

**Independent School District No. 97
Moose Lake, Minnesota**

Communications Letter

June 30, 2021

Independent School District No. 97
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**Report on Matters Identified as a Result of
the Audit of the Basic Financial Statements**

To the School Board and Management
Independent School District No. 97
Moose Lake, Minnesota

In planning and performing our audit of the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, of Independent School District No. 97, Moose Lake, Minnesota, as of and for the year ended June 30, 2021, 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, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic 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 over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error, or fraud may occur and not be detected by such controls. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

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 over financial reporting, such that there is a reasonable possibility that a material misstatement of the District's basic financial statements will not be prevented, or detected and corrected, on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. The significant deficiency identified is stated within this letter.

The accompanying memorandum also includes financial analysis provided as a basis for discussion. The matters discussed herein were considered by us during our audit and they do not modify the opinion expressed in our Independent Auditor's Report dated November 2, 2021, on such statements.

This communication is intended solely for the information and use of the School Board, management, others within the District and state oversight agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

BergankDV, Ltd.

St. Cloud, Minnesota
November 2, 2021

Independent School District No. 97
Significant Deficiency

Lack of Segregation of Accounting Duties

During the year ended June 30, 2021, the District had a lack of segregation of accounting duties due to a limited number of office employees. This lack of segregation of accounting duties can be demonstrated in the following areas, which is not intended to be an all-inclusive list:

- Employees who have access to cash receipts also have journal entry abilities.
- One person is responsible for all transactions related to capital asset tracking.
- The same person enters, records, and reconciles receivables.
- There is no review of payroll once it has been entered into the system by anyone other than the Payroll Clerk.
- The same person can receipt money, prepare the bank deposit, and bring the deposit to the bank.
- The same individual that collects the cash receipts from sporting events also reconciles the cash at the end of the night.

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

Management is aware of this condition and will take certain steps to compensate for the lack of segregation. However, due to the number of accounting staff needed to properly segregate all of the accounting duties, the cost of obtaining desirable segregation of accounting duties can often exceed benefits which could be derived. Due to this reason, management has determined a complete segregation of accounting duties is impractical to correct.

Independent School District No. 97 Required Communication

We have audited the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2021. Professional standards require that we advise you of the following matters related to our audit.

Our Responsibility in Relation to the Basic Financial Statement Audit

As communicated in our engagement letter, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgement, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Generally accepted accounting principles provide for certain Required Supplementary Information (RSI) to supplement the financial statements. Our responsibility with respect to the RSI, which supplements the basic audit financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI was not audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we do not express an opinion or provide any assurance on the RSI.

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Our Responsibility in Relation to *Government Auditing Standards*

As communicated in our engagement letter, part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Independent School District No. 97
Required Communication

Our Responsibility in Relation to Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)

As communicated in our engagement letter, in accordance with the Uniform Guidance, we examined on a test basis, evidence about the District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the District's compliance with those requirements. While our audit provided a reasonable basis for our opinion, it did not provide a legal determination on the District's compliance with those requirements.

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.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in the notes to basic financial statements. There have been no initial selection of accounting policies and no changes to significant accounting policies or their application during 2021. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's current judgements. Those judgements are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgements. The most sensitive estimates affecting the basic financial statements are noted on the following page:

**Independent School District No. 97
Required Communication**

Qualitative Aspects of Significant Accounting Practices (Continued)

Significant Accounting Estimates (Continued)

Depreciation – The District is currently depreciating its capital assets over their estimated useful lives, as determined by management, using the straight-line method.

General Education and Special Education Aid – General Education Aid is an estimate until average daily membership (ADM) values are final. Since this is normally not done until after the reporting deadline, this Aid is an estimate. Special Education Aid is dependent on the availability of funds and complex formulas that are finalized after reporting deadlines.

Total Other Post Employment Benefits (OPEB) Liability, Deferred Outflows of Resources Related to OPEB and Deferred Inflows of Resources Related to OPEB – These balances are based on an actuarial study using the estimates of future obligations of the District for post employment benefits.

Net Pension Liability, Deferred Outflows of Resources Related to Pensions, and Deferred Inflows of Resources Related to Pensions – These balances are based on an allocation by the pension plans using estimates based on contributions

We evaluated the key factors and assumptions used to develop the accounting estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For the purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effects of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the basic financial statements taken as a whole and each applicable opinion unit.

We identified the following uncorrected misstatement of the basic financial statements. Management has determined its effect is immaterial, both individually and in the aggregate, to the basic financial statements taken as a whole and each opinion unit.

- Property Taxes Receivable

Independent School District No. 97 Required Communication

Uncorrected and Corrected Misstatements (Continued)

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the basic financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the District's basic financial statements or the auditor's report. No such disagreements arose during the course of our audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management has informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating, and regulatory conditions affecting the District, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditor.

Other Information in Documents Containing Audited Basic Financial Statements

We applied certain limited procedures to the RSI that supplements the financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Independent School District No. 97 Financial Analysis

The following pages provide graphic representation of select data pertaining to the financial position and operations of the District for the past five years. Our analysis of each graph is presented to provide a basis for discussion of past performance and how implementing certain changes may enhance future performance. We suggest you view each graph and document if our analysis is consistent with yours.

Average Daily Membership and Pupil Units

The largest single funding source for Minnesota school districts is basic General Education Aid. Each year, the State Legislature sets a basic formula allowance. Total basic general education revenue is calculated by multiplying the formula allowance by the number of pupil units for which a district is entitled to aid. Pupil units are calculated using a legislatively determined weighting system applied to ADM. Over the years, various modifications have been made to this calculation, including changes in weighting and special consideration for declining enrollment districts.

Year	General Education Aid Formula Allowance	
	Amount	Percent Increase
2012	\$ 5,174	0.0%
2013	5,224	1.0%
2014	5,302	1.0%
2015*	5,831	1.5%
2016	5,948	1.9%
2017	6,067	2.0%
2018	6,188	2.0%
2019	6,312	2.0%
2020	6,438	2.0%
2021	6,567	2.0%
2022	6,728	2.5%

* General Education Aid - Of the \$529 increase over 2014, \$105 is for inflation at 1.9%; the remaining \$424 is a shifting of revenue to adjust for pupil weight changes, pension adjustments changes and other restructuring.

