services	2,791,913	2,701,104
Sites and buildings	3,479,523	3,916,059
Fiscal and other fixed-cost programs	1,671,728	1,772,907
Self insurance	123,772	111,088
Total expenses	<u>28,791,683</u>	<u>23,513,064</u>
Change in Net Position	(811,063)	5,065,944
Net Deficit - Beginning, as Adjusted for 2020	<u>(9,630,382)</u>	<u>(14,925,199)</u>
Net Deficit - Ending	<u>\$ (10,441,445)</u>	<u>\$ (9,859,255)</u>

Changes in Net Position. The District's total revenues were \$27,980,620 for the year ended June 30, 2020. Unallocated federal and state aid along with property taxes accounted for 71.36 percent of the total revenue for the year. Operating and capital grants and contributions for specific programs contributed 16.72 percent and the remaining revenue was from fees charged for services and miscellaneous sources.

The total cost of all programs and services was \$28,791,683. The District's expenses are predominantly related to student education and student educational support, 75.18 percent. The District's administrative activities accounted for 3.79 percent of the total costs. Total revenues were less than total expenses, increasing net deficit \$811,063 by from last year.

**INDEPENDENT SCHOOL DISTRICT #717
JORDAN PUBLIC SCHOOLS
JORDAN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

General Fund

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

The following schedule presents a summary of General Fund Revenues.

	Year Ended June 30,			
	2020	As Previously Reported 2019	Amount of Increase (Decrease)	Percent Increase (Decrease)
Local property taxes	\$ 2,361,077	\$ 2,091,359	\$ 269,718	12.90%
Other local sources	791,213	648,366	142,847	22.03%
State sources	17,614,565	17,970,027	(355,462)	-1.98%
Federal sources	474,687	560,529	(85,842)	-15.31%
Interest earnings	36,881	65,880	(28,999)	-44.02%
Total General Fund revenues	<u>\$ 21,278,423</u>	<u>\$ 21,336,161</u>	<u>\$ (57,738)</u>	-0.27%

Total General Fund revenue decreased by \$57,738 or 0.27 % from the previous year; this was due to a slight drop in enrollment. Basic general education revenue is determined by a state per student funding formula and consists of an equalized mix of property tax and state aid revenue. The mix of property tax and state aid can change significantly from year to year without any net change on revenue.

The decrease in the state sources for the current fiscal year resulted from the state aid contribution related to GASB 68 reporting (the reporting requirements for TRA and PERA). In FY2019, the district booked \$735,513 versus the \$80,407 that was booked in FY2020. The district is required to report the pension revenue as state aid and has no control over the amount.

**INDEPENDENT SCHOOL DISTRICT #717
JORDAN PUBLIC SCHOOLS
JORDAN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

The following schedule presents a summary of General Fund expenditures.

	Year Ended June 30,			
	2020	As Previously Reported 2019	Amount of Increase (Decrease)	Percent Increase (Decrease)
Salaries and benefits	\$ 16,461,957	\$ 15,232,407	\$ 1,229,550	8.07%
Purchased services	3,375,464	3,574,436	(198,972)	-5.57%
Supplies and materials	731,921	740,334	(8,413)	-1.14%
Capital expenditures	902,234	829,591	72,643	8.76%
Other expenditures	182,137	834,100	(651,963)	-78.16%
Total General Fund expenditures	<u>\$ 21,653,713</u>	<u>\$ 21,210,868</u>	<u>\$ 442,845</u>	2.09%

Total General Fund expenditures increased by \$442,845 or 2.09 % from the previous year. The increase in expenditures is the result of an increase in spec education staff/salaries, which resulted in an increase in benefits, and the boiler/chiller replacement project at the elementary school.

General Fund Budgetary Highlights

The District's general fund results when compared to the final budget are:

- Actual revenues were \$96,382 *more than* budget as a result of an increase in enrollment and the total Adjusted ADMs versus what was projected in the final revised budget.
- Actual expenditures were \$3,103 *more than* budget.

**INDEPENDENT SCHOOL DISTRICT #717
JORDAN PUBLIC SCHOOLS
JORDAN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

Debt Service Fund

The Debt Service Fund revenues were \$4,277,920 and expenditures were \$3,779,490 , thereby increasing fund balance by \$498,430 as revenues exceeded expenditures. The increase is a result of interest received in escrow for the refunding bonds, that interest is recorded in the "Reserved for Bond Refund" restricted fund balance account.

Other Non-Major Funds

The Food Service Fund incurred an increase in the fund balance of \$11,657 for a year end fund balance of \$21,060 . The fund balance of \$21,060 is accounted for in the Nonspendable Fund Balance (the cost of inventory at June 30, 2020). The food service restricted fund balance had a negative balance and a transfer from the LTFM Restricted/Reserved Fund Balance account was done to remove the fund deficit fund balance. The deficit balance was due to a loss of revenue resulting from the COVID-19 Pandemic.

The Community Service Fund incurred a decrease in the fund balance of \$88,987 for a year end fund balance of \$259,552 . The decrease in fund balance is due to a loss of revenue resulting from the COVID-19 Pandemic. Beginning in March, 2020 through the beginning of June, 2020, Community Education had to offer free daycare for essential workers. This resulted in a loss of revenue; as well as increase of expenditures. The CERC (Community Education Recreation Center) was also impacted by the COVID-19 Pandemic. The CERC Center was forced to close resulting in a loss of revenue from memberships; and also community education classes were also canceled from March, 2020 through the middle of June, 2020.

The Capital Projects Fund incurred a decrease in the fund balance of \$22,850 for a year end fund balance of \$30,734 . The decrease in fund balance is a result of the Capital Facility Bond projects being completed. There is still remaining fund balance from the COP (Certificates of Participation) Proceeds. The funds remaining are used to pay the property tax on the property at 940 S Broadway Street; as well as any developing costs associated with that property.

**INDEPENDENT SCHOOL DISTRICT #717
JORDAN PUBLIC SCHOOLS
JORDAN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets:

By the end of fiscal year 2020, the District had invested \$67,275,772 in a broad range of capital assets, including school buildings, land, computer and audio-visual equipment, and other equipment for various instructional programs. Total depreciation expense for the year was \$2,141,416 . More detailed information about capital assets can be found in the notes to the financial statements.

Capital Assets Governmental Activities
June 30, 2020 and 2019

	2020	2019
Land	\$ 1,896,117	\$ 1,896,117
Construction in progress	53,733	-
Buildings	60,182,913	59,972,431
Improvements	2,804,090	2,782,190
Equipment	2,338,919	2,208,349
Accumulated depreciation	<u>(20,270,720)</u>	<u>(18,129,304)</u>
Total capital assets	<u>\$ 47,005,052</u>	<u>\$ 48,729,783</u>

Long-Term Debt

At year-end the District had \$57,454,750 of long term debt consisting of bonds payable of \$53,000,000 , bond premium of \$3,102,112 , bond discount of \$84,240 , certifications of participation payable \$1,005,000 , capital leases payable of \$38,436 , loans payable of \$55,022 , severance benefits payable of \$238,115 and compensated absences payable of \$100,305 .

The District has \$13,604,699 in net pension liability at June 30, 2020.

The District has \$2,401,523 in total OPEB liability at June 30, 2020.

See notes to the financial statements for additional details on the District's long term debt.

**INDEPENDENT SCHOOL DISTRICT #717
JORDAN PUBLIC SCHOOLS
JORDAN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

Factors Bearing on the District's Future:

- Enrollment continues to be an area of concern weighing on the District's financial future, and will continue to be monitored closely by the District's administration. Since Minnesota school districts are paid on pupil units served, any decline in enrollment results in less revenue. The District's student enrollment, which determines the pupil units for the purpose of funding, decreased by slightly 5 students from FY2019 to FY2020. The enrollment for FY2020-2021 will be of great concern. The district enrollment decreased by an estimated 40 students. Districts across the state of Minnesota are faced with the problem.
- For years, many Minnesota school district referendums for facilities maintenance projects did not pass. The Legislature, recognizing an important need to maintain district facilities, requested input on how to create a more equitable and sustainable financing process for public school facilities. As a result, the School Facilities Financing Working Group was created and provided recommendations. New legislation was passed during a special session in July 2015 that provides revenue increases for school districts not currently eligible to participate in the Alternative Facilities Bonding and Levy program. The new program, referred to as Long Term Facilities Maintenance (LTFM) Revenue, includes a three-year phased approach which began in FY 2017. Districts received up to \$193 per pupil of revenue the first year, then in FY 2018, districts received up to \$292 per pupil, and that figured increased up to \$380 per pupil for FY 2019. These figures are prorated for districts with an average building age of 35 years or less. This replaces the former Health and Safety and Deferred Maintenance revenue programs and associated funding. This additional funding will provide dollars for our District to pay for ongoing deferred maintenance expenditures. For FY2021, the school district did not plan to do any major projects.
- Labor costs account for over 80% of the District expenses. As costs of benefits continue to skyrocket, it becomes more important during the negotiations of labor contracts that the District be cognizant to this potential unknown long-term liability. The District must continue to follow enrollment trends and maintain a responsible balance between staffing and student enrollment. In addition, the District must be aware of future legislative action as it relates to public school funding, and consider efforts to increase local operating revenue. These actions directly correlate to labor negotiations and hiring practices.

**INDEPENDENT SCHOOL DISTRICT #717
JORDAN PUBLIC SCHOOLS
JORDAN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

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

Contacting the District's Financial Management:

This financial report is designed to provide the District's citizens, taxpayers, customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or would like additional information, contact the District Office, ISD No. 717, 500 Sunset Drive, Suite #1, Jordan, Minnesota, 55352.

