

**MEDFORD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 763**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2021



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INDEPENDENT SCHOOL DISTRICT NO. 763
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INTRODUCTORY SECTION

**MEDFORD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 763
BOARD OF EDUCATION AND ADMINISTRATION
YEAR ENDED JUNE 30, 2021**

BOARD OF EDUCATION

Jackie Berg	Chair
Jon Sutherland	Vice-Chair
Jennifer Jones	Clerk
Allison Janke	Treasurer
Betsy Chambers	Member
John Anhorn	Member
Whitney Winkels	Member

ADMINISTRATION

Mark Ristau	Superintendent
Jarred Anderson	Business Manager

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Board of Education
Independent School District No. 763
Medford, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Independent School District No. 763 (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the basic financial statements of the District, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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


Supplementary Information

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

The Uniform Financial Accounting and Reporting Standards Compliance Table and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relates 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 Uniform Financial Accounting and Reporting Standards Compliance Table and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

CliftonLarsonAllen LLP

Rochester, Minnesota
December 1, 2021

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REQUIRED SUPPLEMENTARY INFORMATION

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**MEDFORD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 763
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

This section of Medford Public Schools – Independent School District No. 763's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2021. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

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

- Net Position on June 30, 2020 was \$116,729 and on June 30, 2021 was \$910,233.
- Overall General Fund revenues were \$10,295,602 as compared to \$10,812,136 of expenditures.
- General Fund balance decreased \$(516,234) from the prior year. The major factors contributing to the decrease was a one-time capital expenditure to the district's facilities.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first of the 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.

District-Wide Statements

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

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

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

**MEDFORD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 763
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal grants).

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

**MEDFORD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 763
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's total net position was \$910,233 on June 30, 2021.

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

	Governmental Activities as of June 30,		Percentage Change
	2021	2020	
Current and Other Assets	\$ 8,225,618	\$ 8,719,132	(5.66)%
Capital Assets and Noncurrent Assets	13,835,678	12,899,139	7.26
Total Assets	<u>22,061,296</u>	<u>21,618,271</u>	2.05
Total Deferred Outflows of Resources	3,012,302	4,486,671	(32.86)
Current Liabilities	2,054,903	2,260,111	(9.08)
Long-Term Liabilities	15,790,376	15,478,877	2.01
Total Liabilities	<u>17,845,279</u>	<u>17,738,988</u>	0.60
Total Deferred Inflows of Resources	<u>6,318,086</u>	<u>8,249,225</u>	(23.41)
Net Position:			
Net Investment in Capital Assets	4,262,238	2,477,222	72.06
Restricted	968,208	679,740	42.44
Unrestricted	(4,320,213)	(3,040,233)	42.10
Total Net Position	<u>\$ 910,233</u>	<u>\$ 116,729</u>	679.78

**MEDFORD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 763
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Position

The District's total revenues were \$12,210,524 for the year ended June 30, 2021. Property taxes and state formula aid accounted for 69% of total revenue for the year (see Figure A-2.) One percent came from other general revenues combined with investment earnings and the remaining 31% came from program revenues.

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

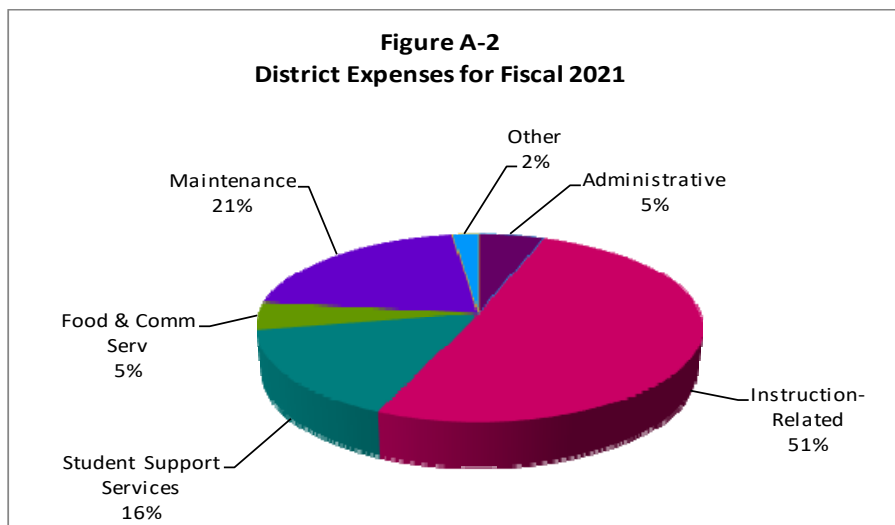
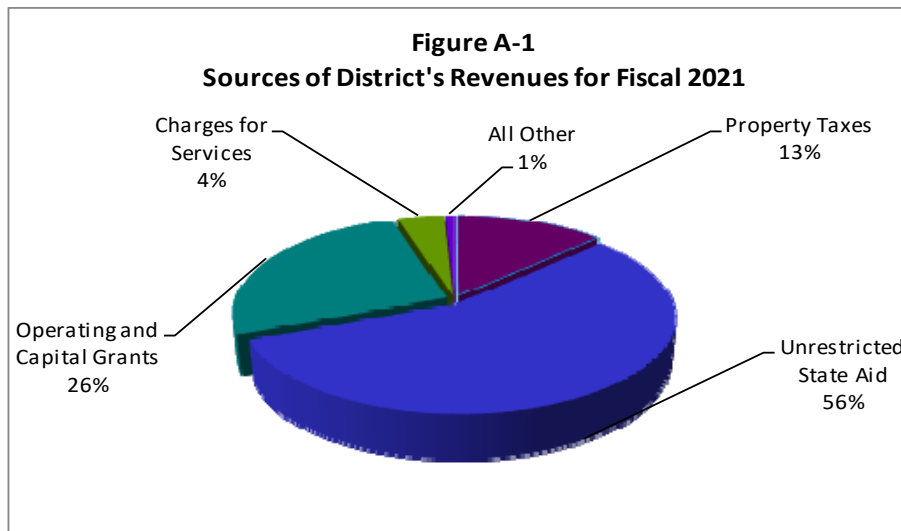
	Governmental Activities for the Fiscal Year Ended June 30,		Percentage Change
	2021	2020	
Revenues			
<u>Program Revenues</u>			
Charges for Services	\$ 503,426	\$ 632,341	(20.39)%
Operating Grants and Contributions	2,977,171	2,255,551	31.99
Capital Grants and Contributions	178,819	167,248	6.92
<u>General Revenues</u>			
Property Taxes	1,587,272	1,522,305	4.27
Unrestricted State Aid	6,865,447	6,960,296	(1.36)
Investment Earnings	53,364	118,461	(54.95)
Other	45,025	59,666	(24.54)
Total Revenues	12,210,524	11,715,868	4.22
Expenses			
Administration	632,922	638,342	(0.85)
District Support Services	350,809	352,931	(0.60)
Regular Instruction	4,138,183	4,747,615	(12.84)
Vocational Education Instruction	267,131	282,928	(5.58)
Special Education Instruction	1,407,524	1,284,362	9.59
Instructional Support Services	666,319	644,037	3.46
Pupil Support Services	791,614	793,596	(0.25)
Sites and Buildings	2,373,805	1,300,912	82.47
Fiscal and Other Fixed Cost Programs	42,377	42,563	(0.44)
Food Service	328,537	498,116	(34.04)
Community Service	212,004	231,826	(8.55)
Interest and Fiscal Charges on			
Long-Term Liabilities	205,795	263,370	(21.86)
Total Expenses	11,417,020	11,080,598	3.04
Change in Net Position	793,504	635,270	
Net Position - Beginning	116,729	(518,541)	
Net Position - Ending	\$ 910,233	\$ 116,729	

**MEDFORD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 763
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

The total cost of all programs and services was \$11,417,020. Total revenues surpassed expenses, increasing net position \$793,504 compared to last year.

- Some of the cost was paid by the users of the District's programs (\$503,426).
- The federal and state governments subsidized certain programs with grants and contributions (\$3,155,990).
- Most of the District's costs (\$8,425,719), however, were paid for by District taxpayers and the taxpayers of our state.
- This portion of governmental activities was paid for with \$1,587,272 in property taxes, \$6,865,447 of state aid based on the statewide education aid formula, and with investment earnings and other general revenues totaling \$98,389.



**MEDFORD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 763
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Typically, the District does not include in an analysis of all governmental funds a breakout of expenditures as depicted in Figure A-2. To do so distorts the latitude available to the District to allocate resources to instruction. All governmental funds include not only funds received for the general operation of the district, which are used for classroom instruction, but also include resources from the entrepreneurial-type funds of Food Service and Community Education, and from resources for fiscal service transactions. Funding for the general operation of the District is controlled by the state and the District does not have the latitude to allocate money received in Food Service or Community Education or for fiscal services to enhance classroom instruction resources. The District cannot take funds from these restricted areas and use the funds to hire teachers to enhance instruction. The above graph, by pooling all expenditures, implies that the District does have equal access to all funds to impact classroom instruction. In Minnesota, that is simply not an option.

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

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2021	2020		2021	2020	
Administration	\$ 632,922	\$ 638,342	(0.85)%	\$ 471,284	\$ 639,987	(26.36)%
District Support Services	350,809	352,931	(0.60)	283,074	279,105	1.42
Regular Instruction	4,138,183	4,747,615	(12.84)	2,929,626	3,666,758	(20.10)
Vocational Education Instruction	267,131	282,928	(5.58)	223,711	253,773	(11.85)
Special Education Instruction	1,407,524	1,284,362	9.59	116,494	245,956	(52.64)
Instructional Support Services	666,319	644,037	3.46	644,701	529,423	21.77
Pupil Support Services	791,614	793,596	(0.25)	787,542	794,124	(0.83)
Sites and Buildings	2,373,805	1,300,912	82.47	2,247,770	1,151,651	95.18
Fiscal and Other Fixed Cost Programs	42,377	42,563	(0.44)	42,377	42,563	(0.44)
Food Service	328,537	498,116	(34.04)	(214,449)	84,243	(354.56)
Community Service	212,004	231,826	(8.55)	19,679	74,505	(73.59)
Interest and Fiscal Charges on Long-Term Liabilities	205,795	263,370	(21.86)	205,795	263,370	(21.86)
	<u>\$ 11,417,020</u>	<u>\$ 11,080,598</u>	3.04	<u>\$ 7,757,604</u>	<u>\$ 8,025,458</u>	(3.34)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a *combined* fund balance of \$5,464,327, which includes Debt Service. Total fund balance excluding Debt Service, amounted to \$5,240,889, a decrease of \$272,309 from last year.