Independent School District No. 97 Financial Analysis

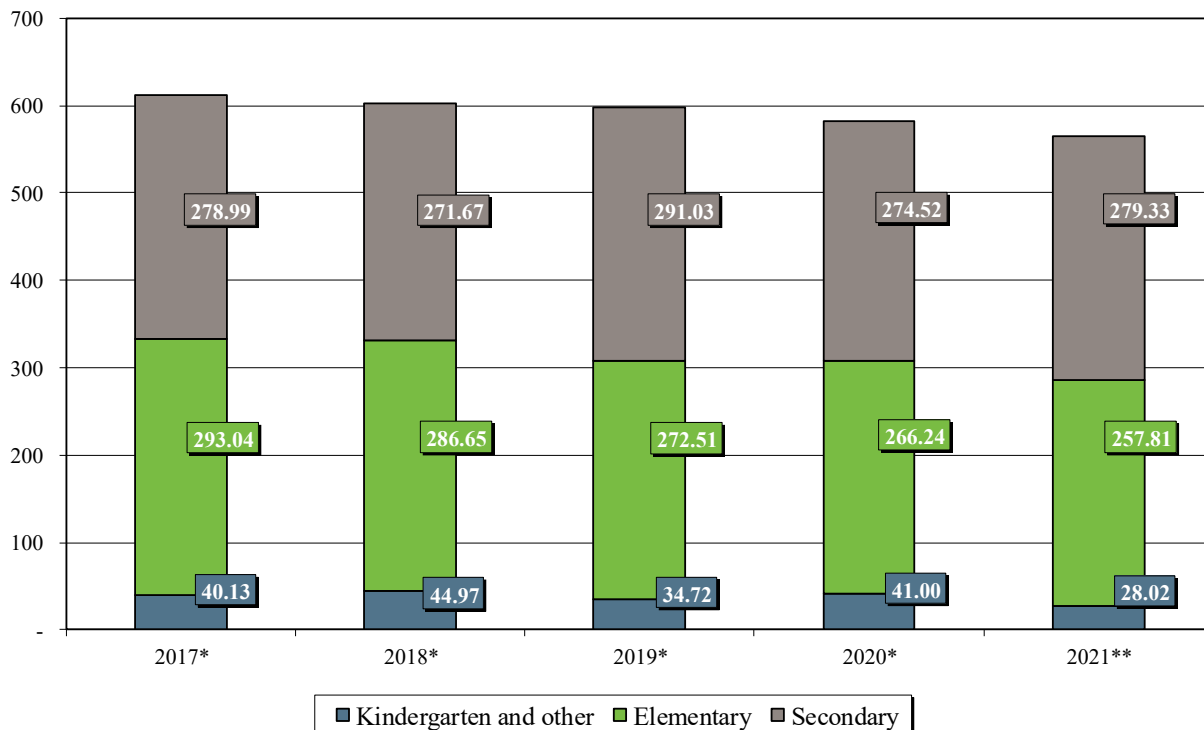
The following pages provide graphic representation of select data pertaining to the financial position and operations of the District for the past five years. Our analysis of each graph is presented to provide a basis for discussion of past performance and how implementing certain changes may enhance future performance. We suggest you view each graph and document if our analysis is consistent with yours. A subsequent discussion of this information should be useful for planning purposes.

Average Daily Membership and Pupil Units (Continued)

The following summarizes resident ADM of the District over the past five years ended June 30:

Resident ADM	2017*	2018*	2019*	2020*	2021**
Kindergarten and other	40.13	44.97	34.72	41.00	28.02
Elementary	293.04	286.65	272.51	266.24	257.81
Secondary	278.99	271.67	291.03	274.52	279.33
Total Resident ADM	612.16	603.29	598.26	581.76	565.16
Total ADM Served	650.13	655.41	629.89	605.61	559.56

Students (ADM)



* Source: Minnesota Department of Education (MDE)

** Estimate

The graph above illustrates Resident ADM has steadily decreased since 2017. Residents decreased overall, from 612.16 ADM in 2017 to 565.16 ADM in 2021, a decrease of 47.00 ADM, or 7.7%. ADM served has exceeded resident ADM each year presented, except 2021. The chart and graph on the following page converts the ADM into PUN for the same five years, including the effects of open enrollment.

Independent School District No. 97 Financial Analysis

Average Daily Membership and Pupil Units (Continued)

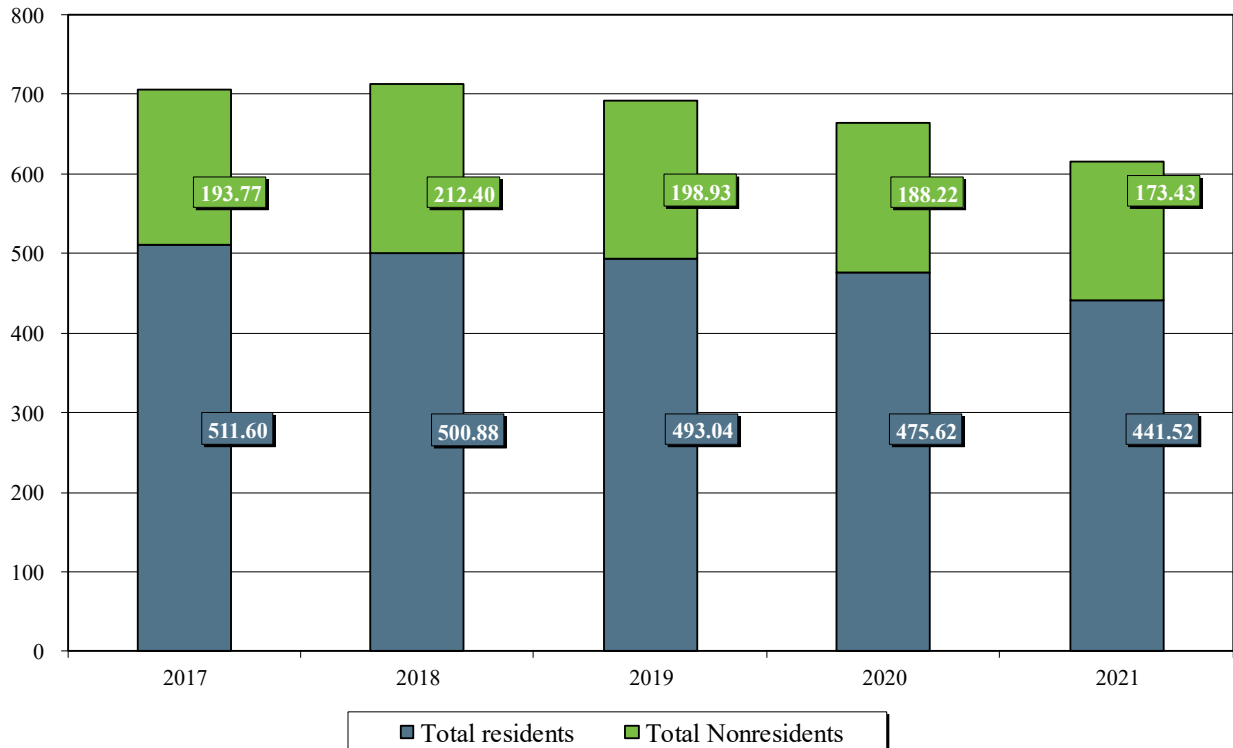
Pupil Units Weighting

	Pre-Kindergarten and Handicapped Kindergarten	Half Kindergarten and Full Kindergarten	Elementary	Secondary
Year 2017-2021	1.000/1.000	0.550/1.000	1.000/1.000	1.200