Independent School District No. 717
Jordan, Minnesota
Statement of Net Position
June 30, 2020

Assets	
Cash and investments	\$ 6,035,316
Cash and investments with fiscal agent	19,609,314
Receivables	
Current property taxes	2,956,646
Delinquent property taxes	66,959
Accounts	42,578
Interest	4,078
Due from other governmental units	2,015,205
Inventories	21,060
Prepaid items	69,311
	<u>30,820,467</u>
Capital assets not being depreciated:	
Land	1,896,117
Construction in progress	53,733
Capital assets, net of accumulated depreciation:	
Land improvements	1,596,863
Buildings	42,618,198
Equipment	840,141
Total capital assets	<u>47,005,052</u>
Total assets	<u>77,825,519</u>
Deferred Outflows of Resources	
Other postemployment benefits plan	122,595
Pension plans	10,790,135
Total deferred outflows of resources	<u>10,912,730</u>
Liabilities	
Salaries payable and payroll deductions	1,742,999
Accounts payable	135,233
Interest payable	892,585
Due to other governmental units	40,949
Unearned revenue	78,808
Claims incurred but not reported	5,421
Noncurrent liabilities:	
Due within one year - bonds, bond premium, bond discount, certificates of participation, capital leases, loans, severance benefits, and compensated absences	2,343,052
Due in more than one year - bonds, bond premium, bond discount, certificates of participation, capital leases, loans, severance benefits, and compensated absences	55,111,698
Due in more than one year - net pension liability	13,604,699
Due in more than one year - other postemployment obligation	2,401,523
Total liabilities	<u>76,356,967</u>
Deferred Inflows of Resources	
Other postemployment benefits plan	34,977
Pension plans	17,003,740
Unavailable revenue - property taxes	5,784,010
Total deferred inflows of resources	<u>22,822,727</u>
Net Position (Deficit)	
Net investment in capital assets	9,658,744
Restricted	20,256,031
Unrestricted	<u>(40,356,220)</u>
Total net deficit	<u>\$ (10,441,445)</u>

Independent School District No. 717

Jordan, Minnesota

Statement of Activities

Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Administration	\$ 1,090,393	\$ -	\$ 61,146	\$ -	\$ (1,029,247)
District support services	781,229	-	-	-	(781,229)
Regular instruction	11,986,068	213,072	1,216,541	328,559	(10,227,896)
Vocational instruction	352,765	-	19,070	-	(333,695)
Special education instruction	4,043,724	48,555	2,322,280	-	(1,672,889)
Community education and services	1,466,388	1,020,432	229,669	-	(216,287)
Instructional support services	1,004,180	-	13,003	-	(991,177)
Pupil support services	2,791,913	458,733	487,207	-	(1,845,973)
Sites and buildings	3,479,523	8,298	-	-	(3,471,225)
Fiscal and other fixed cost programs	1,671,728	-	-	-	(1,671,728)
Self insurance	123,772	147,004	-	-	23,232
Total Governmental Activities	<u>\$ 28,791,683</u>	<u>\$ 1,896,094</u>	<u>\$ 4,348,916</u>	<u>\$ 328,559</u>	<u>(22,218,114)</u>
General Revenues					
Property taxes and other county sources					5,772,788
State aid not restricted to specific purposes					14,195,237
Interest earnings					987,372
Gain on sale of fixed assets					200
Miscellaneous					451,454
Total general revenues					<u>21,407,051</u>
Changes in Net Position					(811,063)
Net Deficit - Beginning, as Adjusted (Note 8)					<u>(9,630,382)</u>
Net Deficit - Ending					<u>\$ (10,441,445)</u>

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

Independent School District No. 717
Jordan, Minnesota
Balance Sheet – Governmental Funds
June 30, 2020

	General	Debt Service	Total Nonmajor Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 3,294,223	\$ 2,289,877	\$ 397,085	\$ 5,981,185
Cash and investments with fiscal agent	-	19,609,314	-	19,609,314
Receivables				
Current property taxes	1,231,474	1,659,825	65,347	2,956,646
Delinquent property taxes	27,038	38,461	1,460	66,959
Accounts	18,324	-	24,254	42,578
Interest	4,078	-	-	4,078
Due from other Minnesota school districts	27,924	-	521	28,445
Due from Minnesota Department of Education	1,723,763	15,848	26,294	1,765,905
Advances to other funds	6,451	-	-	6,451
Due from Federal through Minnesota Department of Education	198,262	-	-	198,262
Due from other governmental units	21,923	-	670	22,593
Inventories	-	-	21,060	21,060
Prepaid items	68,167	-	1,144	69,311
Total assets	\$ 6,621,627	\$ 23,613,325	\$ 537,835	\$ 30,772,787
Liabilities				
Salaries payable	\$ 948,688	\$ -	\$ 29,842	\$ 978,530
Accounts payable	121,855	-	11,889	133,744
Due to other Minnesota school districts	26,315	-	2,995	29,310
Due to other governmental units	10,126	-	1,513	11,639
Advances from other funds	-	-	6,451	6,451
Payroll deductions	764,469	-	-	764,469
Unearned revenue	41,241	-	37,567	78,808
Total liabilities	1,912,694	-	90,257	2,002,951
Deferred Inflows of Resources				
Unavailable revenue - delinquent taxes	27,038	38,461	1,460	66,959
Unavailable revenue - property taxes	2,413,399	3,235,839	134,772	5,784,010
Total deferred inflows of resources	2,440,437	3,274,300	136,232	5,850,969
Fund Balances				
Nonspendable	68,167	-	22,204	90,371
Restricted	363,553	20,339,025	406,117	21,108,695
Unassigned	1,836,776	-	(116,975)	1,719,801
Total fund balances	2,268,496	20,339,025	311,346	22,918,867
Total liabilities, deferred inflows of resources, and fund balances	\$ 6,621,627	\$ 23,613,325	\$ 537,835	\$ 30,772,787

Independent School District No. 717

Jordan, Minnesota

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

June 30, 2020

Total Fund Balances for Governmental Funds	\$ 22,918,867
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Amounts reported for governmental activities
in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	47,005,052
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	66,959
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Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(892,585)
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The internal service fund accounts for the district's health and dental self-insurance plan. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net position.	47,221
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.	(6,213,605)
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Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the governmental funds.	87,618
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Noncurrent 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 noncurrent - are reported in the statement of net position. Balances at year-end are:

Bonds Payable	\$ 53,000,000	
Bond Premium	3,102,112	
Bond Discount	(84,240)	
Certificates of Participation Payable	1,005,000	
Capital Lease Payable	38,436	
Loans Payable	55,022	
Severance Benefits Payable	238,115	
Compensated Absences Payable	100,305	
Net Pension Liability	13,604,699	
Total OPEB Obligation	<u>2,401,523</u>	<u>(73,460,972)</u>

Total Net Deficit for Governmental Activities	<u>\$ (10,441,445)</u>
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Independent School District No. 717

Jordan, Minnesota

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Year Ended June 30, 2020

	General	Debt Service	Total Nonmajor Funds	Total Governmental Funds
Revenues				
Local property tax levies	\$ 2,361,077	\$ 3,175,399	\$ 133,067	\$ 5,669,543
Other local and county sources	791,213	-	1,570,438	2,361,651
State sources	17,614,565	159,147	172,855	17,946,567
Federal sources	474,687	-	434,318	909,005
Interest earnings	36,881	943,374	6,771	987,026
Total revenues	<u>21,278,423</u>	<u>4,277,920</u>	<u>2,317,449</u>	<u>27,873,792</u>
Expenditures				
Administration	1,090,393	-	-	1,090,393
District support services	780,165	-	-	780,165
Regular instruction	10,205,384	-	-	10,205,384
Vocational instruction	352,765	-	-	352,765
Special education instruction	4,042,214	-	-	4,042,214
Community education and services	-	-	1,468,785	1,468,785
Instructional support services	1,037,422	-	-	1,037,422
Pupil support services	1,837,043	-	948,104	2,785,147
Sites and buildings	2,206,012	-	23,711	2,229,723
Fiscal and other fixed cost programs	1,871	-	-	1,871
Debt service:				
Principal	50,820	1,800,000	1,353	1,852,173
Interest and fiscal charges	49,624	1,979,490	299	2,029,413
Total expenditures	<u>21,653,713</u>	<u>3,779,490</u>	<u>2,442,252</u>	<u>27,875,455</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(375,290)	498,430	(124,803)	(1,663)
Other Financing Sources				
Gain on sale of assets	200	-	-	200
Operating Transfers in (Out)	(24,623)	-	24,623	-
Total other financing sources	<u>(24,423)</u>	<u>-</u>	<u>24,623</u>	<u>200</u>
Net Change in Fund Balances	(399,713)	498,430	(100,180)	(1,463)
Fund Balances - Beginning, as Adjusted (Note 8)	<u>2,668,209</u>	<u>19,840,595</u>	<u>411,526</u>	<u>22,920,330</u>
Fund Balances - Ending	<u>\$ 2,268,496</u>	<u>\$ 20,339,025</u>	<u>\$ 311,346</u>	<u>\$ 22,918,867</u>

Independent School District No. 717

Jordan, Minnesota

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
Year Ended June 30, 2020

Total Net Change in Fund Balances for Governmental Funds \$ (1,463)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period those amounts are:

Capital outlay	416,685
Depreciation expense	(2,141,416)

The governmental funds report severance and compensated absences costs as expenditures when paid, on the other hand, the statement of activities reports severance and compensated absences costs as expenditures as the employees earn the compensated absences. In the statement of net position, the payment of severance and compensated absences results in a reduction of the liability.

(21,893)

In governmental funds, OPEB liabilities are measured by the amount of resources used. However, in the statement of activities, an increase in an OPEB liability is based on the amount earned by the employees during the period. This amount is the net effect of these differences.

(189,819)

In the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense. In the governmental funds, however, the contributions are reported as expense.

(1,086,656)

Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences.

269,697

The governmental funds report repayment of principal on long-term liabilities as expenditures. In the statement of net position, however, repayment of principal reduces the liability.

1,905,991

Long-term debt interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due.

(64)

The internal service fund accounts for the district's health and dental self-insurance plan. The net revenue of the internal service fund is included in the governmental activities.

23,578

Property taxes levied and due in previous fiscal years that have not been received as of the end of the current fiscal year are recorded as deferred inflows - delinquent taxes (not considered available revenues) in the governmental funds. In the statement of activities, these taxes are considered revenue in the period for which they are levied.