GENERAL FUND

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

Approximately 85% of General Fund operational revenue is controlled by a complex set of state funding formulas resulting in the local school board having no meaningful authority to determine the level of resources. This includes special education state aid that is based upon a cost reimbursement model providing approximately 68% of personnel expenditures. Other state formulas then determine what portion of the revenue will be provided by property taxes and what portion will come from state aid.

**MEDFORD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 763
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

GENERAL FUND (CONTINUED)

Enrollment

Enrollment is a critical factor in determining revenue with approximately 88% of General Fund revenue being determined by enrollment. The following chart shows that the number of students has increased over the last five years.

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

Grade	2017	2018	2019	2020	2021
Pre-Kdgt. & Kdgt.	71	72	77	69	61
1 - 3	206	208	201	206	199
4 - 6	217	204	201	217	220
7 - 12	398	414	406	424	403
Total K-12 ADM	892	898	885	916	883
ADM Change	9	6	(13)	31	(33)
Percent Change	1.0%	0.7%	-1.4%	3.5%	-3.7%

Over the last five years the District has experienced flat enrollment with a recent decrease in average daily membership by 33 students or 3.7%. The recent decrease is believed to be due to COVID-19. It is anticipated that enrollment will remain stable. Limited space and internal open enrollments caps will restrict future growth from open enrollment. The District has encouraged parents to elect Medford Public School as the option of choice.

The following schedule presents a summary of General Fund Revenues.

**Table A-5
General Fund Revenues**

	Year Ended		Change	
	June 30, 2021	June 30, 2020	Increase (Decrease)	Percent Change
Local Sources:				
Property Taxes	\$ 787,827	\$ 688,362	\$ 99,465	14.4 %
Earnings on Investments	50,122	112,703	(62,581)	(55.5)
Other	412,510	420,386	(7,876)	(1.9)
State Sources	8,551,208	8,566,114	(14,906)	(0.2)
Federal Sources	493,935	241,721	252,214	104.3
Total General Fund Revenue	<u>\$ 10,295,602</u>	<u>\$ 10,029,286</u>	<u>\$ 266,316</u>	2.7

Total General Fund Revenue increased by \$266,316 or 2.7% from the previous year. Basic general education revenue is determined by multiple state formulas, largely enrollment driven, and consists of an equalized mix of property tax and state aid revenue. Other state-authorized revenue including operating levy referendum and the property tax shift also involve an equalized mix of property tax and state aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net change on total revenue.

**MEDFORD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 763
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

GENERAL FUND (CONTINUED)

The following schedule presents a summary of General Fund Expenditures.

**Table A-6
General Fund Expenditures**

	Year Ended		Amount of Increase (Decrease)	Percent Increase (Decrease)
	June 30, 2021	June 30, 2020		
Salaries	\$ 4,991,603	\$ 5,042,198	\$ (50,595)	(1.00)%
Employee Benefits	1,940,139	1,649,001	291,138	17.66
Purchased Services	1,868,044	1,760,829	107,215	6.09
Supplies and Materials	496,975	360,231	136,744	37.96
Capital Expenditures	1,589,327	963,716	625,611	64.92
Other Expenditures	111,048	83,027	28,021	33.75
Total Expenditures	<u>\$ 10,997,136</u>	<u>\$ 9,859,002</u>	<u>\$ 1,138,134</u>	11.54

Total General Fund Expenditures increased \$1,138,134 or 11.54% from the previous year. This increase is primarily attributed to the increase in capital expenditures and to a much lesser extent to the increase in salaries and the corresponding benefits.

In 2020-21, General Fund revenues were less than expenditures by \$516,534. The total fund balance decreased to \$4,765,984 at June 30, 2021. After deducting statutory restrictions, the unassigned fund balance decreased from \$3,933,890 at June 30, 2020 to \$3,388,708 at June 30, 2021.

Unassigned fund balance is the single best measure of overall financial health. The unassigned fund balance of \$3,388,708 at June 30, 2021, represents 31.34% of annual expenditures. The District has had a Board approved fund balance policy in place since 1999 requiring a minimum 25% of the yearly total expenditures be maintained.

General Fund Budgetary Highlights

Following approval of the budget prior to the beginning of the fiscal year, the District revises the annual operating budget in mid-year. These budget amendments fall into two categories:

- Implementing budgets for specially funded projects, which include both federal and state grants and reinstating unexpended funds being carried over, and budgeting for clearing.
- Legislation passed subsequent to budget adoption, changes necessitated by collective bargaining agreements, and increases in appropriations for significant unbudgeted costs.

Actual revenues were \$1,009,708 more than expected. The actual expenditures were \$576,592 below budget. While the District's final budget for the general fund anticipated that expenditures would exceed revenues by \$2,373,734, the actual results for the year show expenditures exceeded revenues by \$516,534.

**MEDFORD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 763
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

DEBT SERVICE FUND

The Debt Service Fund revenues were less than expenditures by \$2,391. The remaining fund balance of \$223,438 at June 30, 2021 is available for meeting future debt service obligations.

OTHER MAJOR FUNDS

Revenues exceeded expenditures in the Food Service Fund by \$221,074. The Community Service Fund revenues were greater than expenditures and other financing sources by \$23,151.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2021, the District had invested slightly more than \$21.9 million in a broad range of capital assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices (see Table A-7.) (More detailed information about capital assets can be found in Note 3 to the financial statements.) Total depreciation expense for the year was \$601,676.

**Table A-7
The District's Capital Assets**

	2021	2020	Percentage Change
Land	\$ 434,823	\$ 434,823	-
Construction in Progress	-	632,158	N/A
Land Improvements	2,313,115	2,313,115	-
Buildings and Improvements	18,384,507	16,261,504	-
Equipment	1,043,333	992,870	5.1
Less: Accumulated Depreciation	(8,340,100)	(7,735,331)	7.8
Total	<u>\$ 13,835,678</u>	<u>\$ 12,899,139</u>	7.3

Long-Term Liabilities

At year-end, the District had \$9,375,000 in general obligation bonds outstanding. The District also had severance payable of \$198,377 at June 30, 2021, an increase of \$29,818 since June 30, 2020.

**MEDFORD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 763
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

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

	2021	2020	Percentage Change
General Obligation Bonds	\$ 9,375,000	\$ 10,170,000	(7.8)%
Net Bond Premium and Discount	198,440	272,242	(27.1)
Severance Benefits Payable	198,377	168,559	17.7
Total Long-Term Liabilities	<u>\$ 9,771,817</u>	<u>\$ 10,610,801</u>	(7.9)
Long-Term Liabilities:			
Due Within One Year	\$ 863,942	\$ 821,401	5.2 %
Due in More Than One Year	9,075,433	9,789,400	(7.3)
Total	<u>\$ 9,939,375</u>	<u>\$ 10,610,801</u>	(6.3)

FACTORS BEARING ON THE DISTRICT'S FUTURE

Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation. The future revenues of the District and other Minnesota districts will depend heavily on the future actions of the legislature. Stabilizing enrollment growth will limit revenue increases in the near future.

The most significant factor influencing the financial position of the District are the unknown requirements and costs due to the COVID-19 pandemic, and the always increasing costs of maintenance, supplies, and personnel. The District plans to continue to work on conservative spending and providing high quality education for students.

The District will strive to maintain its long-standing commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Independent School District No. 763, 750 Second Avenue S.E., Medford, MN 55049.

BASIC FINANCIAL STATEMENTS

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**MEDFORD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 763
STATEMENT OF NET POSITION
JUNE 30, 2021**

	Governmental Activities
	<u>2021</u>
ASSETS	
Cash and Investments	\$ 6,027,876
Receivables:	
Property Taxes	1,048,735
Other Governments	1,130,375
Other	18,632
Capital Assets:	
Land and Construction in Progress	434,823
Other Capital Assets, Net of Depreciation	13,400,855
Total Assets	<u>22,061,296</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension Related	2,950,021
Other Postemployment Benefits Related	62,281
Total Deferred Outflows of Resources	<u>3,012,302</u>
LIABILITIES	
Salaries and Payroll Deduction Payable	831,971
Accounts and Contracts Payable	216,278
Accrued Interest	108,887
Unearned Revenue	33,825
Long-Term Liabilities:	
Portion Due Within One Year	863,942
Portion Due in More Than One Year	9,075,433
Net Pension Liability	6,092,446
Other Postemployment Benefits Liability	622,497
Total Liabilities	<u>17,845,279</u>
DEFERRED INFLOWS OF RESOURCES	
Property Taxes Levied for Subsequent Year	1,638,335
Pension Related	4,621,082
Other Postemployment Benefits Related	58,669
Total Deferred Inflows of Resources	<u>6,318,086</u>
NET POSITION	
Net Investment in Capital Assets	4,262,238
Restricted for:	
State-Mandated Reserves	351,023
Food Service	366,161
Community Service	109,835
Debt Service	141,189
Unrestricted	(4,320,213)
Total Net Position	<u><u>\$ 910,233</u></u>

See accompanying Notes to Financial Statements.

**MEDFORD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 763
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

Functions	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities			
Administration	\$ 632,922	\$ -	\$ 1,984
District Support Services	350,809	67,410	325
Regular Instruction	4,138,183	101,072	1,088,320
Vocational Education Instruction	267,131	-	43,420
Special Education Instruction	1,407,524	167,091	1,123,939
Instructional Support Services	666,319	20,729	889
Pupil Support Services	791,614	-	4,072
Sites and Buildings	2,373,805	-	126,035
Fiscal and Other Fixed Cost Programs	42,377	-	-
Food Service	328,537	27,610	515,376
Community Service	212,004	119,514	72,811
Interest and Fiscal Charges on Long-Term Liabilities	205,795	-	-
Total School District	<u>\$ 11,417,020</u>	<u>\$ 503,426</u>	<u>\$ 2,977,171</u>

General Revenues

Property Taxes Levied for:
 General Purposes
 Community Service
 Debt Service
State Aid Not Restricted to Specific Purposes
Earnings on Investments
Miscellaneous
Total General Revenues

Change in Net Position

Net Position - Beginning
Net Position - Ending

See accompanying Notes to Financial Statements.

**MEDFORD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 763
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2021**

	Net (Expense) Revenue and Change in Net Position
<u>Capital Grants and Contributions</u>	<u>Total Governmental Activities</u>
\$ 159,654	\$ (471,284)
-	(283,074)
19,165	(2,929,626)
-	(223,711)
-	(116,494)
-	(644,701)
-	(787,542)
-	(2,247,770)
-	(42,377)
-	214,449
-	(19,679)
-	(205,795)
<u>\$ 178,819</u>	<u>(7,757,604)</u>

789,631
35,073
762,568
6,865,447
53,364
45,025
<u>8,551,108</u>
793,504
116,729
<u>\$ 910,233</u>

See accompanying Notes to Financial Statements.