The District should be aware pupil unit numbers directly affect the amount of funding the District receives from the federal and state government when reviewing the five year history presented below.

Pupil Units	2017	2018	2019	2020	2021
Residents	667.96	657.60	656.46	636.18	621.01
Resident pupil units going elsewhere	(156.36)	(156.72)	(163.42)	(160.56)	(179.49)
Total residents	511.60	500.88	493.04	475.62	441.52
Nonresident pupil units coming in	193.77	212.40	198.93	188.22	173.43
Total Pupil Units Served	705.37	713.28	691.97	663.84	614.95

Students Served



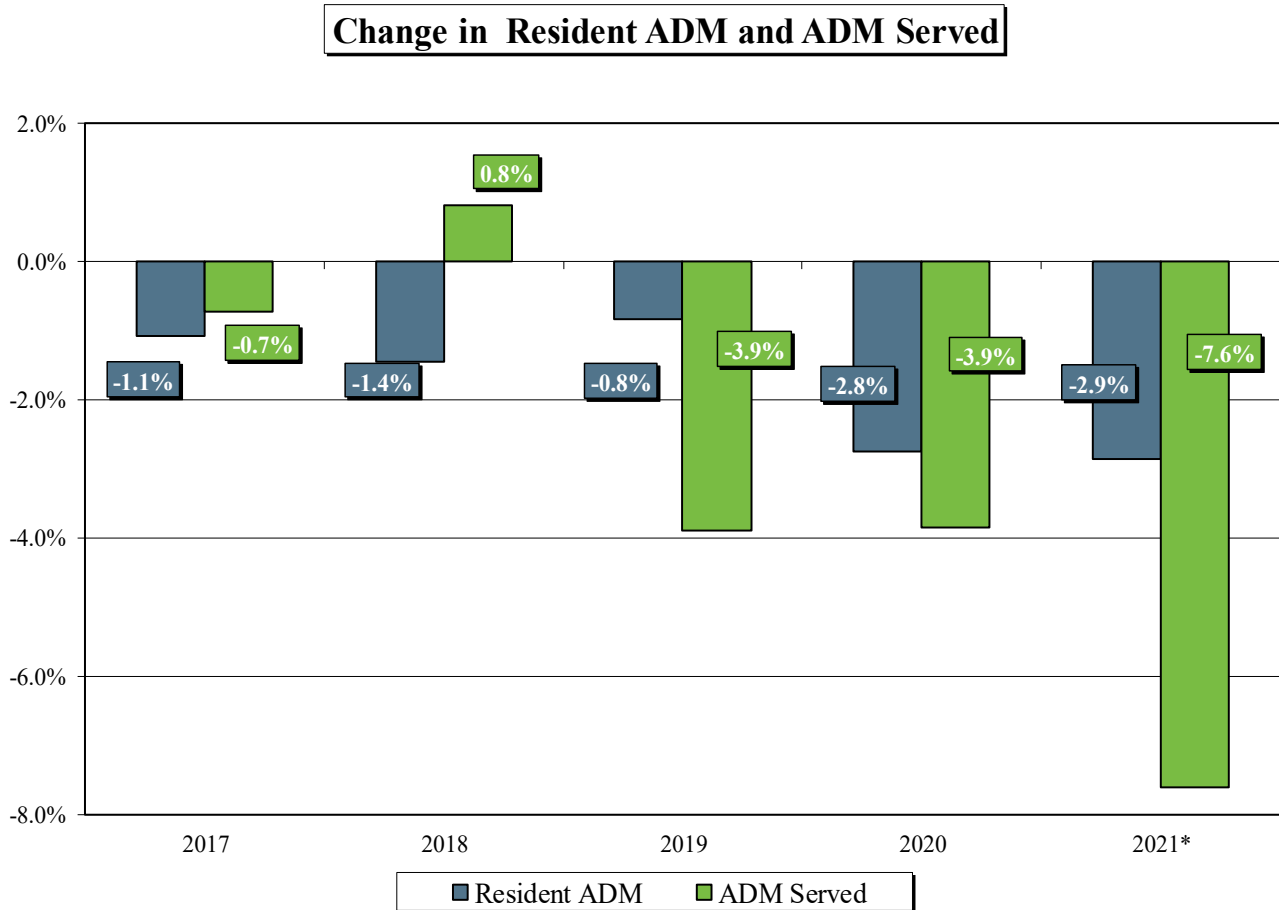
From 2017 to 2021, total pupil units served decreased 90.42, or 12.8%. Nonresident PUN coming in has exceeded resident PUN going elsewhere in each year presented, except 2021. Approximately 28.2% of the pupil units served live outside of the District boundaries.

Independent School District No. 97 Financial Analysis

Average Daily Membership and Pupil Units (Continued)

Pupil Units Weighting (Continued)

ADM served had been decreasing from 2017 to 2021. The chart below shows how District Resident ADM and ADM Served have fluctuated over the past five years.