14,297

Change in Net Position of Governmental Activities

\$ (811,063)

Independent School District No. 717
Jordan, Minnesota
Statement of Net Position – Proprietary Fund
June 30, 2020

	Governmental Activities Internal Service Fund
Assets	
Cash and investments	<u>\$ 54,131</u>
Liabilities	
Accounts payable	1,489
Claims incurred but not reported	<u>5,421</u>
Total liabilities	<u>6,910</u>
Net Position	
Unrestricted	<u><u>\$ 47,221</u></u>

Independent School District No. 717
Jordan, Minnesota
Statement of Changes in Net Position – Proprietary Fund
June 30, 2020

	Governmental Activities Internal Service Fund
	<u> </u>
Additions	
Dental revenue	\$ 147,004
Interest earnings	<u> 346</u>
Total additions	<u> 147,350</u>
Deductions	
Dental claims	106,022
Service fee	<u> 17,750</u>
Total deductions	<u> 123,772</u>
Operating Income	23,578
Net Position - Beginning	<u> 23,643</u>
Net Position - Ending	<u><u> \$ 47,221</u></u>

Independent School District No. 717
Jordan, Minnesota
Statement of Cash Flows – Proprietary Fund
June 30, 2020

	Governmental Activities Internal Service Fund
Operating Activities	
Receipts from participants	\$ 147,350
Payments of insurance claims and administration	<u>(121,356)</u>
Net cash provided for operating activities	<u>25,994</u>
Cash and Investments, July 1	<u>28,137</u>
Cash and Investments, July 30	<u><u>\$ 54,131</u></u>
Reconciliation of Operating Income to	
Net Cash provided for Operating Activities	
Operating Income	\$ 23,578
Adjustments to reconcile operating income	
to net cash provided for operating activities	
Changes in assets and liabilities	
Accounts payable	81
Claims incurred but not reported	<u>2,335</u>
	<u><u>\$ 25,994</u></u>

Independent School District No. 717
Jordan, Minnesota
Statement of Fiduciary Net Position
June 30, 2020

	<u>Custodial Fund</u>
Assets	
Cash and investments	\$ 88
Accounts receivable	<u> 1,551</u>
Total assets	<u> 1,639</u>
Liabilities	
Accounts payable	<u><u> 1,639</u></u>

Independent School District No. 717
Jordan, Minnesota
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2020

	<u>Custodial Fund</u>
Additions	
Gifts and bequests	<u>\$ 13,169</u>
Deductions	
Donations	<u> 13,169</u>
Change in Net Position	-
Net Position - Beginning	<u>-</u>
Net Position - Ending	<u><u>\$ -</u></u>

Note 1 - Summary of Significant Accounting Policies

The Independent School District No. 717 (the District) is a school district governed by a board elected by eligible voters of the District. The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant School District accounting policies are described below.

A. Financial Reporting Entity

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

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the 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 recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

The District reports the following major governmental funds:

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

The District reports the following non-major governmental funds:

- *Food service fund* accounts for food service revenues and expenditures.
- *Community service fund* accounts for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, adults or early childhood programs, extended day programs, or other similar services.
- *Capital projects fund* accounts for the activity of the building construction project.

Additionally, the government reports the following fund types:

- *Internal service fund* is a proprietary fund used to account for the activities of the District's self-insured dental plan.
- *Fiduciary funds* are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs.
 - *Custodial fund* is used to account for the funds used food shelf and back pack program that lack the administrative involvement to be included in the general fund. These assets are used for third party authorized purposes and not to be used to support the government's own programs.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance**1. Cash and Investments**

Cash balances of the District's funds are combined (pooled) and invested to the extent available in various deposits and investments authorized by Minnesota state statutes. Each fund shares in the earnings according to its average cash and investments balance. Cash includes amounts in demand deposits as well as short-term investments with an original maturity date within three months of the date acquired by the District. Investments are reported at fair value, except for the Minnesota School District Liquid Asset Fund Plus (MSDLAF) and MNTrust. Both are an external investment pool, which in accordance with GASB 79 are valued at amortized cost, which approximates fair value. GASB Statement No. 79 requires a comparison of the MSDLAF+ Portfolio and MNTrust investments on an amortized cost basis to fair values determined on a market value basis at least monthly.

2. Cash and Investments with Fiscal Agent

Restricted cash balances of the District's funds are holding bond proceeds from the General Obligation Crossover Refunding Bonds of 2016A and are to be used to refund a portion of the General Obligation School Building Refunding Bond, Series 2014A on the call date of February 1, 2023. In addition, the bond proceeds from the General Obligation Crossover Refunding bonds of 2017B are used to refund a portion of the General Obligation School Building Refunding Bond, Series 2014A on the call date of February 1, 2023.

3. Receivables

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

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

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

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

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

Property tax revenue is recorded under the intact levy concept whereby taxes collectible during a calendar year are recorded as revenue in the fiscal year beginning with the year of collection. Current taxes receivable represent taxes levied in 2019 which are not payable until 2020 less amounts received before June 30, 2020. Delinquent taxes receivable represent levies collectible during 2019 and prior years. Delinquent taxes are recorded as unavailable revenue. Taxes levied for subsequent years represent current taxes receivable, which are levied in 2019, but not payable until 2020 and are not expendable by the District until the 2020-2021 school year, adjusted for the property tax shift amount.

4. Inventories, Commodities, and Prepaid Items

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

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

5. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant, and equipment of the District are depreciated using the straight line method.

Capital assets are depreciated using the straight-line method over their estimated useful lives. 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.

6. Long-Term Obligations

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

In the government-wide financial statements bond premiums and discounts are deferred and amortized over the life of the bonds and issuance costs are expensed in the period incurred. In the fund financial statements, governmental fund types recognize premiums received on debt issuances as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences – Substantially all full-time employees earn annual vacation pay at various rates based on length of service. All outstanding unpaid vacation pay is payable upon termination of employment. At June 30, 2020, unpaid vacation pay totaling \$100,305 is recorded in the financial statements.

Severance Benefits – Upon termination of employment, employees meeting years of service requirements are entitled to a payout of accumulated sick leave at various rates established in their employment contract. At June 30, 2020, a severance liability of \$238,115 is recorded for all eligible employees.

7. Pensions

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

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. The direct aid is a result of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015. Additional information can be found in Note 5.

For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The District has three items that qualify for reporting in this category. They are the contributions made to pension plans and the other postemployment benefit plan after the measurement date and prior to the fiscal year-end, and changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has two types of items that qualify for reporting in this category. The District reports unavailable revenues from property taxes on the government-wide statement of net position and the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item is changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

9. Net Position and Fund Balances

Net position represents the difference between assets, deferred outflows/inflows of resources, and liabilities in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance represents a portion of fund balance that includes amounts that cannot be spent because they are either: a) not in spendable form or b) legally or contractually required to be maintained intact.
- Restricted fund balances represents a portion of fund balance that reflects constraints placed on the use of resources (other than nonspendable items) that are either: a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority which is the School Board through an ordinance or resolution.

- Assigned fund balance represents amounts constrained by the District's intent to be used for specific purposes, but neither restricted nor committed. The School Board has the authority to assign a fund balance and the School Board has also delegated the authority to assign fund balances to the superintendent and business manager.
- Unassigned fund balance represents residual classification for the general fund. This classification represents fund balance not assigned to other funds and not restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it would be necessary to report a negative unassigned fund balance.

The District approved a minimum unassigned general fund balance of two months of the operating expenses. If resources from more than one fund balance classification could be spent, the District will strive to spend resources from fund balance classifications in the following order (first to last): restricted, committed, assigned, and unassigned.

E. Inter-Fund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses in the government-wide financial statements and fund financial statements. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

F. Property Tax Shift

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

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. The remaining portion of the taxes collectible in 2017 is recorded as deferred inflows of resources (property taxes levied for subsequent years).

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

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

G. Estimates

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

H. Implementation of GASB Statement No. 84

As of July 1, 2019, the District adopted GASB Statement No. 84, Fiduciary Activities. The objective of this statement is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. The impact to the District resulted in the student activity funds and scholarship funds being changed from reporting as an agency fund and trust fund, respectively, to the General Fund. The effect to the implementation of this standard on beginning net position and fund balance is disclosed in Note 8.

Note 2 - Stewardship, Compliance, and Accountability

A. Budgetary Information

The District adopts an annual budget for all funds in accordance with Minnesota State Statutes. The budget is prepared on the modified accrual basis of accounting. Before July 1, the proposed budget is presented to the School Board for review. The School Board holds public hearings and a final budget must be prepared and adopted no later than one week after the School Board approves the audited financial statements and has published the final budget in the local newspaper. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal yearend. The actual revenues, expenditures, and transfers for the year ended June 30, 2020, have been compared to the District's budget for the year where applicable. Variances in parentheses are unfavorable and indicate revenues are less than budget or expenditures are greater than budget. The budget is adopted through passage of a resolution. Any revisions that alter total expenditures of any fund must be approved by the School Board.

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

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2020, expenditures exceeded appropriations in the General Fund by \$3,103 . The over expenditures were funded by greater than anticipated revenues and existing fund balance.

Note 3 - Detailed Notes on All Funds

A. Cash and Investments

1. Cash

In accordance with Minnesota Statutes, the District maintains deposits at those depository banks authorized by the School Board. All such depositories are members of the Federal Reserve System. Minnesota Statutes require that all District deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the District Treasurer or in a financial institution other than that furnishing the collateral.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2020, none of the District's bank balances were exposed to custodial credit risk.

At June 30, 2020, all deposits were insured or collateralized by securities held by the District's agent in the District's name.

2. Investments

As of June 30, 2020, the District had an investment in MSDLAF and MNTrust with an amortized cost of \$150,588 and \$ 19,609,314 , respectively.

Custodial Credit Risk – Investments. The investments in the MSDLAF and MNTrust are not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement No. 40. The District does not have an investment policy for custodial credit risk.