**MEDFORD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 763
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021**

		Major	
	General	Food Service	Community Service
ASSETS			
Cash and Investments	\$ 4,953,625	\$ 373,183	\$ 143,373
Receivables:			
Current Property Taxes	388,033	-	18,275
Delinquent Property Taxes	20,122	-	1,091
Due from Other Minnesota School Districts	41,686	-	-
Due from Minnesota Department of Education	858,594	-	5,696
Due from Federal through Minnesota Department of Education	171,075	21,056	-
Other Receivables	8,077	-	10,555
Total Assets	<u>\$ 6,441,212</u>	<u>\$ 394,239</u>	<u>\$ 178,990</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
Liabilities:			
Salaries and Payroll Deductions Payable	\$ 812,351	\$ -	\$ 19,620
Accounts and Contracts Payable	207,943	7,513	822
Unearned Revenue	-	20,565	13,260
Total Liabilities	<u>1,020,294</u>	<u>28,078</u>	<u>33,702</u>
Deferred Inflows of Resources:			
Property Taxes Levied for Subsequent Year	641,781	-	35,453
Unavailable Revenue - Delinquent Property Taxes	13,153	-	1,091
Total Deferred Inflows of Resources	<u>654,934</u>	<u>-</u>	<u>36,544</u>
Fund Balance:			
Nonspendable:			
Student Activities	56,633	-	-
Scholarships	84,185	-	-
Staff Development	-	-	-
Disabled Accessibility	317	-	-
Basic Skills Extended Time	158	-	-
LTFM	52,137	-	-
Medical Assistance	157,593	-	-
Community Education Programs	-	-	16,092
Early Childhood and Family Education Programs	-	-	851
School Readiness	-	-	87,526
Other Purposes	-	366,161	4,275
Assigned for:			
Severance	99,252	-	-
Other Postemployment Benefits	500,000	-	-
Technology	427,000	-	-
Unassigned	3,388,709	-	-
Total Fund Balance	<u>4,765,984</u>	<u>366,161</u>	<u>108,744</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 6,441,212</u>	<u>\$ 394,239</u>	<u>\$ 178,990</u>

See accompanying Notes to Financial Statements.

**MEDFORD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 763
BALANCE SHEET
GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2021**

Funds	Total Governmental Funds 2021
Debt Service	
\$ 557,695	\$ 6,027,876
594,576	1,000,884
26,638	47,851
-	41,686
32,268	896,558
-	192,131
-	18,632
<u>\$ 1,211,177</u>	<u>\$ 8,225,618</u>
\$ -	\$ 831,971
-	216,278
-	33,825
<u>-</u>	<u>1,082,074</u>
961,101	1,638,335
26,638	40,882
<u>987,739</u>	<u>1,679,217</u>
-	56,633
-	84,185
-	-
-	317
-	158
-	52,137
-	157,593
-	16,092
-	851
-	87,526
223,438	593,874
-	99,252
-	500,000
-	427,000
-	3,388,709
<u>223,438</u>	<u>5,464,327</u>
<u>\$ 1,211,177</u>	<u>\$ 8,225,618</u>

See accompanying Notes to Financial Statements.

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**MEDFORD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 763
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021**

Total Fund Balance for Governmental Funds \$ 5,464,327

Total net position reported for governmental activities in the Statement of Net Position is different because:

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

Land	434,823
Construction in Progress	-
Land Improvements, Net of Accumulated Depreciation	424,714
Buildings and Improvements, Net of Accumulated Depreciation	12,629,962
Equipment, Net of Accumulated Depreciation	346,179

Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as unearned revenue in the funds. 40,882

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. (108,887)

The District's Net Pension Liability and related Deferred Outflows and Inflows of Resources are recorded only on the Statement of Net Position. Balances at year-end are:

Net Pension Liability	(6,092,446)
Deferred Outflows of Resources - Pension Related	2,950,021
Deferred Inflows of Resources - Pension Related	(4,621,082)

The District's Other Postemployment Benefits Liability and related Deferred Outflows and Inflows of Resources are recorded only on the Statement of Net Position. Balances at year-end are:

Other Postemployment Benefits Liability	(622,497)
Deferred Outflows of Resources - Other Postemployment Benefits Related	62,281
Deferred Inflows of Resources - Other Postemployment Benefits Related	(58,669)

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

Bonds Payable	(9,375,000)
Unamortized Premiums	(198,440)
Capital Lease Payable	(167,558)
Severance Benefits Payable	(198,377)

Total Net Position of Governmental Activities \$ 910,233

**MEDFORD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 763
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021**

	Major		
	General	Food Service	Community Service
REVENUES			
Local Sources:			
Property Taxes	\$ 787,827	\$ -	\$ 34,608
Earnings and Investments	50,122	2,425	817
Other	412,510	28,025	134,512
State Sources	8,551,208	194	57,999
Federal Sources	493,935	515,182	-
Total Revenues	<u>10,295,602</u>	<u>545,826</u>	<u>227,936</u>
EXPENDITURES			
Current:			
Administration	588,702	-	-
District Support Services	333,630	-	-
Elementary and Secondary Regular Instruction	4,648,824	-	-
Vocational Education Instruction	253,473	-	-
Special Education Instruction	1,327,658	-	-
Instructional Support Services	595,761	-	-
Pupil Support Services	772,722	-	-
Sites and Buildings	822,747	-	-
Fiscal and Other Fixed Cost Programs	42,377	-	-
Food Service	-	324,752	-
Community Service	-	-	204,785
Capital Outlay	1,589,327	-	-
Debt Service:			
Principal	17,442	-	-
Interest and Fiscal Charges	4,473	-	-
Total Expenditures	<u>10,997,136</u>	<u>324,752</u>	<u>204,785</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(701,534)	221,074	23,151
OTHER FINANCING SOURCES (USES)			
Capital Lease Proceeds	185,000	-	-
Total Other Financing Sources (Uses)	<u>185,000</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(516,534)	221,074	23,151
Fund Balances - Beginning of Year	5,282,518	145,087	85,593
Fund Balances - End of Year	<u>\$ 4,765,984</u>	<u>\$ 366,161</u>	<u>\$ 108,744</u>

See accompanying Notes to Financial Statements.

**MEDFORD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 763
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

Funds	Total Governmental Funds
Debt	2021
Service	
\$ 751,343	\$ 1,573,778
-	53,364
1	575,048
322,688	8,932,089
-	1,009,117
<u>1,074,032</u>	<u>12,143,396</u>
-	588,702
-	333,630
-	4,648,824
-	253,473
-	1,327,658
-	595,761
-	772,722
-	822,747
-	42,377
-	324,752
-	204,785
-	1,589,327
795,000	812,442
281,423	285,896
<u>1,076,423</u>	<u>12,603,096</u>
(2,391)	(459,700)
-	185,000
-	185,000
(2,391)	(274,700)
225,829	5,739,027
<u>\$ 223,438</u>	<u>\$ 5,464,327</u>

See accompanying Notes to Financial Statements.

**MEDFORD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 763
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

Net Change in Fund Balances - Total Governmental Funds \$ (274,700)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlays	1,541,308
Depreciation Expense	(604,769)
Other Financing Sources - Capital Lease	(185,000)

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

Repayment of General Obligation Bond Principal	795,000
Repayment of Capital Lease Payable	17,442
Change in Accrued Interest Liability	6,299
Amortization of Bond Premium	73,802

Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are unavailable in the governmental funds.	13,494
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Pension expenditures in the governmental funds are measured by current year employee contributions. Pension expenses in the Statement of Activities are measured by the change in total other postemployment benefits liability and the related Deferred Outflows and Inflows of Resources.	(515,360)
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Other Postemployment Benefits expenditures in the governmental funds are measured by current year employer contributions. Other Postemployment Benefits expenses on the Statement of Activities are measured by the change in the total other postemployment benefits liability and the related Deferred Inflows and Outflows of Resources.	(44,194)
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In the Statement of Activities, certain operating expenses - Severance Benefits Payable - are measured by amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	(29,818)
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Change in Net Position of Governmental Activities	\$ 793,504
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See accompanying Notes to Financial Statements.

**MEDFORD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 763
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES				
Local Sources:				
Property Taxes	\$ 752,665	\$ 737,399	\$ 787,827	\$ 50,428
Earnings and Investments	62,045	55,045	50,122	(4,923)
Other	257,242	230,871	412,510	181,639
State Sources	8,124,027	7,833,173	8,551,208	718,035
Federal Sources	222,400	429,406	493,935	64,529
Total Revenues	<u>9,418,379</u>	<u>9,285,894</u>	<u>10,295,602</u>	<u>1,009,708</u>
EXPENDITURES				
Current:				
Administration	618,242	621,228	588,702	(32,526)
District Support Services	384,861	378,809	333,630	(45,179)
Elementary and Secondary Regular Instruction	4,891,716	5,046,131	4,648,824	(397,307)
Vocational Education Instruction	263,832	260,557	253,473	(7,084)
Special Education Instruction	1,319,972	1,469,922	1,327,658	(142,264)
Instructional Support Services	539,149	700,574	595,761	(104,813)
Pupil Support Services	995,974	1,004,030	772,722	(231,308)
Sites and Buildings	743,136	872,573	822,747	(49,826)
Fiscal and Other Fixed Cost Programs	29,150	56,680	42,377	(14,303)
Capital Outlay	1,928,924	1,163,224	1,589,327	426,103
Principal	-	-	17,442	17,442
Interest and Fiscal Charges	-	-	4,473	4,473
Total Expenditures	<u>11,714,956</u>	<u>11,573,728</u>	<u>10,997,136</u>	<u>(576,592)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,296,577)	(2,287,834)	(701,534)	1,586,300
OTHER FINANCING SOURCES (USES)				
Sale of Equipment	100	100	-	(100)
Issuance of Capital Loans	-	-	185,000	185,000
Transfers Out	<u>(20,000)</u>	<u>(86,000)</u>	<u>-</u>	<u>86,000</u>
NET CHANGES IN FUND BALANCE	<u>\$ (2,316,477)</u>	<u>\$ (2,373,734)</u>	(516,534)	<u>\$ 1,857,200</u>
FUND BALANCE				
Beginning of Year			<u>5,282,518</u>	
End of Year			<u>\$ 4,765,984</u>	

See accompanying Notes to Financial Statements.