Independent School District No. 97 Financial Analysis

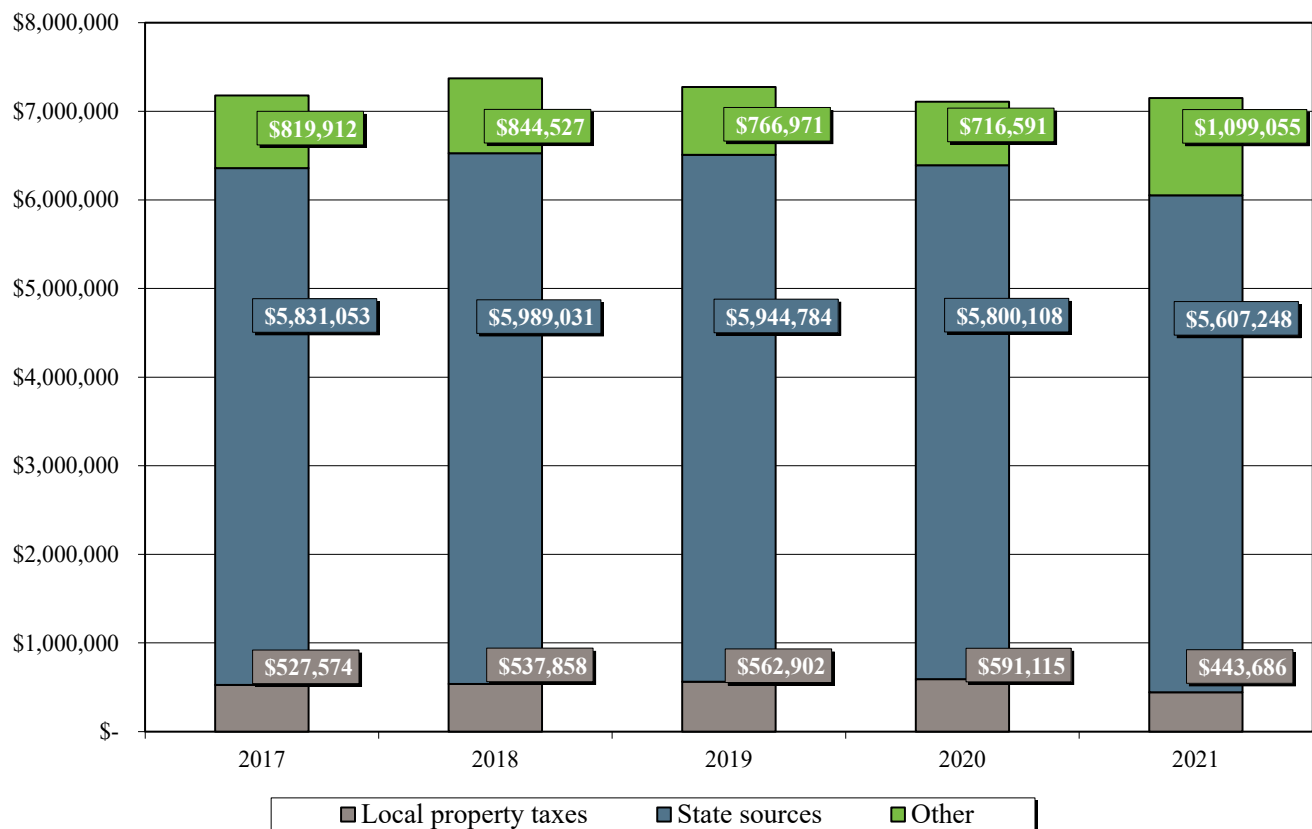
General Fund Sources of Revenue

General Fund sources of revenue are summarized as follows:

For the Year Ended June 30,	2017	2018	2019	2020	2021
Local property taxes	\$ 527,574	\$ 537,858	\$ 562,902	\$ 591,115	\$ 443,686
State sources	5,831,053	5,989,031	5,944,784	5,800,108	5,607,248
Other	819,912	844,527	766,971	716,591	1,099,055
Total	\$ 7,178,539	\$ 7,371,416	\$ 7,274,657	\$ 7,107,814	\$ 7,149,989

State sources represent 78.5% of the General Fund total revenue, with local taxpayers contributing 6.2% of the funding and federal and other sources making up the remaining 15.3%. Total general fund revenue increased \$42,175. Revenue from local property taxes decreased due to a decrease in the levy. Revenue from state sources decreased \$192,860 as a result of decreased enrollment. The increase of \$382,464 in other sources of revenue was a result of increased federal funding with COVID-19 grants received.

General Fund Sources of Revenue



Independent School District No. 97
Financial Analysis

General Fund Budget and Actual

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Local property taxes	\$ 407,781	\$ 421,261	\$ 443,686	\$ 22,425
Other local and county revenues	543,466	481,020	350,541	(130,479)
Revenue from state sources	5,883,633	5,610,574	5,607,248	(3,326)
Revenue from federal sources	192,892	629,427	748,514	119,087
Sales and other conversion of assets	18,015	10	-	(10)
Total revenues	<u>7,045,787</u>	<u>7,142,292</u>	<u>7,149,989</u>	<u>7,697</u>
Expenditures				
Administration	541,311	518,539	522,533	3,994
District support services	396,247	395,157	362,204	(32,953)
Elementary and secondary regular instruction	3,288,023	3,447,519	3,214,943	(232,576)
Vocational education instruction	121,234	126,437	136,772	10,335
Special education instruction	1,301,153	1,203,135	1,088,643	(114,492)
Instructional support services	237,018	233,943	222,883	(11,060)
Pupil support services	882,465	887,655	530,950	(356,705)
Sites and buildings	498,369	547,746	1,354,750	807,004
Fiscal and other fixed cost programs	41,800	34,800	185,691	150,891
Total expenditures	<u>7,307,620</u>	<u>7,394,931</u>	<u>7,619,369</u>	<u>224,438</u>
Excess of revenues (under) expenditures	(261,833)	(252,639)	(469,380)	(216,741)
Other Financing Sources (Uses)	<u>-</u>	<u>641</u>	<u>712,716</u>	<u>712,075</u>
Net change in fund balances	<u>\$ (261,833)</u>	<u>\$ (251,998)</u>	<u>\$ 243,336</u>	<u>\$ 495,334</u>

For year 2021, total revenues were over budget by \$7,697, or 0.1%. Other local and county revenues were under budget by \$130,479, primarily due to budgeting for medical assistance and Provider Relief aid. Revenue from federal sources were over budget by \$119,087 due to CARES and ESSER funding coming in higher than anticipated. All other revenue categories were consistent with budgeted amounts.

In total, the General Fund actual expenditures were \$224,438 or 3.0% over budget. Sites and buildings were over budget due to two capital leases for buses that were not included in the budget. Fiscal and other fixed cost programs, were over budget as a result of making the first principal payment on the lease, this was not budgeted. Pupil support was under budget by \$356,705 mainly due to budgeting for COVID supplies here when they were paid for out of other programs. Regular instruction was also underbudget, due to lower purchased services and staffing costs with having staff reassigned to other programs and retirements. Special education expenditures were under budget due to coop staff spending less time in the building because of COVID limitations.