Interest Rate Risk. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. The District may invest funds as authorized by Minnesota Statutes Section 118A.04. All funds in the MSDLAF and MNTrust are invested in accordance with Minnesota Statutes Section 475.66. Each Minnesota school district owns a pro-rata share of each investment which is held in the name of the funds. The District has no investment policy that would further limit its investment choices. As of June 30, 2020, the District's MSDLAF and MNTrust accounts were rated AAAm and AAA, respectively, by Standard & Poor's.

Concentration of Credit Risk. The District places no limit on the amount the District may invest in any one issuer. More than five percent of the District's investments are invested with MSDLAF and MNTrust.

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

Type	Total	Investment Maturities (in Years)	
		N/A	1 - 5
Cash and cash equivalents			
MN School District Liquid Asset Fund	\$ 150,588	\$ 150,588	\$ -
Deposits	22,655	22,655	-
Money Market	859,852	859,852	-
Investments			
US Treasuries	19,609,314	19,609,314	-
Mutual Funds	4,862,284	4,862,284	-
Certificates of deposit	140,025	-	140,025
	<u>\$ 25,644,718</u>	<u>\$ 25,504,693</u>	<u>\$ 140,025</u>

US Treasuries of \$ 19,609,314 and mutual funds of \$ 4,862,284 are valued using quoted market prices (Level 1 inputs).

Cash and investments are included on the basic financial statements as follows:

Cash and cash equivalents - Statement of Net Position	\$ 6,035,316
Cash and investments with fiscal agent - Statement of Net Position	19,609,314
Cash and cash equivalents - Statement of Fiduciary Net Position	88
	<u>\$ 25,644,718</u>

B. Capital Assets

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

Administration	\$ 1,063
Regular instruction	521,158
Special education instruction	1,510
Community education and services	1,216
Instructional support services	14,291
Pupil support services	19,637
Sites and buildings	1,582,541
Total depreciation expense	<u>\$ 2,141,416</u>

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, not being Depreciated:				
Land	\$ 1,896,117	\$ -	\$ -	\$ 1,896,117
Construction in progress	-	53,733	-	53,733
Total Capital Assets, not being Depreciated	<u>1,896,117</u>	<u>53,733</u>	<u>-</u>	<u>1,949,850</u>
Capital Assets, being Depreciated:				
Land improvements	2,782,190	21,900	-	2,804,090
Buildings	59,972,431	210,482	-	60,182,913
Equipment	2,208,349	130,570	-	2,338,919
Total Capital Assets, being Depreciated	<u>64,962,970</u>	<u>362,952</u>	<u>-</u>	<u>65,325,922</u>
Less Accumulated Depreciation for:				
Land improvements	1,090,549	116,678	-	1,207,227
Buildings	15,684,947	1,879,768	-	17,564,715
Equipment	1,353,808	144,970	-	1,498,778
Total Accumulated Depreciation	<u>18,129,304</u>	<u>2,141,416</u>	<u>-</u>	<u>20,270,720</u>
Total Capital Assets, being Depreciated, net	<u>46,833,666</u>	<u>(1,778,464)</u>	<u>-</u>	<u>45,055,202</u>
Governmental Activities Capital Assets, net	<u>\$ 48,729,783</u>	<u>\$ (1,724,731)</u>	<u>\$ -</u>	<u>\$ 47,005,052</u>

C. Long-term Liabilities**1. Capital Leases**

The District has entered into three lease agreements as lessee for the financing of technology equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore have been recorded at the present value of future minimum lease payments as of the inception date. The leases are payable in monthly installments through August 2022 at interest rates ranging from 3.22 to 8.50 percent. These lease obligations are being retired by the general fund and community service fund.

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

Years Ending June 30,	
2021	\$ 20,307
2022	20,307
Total Lease Payments	<u>40,614</u>
Less: Interest	<u>(2,178)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 38,436</u></u>

The total cost of assets acquired through the capital leases is \$465,542 and the related accumulated depreciation of those assets is \$374,557 as of June 30, 2020.

2. Bonds

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

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During the year ended June 30, 2018, the District issued \$9,720,000 of General Obligation Crossover Refunding Bonds, series 2017B and \$250,000 of General Obligation Taxable Capital Facilities Bonds, Series 2017C bonds. The series 2017B bonds have interest rates ranging from 2.0 – 3.0% and will mature on February 1, 2032. These bonds will be used to refund a portion of the 2028 maturity and the entire 2029 through 2032 maturities outstanding General Obligation School Building Refunding Bond, Series 2014 on the call date of February 1, 2023. The district refunded the bond to obtain an economic gain of \$615,235. The Series 2017C bonds will be used to fund a project to renovate educational spaces at the elementary and high schools. The Series 2017C bonds will mature on February 1, 2022.

General obligation bonds currently outstanding are as follows:

Bond Description	Final Maturities	Interest Rate	Principal Payments	Original Principal	Outstanding Balance
General Obligation Refunding Bonds of 2013B	2/1/2021	2.00% - 3.00%	\$1,620,000 - \$1,670,000	\$ 9,500,000	\$ 1,670,000
General Obligation School Building Bonds of 2014	2/1/2023	1.00% - 5.00%	\$130,000 - \$29,720,000	34,590,000	31,515,000
General Obligation Crossover Refunding Bonds of 2016A	2/1/2035	2.00% - 2.50%	\$95,000 - \$2,950,000	9,995,000	9,995,000
General Obligation Crossover Refunding Bonds of 2017B	2/1/2023	2.00% - 3.00%	\$100,000 - \$2,450,000	9,720,000	9,720,000
General Obligation Capital Facilities Bonds of 2017C	2/1/2022	3.00%	\$50,000	250,000	100,000
				<u>\$64,055,000</u>	<u>\$53,000,000</u>

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

Years Ending June 30,	Governmental Activities	
	Principal	Interest
2021	\$ 1,855,000	\$ 2,067,175
2022	1,710,000	2,011,525
2023	29,720,000	1,943,625
2024	195,000	534,675
2025	175,000	530,775
2026-2030	5,535,000	2,522,990
2031-2035	13,810,000	1,093,680
Total	<u>\$ 53,000,000</u>	<u>\$ 10,704,445</u>

Certificates of Participation. The District issued certificates of participation in 2017 to provide funds for the purchase of land. The certificates are payable in installments through February 2037, at an interest rate ranging from 4.53 to 6.60 percent and payable in installments ranging from \$40,000 to 85,000. Amounts are paid from the general fund. Annual debt service requirements to maturity for certificates of participation are as follows.

Years Ending June 30,	Governmental Activities	
	Principal	Interest
2021	\$ 40,000	\$ 45,872
2022	45,000	44,512
2023	45,000	42,982
2024	45,000	41,101
2025	50,000	39,220
2026-2030	270,000	163,348
2031-2035	345,000	93,567
2036-2037	165,000	12,500
Total	<u>\$ 1,005,000</u>	<u>\$ 483,102</u>

Loans Payable – Direct Borrowing. The District issued loans payable to provide funds for the purchase of chromebooks. The loans are payable in installments through September 2020, at an interest rate of 2.70 percent and payable in installments of \$46,095 and 10,436. Amounts are paid from the general fund. Annual debt service requirements to maturity for loans payable are as follows.

Years Ending June 30,	Governmental Activities	
	Principal	Interest
2021	\$ 55,022	\$ 1,509

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Notes to Financial Statements

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

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year
Bonds Payable					
General obligation bonds	\$ 54,800,000	\$ -	\$ 1,800,000	\$ 53,000,000	\$ 1,855,000
Bond premium	3,378,289	-	276,177	3,102,112	276,177
Bond discount	(90,720)	-	(6,480)	(84,240)	(6,480)
Total bonds payable	58,087,569	-	2,069,697	56,017,872	2,124,697
Certificates of Participation Payable	1,045,000	-	40,000	1,005,000	40,000
Capital Leases Payable (direct borrowing)	50,609	-	12,173	38,436	16,560
Loans Payable	108,840	-	53,818	55,022	55,022
Severance Benefits Payable	219,755	47,331	28,971	238,115	6,468
Compensated Absences Payable	96,772	236,343	232,810	100,305	100,305
	<u>\$ 59,608,545</u>	<u>\$ 283,674</u>	<u>\$ 2,437,469</u>	<u>\$ 57,454,750</u>	<u>\$ 2,343,052</u>

Legal Debt Margin. Minnesota State Statutes do not allow net debt (as defined in Minn. Stat. Para. 475.51 subd. 4) to exceed 15 percent of the actual market value of all taxable property within the District. The District's market value per the School Tax Report 2019 Payable 2020 was \$1,143,883,600.

Compensated Absences

The District will make payments out of the General Fund and amounts consist of benefits as discussed in Note 1.

Severance Benefits

Plan Description – The District compensates certain eligible employees for compensated absences like sick leave upon retirement. The severance plan is based on contractual agreements with the employees.

Teachers – For teachers reaching age 55 with 25 years of service the benefit is \$10 per hour of unused sick leave. Sick leave accrues at 72 hours per year up to 1,000 hours. The benefit is payable 50% at the time of retirement and the remaining 50% in January the following year.

Superintendent – After reaching 4 years of service, the superintendent's benefit is a minimum of 5 days per year of service multiplied by the daily rate of pay at the time of retirement. The benefit is payable in one lump sum.

Principals and Special Services Director – For principals and the special services director the benefit is \$125 per day of unused sick leave. Sick leave accrues at 12 days per year up to 125 days. The benefit is payable in one lump sum.

Food Service Custodians – For food service custodians, the benefit is \$1.75 per hour of unused sick leave. Sick leave accrues at 12 days per year up to 1,000 hours. The benefit is payable in one lump sum.

Assistant Principal/Activities Director, Director of Teaching and Learning/Assistant Principal, Community Education/Recreation Director, and Special Service Coordinator/Psychologist – For these employees the benefit is \$110 per day of unused sick leave up to a maximum of 120 days. Sick leave accrues at 12 days per year up to 1,000 hours. The benefit is payable in one lump sum.