**MEDFORD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 763
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES				
Local Sources:				
Earnings and Investments	\$ 1,500	\$ 1,500	\$ 2,425	\$ 925
Other - Primarily Meal Sales	285,600	21,500	28,025	6,525
State Sources	23,000	190	194	4
Federal Sources	223,500	465,155	515,182	50,027
Total Revenues	<u>533,600</u>	<u>488,345</u>	<u>545,826</u>	<u>57,481</u>
EXPENDITURES				
Current:				
Food Service	501,300	478,850	324,752	(154,098)
Capital Outlay	1	1	-	(1)
Total Expenditures	<u>501,301</u>	<u>478,851</u>	<u>324,752</u>	<u>(154,099)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 32,299</u>	<u>\$ 9,494</u>	221,074	<u>\$ 211,580</u>
FUND BALANCE				
Beginning of Year			<u>145,087</u>	
End of Year			<u>\$ 366,161</u>	

See accompanying Notes to Financial Statements.

**MEDFORD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 763
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
COMMUNITY SERVICE FUND
YEAR ENDED JUNE 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES				
Local Sources:				
Property Taxes	\$ 35,532	\$ 35,532	\$ 34,608	\$ (924)
Earnings and Investments	1,000	1,000	817	(183)
Other - Primarily Tuition and Fees	120,052	85,955	134,512	48,557
State Sources	54,920	56,962	57,999	1,037
Total Revenues	<u>211,504</u>	<u>179,449</u>	<u>227,936</u>	<u>48,487</u>
EXPENDITURES				
Current:				
Community Service	269,141	264,671	204,785	(59,886)
Capital Outlay	300	300	-	(300)
Total Expenditures	<u>269,441</u>	<u>264,971</u>	<u>204,785</u>	<u>(60,186)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(57,937)	(85,522)	23,151	108,673
OTHER FINANCING SOURCES				
Transfers In	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCE	<u>\$ (37,937)</u>	<u>\$ (85,522)</u>	23,151	<u>\$ 108,673</u>
FUND BALANCE				
Beginning of Year			<u>85,593</u>	
End of Year			<u>\$ 108,744</u>	

See accompanying Notes to Financial Statements.

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**MEDFORD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 763
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Independent School District No. 763 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB pronouncements are recognized as accounting principles generally accepted in the United States of America for state and local governments.

B. Financial Reporting Entity

Independent School District No. 763 (the District) is an instrumentality of the State of Minnesota established to function as an education institution. The elected School Board (Board) is responsible for legislative and fiscal control of the District. A Superintendent is appointed by the Board and is responsible for administrative control of the District.

Accounting Principles Generally Accepted in the United States of America (GAAP) require that the District's financial statements include all funds, departments, agencies, boards, commissions, and other organizations which are not legally separate from the District. In addition, the District's financial statements are to include all component units – entities for which the District is financially accountable.

Financial accountability includes such aspects as appointing a voting majority of the organization's governing body, significantly influencing the programs, projects, activities or level of services performed or provided by the organization or receiving specific financial benefits from, or imposing specific financial burden on, the organization. These financial statements include all funds and account groups of the District. There are no other entities for which the District is financially accountable.

Student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside of school hours. The Board establishes broad policies and ensures that appropriate financial records are maintained for student activities, as well as controls and is financially accountable for these activities. Accordingly, the student activity accounts are included in the financial statements within the General Fund.

C. Basic Financial Statement Presentation

The District-Wide Financial Statements (i.e., the statement of net position and the statement of activities) display information about the reporting government as a whole. These statements include all the financial activities of the District.

**MEDFORD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 763
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statement Presentation (Continued)

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

The District applies restricted resources first when an expense is incurred for a purpose for which both restricted and unrestricted net position is available. Depreciation expenses that can be specifically identified by function are included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the statement of activities. Generally, the effect of material interfund activity has been removed from the District-Wide Financial Statements.

Separate Fund financial statements are provided for governmental funds. Major individual Governmental Funds are reported as separate columns in the Fund Financial Statements.

D. Measurement Focus and Basis of Accounting

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

**MEDFORD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 763
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

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

1. Revenue Recognition – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to Minnesota Statutes and accounting principles generally accepted in the United States of America. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition, and other miscellaneous revenue (except investment earnings) are recorded as revenue when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.
2. Recording of Expenditures – Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used. Principal and interest on long-term debt issues are recognized on their due dates.

Description of Funds

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

Major Governmental Funds

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

Food Service Special Revenue Fund – The Food Service Special Revenue Fund is used to account for food service revenues and expenditures. Revenues for the Food Service Special Revenue Fund are composed of user fees and reimbursements from the federal and state governments. These revenues are restricted for the Food Service Special Revenue Fund.

**MEDFORD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 763
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Major Governmental Funds (Continued)

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

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

E. Budgeting

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

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

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

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

**MEDFORD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 763
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Cash and Investments

Cash and investments consist of cash on hand, demand deposit accounts, time/savings accounts and a United States Treasury Senior Note. Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

G. Receivables

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

H. Inventory

Inventory is recorded using the consumption method of accounting and consist of food and other supplies on hand at June 30, 2021 and surplus commodities received from the federal government. Food and supply purchases are recorded at invoice cost, computed on a first-in, first-out method, and surplus commodities are stated at standardized cost, as determined by the Department of Agriculture.

I. Property Taxes

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

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

**MEDFORD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 763
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Property Taxes (Continued)

In accordance with state law, the current tax shift consists of an amount equal to 31% of the District's 2000 Pay 2001 operating referendum levy (frozen at \$84,784) for the District. Certain other portions of the District's 2020 Pay 2021 levy, normally revenue for the 2020-2021 fiscal year, are also advance recognized at June 30, 2021, as required by State Statute to match revenue with the same fiscal year as the related expenditures.

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

J. Capital Assets

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

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

Capital assets not being depreciated consist of land and construction in progress.

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

**MEDFORD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 763
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Long-Term Liabilities

In the Government-Wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period they are incurred.

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

L. Accrued Employee Benefits

Vacation Pay

Full-time, noncertified employees earn annual vacation pay based on the length of service in the District. The expenditures for vacation pay are recognized when the payment is made. No liability for vacation pay is recorded, as this benefit does not vest to employees.

Severance Benefits Payable

Severance benefits payable consist of convertible sick leave payments.

Sick Leave – All full-time employees are entitled to sick leave pay at various rates. Employees may accrue a maximum total of 100 sick days to be paid upon termination. The employee shall receive \$60 for each unused sick day.

The District budgets for payments of severance benefits for the ensuing year when it anticipates the retirement of personnel eligible for a severance benefit payment. The payment of severance benefits is recorded as a current expenditure in the year of the payment. In 2021, severance payments totaled \$-0-. At June 30, 2021 severance benefits payable totaling \$198,377 is recorded in the financial statements.

Other Postemployment Benefits

Under the terms of certain collectively bargained employment contracts, including the teachers' and administrators' contracts, the District makes no contributions toward the health insurance premiums of retired employees. However, the District has an implicit rate subsidy for OPEB. This amount was actuarially determined, in accordance with GASB Statement No. 75.

**MEDFORD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 763
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Pension

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

N. Deferred Outflows of Resources

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow or resources (expense) until that time. The District has two items, which relate to pensions and other postemployment benefits.

O. Deferred Inflows of Resources

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow or resources (revenue) until that time. The District has four types of items. The first occurs because property tax receivables are recorded in the current year, but the revenue will be recorded in the subsequent year. The second type of deferred inflows of resources occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the District's year-end) under the modified accrual basis of accounting. The third type is *pension related*. The fourth type is related to other postemployment benefits.

P. Unearned Revenue

Unearned revenues are those in which resources are received by the District before it has a legal claim to them. The District has reported unearned revenues for tax increment receipts, prepaid lunch accounts, and preschool registration fees.

Q. Fund Balance

In the Fund Financial Statements, Governmental Funds report nonspendable, restricted, committed, assigned, and unassigned fund balances. Nonspendable portions of fund balance are related to inventory. Restricted funds are constrained by outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Education. The District currently doesn't report any committed fund balance. The Board of Education passed a resolution authorizing the Superintendent the ability to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts.

**MEDFORD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 763
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Fund Balance (Continued)

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

The District has a minimum fund balance policy, which identifies a minimum Unassigned General Fund balance of 25% of the annual budgeted expenditures.

The District's liabilities for compensated absences, severance, pension, and OPEB are generally liquidated by the General Fund.

R. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; natural disasters and workers' compensation.

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

The District continues to carry commercial insurance for all other risks of loss. There has been no significant reduction in insurance coverage from the previous year in any of the District's policies. In addition, there have been no settlements in excess of the District's insurance coverage in any of the prior three years.

S. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the District-Wide 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 District-Wide Financial Statements when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

**MEDFORD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 763
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 DEPOSITS AND INVESTMENTS

A. Deposits

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

The District maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statement of net position and balance sheet as "Cash and Investments." In accordance with Minnesota Statutes, the District maintains deposits at financial institutions which are authorized by the School District's Board.

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 corporate surety bonds.

The District's deposits in financial institutions at June 30, 2021 were not fully covered by federal depository insurance or by surety bonds and collateral by \$1,522,377, which is not in accordance with Minnesota Statutes.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. Government Agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. It is required that the District sign authorizations releasing collateral once it is pledged.

B. Investments

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

- Direct obligations or obligations guaranteed by the United States or its agencies.
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency and all of the investments have a final maturity of thirteen months or less.
- General obligations rated "A" or better; revenue obligations rated "AA" or better.
- General obligations of the Minnesota Housing Finance Agency rated "A" or better
- Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.

**MEDFORD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 763
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

- Commercial paper issued by United States banks, corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks, or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories.
- Repurchase or reverse purchase agreements and securities lending agreements financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

At June 30, 2021 the District had no investments.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligation to the holder of the investment. Credit risk is measured using credit quality ratings of investments in debt securities as described by nationally recognized rating agencies such as Moody’s and Standard and Poor’s.

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 in full. The District does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of the District’s investment in a single issuer.

Interest Rate Risk

Interest rate risk is the risk that changes in the interest rates of investments could adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in the market interest rates. The District does not have a formal investment policy that addresses permissible investments, portfolio diversification, and instrument maturities. At June 30, 2021, the District had no investments.