Independent School District No. 97 Financial Analysis

Revenues Per Student (ADM Served)

The table below shows a comparison of total revenue per ADM received by your District and all Minnesota school districts.

Independent School District No. 97 - Moose Lake					
General Fund	2017	2018	2019	2020	2021*
Property taxes	\$ 746	\$ 763	\$ 817	\$ 892	\$ 790
Other local sources	881	908	824	740	624
State aid	8,924	9,082	9,321	9,475	9,982
Federal aid	444	434	454	514	1,333
Total General Fund Revenue	\$ 10,995	\$ 11,187	\$ 11,416	\$ 11,621	\$ 12,729

State-Wide**					
General Fund	2017	2018	2019	2020	2021*
Property taxes	\$ 1,815	\$ 1,894	\$ 1,996	\$ 2,180	N/A
Other local sources	512	515	547	528	N/A
State aid	9,577	9,821	10,118	10,393	N/A
Federal aid	462	461	486	527	N/A
Total General Fund Revenue	\$ 12,366	\$ 12,691	\$ 13,147	\$ 13,628	N/A

** Amounts per State of Minnesota *School District Profiles*.

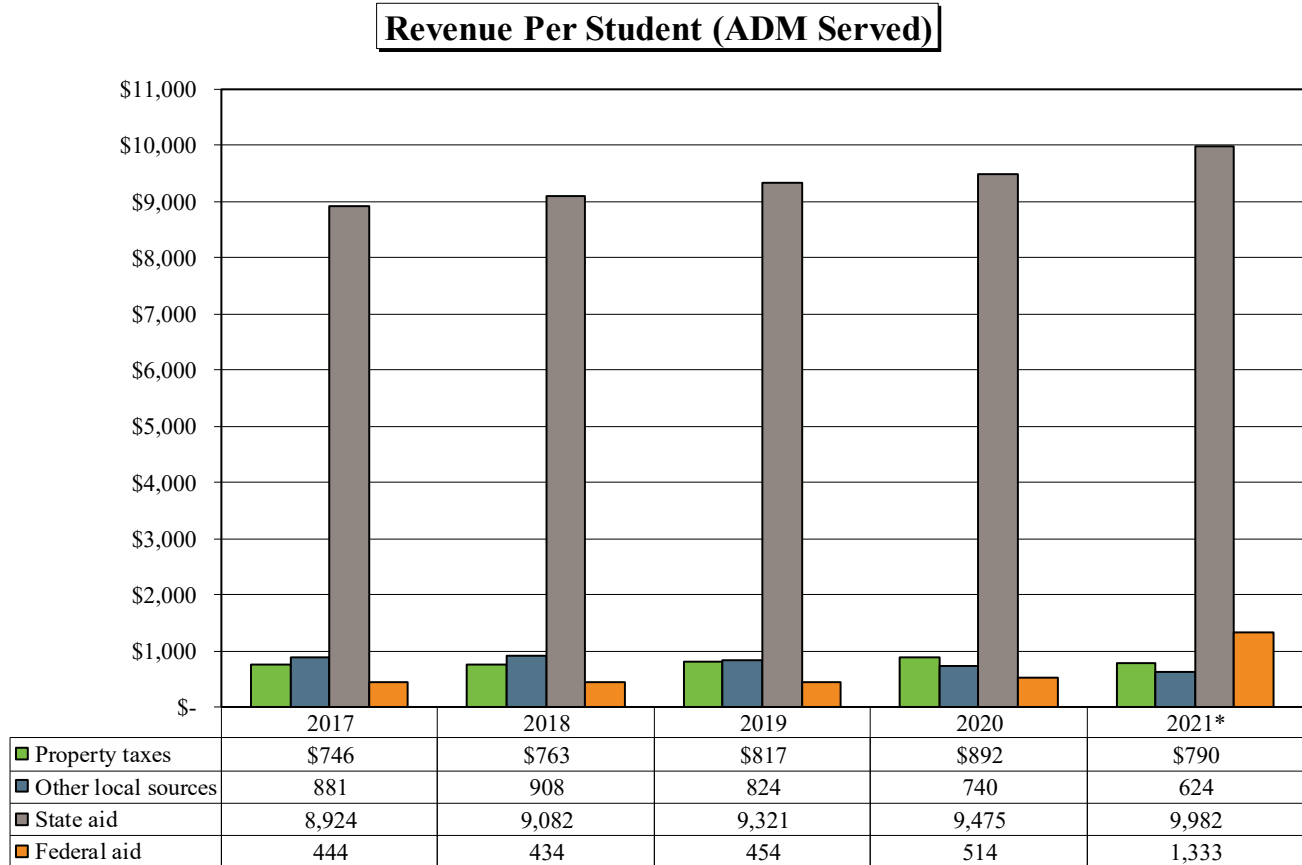
* Estimate

Revenues per ADM have increased by \$1,734 per student since 2017. The largest change in revenue per ADM is from state aid, increasing \$1,058 from 2017 to 2021, due to increased special education funding, and increases in the formula allowance.

The District's revenue per ADM has remained consistently below the state-wide average over the past five years. The mix of local and state revenues varies from year-to-year primarily based on funding formulas and the state's financial condition. The graph on the following page shows the District's sources of revenue trends over the past five years.

Independent School District No. 97 **Financial Analysis**

Revenues Per Student (ADM Served) (Continued)



As shown on the following page, expenditures per student increased after decreasing the previous two years due to the increase in total expenditures. Building construction for the new building started in 2015 and was completed in 2018.