All Others – For all other employees reaching 10 years of service, the multiplier for each hour of unused sick leave is based on years of service:

- 10 years of service - \$2.00
- 15 years of service - \$2.25
- 20 years of service - \$2.50
- 20 years of service for the Finance Director, Equity/Outreach Specialist and Bookkeepers - \$4.00

Sick leave accrues at 12 days per year up to 1,000 hours. The benefit is payable in one lump sum.

Funding Policy – Payments under the plan are made on a pay-as-you-go basis. There are no invested plan assets accumulated for payment of future benefits. All benefits are paid out of the General Fund and the District makes all contributions.

D. Fund Balances

Certain portions of fund balances are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities, or as required by other outside parties.

The following is a summary of fund balances as of June 30, 2020:

	General	Debt Service	Total Nonmajor Funds	Totals
Nonspendable				
Inventories	\$ -	\$ -	\$ 21,060	\$ 21,060
Prepaid items	68,167	-	1,144	69,311
Total nonspendable	<u>68,167</u>	<u>-</u>	<u>22,204</u>	<u>90,371</u>
Restricted				
Student activities	88,687	-	-	88,687
Scholarships	142,639	-	-	142,639
Staff development	5,734	-	-	5,734
Operating capital	3,252	-	-	3,252
Area learning center	58,152	-	-	58,152
Basic skills extended time	22,663	-	-	22,663
Basic skills	994	-	-	994
Long-term facilities maintenance	12,239	-	-	12,239
Medical assistance	29,193	-	-	29,193
Early childhood family education	-	-	46,605	46,605
School readiness	-	-	270,602	270,602
Community service	-	-	58,176	58,176
Projects funded by certificates of participation	-	-	30,645	30,645
Capital projects	-	-	89	89
Bond refunding	-	19,609,314	-	19,609,314
Debt service	-	729,711	-	729,711
Total restricted	<u>363,553</u>	<u>20,339,025</u>	<u>406,117</u>	<u>21,108,695</u>
Unassigned	<u>1,836,776</u>	<u>-</u>	<u>(116,975)</u>	<u>1,719,801</u>
Total fund balance	<u>\$ 2,268,496</u>	<u>\$ 20,339,025</u>	<u>\$ 311,346</u>	<u>\$ 22,918,867</u>

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

	GASB Balance	Reconciling Transfer	UFARS Balance
Nonspendable			
Inventories	\$ 21,060	\$ -	\$ 21,060
Prepaid items	69,311	-	69,311
Total nonspendable	<u>90,371</u>	<u>-</u>	<u>90,371</u>
Restricted			
Student activities	88,687	-	88,687
Scholarships	142,639	-	142,639
Staff development	5,734	-	5,734
Operating capital	3,252	-	3,252
Basic skills	994	-	994
Area learning center	58,152	-	58,152
Safe schools	-	(30,199)	(30,199)
Basic skills extended time	22,663	-	22,663
Long-term facilities maintenance	12,239	-	12,239
Medical assistance	29,193	-	29,193
Community education	-	(116,975)	(116,975)
Early childhood family education	46,605	-	46,605
School readiness	270,602	-	270,602
Community service	58,176	-	58,176
Projects funded by certificates of participation	30,645	-	30,645
Capital projects	89	-	89
Bond refunding	19,609,314	-	19,609,314
Debt service	729,711	-	729,711
Total restricted	<u>21,108,695</u>	<u>(147,174)</u>	<u>20,961,521</u>
Unassigned			
General	1,836,776	30,199	1,866,975
Community service	(116,975)	116,975	-
Total unassigned	<u>1,719,801</u>	<u>147,174</u>	<u>1,866,975</u>
Total Fund Balance	<u>\$ 22,918,867</u>	<u>\$ -</u>	<u>\$ 22,918,867</u>

Note 4 - Other Post-Employment Benefits**A. Plan Description**

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

- *All Employees* – Employees reaching age 55 with 3 years of service are allowed to access the group insurance plan.
- *Teachers* – Teachers reaching age 55 with 25 years of service hired before March 12, 2012 are allowed access to subsidized benefits of the medical, dental and life insurance plans. See benefit details below:
 - Medical –The benefit is the full single premium plus \$1,100 multiplied by 6 years or to Medicare eligibility, whichever is earlier. The benefit is payable in one lump sum at retirement to a VEBA account. Plus, remaining retiree payments only of a minimum of 5 days per year of service multiplied by their base salary pay at June 30, 1993 minus accumulated District contributions to the deferred match program. The benefit is payable to the VEBA account in two equal annual installments. District match is up to \$2,000 per year after 6 years of service up to a maximum of \$20,000. Account credit can also be sued for spouse coverage.
 - Dental –The benefit is the full premium for single dental for 6 years or Medicare eligibility, whichever is earlier.
 - Life – The benefit is the full premium for a \$100,000 policy for 6 years or Medicare eligibility, whichever is earlier.
- *Principals, Special Services Direct and Grandfathered Activities Director* – These employees reaching age 55 with 10 years of service are allowed to access the subsidized medical insurance benefit. They receive one year of District paid single medical insurance for every 4 years of service up to a maximum of 6 years or Medicare eligibility, whichever is earlier.

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

B. Benefits Provided

The contract groups have access to other post-retirement benefits listed below:

- Medical – The blended medical premiums are \$630 for single and \$1,617 for family coverage/
- Dental – The dental premiums are \$38 for single and \$115 for family coverage.
- Life – The life premiums are \$0.14 per \$1,000.

The subsidized benefits available to certain contract groups are discussed above.

C. Employees Covered by Benefit Terms

At the valuation date of July 1, **2019**, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	14
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>252</u>
	<u><u>266</u></u>

D. Total OPEB Liability

The District's total OPEB liability of \$2,401,523 was measured as of July 1, 2019, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of that date.

E. Actuarial 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 rate	2.5 percent
Salary increases	3.0 percent
Discount rate	3.1 percent
Health care cost trend rate	6.25% for FY2019, decreasing to 5.00% over 5 years
Retiree plan participation	
Future retirees electing coverage:	
Pre-65 subsidy available	100%
Pre-65 subsidy not available	50%
Percent of married retirees electing spouse coverage	10%

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

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

The other assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2014.

F. Changes in Total OPEB Liability

Balance at June 30, 2019	<u>\$ 2,166,782</u>
Changes from the Prior Year:	
Service Cost	161,405
Interest Cost	80,225
Assumption Changes	65,820
Differences between Expected and Actual Experience	-
Benefit Payments	<u>(72,709)</u>
Net Change	<u>234,741</u>
Balance at June 30, 2020	<u><u>\$ 2,401,523</u></u>

G. Sensitivity of the Total OPEB Liability to Changes in Discount Rate and 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 a discount rate 1 percentage point lower and 1 percentage point higher than the current discount rate:

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
Discount rate	2.10%	3.10%	4.10%
Total OPEB Liability	\$ 2,595,294	\$ 2,401,523	\$ 2,213,340

The following represents 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 healthcare cost trend rate 1 percentage point lower and 1 percentage point higher than the current healthcare cost trend rates:

	<u>1% Decrease in Healthcare Trend Rate</u>	<u>Selected Healthcare Trend Rate</u>	<u>1% Increase in Healthcare Trend Rate</u>
Total OPEB Liability	\$ 2,073,335	\$ 2,401,523	\$ 2,797,475

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$244,581. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual liability	\$ -	\$ 34,977
Changes in actuarial assumptions	59,133	-
District's contributions subsequent to measurement date	<u>63,462</u>	<u>-</u>
Total	<u>\$ 122,595</u>	<u>\$ 34,977</u>

\$63,462 reported as deferred outflows of resources related to OPEB resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to GERS pensions will be recognized in pension expense as follows:

<u>Years Ended June 30,</u>	<u>OPEB Expense</u>
2021	\$ 2,951
2022	2,951
2023	2,951
2024	2,951
2025	2,950
Thereafter	9,402

Note 5 - Defined Benefit Pension Plans

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

1. Public Employees Retirement Association (PERA)**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). PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

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

B. Benefits Provided

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

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

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule 90 are exempt from the delay to normal retirement.

C. Contribution Rate

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

Coordinated Plan members were required to contribute 6.5 percent of their annual covered salary in fiscal year 2020 and the District was required to contribute 7.5 percent for Coordinated Plan members. The District's contributions to the GERF for the year ended June 30, 2020, were \$254,907. The District's contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

At June 30, 2020, the District reported a liability of \$2,526,651 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 \$78,497. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the District's proportion was 0.0457% at the end of the measurement period and 0.0458% for the beginning of the period.

District's proportionate share of net pension liability	<u>\$ 2,526,651</u>
State of Minnesota's proportionate share of the net pension liability associated with the District	<u>78,497</u>
	<u><u>\$ 2,605,148</u></u>

For the year ended June 30, 2020, the District recognized pension expense of \$221,814 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional \$5,879 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 71,149	\$ -
Changes in actuarial assumptions	-	202,140
Net collective difference between projected and actual investment earnings	-	261,605
Change in proportion	8,120	52,040
Contributions paid to PERA subsequent to the measurement date	<u>254,907</u>	<u>-</u>
Total	<u>\$ 334,176</u>	<u>\$ 515,785</u>

The \$254,907 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ended June 30,</u>	<u>Pension Expense Amount</u>
2021	\$ (155,282)
2022	(233,222)
2023	(52,084)
2024	4,072

E. Actuarial Assumptions

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

<u>Assumptions</u>	<u>GERF</u>
Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

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

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019.

Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

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

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

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

<u>Asset Class</u>	<u>Allocations</u>	<u>Real Rate of Return</u>
Domestic Equity	35.50%	5.10%
International Equity	17.50%	5.90%
Fixed Income	20.00%	0.75%
Private Markets	25.00%	5.90%
Cash Equivalents	2.00%	0.00%
Total	100%	

F. Discount Rate

The discount rate used to measure the total pension liability in 2019 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

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

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
GERF discount rate	6.50%	7.50%	8.50%
District's proportionate share of the GERF net pension liability	\$ 4,153,678	\$ 2,526,651	\$ 1,183,216

H. Pension Plan Fiduciary Net Position

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

2. Teachers Retirement Association (TRA)**A. Plan Descriptions**

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

Educators employed in Minnesota's public elementary and secondary 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 TRA coverage or coverage through the Define Contribution Plan (DCR) administered by the State of Minnesota.