**MEDFORD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 763
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

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

Deposits	\$ 6,024,356
Cash on Hand	3,520
Total Cash and Investments	<u>\$ 6,027,876</u>

Cash and Investments - Statement of Net Position	\$ 6,027,876
Total Cash and Investments	<u>\$ 6,027,876</u>

NOTE 3 CAPITAL ASSETS

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

	Beginning Balance	Increases	Transfers & Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 434,823	\$ -	\$ -	\$ 434,823
Construction in Progress	632,158	-	(632,158)	-
Total Capital Assets, Not Being Depreciated	<u>1,066,981</u>	<u>-</u>	<u>(632,158)</u>	<u>434,823</u>
Capital Assets, Being Depreciated				
Land Improvements	2,313,115	-	-	2,313,115
Buildings and Improvements	16,261,504	1,490,845	632,158	18,384,507
Equipment	992,870	50,463	-	1,043,333
Total Capital Assets, Being Depreciated	<u>19,567,489</u>	<u>1,541,308</u>	<u>632,158</u>	<u>21,740,955</u>
Accumulated Depreciation for:				
Land Improvements	(1,772,745)	(115,656)	-	(1,888,401)
Buildings and Improvements	(5,312,934)	(441,611)	-	(5,754,545)
Equipment	(649,652)	(47,502)	-	(697,154)
Total Accumulated Depreciation	<u>(7,735,331)</u>	<u>(604,769)</u>	<u>-</u>	<u>(8,340,100)</u>
Total Capital Assets, Being Depreciated, Net	<u>11,832,158</u>	<u>936,539</u>	<u>632,158</u>	<u>13,400,855</u>
Governmental Activities Capital Assets, Net	<u>\$ 12,899,139</u>	<u>\$ 936,539</u>	<u>\$ -</u>	<u>\$ 13,835,678</u>

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

Governmental Activities	
Regular Instruction	\$ 563,846
Vocational Education Instruction	427
Instructional Support Services	18,576
Sites and Buildings	18,135
Food Service	3,785
Total Depreciation Expense, Governmental Activities	<u>\$ 604,769</u>

**MEDFORD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 763
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4 LONG-TERM LIABILITIES

A. Components of Long-Term Liabilities

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

Issue Date	Interest Rate	Original Issue	Final Maturity	Principal Outstanding	
				Due Within One Year	Total
11/18/2015	2.00% - 4.00%	\$ 11,120,000	2/1/2031	\$ 695,000	\$ 7,900,000
9/7/2016	0.90% - 2.125%	1,040,000	2/1/2029	85,000	820,000
3/9/2017	1.80% - 3.00%	730,000	2/1/2030	35,000	655,000
Total General Obligation Bonds				815,000	9,375,000
Bond Premiums				32,238	198,440
Capital Lease Liability				16,704	167,558
Severance Benefits Payable				-	198,377
				<u>\$ 863,942</u>	<u>\$ 9,939,375</u>

B. Minimum Debt Payments

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

Year Ending June 30,	General Obligation Bonds Payable	
	Principal	Interest
2022	\$ 815,000	\$ 261,331
2023	845,000	245,823
2024	865,000	229,588
2025	895,000	210,960
2026	930,000	189,653
2027-2030	5,025,000	469,631
Total	<u>\$ 9,375,000</u>	<u>\$ 1,606,986</u>

C. Description of Long-Term Debt

General Obligation School Building Refunding Bonds, Series 2015A

On November 18, 2015, the District issued \$11,120,000 of General Obligation School Building Refunding Bonds, Series 2015A at interest rates of 2.00% to 4.00%. These bonds are due in varying annual installments each February 1 through February 1, 2031 with interest due semi-annually on February 1 and August 1.

The proceeds of this issue were used to refund in advance of their stated maturities, the District's General Obligation School Building Refunding Bonds, Series 2006A. The maturities of the General Obligation School Building Refunding Bonds, Series 2006A were scheduled to mature in 2016 through 2031. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated to retire these bonds.

**MEDFORD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 763
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4 LONG-TERM LIABILITIES (CONTINUED)

C. Description of Long-Term Debt (Continued)

General Obligation Facilities Maintenance Bonds, Series 2016A

On September 7, 2016, the District issued \$1,040,000 of General Obligation Facilities Maintenance Bonds, Series 2016A at interest rates of .90% to 2.125%. These bonds are due in varying annual installments each February 1 through February 1, 2029 with interest due semi-annually on February 1 and August 1.

The proceeds of this issue were used to finance the betterment of school facilities in the District. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated to retire these bonds.

General Obligation Facilities Maintenance Bonds, Series 2017A

On March 9, 2017, the District issued \$730,000 of General Obligation Facilities Maintenance Bonds, Series 2017A at interest rates of 1.80% to 3.00%. These bonds are due in varying annual installments each February 1 through February 1, 2030 with interest due semi-annually on February 1 and August 1.

The proceeds of this issue were used to finance the betterment of school facilities in the District. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated to retire these bonds.

Severance Payable

Severance payable consists of convertible sick leave payable to employees upon retirement. Severance benefits are paid by the General Fund.

Capital Lease

The District entered into a capital lease for LED Lighting. The asset was capitalized and have a cost of \$185,000 and accumulated depreciation of \$3,093 at June 30, 2021.

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

Year Ending June 30,	Amount
2022	\$ 21,144
2023	21,144
2024	21,144
2025	21,144
2026	21,144
2027-2030	84,611
Total Minimum Lease Payments	190,331
Less: Amounts Representing Interest	22,773
Present Value of Net Minimum Lease Payments	<u>\$ 167,558</u>

**MEDFORD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 763
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4 LONG-TERM LIABILITIES (CONTINUED)

D. Changes in Long-Term Liabilities

	June 30, 2020	Additions	Retirements	June 30, 2021
Bonds Payable	\$ 10,170,000	\$ -	\$ 795,000	\$ 9,375,000
Bond Premiums	272,242	-	73,802	198,440
Capital Lease Payable	-	185,000	17,442	167,558
Severance Benefits Payable	168,559	29,818	-	198,377
Total	<u>\$ 10,610,801</u>	<u>\$ 214,818</u>	<u>\$ 886,244</u>	<u>\$ 9,939,375</u>

NOTE 5 RESTRICTED AND ASSIGNED FUND BALANCES

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

A. Restricted for Basic Skills Extended Time

The restricted fund balance represents available resources to be expended for basic skills extended time programs.

B. Restricted for Student Activities

In accordance with State Statute, restricted for student activities represents available resources dedicated exclusively for student activities.

C. Restricted for Scholarships

In accordance with State Statute, restricted for scholarships represents available resources dedicated exclusively for scholarships.

D. Restricted for Disabled Accessibility

Restricted for disabled accessibility represents available resources to be used only to provide for disabled accessibility projects.

E. Restricted for Long Term Facility Maintenance (LTFM)

This restricted fund balance represents accumulated resources available to be used for LTFM projects in accordance with the District's 10-year plan.

F. Restricted for Medical Assistance

This restricted fund balance represents accumulated resources available to be used for Medical Assistance expenditures.

G. Restricted for Community Education Programs

This restricted fund balance represents accumulated resources available to provide general community education programming.

**MEDFORD PUBLIC SCHOOLS
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NOTES TO FINANCIAL STATEMENTS
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NOTE 5 RESTRICTED AND ASSIGNED FUND BALANCES (CONTINUED)

H. Restricted for Early Childhood and Family Education Programs

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

I. Restricted for School Readiness

This restricted fund balance represents accumulated resources available to provide school readiness programming in accordance with funding made available for that purpose.

J. Restricted for Other Purposes

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

K. Assigned for Severance

This assignment of fund balance in the General Fund is intended to set aside fund balance amounts to finance future severance benefit payments to district employees upon retirement.

L. Assigned for Other Postemployment Benefits

This assignment of fund balance in the General Fund is intended to set aside fund balance amounts to finance other postemployment benefit payments.

M. Assigned for Technology

This assignment of fund balance in the General Fund is intended to set aside fund balance amounts to finance future technology equipment.

NOTE 6 DEFINED BENEFIT PENSION PLANS

A. Plan Description

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

1. General Employees Retirement Plan (GERF)

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

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NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

A. Plan Description (Continued)

2. Teachers Retirement Fund (TRA)

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

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

B. Benefits Provided

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

1. GERS Benefits

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

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

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NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefits

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

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

Tier I Benefits

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

With these provisions:

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

or

Tier II Benefits

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

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NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefits (Continued)

Tier II Benefits (Continued)

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

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

C. Contribution Rate

1. GERS Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the State Legislature. Coordinated Plan members were required to contribute 6.50% of their annual covered salary for fiscal year 2021 and the District was required to contribute 7.50% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2021, were \$64,330. The District's contributions were equal to the required contributions for each year as set by State Statute.

2. TRA Contributions

Per *Minnesota Statutes*, Chapter 354 contribution rates for the fiscal year for the coordinated plan were 7.5% for the employee and 8.13% for the employer. Basic plan rates were 11.00% for the employee and 12.13% for the employer. The District's contributions to TRA for the plan's fiscal year ended June 30, 2021, were \$357,061. The District's contributions were equal to the required contributions for each year as set by State Statute.

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INDEPENDENT SCHOOL DISTRICT NO. 763
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NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs

1. GERF Pension Costs

At June 30, 2021, the District reported a liability of \$743,437 for its proportionate share of the GERF'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 \$22,957. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was .0124% at the end of the measurement period and .0124% for the beginning of the period.

District's Proportionate Share of the Net		
Pension Liability	\$	743,437
State of Minnesota's Proportionate Share of the		
Net Liability Associated with the District		22,957

For the year ended June 30, 2021, the District recognized pension expense of \$42,116 for its proportionate share of the GERF's pension expense. It also recognized \$1,998 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 6,778	\$ 2,813
Changes in Actuarial Assumptions	-	27,562
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	12,843	-
Changes in Proportion	11,271	12,446
District Contributions Subsequent to the		
Measurement Date	64,330	-
Total	<u>\$ 95,222</u>	<u>\$ 42,821</u>

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NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. GERF Pension Costs (Continued)

Of resources related to pensions resulting from District contributions to GERP subsequent to the measurement date, \$64,330 reported as deferred outflows will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30.</u>	<u>Pension Expense Amounts</u>
2022	\$ (37,107)
2023	(6,918)
2024	14,135
2025	17,961

2. TRA Pension Costs

At June 30, 2021, the District reported a liability of \$5,349,009 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. The District's proportionate share was .0724% at the end of the measurement period and .0700% for the beginning of the period.

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

<u>Description</u>	<u>Amount</u>
District's Proportionate Share of the TRA Net Pension Liability	\$ 5,349,009
State's Proportionate Share of TRA's Net Pension Liability Associated with the District	448,449

For the year ended June 30, 2021, the District recognized pension expense of \$890,148. It also recognized \$41,064 as an increase to pension expense (and grant revenue) for the support provided by direct aid.