* Estimate

Independent School District No. 97 Financial Analysis

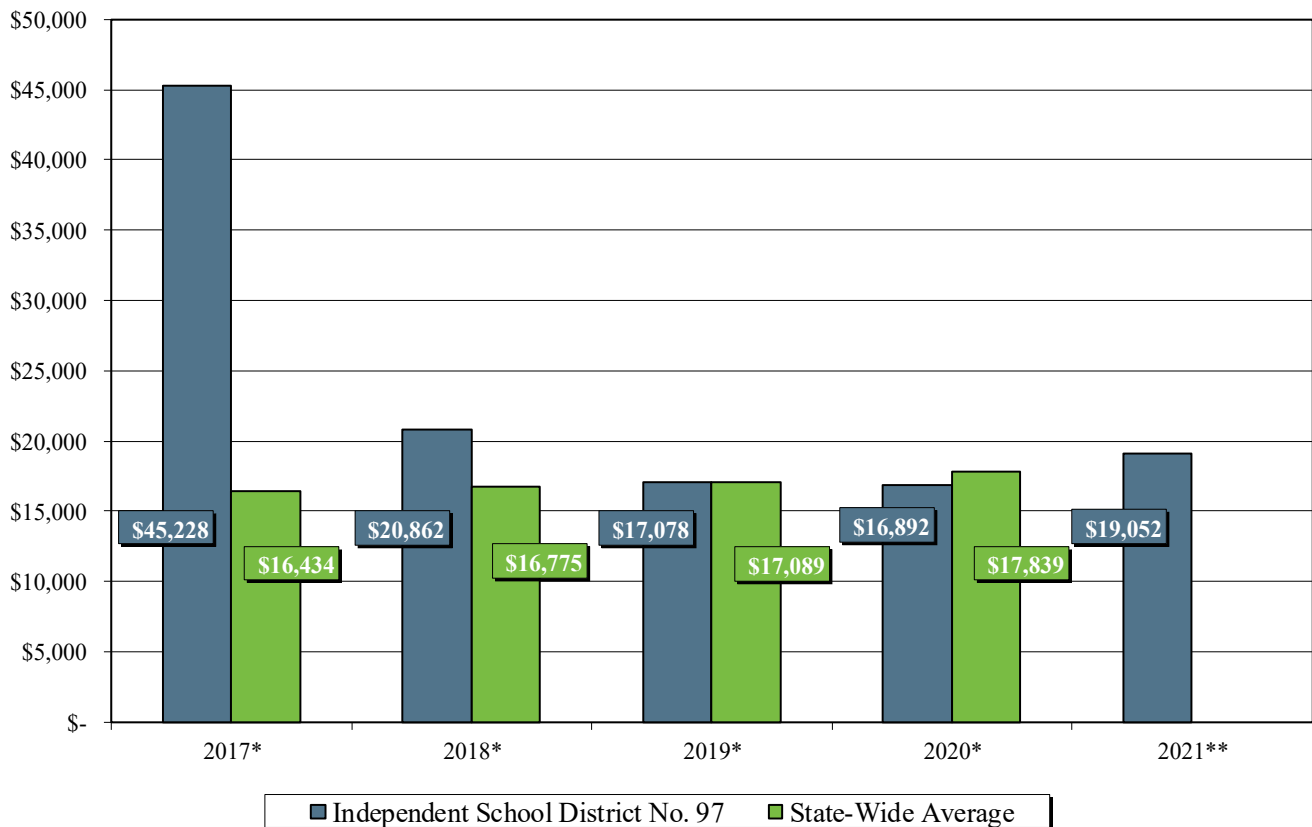
Expenditures Per Student (ADM Served)

Expenditures per student (per ADM served) for all programs are summarized as follows:

Independent School District No. 97	2017*	2018*	2019*	2020*	2021**
General fund	\$ 11,413	\$ 11,417	\$ 12,084	\$ 11,737	\$ 13,564
Food service	431	405	435	481	426
Community service	710	598	689	759	777
Building construction	29,151	4,950	110	-	39
Debt service	3,523	3,492	3,760	3,915	4,247
Total	\$ 45,228	\$ 20,862	\$ 17,078	\$ 16,892	\$ 19,052

State-Wide Average	2017*	2018*	2019*	2020*	2021**
General fund	\$ 12,249	\$ 12,596	\$ 13,025	\$ 13,313	N/A
Food service	546	550	559	554	N/A
Community service	579	606	638	622	N/A
Building construction	1,785	1,799	1,642	2,085	N/A
Debt service	1,275	1,224	1,225	1,265	N/A
Total	\$ 16,434	\$ 16,775	\$ 17,089	\$ 17,839	N/A

Expenditures Per ADM Served



* Source: *School District Profiles*

** Estimate

Independent School District No. 97 **Financial Analysis**

General Fund Operations

The following table presents five years of comparative operating results for the District's General Fund. During 2021, General Fund revenues increased by 0.6% and expenditures increased by 6.1%. Revenues increased as previously discussed. Expenditures increased 6.1% due to having two additional bus leases entered in to in 2021. During the year, revenues and other financing sources exceeded expenditures, resulting in an increase in fund balance of \$243,336.

For the Year Ended June 30,	2017	2018	2019	2020	2021
Revenues	\$ 7,178,539	\$ 7,371,416	\$ 7,274,657	\$ 7,107,814	\$ 7,149,989
Expenditures	(7,450,173)	(7,522,177)	(7,698,968)	(7,178,753)	(7,619,369)
Excess of revenues (under) expenditures	(271,634)	(150,761)	(424,311)	(70,939)	(469,380)
Proceeds from sale of capital assets	373	48,721	332,382	927	-
Transfers out	(11,558)	(5,176)	-	-	-
Proceeds from capital lease	-	-	-	-	712,716
Fund Balance, July 1	1,633,067	1,350,248	1,243,032	1,151,103	1,115,773
Change in accounting principle	-	-	-	34,682	-
Fund Balance, June 30	\$ 1,350,248	\$ 1,243,032	\$ 1,151,103	\$ 1,115,773	\$ 1,359,109
Nonspendable					
Prepays	\$ 301,872	\$ 101,100	\$ 144,054	\$ 148,356	\$ 92,962
Restricted					
Student Activities	-	-	-	35,229	26,985
Health and Safety	4,089	(4,509)	-	-	-
Operating Capital	350,036	355,625	205,384	128,984	150,343
Gifted and Talented	-	199	468	2	8,083
Safe School - Crime Levy	1,069	2,855	249	11,653	-
State Approved Alternative Program	-	-	-	-	2,438
Long-term Facilities Maintenance	111,160	287,180	400,164	334,486	95,549
Medical Assistance	3,938	4,245	-	2,471	5,176
Basic Skills Extended Time	-	-	4,615	15,048	4,710
Committed for Retiree Benefits	246,239	230,396	230,396	159,473	156,286
Assigned					
Students	64,524	16,163	81,886	109,675	118,365
Bus Lease	151,294	104,314	81,243	81,243	156,243
Unassigned	116,027	145,464	2,644	89,153	541,969
Fund Balance, June 30	\$ 1,350,248	\$ 1,243,032	\$ 1,151,103	\$ 1,115,773	\$ 1,359,109

The District's policy is to have a minimum of eight weeks of expenditures in unassigned fund balance. At June 30, 2021, the Districts unassigned fund balance was below the minimum at less than four weeks.