B. Benefits Provided

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

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

Tier 1 Benefits

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

With these provisions:

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

or

Tier II Benefits

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

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

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

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

C. Contribution Rate

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

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

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

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

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

D. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Actuarial Information	
Valuation date	July 1, 2019
Experience study	June 5, 2015 November 6, 2017 (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Investment rate of return	7.50%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028 and 3.25% after June 30, 2028
Projected salary increase	2.85% to 8.85% before July 1, 2028 3.25% to 9.25% after June 30, 2028
Cost of living adjustment	1.00% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% 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 target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

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

Changes in actuarial assumptions since the 2018 valuation:

- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are 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.

E. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. There was no change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2019 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

F. Net Pension Liability

At June 30, 2020, the District reported a liability of \$11,078,048 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The District's proportionate share was 0.1738% at the end of the measurement period and 0.1738% for the beginning of the year.

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

District's proportionate share of net pension liability	<u>\$ 11,078,048</u>
State's proportionate share of the net pension liability associated with the district	<u>\$ 980,473</u>

For the year ended June 30, 2020, the District recognized pension expense of \$944,600. It also recognized \$74,528 as an increase to pension expense for the support provided by direct aid.

Independent School District No. 717

Jordan, Minnesota

Notes to Financial Statements

June 30, 2020

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,595	\$ 272,193
Changes in actuarial assumptions	9,456,523	14,762,365
Difference between projected and actual investment earnings	-	930,431
Change in proportion and differences between contributions made and District's proportionate share of contributions	161,226	522,966
District's contributions to TRA subsequent to the measurement date	836,615	-
Total	<u>\$ 10,455,959</u>	<u>\$ 16,487,955</u>

\$836,615 was reported as deferred outflows of resources related to pensions resulting from the District's contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

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

Years Ended June 30,	Pension Expense Amount
2021	\$ 596,267
2022	(88,516)
2023	(4,278,607)
2024	(3,077,216)
2025	(20,539)

G. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
TRA discount rate	6.50%	7.50%	8.50%
District's proportionate share of the TRA net pension liability	\$ 17,661,118	\$ 11,078,048	\$ 5,650,405

The Jordan Public Schools ISD No. 717's proportion of the net pension liability was based on the employer contributions to TRA in relation to TRA's total employer contributions including direct aid contributions from the State of Minnesota, City of Minneapolis and Minneapolis School District.

H. Pension Plan Fiduciary Net Position

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

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

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

Note 6 - 403(b) Plan

The District provides eligible employees future retirement benefits through the District's 403(b) Plan (the "Plan"). Employees of the District are eligible to participate in the Plan commencing on the date of their employment. Some employees are eligible to receive a match of employee contributions up to the qualifying amounts set forth in their Wage and Benefit Guidelines. Contributions are invested in tax deferred annuities hosted by a vendor from whom the District has obtained. The District's contributions for the years ended June 30, 2020, 2019, and 2018, were \$155,949, \$139,532, and \$150,409, respectively. The related employee contributions were \$363,931, \$390,141, and \$378,484, for the years ended June 30, 2020, 2019, and 2018, respectively.

Note 7 - Other Information

A. Contingent Liabilities

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

Note 8 - Adoption of New Standard

As of July 1, 2019, the District adopted GASB Statement No. 84, Fiduciary Activities. Due to the new standard the District's student activity accounts will now be held and accounted for in the General Fund. Student activity accounts were previously accounted for in the agency fund. The District's scholarship fund will not be held and accounted for in the General Fund. Scholarship funds were previously accounted for in the private-purpose trust fund and Custodial fund. The following tables describes the effects of the implementation of GASB 84 on beginning net position/fund balance:

	Governmental Activities	General Fund	Private Purpose Trust Fund
Net Deficit/Fund Balance at June 30, 2019, as previously reported	\$ (9,859,255)	\$ 2,439,336	\$ 143,640
Adjustment of student activity funds from an agency fund to the General Fund	85,233	85,233	-
Adjustment of scholarship funds from a trust fund to the General Fund	143,640	143,640	(143,640)
Net Deficit/Fund Balance at June 30, 2019, as restated	<u>\$ (9,630,382)</u>	<u>\$ 2,668,209</u>	<u>\$ -</u>

Note 9 - Interfund Transfers

During the year ended June 30, 2020, the District transferred \$24,623 from the general fund to the food service fund to cover the deficit as well as allocate COVID costs.

Note 10 - Subsequent Event

The District has evaluated subsequent events through November 5, 2020, the date which the financial statements were available to be issued. The District received federal grant funding related to the global COVID-19 pandemic. \$107,165 was received under the Elementary and Secondary School Emergency Relief Fund (ESSER) grant, \$22,161 was received under the Governor's Emergency Education Relief Fund (GEER) grant, and \$486,343 was received as part of the Coronavirus Relief Fund (CRF). All grants will be used to cover COVID-19 expenditures of the district.

On October 15, 2020, the District refunded a portion of their General Obligation School Building Bonds, Series 2014A by issuing \$10,075,000 Taxable General Obligation Crossover Refunding Bonds, Series 2020A.

Note 11 - Issued But Non-effective Accounting Pronouncements

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

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

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

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

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



Required Supplementary Information
June 30, 2020

Independent School District No. 717

Jordan, Minnesota

Independent School District No. 717
Jordan, Minnesota
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Year Ended June 30, 2020

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost	\$ 161,405	\$ 147,051	\$ 143,627
Interest	80,225	74,108	70,804
Assumption changes	65,820	3,804	-
Differences between expected and actual experience	-	(48,969)	-
Benefit payments	<u>(72,709)</u>	<u>(82,909)</u>	<u>(157,845)</u>
Net change in total OPEB liability	234,741	93,085	56,586
Total OPEB liability - beginning	<u>2,166,782</u>	<u>2,073,697</u>	<u>2,017,111</u>
Total OPEB liability - ending	<u><u>\$ 2,401,523</u></u>	<u><u>\$ 2,166,782</u></u>	<u><u>\$ 2,073,697</u></u>
Covered-employee payroll	\$ 12,696,494	\$ 12,326,693	\$ 10,480,104
Total OPEB liability as a percentage of covered-employee payroll	18.91%	17.58%	19.79%

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

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

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

Benefit Changes:

- For the year ending June 30, 2019: None
- For the year ending June 30, 2020: None

Assumption Changes:

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

Schedule of Funding Progress – Severance Benefits

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Simplified Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2018	\$ -	\$ 219,755	\$ 219,755	-	\$ 12,085,133	1.82%
7/1/2016	-	158,311	158,311	-	10,061,060	1.57%
7/1/2014	-	166,357	166,357	-	10,263,626	1.62%

Note to the Schedule of Funding Progress

Since the last actuarial valuation as of July 1, 2016, the following actuarial assumptions have been changed:

- The mortality table was updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The discount rate was changed from 3.00% to 3.50%.

Since the last actuarial valuation as of July 1, 2016, the following plan provisions have changed:

- None

Independent School District No. 717
Jordan, Minnesota
Schedule of Employer's Share of Net Pension Liability
Year Ended June 30, 2020

**Schedule of Employer's Share of Net Pension Liability
Last 10 Fiscal Years ***

Pension Plan	Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with District (b)	Total (d) (a+b)	Employer's Covered Payroll (e)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (d/e)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
PERA	6/30/19	0.0457%	\$ 2,526,651	\$ 78,497	\$ 2,605,148	\$ 3,256,291	80.0%	80.2%
	6/30/18	0.0458%	2,540,796	83,339	2,624,135	3,087,592	85.0%	79.5%
	6/30/17	0.0473%	3,019,601	37,971	\$ 3,057,572	3,057,585	100.0%	75.9%
	6/30/16	0.0469%	3,808,047	49,721	\$ 3,857,768	2,933,615	131.5%	68.9%
	6/30/15	0.0447%	2,316,586	N/A	\$ 2,316,586	2,472,253	93.7%	78.2%
	6/30/14	0.0442%	2,076,295	N/A	\$ 2,076,295	2,472,253	84.0%	78.8%
TRA	6/30/19	0.1738%	\$ 11,078,048	\$ 980,473	\$ 12,058,521	\$ 9,941,330	111.4%	78.1%
	6/30/18	0.1738%	10,918,248	1,025,996	11,944,244	9,717,935	112.4%	78.1%
	6/30/17	0.1776%	35,452,182	3,427,611	38,879,793	9,563,987	370.7%	51.6%
	6/30/16	0.1763%	42,051,757	4,220,988	46,272,745	9,233,733	455.4%	44.9%
	6/30/15	0.1760%	10,887,341	1,335,517	12,222,858	8,960,120	121.5%	76.8%
	6/30/14	0.1856%	8,552,314	601,775	9,154,089	8,567,861	99.8%	81.5%

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

Independent School District No. 717

Jordan, Minnesota

Schedule of Employer's Contributions

Year Ended June 30, 2020

**Schedule of Employer's Contributions
Last 10 Fiscal Years ***

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
PERA	6/30/20	\$ 254,907	\$ 254,907	\$ -	\$ 3,398,760	7.5%
	6/30/19	243,010	243,010	-	3,256,291	7.5%
	6/30/18	230,462	230,462	-	3,087,592	7.5%
	6/30/17	228,238	228,238	-	3,057,585	7.5%
	6/30/16	218,931	218,931	-	2,933,615	7.5%
	6/30/15	185,419	185,419	-	2,472,253	7.5%
TRA	6/30/20	\$ 836,615	\$ 836,615	\$ -	\$ 10,564,159	7.9%
	6/30/19	767,563	767,563	-	9,941,330	7.7%
	6/30/18	725,242	725,242	-	9,717,935	7.5%
	6/30/17	717,299	717,299	-	9,563,987	7.5%
	6/30/16	692,530	692,530	-	9,233,733	7.5%
	6/30/15	672,009	672,009	-	8,960,120	7.5%

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

Notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions**PERA****2019 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2017 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2016 Changes**Changes in Actuarial Assumptions**

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes**Changes in Actuarial Assumptions**

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

Changes in Plan Provisions:

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

TRA**2019 Changes****Changes in Actuarial Assumptions**

- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.

- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 6 years, (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer Contribution rate through an adjustment in the school aid formula.

2018 Changes**Changes in Actuarial Assumptions**

- The discount rate was decreased to 4.66% from 8.0%.
- The cost of living adjustment (COLA) was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019, and ending July 1, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero% beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers was reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017 Changes

Changes in Actuarial Assumptions

- The discount rate was decreased to 5.12% from 4.66%.
- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5% but remain at 2.0% for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The price inflation assumption was lowered from 2.75% to 2.5%
- The payroll growth assumption was lowered from 2.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for ten years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

2016 Changes

Changes in Actuarial Assumptions

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

2015 Changes

Changes of benefit terms

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

Change of assumptions

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

PERA's CAFR may be obtained on the PERA's website at www.mnpera.org for notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions.

Additional financial and actuarial information can be found in TRA's GASB 67-68 report. Both reports can be obtained at <https://minnesotatra.org/wp-content/uploads/2019/01/2018-MN-TRA-GASB-67-68-Reportscombined.pdf>

Independent School District No. 717
Jordan, Minnesota
General Fund Budgetary Comparison Schedule
Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	With Final Budget
Revenues				
Local property tax levies	\$ 2,374,469	\$ 2,385,904	\$ 2,361,077	\$ (24,827)
Other local and county sources	558,691	777,380	791,213	13,833
State sources	17,463,056	17,468,724	17,614,565	145,841
Federal sources	505,000	500,033	474,687	(25,346)
Interest earnings	40,000	50,000	36,881	(13,119)
Total revenues	20,941,216	21,182,041	21,278,423	96,382
Expenditures				
Administration	1,109,426	1,117,137	1,090,393	26,744
District support services	664,119	705,724	780,165	(74,441)
Regular instruction	9,786,722	10,013,898	10,205,384	(191,486)
Vocational instruction	299,838	368,945	352,765	16,180
Special education instruction	3,936,303	4,032,913	4,042,214	(9,301)
Instructional support services	1,076,754	1,135,330	1,037,422	97,908
Pupil support services	1,622,720	1,720,908	1,837,043	(116,135)
Sites and buildings	2,264,840	2,393,523	2,206,012	187,511
Fiscal and other fixed cost programs	75,000	75,000	1,871	73,129
Debt service				
Principal	40,000	40,000	50,820	(10,820)
Interest and fiscal charges	47,232	47,232	49,624	(2,392)
Total expenditures	20,922,954	21,650,610	21,653,713	(3,103)
Excess (Deficiency) of Revenues Over (Under) Expenditures	18,262	(468,569)	(375,290)	93,279
Other Financing Sources				
Gain on sale of assets	2,500	2,500	200	(2,300)
Operating transfers out	-	-	(24,623)	(24,623)
Total Other Financing Sources	2,500	2,500	(24,423)	(26,923)
Net Change in Fund Balance	\$ 20,762	\$ (466,069)	(399,713)	\$ 66,356
Fund Balance - Beginning, as Adjusted (Note 8)			2,668,209	
Fund Balance - Ending			\$ 2,268,496	



Supplementary Information
June 30, 2020

Independent School District No. 717

Jordan, Minnesota

Independent School District No. 717
Jordan, Minnesota
Schedule of Changes in UFARS Fund Balances: General Fund
June 30, 2020

	Fund Balance Beginning of Year, as Adjusted	Net Change in Fund Balance	Fund Balance End of Year
Nonspendable	\$ 25,884	\$ 42,283	\$ 68,167
Restricted for student activities	85,233	3,454	88,687
Restricted for scholarships	143,640	(1,001)	142,639
Restricted for staff development	16,238	(10,504)	5,734
Restricted for operating capital	26,699	(23,447)	3,252
Restricted for learning and development	51,867	(51,867)	-
Restricted for area learning center	69,846	(11,694)	58,152
Restricted for gifted and talented	18,535	(18,535)	-
Restricted for teacher development and evaluation	30,485	(30,485)	-
Restricted for basic skills	19,156	(18,162)	994
Restricted for safe schools	(78,486)	48,287	(30,199)
Restricted for basic skills extended time	9,091	13,572	22,663
Restricted for long-term facilities maintenance	79,479	(67,240)	12,239
Restricted for medical assistance	48,811	(19,618)	29,193
Unassigned	<u>2,121,731</u>	<u>(254,756)</u>	<u>1,866,975</u>
	<u>\$ 2,668,209</u>	<u>\$ (399,713)</u>	<u>\$ 2,268,496</u>

Independent School District No. 717
Jordan, Minnesota
Combining Balance Sheet – Nonmajor Governmental Funds
Year Ended June 30, 2020

	Special Revenue Funds			Total Nonmajor Funds
	Food Service	Community Service	Capital Projects	
Assets				
Cash and investments	\$ -	\$ 366,351	\$ 30,734	\$ 397,085
Receivables				
Current property taxes	-	65,347	-	65,347
Delinquent property taxes	-	1,460	-	1,460
Accounts	634	23,620	-	24,254
Due from other Minnesota School Districts	521	-	-	521
Due from Minnesota Department of Education	13,004	13,290	-	26,294
Due from other governmental units	-	670	-	670
Inventories	21,060	-	-	21,060
Prepaid items	-	1,144	-	1,144
Total assets	\$ 35,219	\$ 471,882	\$ 30,734	\$ 537,835
Liabilities				
Salaries payable	\$ -	\$ 29,842	\$ -	\$ 29,842
Accounts payable	2,397	9,492	-	11,889
Due to other Minnesota School Districts	-	2,995	-	2,995
Due to other governmental units	-	1,513	-	1,513
Advances from other funds	6,451	-	-	6,451
Unearned revenue	5,311	32,256	-	37,567
Total liabilities	14,159	76,098	-	90,257
Deferred Inflows of Resources				
Unavailable revenue - delinquent taxes	-	1,460	-	1,460
Unavailable revenue - property taxes	-	134,772	-	134,772
Total deferred inflows of resources	-	136,232	-	136,232
Fund Balances				
Nonspendable	21,060	1,144	-	22,204
Restricted	-	375,383	30,734	406,117
Unassigned	-	(116,975)	-	(116,975)
Total fund balances	21,060	259,552	30,734	311,346
Total liabilities, deferred inflows of resources, and fund balances	\$ 35,219	\$ 471,882	\$ 30,734	\$ 537,835

Independent School District No. 717

Jordan, Minnesota

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

Year Ended June 30, 2020

	Special Revenue Funds		Capital	Total
	Food	Community	Projects	Nonmajor
	Service	Service		
Revenues				
Local property tax levies	\$ -	\$ 133,067	\$ -	\$ 133,067
Other local and county sources	459,292	1,111,146	-	1,570,438
State sources	41,528	131,327	-	172,855
Federal sources	434,318	-	-	434,318
Interest earnings	-	5,910	861	6,771
Total revenues	935,138	1,381,450	861	2,317,449
Expenditures				
Community education and services	-	1,468,785	-	1,468,785
Pupil support services	948,104	-	-	948,104
Sites and buildings	-	-	23,711	23,711
Debt service:				
Principal	-	1,353	-	1,353
Interest and fiscal charges	-	299	-	299
Total expenditures	948,104	1,470,437	23,711	2,442,252
Deficiency of Revenues				
Under Expenditures	(12,966)	(88,987)	(22,850)	(124,803)
Other Financing Sources				
Operating transfers in	24,623	-	-	24,623
Net Change in Fund Balances	11,657	(88,987)	(22,850)	(100,180)
Fund Balances - Beginning	9,403	348,539	53,584	411,526
Fund Balances - Ending	\$ 21,060	\$ 259,552	\$ 30,734	\$ 311,346



Other Supplementary Information
June 30, 2020

Independent School District No. 717

Jordan, Minnesota

Independent School District No. 717
Jordan, Minnesota
Uniform Financial Accounting and Reporting Standards Compliance Table
Year Ended June 30, 2020