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JUNE 30, 2021**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs (Continued)

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 107,269	\$ 81,061
Changes in Actuarial Assumptions	1,919,230	4,490,356
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	82,818	-
Changes in Proportion	388,421	6,844
District Contributions Subsequent to the Measurement Date	357,061	-
Total	<u>\$ 2,854,799</u>	<u>\$ 4,578,261</u>

Of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date, \$357,061 reported as deferred outflows will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to TRA will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amounts
2022	\$ 200,705
2023	(1,513,344)
2024	(1,021,575)
2025	190,836
2026	62,855

3. Aggregate Pension Costs

At June 30, 2021, the District reported the following aggregate amounts related to pensions for all plans to which it participates.

	GERF	TRA	Total
Net Pension Liability	\$ 743,437	\$ 5,349,009	\$ 6,092,446
Deferred Outflows of Resources	95,222	2,854,799	2,950,021
Deferred Inflows of Resources	42,821	4,578,261	4,621,082
Pension Expense	44,114	931,212	975,326

**MEDFORD PUBLIC SCHOOLS
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NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions

The total pension liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions:

GERF and TRA Assumptions

Assumptions	General Employees Plan	TRA
Inflation	2.25% per Year	2.50%
Active Member Payroll Growth	3% per Year	2.85% for 10 years and 3.25%, thereafter
Investment Rate of Return	7.50%	7.50%

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

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

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

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

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

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

The following changes in plan provisions for PERA occurred in 2020:

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

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

- 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 June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.

**MEDFORD PUBLIC SCHOOLS
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	35.50 %	5.10%
Alternative Assets (Private Markets)	25.00	5.90%
Bonds (Fixed Income)	20.00	0.75%
International Stocks	17.50	5.30%
Cash	2.00	0.00%
Totals	<u>100.00 %</u>	

F. Discount Rate

The discount rate used to measure the total GERP pension liability in 2020 was 7.50%. There was no change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Discount Rate (Continued)

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

G. Pension Liability Sensitivity

The following presents the District's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding 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:

GENERAL EMPLOYEES PLAN AND TRA PENSION LIABILITY

Description	1% Decrease	Current Discount Rate	1% Increase in Discount Rate
<u>General Employees Plan Discount Rate</u>	6.50%	7.50%	8.50%
District's Proportionate Share of the General Employee Plan Net Pension Liability	\$ 1,191,471	\$ 743,437	\$ 373,844
 <u>TRA Discount Rate</u>	 6.50%	 7.50%	 8.50%
District's Proportionate Share of the TRA Net Pension Liability	\$ 8,189,276	\$ 5,349,009	\$ 3,008,772

H. Pension Plan Fiduciary Net Position

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

Detailed information about TRA's fiduciary net position is available in a separately issued TRA financial report. That report can be obtained at www.MinnesotaTRA.org; by writing to TRA at 60 Empire Drive, Suite 400, St. Paul, Minnesota, 55103-4000; or by calling (651-296-2409 or 800-652-3669).

**MEDFORD PUBLIC SCHOOLS
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NOTE 7 DEFINED CONTRIBUTION PLAN

The District provides eligible employees future retirement benefit through the District's 403(b) Plan (the Plan). Employees of the District are eligible to participate in the Plan commencing on the date of their employment. Eligible employees may elect to have a percentage of their pay contributed to the Plan. Some employees are eligible to receive a District match of employee contributions up to the qualifying amounts set forth in their respective collective bargaining agreements. Contributions are invested in tax-deferred annuities selected and owned by Plan participants. The District contributions for the year ended June 30, 2021 are \$54,250. The related employee contributions were \$49,829 for the year ended June 30, 2021.

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN

A. Plan Description

The District operates a single-employer retiree benefit plan (the Plan) that provides health insurance and subsidized benefits to eligible employees and their spouses through the District's health insurance plan. There are 79 active participants and 3 retired participants. Benefit and eligibility provisions are established through negotiations between the District and various unions representing District's employees and are renegotiated at various times. There are no assets accumulated in a trust and the plan is currently being funded on a pay as you go basis. The Plan does not issue a publicly available financial report.

B. Benefits Provided

Teachers who are at least 60 years of age upon retirement and have been employed by the District for a minimum of 20 years, or a Rule of 90, are eligible to remain on the District's medical insurance until Medicare eligibility. The District will contribute the board contribution at the time of retirement until Medicare eligibility.

Business and Personnel Associates hired before July 1, 2020 who are at least 55 years of age upon retirement and have been employed by the District for a minimum of 20 years are eligible to remain on the District's medical insurance until Medicare eligibility. The District will contribute full single medical coverage at the time of retirement until Medicare eligibility.

C. Actuarial Methods and Assumptions

The District's total OPEB liability was measured as of July 1, 2020, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of July 1, 2019, rolled forward to the measurement date of July 1, 2020, using the following actuarial assumptions applied to periods included in the measurement dated, unless specified otherwise.

Inflation	2.50 %
Salary Increases	Varies by service and contract group
Healthcare Cost Trend	6.25% Decreasing to 5.00% over 5 years

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NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

C. Actuarial Methods and Assumptions (Continued)

Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.4% (3.10% as of the measurement date of July 1, 2019). The discount rate is based on the estimated yield of 20-Year AA-rated municipal bonds.

D. Changes in the Total OPEB Liability

	Increase (Decrease) Total OPEB Liability
Balances at 6/30/2020	\$ 542,094
Changes for the Year:	
Service Cost	68,046
Interest	18,384
Changes of Assumptions	28,426
Benefit Payments	(34,453)
Net Changes	80,403
Balances at 6/30/2021	\$ 622,497

E. Total OPEB Liability Sensitivity

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

	1% Decrease 1.40 %	Discount Rate 2.40 %	1% Increase 3.40 %
Total OPEB Liability (Asset)	\$ 675,622	\$ 622,497	\$ 571,633

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NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

E. Total OPEB Liability Sensitivity (Continued)

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 healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current healthcare cost trend rate:

	1% Decrease (5.25% decreasing to 4.00%)	Healthcare Cost Trend Rates (6.25% decreasing to 5.00%)	1% Increase (7.25% decreasing to 6.00%)
Total OPEB Liability (Asset)	\$ 529,748	\$ 622,497	\$ 736,900

F. OPEB Expense

For the year ended June 30, 2021, the District recognized OPEB expense of \$81,207. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ -	\$ 33,268
Net Difference Between Projected and Actual Experience	25,268	25,401
District Payment of Benefits Subsequent to the Measurement Date	37,013	-
Total	<u>\$ 62,281</u>	<u>\$ 58,669</u>

District payment of benefits of \$37,013 subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ (5,223)
2023	(5,223)
2024	(5,223)
2025	(5,223)
2026	(5,223)
Thereafter	(7,286)

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NOTE 9 FLEXIBLE BENEFIT PLAN

The District has a flexible benefit plan that is classified as a “cafeteria plan” under Section 125 of the IRC. All employee groups of the District are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Eligible employees can elect to participate by contributing pre-tax dollars withheld from payroll checks to the plan for health care and dependent care benefits.

Before the beginning of the plan year, which is from November 1 to October 31, each participant designates a total amount of pre-tax dollars to be contributed to the plan during the year. At June 30, the District is contingently liable for claims against the total amount of participants’ annual contributions for the health care portion of the plan, whether or not such contributions have been made.

Payments of health insurance premiums are made by the District directly to the designated insurance companies. These payments are made on a monthly basis and are accounted for in the General, Food Service, and Community Service Funds.

Payments for amounts withheld for medical reimbursement and dependent care are made to participating employees upon submitting a request for reimbursement of eligible expenses.

NOTE 10 SELF-INSURED DENTAL PLAN

The District has elected to self-insure their employee dental insurance program. The District has entered into an agreement with an insurance company to provide stop-loss insurance to limit the losses on individual and aggregate claims and to provide claims processing and other administrative duties. The individual stop-loss amount is \$1,719 per participant. The District accounts for this plan in the General Fund. Contributions during the year were based on maximum claims before reinsurance is effective. The amounts charged to expenses include administrative fees, stop-loss insurance premiums, claims paid and accruals for claims incurred by not paid at year-end. The District recorded expenses of \$67,416 for the year ended June 30, 2021.

The liability for unpaid claims is included in the General Fund as accounts payable.

	2021	2020
Unpaid Claims, Beginning of Year	\$ 5,692	\$ 5,574
Incurred Claims	65,432	68,582
Claim Payments (Cash Basis)	(67,416)	(68,464)
Unpaid Claims, End of Year	<u>\$ 3,708</u>	<u>\$ 5,692</u>

**MEDFORD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 763
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 11 COMMITMENTS AND CONTINGENCIES

Federal and State Receivables

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

NOTE 12 JOINTLY GOVERNED ORGANIZATION

The Cannon Valley Special Education Cooperative No. 52-6094 was established through a partnership with Faribault Public Schools, Medford Public Schools, Northfield Public Schools, and Owatonna Public Schools. The primary objective of the District is to provide, by a cooperative effort, comprehensive educational programs and other related services as can be effectively operated by its four member districts. Each member district shares in the cost of the programming, which is paid to the education district in the form of membership fees, reimbursements and other charges for services. The education district is able to recover the cost of its programs through the previously mentioned revenue sources. The jointly governed organization's financial statements are audited and available for inspection.

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REQUIRED SUPPLEMENTARY INFORMATION

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**MEDFORD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 763
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY
AND RELATED RATIOS
JUNE 30, 2021**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Measurement Date	July 1, 2020	July 1, 2019	July 1, 2018	July 1, 2017
Service cost	\$ 68,046	\$ 59,050	\$ 63,056	\$ 61,219
Interest	18,384	21,363	20,735	20,136
Changes of assumptions	28,426	(32,659)	-	-
Difference between expected and actual experience	-	(42,773)	-	-
Benefit payments	<u>(34,453)</u>	<u>(63,797)</u>	<u>(58,850)</u>	<u>(72,203)</u>
Net Change in total OPEB Liability	80,403	(58,816)	24,941	9,152
Total OPEB liability - Beginning of Year	<u>542,094</u>	<u>600,910</u>	<u>575,969</u>	<u>566,817</u>
Total OPEB liability - Ending of Year	<u><u>\$ 622,497</u></u>	<u><u>\$ 542,094</u></u>	<u><u>\$ 600,910</u></u>	<u><u>\$ 575,969</u></u>
 Covered employee payroll	 \$ 4,398,447	 \$ 4,270,337	 \$ 3,778,593	 \$ 3,668,537
 District's total OPEB liability as a percentage of the covered employee payroll	 14.15%	 12.69%	 15.90%	 15.70%

Note 1: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years which information is available.