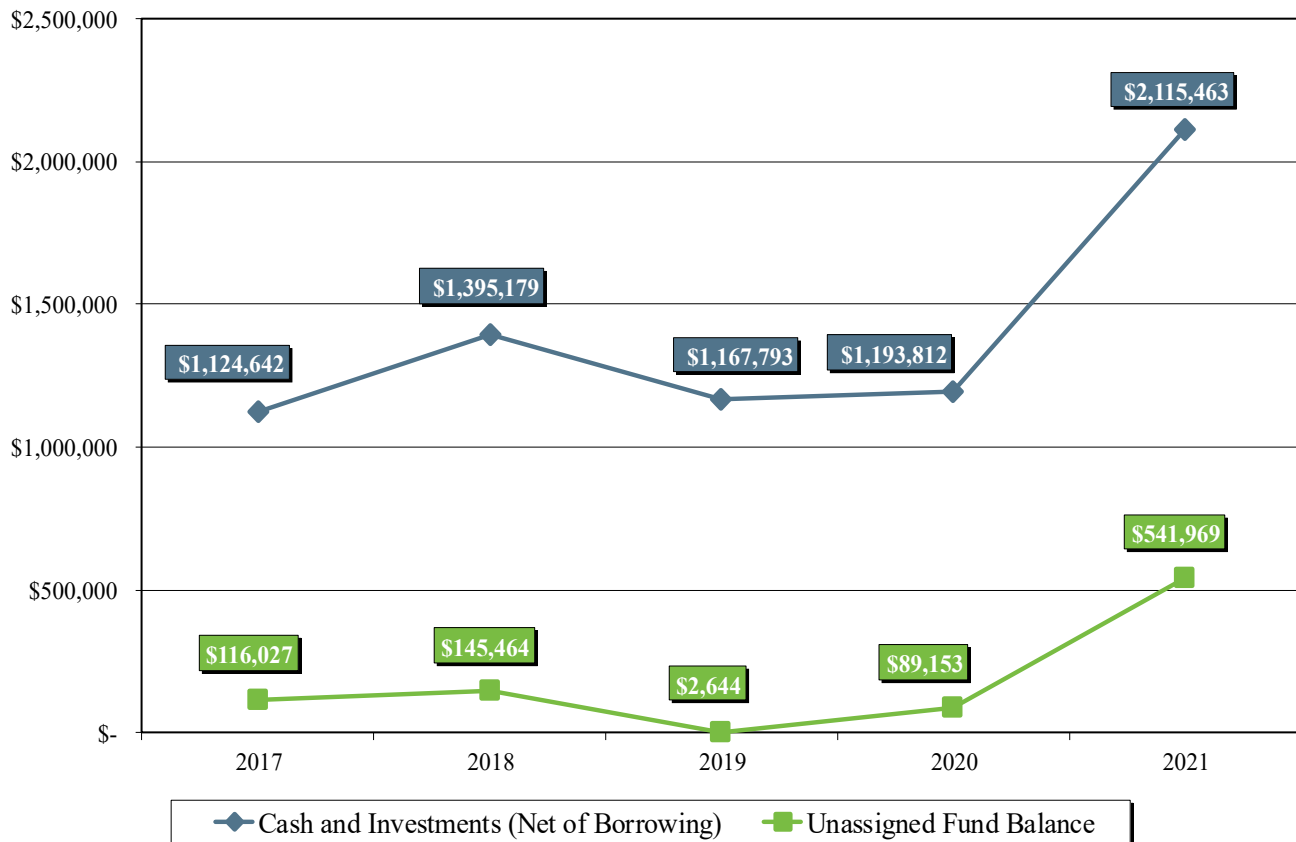
Independent School District No. 97 Financial Analysis

General Fund Operations (Continued)

In conjunction with pupil unit projections, we recommend the District continue to analyze General Fund expenditures and corresponding sources of revenue, particularly as related to the budget process. The current unassigned General Fund balance is \$541,969 at year end and is significantly below the Fund Balance Policy goal of eight weeks of expenditures.

For the five years presented, unassigned fund balance has increased by \$425,942. Cash (net of borrowing) has increased in that same time period by \$990,821.

General Fund Financial Position



Independent School District No. 97
Financial Analysis

Food Service Fund

The following table presents five years of comparative operating results for the District's Food Service Fund:

For the Year Ended June 30,	2017	2018	2019	2020	2021
Revenues	\$ 276,216	\$ 285,202	\$ 278,488	\$ 330,805	\$ 247,457
Expenditures	(280,260)	(266,148)	(275,953)	(293,425)	(239,262)
Excess of revenues over (under) expenditures	(4,044)	19,054	2,535	37,380	8,195
Transfers in	5,658	-	-	-	-
Fund Balance, July 1	(1,614)	-	19,054	21,589	58,969
Fund Balance, June 30	\$ -	\$ 19,054	\$ 21,589	\$ 58,969	\$ 67,164

For 2021, revenues decreased by 25.2% due to the decrease in students and overall meals served. Expenditures decreased by 18.5% as a result of decreased salaries and wages due to prepping and delivering meals during distance learning in the prior year and a decrease in food costs. This is the fourth year in the five years presented that revenues exceeded expenditures resulting in a positive fund balance.

We recommend the District continue to monitor the Food Service Fund and the corresponding food service fees to ensure revenues are covering the cost of services provided.

Independent School District No. 97
Financial Analysis

Community Service Fund

The following table presents five years of comparative operating results for the District's Community Service Fund:

For the Year Ended June 30,	2017	2018	2019	2020	2021
Revenues	\$ 619,589	\$ 462,182	\$ 517,742	\$ 500,031	\$ 505,929
Expenditures	(461,919)	(392,744)	(437,719)	(462,476)	(436,485)
Excess of revenues over expenditures	157,670	69,438	80,023	37,555	69,444
Transfers in	5,900	5,176	-	-	-
Fund Balance, July 1	150,954	314,524	389,138	469,161	506,716
Fund Balance, June 30	\$ 314,524	\$ 389,138	\$ 469,161	\$ 506,716	\$ 576,160

Fund Balance Components					
Nonspendable	\$ 2,169	\$ 4,389	\$ 1,192	\$ 1,258	\$ 596
Restricted for					
Community Service	122,016	158,040	224,965	293,649	340,010
Community Education	69,174	86,671	105,591	123,587	137,927
ECFE	19,855	22,220	1,163	446	9,994
School Readiness	101,310	117,818	136,250	87,776	87,633
Total	\$ 314,524	\$ 389,138	\$ 469,161	\$ 506,716	\$ 576,160

In 2021, the Community Service Fund experienced a 1.2% increase in revenues and a 5.6% decrease in expenditures. Expenditures decreased due to building the playground in 2020 and not having any significant projects in 2021. The fund has experienced a positive overall fund balance for the five years presented.