	Audit	UFARS	Audit - UFARS		Audit	UFARS	Audit - UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$21,278,423	<u>\$21,278,424</u>	(\$1)	Total Revenue	\$861	<u>\$861</u>	\$0
Total Expenditures	\$21,653,713	<u>\$21,653,714</u>	(\$1)	Total Expenditures	\$23,711	<u>\$23,711</u>	\$0
Non Spendable:				Non Spendable:			
4.60 Non Spendable Fund Balance	\$68,167	<u>\$68,167</u>	\$0	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	\$0
Restricted / Reserved:				Restricted / Reserved:			
4.01 Student Activities	\$88,687	<u>\$88,687</u>	\$0	4.07 Capital Projects Levy	\$0	<u>\$0</u>	\$0
4.02 Scholarships	\$142,639	<u>\$142,639</u>	\$0	4.13 Project Funded by COP	\$30,645	<u>\$30,645</u>	\$0
4.03 Staff Development	\$5,734	<u>\$5,734</u>	\$0	4.67 LTFM	\$0	<u>\$0</u>	\$0
4.07 Capital Projects Levy	\$0	<u>\$0</u>	\$0	Restricted:			
4.08 Cooperative Revenue	\$0	<u>\$0</u>	\$0	4.64 Restricted Fund Balance	\$89	<u>\$90</u>	(\$1)
4.13 Project Funded by COP	\$0	<u>\$0</u>	\$0	Unassigned:			
4.14 Operating Debt	\$0	<u>\$0</u>	\$0	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	\$0
4.16 Levy Reduction	\$0	<u>\$0</u>	\$0				
4.17 Taconite Building Maint	\$0	<u>\$0</u>	\$0	07 DEBT SERVICE			
4.24 Operating Capital	\$3,252	<u>\$3,252</u>	\$0	Total Revenue	\$4,277,920	<u>\$4,277,921</u>	(\$1)
4.26 \$25 Taconite	\$0	<u>\$0</u>	\$0	Total Expenditures	\$3,779,490	<u>\$3,779,490</u>	\$0
4.27 Disabled Accessibility	\$0	<u>\$0</u>	\$0	Non Spendable:			
4.28 Learning & Development	\$0	<u>\$0</u>	\$0	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	\$0
4.34 Area Learning Center	\$58,152	<u>\$58,152</u>	\$0	Restricted / Reserved:			
4.35 Contracted Alt. Programs	\$0	<u>\$0</u>	\$0	4.25 Bond Refundings	\$19,609,314	<u>\$19,609,314</u>	\$0
4.36 State Approved Alt. Program	\$0	<u>\$0</u>	\$0	4.33 Maximum Effort Loan Aid	\$0	<u>\$0</u>	\$0
4.38 Gifted & Talented	\$0	<u>\$0</u>	\$0	4.51 QZAB Payments	\$0	<u>\$0</u>	\$0
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	\$0	4.67 LTFM	\$0	<u>\$0</u>	\$0
4.41 Basic Skills Programs	\$994	<u>\$994</u>	\$0	Restricted:			
4.48 Achievement and Integration	\$0	<u>\$0</u>	\$0	4.64 Restricted Fund Balance	\$729,711	<u>\$729,712</u>	(\$1)
4.49 Safe School Crime - Crime Levy	(\$30,199)	<u>(\$30,199)</u>	\$0	Unassigned:			
4.51 QZAB Payments	\$0	<u>\$0</u>	\$0	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	\$0
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	\$0				
4.53 Unfunded Sev & Retirement Levy	\$0	<u>\$0</u>	\$0	08 TRUST			
4.59 Basic Skills Extended Time	\$22,663	<u>\$22,663</u>	\$0	Total Revenue	\$0	<u>\$0</u>	\$0
4.67 LTFM	\$12,239	<u>\$12,239</u>	\$0	Total Expenditures	\$0	<u>\$0</u>	\$0
4.72 Medical Assistance	\$29,193	<u>\$29,193</u>	\$0	Restricted / Reserved:			
4.73 PPP Loan	\$0	<u>\$0</u>	\$0	4.01 Student Activities	\$0	<u>\$0</u>	\$0
4.74 EIDL Loan	\$0	<u>\$0</u>	\$0	4.02 Scholarships	\$0	<u>\$0</u>	\$0
Restricted:				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	\$0
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	\$0				
4.75 Title VII Impact Aid	\$0	<u>\$0</u>	\$0	18 CUSTODIAL			
4.76 Payments in Lieu of Taxes	\$0	<u>\$0</u>	\$0	Total Revenue	\$13,169	<u>\$13,169</u>	\$0
Committed:				Total Expenditures	\$13,169	<u>\$13,169</u>	\$0
4.18 Committed for Separation	\$0	<u>\$0</u>	\$0	Restricted / Reserved:			
4.61 Committed Fund Balance	\$0	<u>\$0</u>	\$0	4.01 Student Activities	\$0	<u>\$0</u>	\$0
Assigned:				4.02 Scholarships	\$0	<u>\$0</u>	\$0
4.62 Assigned Fund Balance	\$0	<u>\$0</u>	\$0	4.48 Achievement and Integration	\$0	<u>\$0</u>	\$0
Unassigned:				4.64 Restricted Fund Balance	\$0	<u>\$0</u>	\$0
4.22 Unassigned Fund Balance	\$1,866,975	<u>\$1,866,975</u>	\$0				
02 FOOD SERVICES				20 INTERNAL SERVICE			
Total Revenue	\$935,138	<u>\$935,139</u>	(\$1)	Total Revenue	\$147,350	<u>\$147,348</u>	\$2
Total Expenditures	\$948,104	<u>\$948,104</u>	\$0	Total Expenditures	\$123,772	<u>\$123,772</u>	\$0
Non Spendable:				4.22 Unassigned Fund Balance (Net Assets)	\$47,221	<u>\$47,220</u>	\$1
4.60 Non Spendable Fund Balance	\$21,060	<u>\$21,060</u>	\$0				
Restricted / Reserved:				25 OPEB REVOCABLE TRUST			
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	\$0	Total Revenue	\$0	<u>\$0</u>	\$0
4.74 EIDL Loan	\$0	<u>\$0</u>	\$0	Total Expenditures	\$0	<u>\$0</u>	\$0
Restricted:				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	\$0
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	\$0				
Unassigned:				45 OPEB IRREVOCABLE TRUST			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	\$0	Total Revenue	\$0	<u>\$0</u>	\$0
				Total Expenditures	\$0	<u>\$0</u>	\$0
04 COMMUNITY SERVICE				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	\$0
Total Revenue	\$1,381,450	<u>\$1,381,448</u>	\$2				
Total Expenditures	\$1,470,437	<u>\$1,470,437</u>	\$0	47 OPEB DEBT SERVICE			
Non Spendable:				Total Revenue	\$0	<u>\$0</u>	\$0
4.60 Non Spendable Fund Balance	\$1,144	<u>\$1,144</u>	\$0	Total Expenditures	\$0	<u>\$0</u>	\$0
Restricted / Reserved:				Non Spendable:			
4.26 \$25 Taconite	\$0	<u>\$0</u>	\$0	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	\$0
4.31 Community Education	(\$116,975)	<u>(\$116,975)</u>	\$0	Restricted:			
4.32 E.C.F.E	\$46,605	<u>\$46,605</u>	\$0	4.25 Bond Refundings	\$0	<u>\$0</u>	\$0
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	\$0	4.64 Restricted Fund Balance	\$0	<u>\$0</u>	\$0
4.44 School Readiness	\$270,602	<u>\$270,602</u>	\$0	Unassigned:			
4.47 Adult Basic Education	\$0	<u>\$0</u>	\$0	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	\$0
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	\$0				
4.73 PPP Loan	\$0	<u>\$0</u>	\$0				
4.74 EIDL Loan	\$0	<u>\$0</u>	\$0				
Restricted:							
4.64 Restricted Fund Balance	\$58,176	<u>\$58,173</u>	\$3				
Unassigned:							
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	\$0				



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*

The School Board of
Independent School District No. 717
Jordan, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 717 (the "District"), as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 23, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items that we consider to be material weaknesses: 2020-001.

Compliance and Other Matters

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

Response to Finding

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Mankato, Minnesota
November 23, 2020



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

The School Board of
Independent School District No. 717
Jordan, Minnesota

Report on Compliance for Each Major Federal Programs

We have audited the District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2020. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on 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 the major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major Federal program for the year ended June 30, 2020.

Report on Internal Control over Compliance

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

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

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

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



Mankato, Minnesota
November 23, 2020



Report on Minnesota Legal Compliance

The School Board of
Independent School District No. 717
Jordan, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 717 (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 23, 2020.

In connection with our audit, nothing came to our attention that caused us to believe that Independent School District No. 717 failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, except as described in the accompanying schedule of audit findings as item 2020-002. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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

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

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

Mankato, Minnesota
November 23, 2020

Independent School District No. 717
Jordan, Minnesota
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
<u>Department of Agriculture</u>			
<i>Passed through the Minnesota Department of Education</i>			
Child Nutrition Cluster			
Commodities Received (non-cash)	10.555	01-717-000	\$ 59,692
School Breakfast Program	10.553	01-717-000	23,304
National School Lunch Program	10.555	01-717-000	181,090
Special Milk Program for Children	10.556	01-717-000	821
Summer Food Service Program for Children	10.559	01-717-000	<u>169,411</u>
Total Child Nutrition Cluster			<u>\$ 434,318</u>
Total Department of Agriculture			\$ 434,318
<u>Department of Education</u>			
<i>Passed through the Minnesota Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	01-717-000	76,020
English Language Acquisition Grants	84.365	01-717-000	1,794
Improving Teacher Quality State Grants	84.367	01-717-000	25,298
Student Support and Academic Enrichment Grants	84.424	01-717-000	20,114
Special Education Grants for Infants and Families	84.181	01-717-000	8,425
Special Education Cluster			
Special Education Grants to States	84.027	01-717-000	329,892
Special Education Preschool Grants	84.173	01-717-000	<u>6,704</u>
Total for Special Education Cluster			336,596
<i>Passed Through Southwest Metro Intermediate District</i>			
Career and Technical Education	84.048	41-1295656	<u>6,441</u>
Total Department of Education			<u>474,688</u>
Total Federal Financial Assistance			<u>\$ 909,006</u>

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of the District under programs of the federal government for the year ended June 30, 2020. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

Note B – Significant Accounting Policies

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

Note C – Indirect Cost Rate

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

Note D – Food Distribution

Nonmonetary assistance is reported in the schedule of the fair market value of the commodities received and disbursed. As of the year ended June 30, 2020, the organization had received food commodities totaling \$21,060 of inventory.

Independent School District No. 717
Jordan, Minnesota
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Child Nutrition Cluster	10.553, 10.555, 10.556, 10.559
Dollar threshold used to distinguish between type A band type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

**2020-001 Preparation of Financial Statements
Material Weakness**

Criteria: A good system of internal control contemplates an adequate system for drafting of the financial statements.

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

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

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

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

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

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Minnesota Legal Compliance Findings

2020-002 Inactive Student Activities

Criteria: MAFA guidelines state that student activity account, which has been inactive for a maximum of one fiscal year, must be disposed of, unless the advisor submits a plan to the building principal indicating why the activity has been inactive and why it should not be terminated. The building principal must approve the plan.

Condition: During the course of our engagement, we noted that funds relating to the following activities had no activity during fiscal year 2020 and had not submitted the required plan indicating why the activity has been inactive.

Cause: The District does not have an internal control system designed to properly review student activity funds and ensure that funds relating to inactive student activities are properly treated in accordance with the MAFA guidelines

Effect: This control deficiency resulted in noncompliance with the MAFA requirements.

Recommendation: We recommend the District put a procedure in place to properly review student activity balances at year end to ensure that balances relating to inactive activities are properly disposed of.

View of Responsible Officials: There are no disagreements with this finding