Note 2: No assets are accumulated in a trust.

See Notes to Required Supplementary Information.

**MEDFORD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 763
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
LAST SEVEN FISCAL YEARS**

Fiscal Year	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Measurement Date	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
General Employees Plan							
District's Proportion of the Net Pension Liability	0.0124%	0.0124%	0.0128%	0.0121%	0.0116%	0.0111%	0.0114%
District's Proportionate Share of the Net Pension Liability	\$ 743,437	\$ 710,092	\$ 772,456	\$ 941,862	\$ 575,260	\$ 575,260	\$ 535,637
State's Proportionate Share of the Net Pension Liability Associated with the District	22,957	23,257	9,674	12,247	-	-	-
Total	<u>\$ 766,394</u>	<u>\$ 733,349</u>	<u>\$ 782,130</u>	<u>\$ 954,109</u>	<u>\$ 575,260</u>	<u>\$ 575,260</u>	<u>\$ 535,637</u>
District's Covered Payroll	\$ 883,347	\$ 878,067	\$ 861,453	\$ 716,827	\$ 716,827	\$ 649,324	\$ 599,379
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	84.16%	80.87%	89.67%	131.39%	80.25%	88.59%	89.37%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.06%	80.23%	79.50%	75.90%	68.90%	78.20%	78.70%
TRA							
District's Proportion of the Net Pension Liability	0.0724%	0.0700%	0.0681%	0.0677%	0.0663%	0.0670%	0.0719%
District's Proportionate Share of the Net Pension Liability	\$ 5,349,009	\$ 4,278,210	\$ 13,514,148	\$ 15,814,132	\$ 4,144,613	\$ 4,144,613	\$ 3,311,797
State's Proportionate Share of the Net Pension Liability Associated with the District	448,449	401,876	1,305,589	1,588,310	508,253	508,253	233,199
Total	<u>\$ 5,797,458</u>	<u>\$ 4,680,086</u>	<u>\$ 14,819,737</u>	<u>\$ 17,402,442</u>	<u>\$ 4,652,866</u>	<u>\$ 4,652,866</u>	<u>\$ 3,544,996</u>
District's Covered Payroll	\$ 4,255,859	\$ 3,660,739	\$ 3,797,120	\$ 3,465,907	\$ 3,465,907	\$ 3,437,507	\$ 3,280,425
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	125.69%	116.87%	355.91%	502.10%	134.25%	135.36%	108.07%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.48%	78.21%	78.07%	51.57%	44.88%	76.80%	81.50%

Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

See Notes to Required Supplementary Information.

**MEDFORD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 763
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS
LAST EIGHT FISCAL YEARS**

General Employees Plan	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 64,330	\$ 66,251	\$ 65,855	\$ 64,609	\$ 58,226	\$ 53,762	\$ 48,050	\$ 43,455
Contributions in Relation to the Contractually Required Contribution	(64,330)	(66,251)	(65,855)	(64,609)	(58,226)	(53,762)	(48,050)	(43,455)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 857,733	\$ 883,347	\$ 878,067	\$ 861,453	\$ 776,347	\$ 716,827	\$ 649,324	\$ 599,379
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.40%	7.25%
 TRA	 <u>2021</u>	 <u>2020</u>	 <u>2019</u>	 <u>2018</u>	 <u>2017</u>	 <u>2017</u>	 <u>2016</u>	 <u>2015</u>
Contractually Required Contribution	\$ 357,061	\$ 337,064	\$ 282,243	\$ 284,784	\$ 275,462	\$ 259,943	\$ 257,813	\$ 231,598
Contributions in Relation to the Contractually Required Contribution	(357,061)	(337,064)	(282,243)	(284,784)	(275,462)	(259,943)	(257,813)	(231,598)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 4,391,894	\$ 4,255,859	\$ 3,660,739	\$ 3,797,120	\$ 3,672,827	\$ 3,465,907	\$ 3,437,507	\$ 3,280,425
Contributions as a Percentage of Covered Payroll	8.13%	7.92%	7.71%	7.50%	7.50%	7.50%	7.50%	7.06%

Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

See Notes to Required Supplementary Information.

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**MEDFORD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 763
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021**

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

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

2020

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

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

**MEDFORD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 763
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021**

NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2019

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018

Changes in Actuarial Assumption

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

Changes in Plan Provisions

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

2017

Changes in Actuarial Assumption

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

**MEDFORD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 763
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021**

NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

Changes in Plan Provisions

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

2016

Changes in Actuarial Assumptions

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

Changes in Actuarial Plan Provisions

- There have been no changes since the prior valuation.

2015

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

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

**MEDFORD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 763
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021**

**NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2020

Changes in Actuarial Assumptions

- The COLA was reduced from 2.0% each January to 1.0, effective January 2019. Beginning January 1, 2024, the COLA will increase .01% each year until reaching the ultimate rate of 1.5% on January 1, 2028.
- Beginning July 1, 2024, eligibility for first COLA changes to normal retirement age (age 65 to 66, 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 2 years (8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.5% to 7.75% on July 1, 2023. The state provides funding for the contribution rate through an adjustment in the school aid formula.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018

Changes in Actuarial Assumptions

- The investment return assumption was changed from 8.5% to 7.5%.
- The price inflation assumption was lowered from 3.0% to 2.5%.
- The payroll growth assumption was lowered from 3.5% to 3.0%.

**MEDFORD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 763
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021**

NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2018 (Continued)

Changes in Actuarial Assumptions (Continued)

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

Changes in Plan Provisions

- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 4 years, (7.92% in 2019, 8.13% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017

Changes in Actuarial Assumptions

- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- Adjustment were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the nonvested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.

**MEDFORD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 763
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021**

NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2017 (Continued)

Changes in Actuarial Assumptions (Continued)

- The COLA was not assumed to increase to 2.5%, but remain at 2.0% for all future years.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 3.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for ten years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**MEDFORD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 763
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021**

NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2015

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2014

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

The following changes were reflected in the valuation performed on behalf of the District's other postemployment benefits plan for the year ended June 30:

2020

Changes in Plan Provisions

- There were no changes in plan provisions.

Changes in Actuarial Assumptions

- The discount rate was changed from 3.10% to 2.40%.

2019

Changes in Plan Provisions

- There were no changes in plan provisions.

Changes in Actuarial Assumptions

- The mortality rates were updated from the RP-2014 White Collar Mortality Tables with MP2016 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale.
- The discount rate was changed from 3.40% to 3.10%.

**MEDFORD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 763
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021**

**NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2018

Changes in Plan Provisions

- The superintendent does not have any postemployment OPEB subsidies.
- The teachers' eligibility for postemployment medical and life insurance subsidies changed from age 55 with 10 years of service to age 60 with 20 years of service, or Rule of 90.

Changes in Actuarial Assumptions

- The discount rate was changed from 4.00% to 3.40%.
- The medical trend rate was changed to 6.50% decreasing to 5% after 6 years.
- The mortality tables were updated from the RP-2000 Combined Healthy Mortality Tables projected to 2014 with Scale BB to the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale.

SINGLE AUDIT AND OTHER REQUIRED REPORTS

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**MEDFORD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 763
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021**

Grantor/Program	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Amount	Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture					
Pass-Through Minnesota Department of Education					
Child Nutrition Cluster:					
Non-Cash Assistance (Commodities):					
National School Lunch Program	10.555	202121N109942	\$ 34,927		\$ -
Cash Assistance:					
Summer Food Service Program	10.559	202121N109942	272,116		-
Total Child Nutrition Cluster				\$ 307,043	-
U.S. Department of Education					
Pass-Through Minnesota Department of Education					
Cash Assistance:					
Special Education Cluster:					
Special Education - Preschool Grants	84.173	H173A180086	3,861		-
Special Education - Grants to States	84.027	H027A190087	135,417		-
Total Special Education Cluster				139,278	-
Title I, Part A - Grants to Local Educational Agencies	84.010	S010A200023A		84,207	-
Title II, Part A - Supporting Effective Instruction State Grant	84.367	S367A200022		1,441	-
Infants and Toddlers	84.181	**		2,712	-
COVID-19 - Elementary and Secondary School					
Emergency Relief Fund	84.425D	S425D210045		6,044	-
Pass-Through Hiawatha Valley Education District					
Cash Assistance:					
Carl Perkins Vocational Education Basic Grants to States	84.048	V048A190023A		6,244	-
U.S. Department of Treasury					
Pass-Through Minnesota Department of Education					
COVID-19 - Coronavirus Relief Fund	21.019C	**	232,181		-
Pass-Through City of Medford					
Cares Act					
COVID-19 - Coronavirus Relief Fund	21.019C	078684479	13,158		-
Pass-Through Department of Human Services					
Cares Act					
COVID-19 - Coronavirus Relief Fund	21.019C	**	5,248		-
Pass-Through United Way					
Cares Act					
COVID-19 - Coronavirus Relief Fund	21.019C	193,121,134	1,000		-
Total Assistance Listing No. 21.019				251,587	-
Total Federal Awards Expended				\$ 798,556	\$ -
** Not Available					

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**MEDFORD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 763
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2021**

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Medford Public Schools (the District) under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for all awards with the exception of Federal Assistance Listing Number 21.019C, which follows criteria determined by the Department of Treasury for allowability of costs. Under these principles certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 INDIRECT COST RATE

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.



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

Board of Education
Independent School District No. 763
Medford, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Independent School District No. 763 (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 1, 2021.

Internal Control Over Financial Reporting

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

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

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

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*.

Independent School District No. 763's Response to Findings

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 it.

Purpose of this Report

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



CliftonLarsonAllen LLP

Rochester, Minnesota
December 1, 2021



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

Board of Education
Independent School District No. 763
Medford, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Independent School District No. 763's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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



CliftonLarsonAllen LLP

Rochester, Minnesota
December 1, 2021



INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Education
Independent School District No. 763
Medford, 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 respective financial position of the governmental activities and each major fund of Independent School District No. 763 (the District), as of and for the year ended June 30, 2021, and the related notes, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 1, 2021.

In connection with our audit, we noted that the District failed to comply with provisions of the deposits and investments section of *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, in so far as they relate to accounting matters as described in the schedule of findings and questioned costs as item 2021-001. Also, in connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting and bidding, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards section of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters.