We recommend the District continue to monitor the activity of the Community Service Fund to maintain the fund balance for future operations.

Independent School District No. 97

Legislative Summary

The following is a brief summary of current legislative changes and issues affecting the funding of Minnesota school districts. More detailed and extensive summaries are available from the Minnesota Department of Education (MDE).

State Aid Appropriations

The formula allowance for 2021 General Education Aid was increased \$129 (2%) to \$6,567. For 2022, the formula allowance is set at \$6,728, and for 2023, the formula allowance is set at \$6,863.

Special Education

One-time additional special education cross subsidy aid of \$10.425 million was approved for 2022 to be allocated based on district's 2021 cross subsidy.

The special education hold harmless guarantee was limited to the sum of 85% in 2021, and will be limited to 80% in 2022, and 75% in 2023 and later, of current year special education program costs plus 100% of special transportation costs plus the tuition adjustment. The annual inflation adjustment used in the calculation of the hold harmless will be reduced by 0.2% per year from 4.4% in 2021 until the inflation adjustment reaches 2.0%.

Coronavirus Aid, Relief, and Economic Security (CARES) Act

Funding provided includes Governor's Emergency Education Relief (GEER) funding totaling \$38.1 million to MDE to be used for technology and summer school programming. Elementary and Secondary School Emergency Relief (ESSER) funding totaling \$140.1 million is 90% allocated based on 2020 Title I, part A allocations and 9.5% is allocated as grants, with the remaining 0.5% available for administration. Child Nutrition Grants to States funding totaled \$160.3 million. ESSER and GEER funds are eligible for spending through September 30, 2022.

Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act

The CRRSA Act was signed into law on December 27, 2020, and provided an additional \$2.75 billion for the Emergency Assistance for Nonpublic School Fund (EANS Fund) of which \$41,697,717 was awarded to Minnesota. Funds are eligible for spending through September 30, 2023.

American Rescue Plan (ARP) Act

The ARP Act was signed into law on March 11, 2021, and focuses on returning to, and maintaining, safe in-person learning for all students.

The ARP includes \$1.3 billion for E-12 education in ESSER funds for Minnesota to help schools returning to, and maintaining, safe in-person learning for all students. Per the federal law, 90% of these funds have been allocated to eligible districts and charter schools. 9.5% of these funds are for flexible use by each state education agency to create a plan to meet the needs of students. Funds are eligible for spending through September 30, 2024.

Independent School District No. 97

Legislative Summary

Property Tax Bill

Effective for taxes payable in 2018, there will be a property tax credit on all property classified as agricultural. The credit will be equal to 40% of the tax on the property attributable to school district bonded debt levies. The credit is increased to 50% for taxes payable in 2020, 55% for taxes payable in 2021, 60% for taxes payable in 2022, and 70% for taxes payable in 2023 and thereafter. Estimated property tax relief totals \$10.9 million for pay 2020, \$18.2 million for pay 2021, and \$27.2 million for pay 2022.

Voluntary Prekindergarten (VPK)/School Readiness Plus

For 2022 and 2023 only, the 4,000 seats currently expiring after 2021 will continue to be funded.

Pension Bill

Augmentation has been eliminated for TRA members after December 31, 2017, and early retirement subsidies have been phased out.

Post-retirement cost of living adjustments (COLAs) have been reduced –

- 1) TRA – lowers the COLA from 2% to 1% for five years; then the rate will increase by 0.1% each year until it reaches 1.5%
- 2) PERA – the increase will be 50% of the increase for Social Security announced January 1, but not less than 0.5% or more than 1.5%
- 3) Defers commencement of COLA for early retirees

The rate of interest paid on refunds of employee contributions to former employees has been reduced from 4% to 3%. TRA required contributions have increased to 7.75% for employees effective for fiscal year 2024. Required employer contributions will increase 0.21% for fiscal year 2019 to fiscal year 2023 and 0.2% in fiscal year 2024 until a required contribution rate of 8.75% is reached. Pension adjustment revenue will increase to match the required contribution increases.

Independent School District No. 97

Emerging Issue

Executive Summary

The following is an executive summary of financial related updates to assist you in staying current on emerging issues in accounting and finance. This summary will give you a preview of the new standards that have been recently issued and what is on the horizon for the near future. The most recent and significant update includes:

- **Accounting Standard Update – GASB Statement No. 87 – Leases** – GASB has issued GASB Statement No. 87 relating to accounting and financial reporting for leases. This new statement establishes a single model for lease accounting based on the principle that leases are financing of the right to use an underlying asset.

The following is an extensive summary of the current update. As your continued business partner, we are committed to keeping you informed of new and emerging issues. We are happy to discuss this issue with you further and their applicability to your District.

Accounting Standard Update – GASB Statement No. 87 – *Leases*

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' basic financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement.

A short-term lease is defined as a lease that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Lessees and lessors should recognize short-term lease payments as outflows of resources or inflows of resources, respectively, based on the payment provisions of the lease contract.

Independent School District No. 97
Emerging Issue

Accounting Standard Update – GASB Statement No. 87 – *Leases (Continued)*

A lessee should recognize a lease liability and a lease asset at the commencement of the lease term, unless the lease is a short-term lease or it transfers ownership of the underlying asset. The lease liability should be measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease asset should be measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. A lessee should reduce the lease liability as payments are made and recognize an outflow of resources (for example, expense) for interest on the liability. The lessee should amortize the lease asset in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. The notes to basic financial statements should include a description of leasing arrangements, the amount of lease assets recognized, and a schedule of future lease payments to be made.

A lessor should recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for leases of assets held as investments, certain regulated leases, short-term leases, and leases that transfer ownership of the underlying asset. A lessor should not derecognize the asset underlying the lease. The lease receivable should be measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources should be measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods. A lessor should recognize interest revenue on the lease receivable and an inflow of resources (for example, revenue) from the deferred inflows of resources in a systematic and rational manner over the term of the lease. The notes to basic financial statements should include a description of leasing arrangements and the total amount of inflows of resources recognized from leases.

GASB Statement No. 87 is effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

Information provided above was obtained from www.gasb.org.