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

CliftonLarsonAllen LLP

Rochester, Minnesota
December 1, 2021

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**MEDFORD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 763
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021**

Section I – Summary of Auditors’ Results

Financial Statements

- | | | |
|--|-------------------|----------------------------|
| 1. Type of auditors’ report issued: | Unmodified | |
| 2. Internal control over financial reporting: | | |
| • Material weakness(es) identified? | <u> X </u> yes | <u> </u> no |
| • Significant deficiency(ies) identified? | <u> </u> yes | <u> X </u> none reported |
| 3. Noncompliance material to financial statements noted? | <u> </u> yes | <u> X </u> no |

Federal Awards

- | | | |
|--|-------------------|----------------------------|
| 1. Internal control over major federal programs: | | |
| • Material weakness(es) identified? | <u> </u> yes | <u> X </u> no |
| • Significant deficiency(ies) identified? | <u> </u> yes | <u> X </u> none reported |
| 2. Type of auditors’ report issued on compliance for major federal programs: | Unmodified | |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)? | <u> </u> yes | <u> X </u> no |

Identification of Major Federal Programs

CFDA Number(s)	Name of Federal Program or Cluster
10.555 and 10.559	Child Nutrition Cluster
21.019C	Coronavirus Relief Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee

 yes X no

**MEDFORD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 763
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021**

Section II – Financial Statement Findings

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

Condition: The District does not have an internal control policy in place over annual financial reporting that would enable management to ensure its annual financial statements and related footnote disclosures are complete and presented in accordance with accounting principles generally accepted in the United States of America (GAAP).

Criteria: Management is responsible for establishing and maintaining internal controls and the fair presentation of the financial statements including the related disclosures in conformity GAAP.

Effect: The potential exists that a material misstatement of the annual financial statements could occur and not be prevented, or detected and corrected, by the District's internal controls.

Cause: The District's personnel have not monitored recent accounting developments to the extent necessary to enable them to prepare the District's financial statements and related disclosures and to provide a high level of assurance that potential omissions or other errors that are material would be identified and corrected on a timely basis.

Recommendation: Management should continue to evaluate their internal staff capacity to determine if an internal control policy over the annual financial reporting is beneficial.

**Views of Responsible
Officials and Planned
Corrective Actions:**

The District has informed us that they will continue to engage the audit firm to prepare the financial statements and related footnote disclosures, and will review and approve these prior to the issuance of the financial statements.

**MEDFORD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 763
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021**

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with the 2 CFR 200.516(a).

Section IV – Findings and Questioned Costs – Minnesota Legal Compliance

FINDING: 2021-002 MINNESOTA LEGAL COMPLIANCE – COLLATERAL COVERAGE

Condition: Collateral pledged was not sufficient to cover the District's bank deposits at June 30, 2021.

Criteria: Bank accounts are required to be collateralized at 110% of the amount in excess of FDIC coverage.

Effect: The potential exists collateral pledged is not sufficient to cover the District's total bank deposits at a given time.

Cause: The District's bank account balances were higher than in the past.

Recommendation: We recommend the District continue to work with the bank to ensure that pledged collateral is sufficient.

**Views of
Responsible
Officials:**

There is no disagreement with the finding. The District will work with the bank to ensure that pledged collateral is sufficient.

**MEDFORD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 763
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE
YEAR ENDED JUNE 30, 2021**

	Audit	UFARS	Difference		Audit	UFARS	Difference
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$ 10,295,602	\$ 10,295,600	\$ 2	Total Revenue	\$ -	\$ -	\$ -
Total Expenditures	\$ 10,997,136	\$ 10,997,134	\$ 2	Total Expenditures	\$ -	\$ -	\$ -
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	\$ -	\$ -	\$ -	460 Nonspendable Fund Balance	\$ -	\$ -	\$ -
<i>Restricted/Reserved:</i>				<i>Restricted/Reserved:</i>			
401 Student Activity	\$ 56,633	\$ 56,632	\$ 1	407 Capital Projects Levy	\$ -	\$ -	\$ -
402 Scholarships	\$ 84,185	\$ 84,185	\$ -	413 Projects Funded by COP	\$ -	\$ -	\$ -
403 Staff Development	\$ -	\$ -	\$ -	467 LTFM	\$ -	\$ -	\$ -
406 Health and Safety	\$ -	\$ -	\$ -	<i>Restricted:</i>			
407 Capital Project Levy	\$ -	\$ -	\$ -	464 Restricted Fund Balance	\$ -	\$ -	\$ -
408 Cooperative Programs	\$ -	\$ -	\$ -	<i>Unassigned:</i>			
413 Projects Funded by COP	\$ -	\$ -	\$ -	463 Unassigned Fund Balance	\$ -	\$ -	\$ -
414 Operating Debt	\$ -	\$ -	\$ -				
416 Levy Reduction	\$ -	\$ -	\$ -	07 DEBT SERVICE			
417 Taconite Building Maintenance	\$ -	\$ -	\$ -	Total Revenue	\$ 1,074,032	\$ 1,074,032	\$ -
424 Operating Capital	\$ -	\$ -	\$ -	Total Expenditures	\$ 1,076,423	\$ 1,076,423	\$ -
426 \$25 Taconite	\$ -	\$ -	\$ -	<i>Nonspendable:</i>			
427 Disabled Accessibility	\$ 317	\$ 317	\$ -	460 Nonspendable Fund Balance	\$ -	\$ -	\$ -
428 Learning and Development	\$ -	\$ -	\$ -	<i>Restricted/Reserved:</i>			
434 Area Learning Center	\$ -	\$ -	\$ -	425 Bond Refunding	\$ -	\$ -	\$ -
435 Contracted Alternative Programs	\$ -	\$ -	\$ -	451 QZAB and QSCB Payments	\$ -	\$ -	\$ -
436 State Approved Alternative Programs	\$ -	\$ -	\$ -	<i>Restricted:</i>			
438 Gifted and Talented	\$ -	\$ -	\$ -	464 Restricted Fund Balance	\$ 223,438	\$ 223,438	\$ -
440 Teacher Development and Evaluations	\$ -	\$ -	\$ -	<i>Unassigned:</i>			
441 Basic Skills Programs	\$ -	\$ -	\$ -	463 Unassigned Fund Balance	\$ -	\$ -	\$ -
445 Career and Technical Programs	\$ -	\$ -	\$ -				
448 Achievement and Integration	\$ -	\$ -	\$ -	08 TRUST			
449 Safe Schools Crime Levy	\$ -	\$ -	\$ -	Total Revenue	\$ -	\$ -	\$ -
450 Pre-Kindergarten	\$ -	\$ -	\$ -	Total Expenditures	\$ -	\$ -	\$ -
451 QZAB Payments	\$ -	\$ -	\$ -	<i>Net Position:</i>			
452 OPEB Liability Not Held in Trust	\$ -	\$ -	\$ -	422 Net Position	\$ -	\$ -	\$ -
453 Unfunded Severance & Retirement Levy	\$ -	\$ -	\$ -				
459 Basic Skills Extended Time	\$ 158	\$ 158	\$ -	20 INTERNAL SERVICE			
467 LTFM	\$ 52,137	\$ 52,137	\$ -	Total Revenue	\$ -	\$ -	\$ -
472 Medical Assistance	\$ 157,593	\$ 157,593	\$ -	Total Expenditures	\$ -	\$ -	\$ -
<i>Restricted:</i>				<i>Net Position:</i>			
464 Restricted Fund Balance	\$ -	\$ -	\$ -	422 Net Position	\$ -	\$ -	\$ -
<i>Committed:</i>							
418 Committed for Separation	\$ -	\$ -	\$ -	25 OPEB REVOCABLE TRUST			
461 Committed Fund Balance	\$ -	\$ -	\$ -	Total Revenue	\$ -	\$ -	\$ -
<i>Assigned:</i>				Total Expenditures	\$ -	\$ -	\$ -
462 Assigned Fund Balance	\$ 1,026,252	\$ 1,026,252	\$ -	<i>Net Position:</i>			
<i>Unassigned:</i>				422 Net Position	\$ -	\$ -	\$ -
422 Unassigned Fund Balance	\$ 3,388,709	\$ 3,388,710	\$ (1)				
02 FOOD SERVICE				45 OPEB IRREVOCABLE TRUST			
Total Revenue	\$ 545,826	\$ 545,826	\$ -	Total Revenue	\$ -	\$ -	\$ -
Total Expenditures	\$ 324,752	\$ 324,752	\$ -	Total Expenditures	\$ -	\$ -	\$ -
<i>Nonspendable:</i>				<i>Net Position:</i>			
460 Nonspendable Fund Balance	\$ -	\$ -	\$ -	422 Net Position	\$ -	\$ -	\$ -
<i>Restricted/Reserved:</i>							
452 OPEB Liability Not Held in Trust	\$ -	\$ -	\$ -	47 OPEB DEBT SERVICE			
<i>Restricted:</i>				Total Revenue	\$ -	\$ -	\$ -
464 Restricted Fund Balance	\$ 366,161	\$ 366,162	\$ (1)	Total Expenditures	\$ -	\$ -	\$ -
<i>Unassigned:</i>				<i>Nonspendable:</i>			
463 Unassigned Fund Balance	\$ -	\$ -	\$ -	460 Nonspendable Fund Balance	\$ -	\$ -	\$ -
				<i>Restricted:</i>			
04 COMMUNITY SERVICE				425 Bond Refunding	\$ -	\$ -	\$ -
Total Revenue	\$ 227,936	\$ 227,938	\$ (2)	464 Restricted Fund Balance	\$ -	\$ -	\$ -
Total Expenditures	\$ 204,785	\$ 204,786	\$ (1)	<i>Unassigned:</i>			
<i>Nonspendable:</i>				463 Unassigned Fund Balance	\$ -	\$ -	\$ -
460 Nonspendable Fund Balance	\$ -	\$ -	\$ -				
<i>Restricted/Reserved:</i>							
426 \$25 Taconite	\$ -	\$ -	\$ -				
431 Community Education	\$ 16,092	\$ 16,092	\$ -				
432 E.C.F.E.	\$ 851	\$ 851	\$ -				
440 Teacher Development and Evaluations	\$ -	\$ -	\$ -				
444 School Readiness	\$ 87,526	\$ 87,526	\$ -				
447 Adult Basic Education	\$ -	\$ -	\$ -				
452 OPEB Liability Not Held in Trust	\$ -	\$ -	\$ -				
<i>Restricted:</i>							
464 Restricted Fund Balance	\$ 4,275	\$ 4,276	\$ (1)				
<i>Unassigned:</i>							

