

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

**Basic Financial Statements**

**June 30, 2021**



**Independent School District No. 97**  
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**Independent School District No. 97  
Board of Education and Administration  
June 30, 2021**

<u>Board of Education</u>	<u>Position</u>	<u>Term Expires</u>
Steven Blondo	Chairperson	December 31, 2022
Jerome Pederson	Vice Chairperson	December 31, 2024
Lisa Anderson-Reed	Clerk	December 31, 2024
Kim Bohnsack	Director	December 31, 2022
Julie Peterson	Director	December 31, 2022
Ben Anderson	Director	December 31, 2024
 <u>Administration</u>		
Billie Jo Steen	Superintendent	
Kara Burn	Business Manager	

## Independent Auditor's Report

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

### Report on the Basic Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 97, Moose Lake, Minnesota, as of and for the year ended June 30, 2021, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

### Management's Responsibility for the Basic Financial Statements

The management of Independent School District No. 97 is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these basic 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 basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic 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 basic 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 basic 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 basic financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 97, Moose Lake, Minnesota, as of June 30, 2021, and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund and Community Service Special Revenue Fund 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, which follows this report letter, and the Required Supplementary Information 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 Government Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information identified in the Table of Contents 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 is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

The accompanying supplementary information identified in the Table of Contents and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information 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 November 2, 2021, on our consideration of the District's internal control over financial reporting and 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 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.



St. Cloud, Minnesota  
November 2, 2021

## **Independent School District No. 97 Management's Discussion and Analysis**

This section of the annual financial report for Independent School District No. 97, Moose Lake, Minnesota (the "District") presents management's overview and analysis of the District's financial performance during the year ending June 30, 2021. Please read it in conjunction with the District's financial statements that immediately follow this section.

### **Financial Highlights**

- The unassigned fund balance of the major fund of the District, the General Fund, saw a second year of increases. With the influx of federal funds for COVID-19, we were able to shift some costs for Fiscal 21 (F21) from the general fund. The increase for F21 was \$243,336, giving the District an unassigned fund balance of \$541,969. This fund balance is monies that can be used to run day to day operations, and may be used for other purchases if needed. The Fund Balance Policy of the District is to have 2 months' worth of expenditures in this balance. We are short of this, and are working on finding ways to improve this balance.
- ADM (Average Daily Membership) served for 20-21 was down by 45 students. We feel this was a response to COVID-19 with more families choosing to homeschool for the year. 2019-20 was down roughly 24 students from 2018-2019, after being down 25 from the previous year. This number takes into account the number of days every student is registered at Moose Lake. As students move into and out of the district throughout the year, they are counted for the number of days they are enrolled here. As a District, we have more non-resident students coming to our school than we have resident students attending other districts. Since the majority of our operating revenue comes from the state and is figured on the ADM number, we took some measures early in the school year to cut some costs.
- The change in total net position of all governmental activities for the District resulted in an increase of \$1,012,820 in net position over the previous year. This follows two years of increases, and a year of no significant change. This calculation takes into consideration not only cash and investments but also land, buildings, equipment, vehicles and other assets less liabilities. This is a very positive sign as this figure is a good indicator of the general financial health of the District.
- The biggest change for the year was the school system being changed due to COVID-19. We started the year out with everyone in the building, and over the course of the year had times where some students were distance learning, and times when all students were distance learning. We also had some students that chose the option to receive all of their learning via online communication. We received special CARES Act funding which we used for planning our teaching models to distance learning and purchase extra supplies to thoroughly clean the building. Overall, we ended the year with an increase in our fund balance after having a budgeted deficit of almost \$250,000.

# Independent School District No. 97 Management's Discussion and Analysis

## Overview of the Financial Statements

This annual report consists of three major parts: Management's Discussion and Analysis (MD&A, this section), the basic financial statements, and required supplementary information. The MD&A is intended to serve as an introduction to the District's basic financial statements. Comparisons to the previous year are included. The basic financial statements comprise three components which include two kinds of statements that present different views of the District: 1) government-wide financial statements and 2) fund financial statements, followed by Notes to the Financial Statements.

Government-wide financial statements – The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status in a manner similar to a private-sector business.

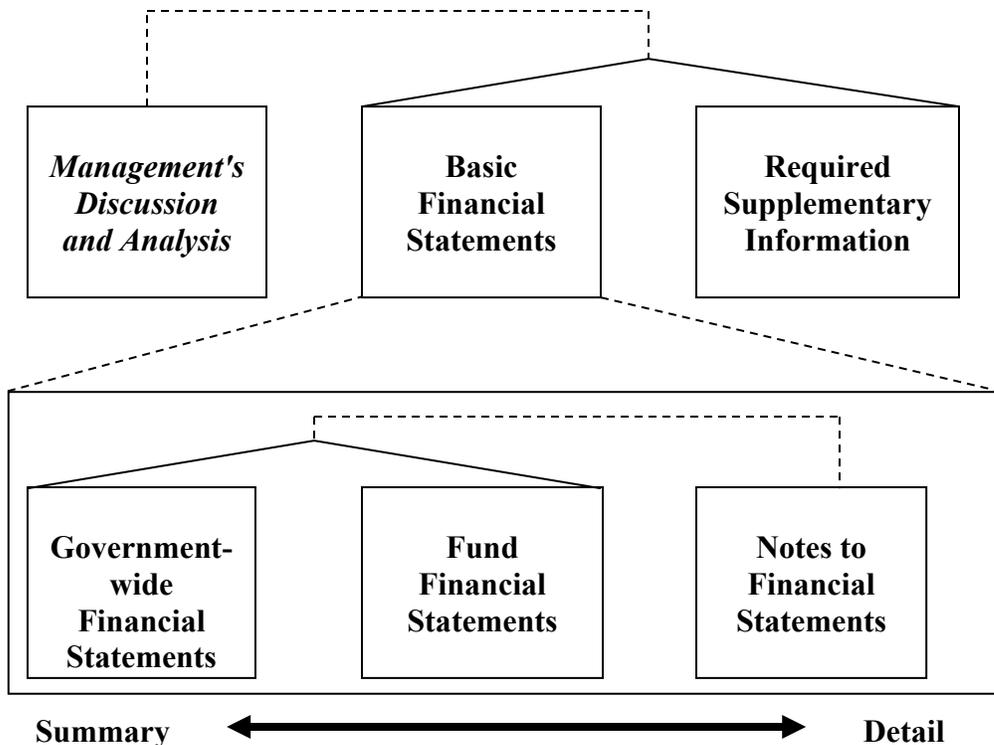
Fund financial statements – The remaining statements are fund financial statements that focus on individual parts or funds of the District, reporting the District's operations in more detail than the district-wide statements.

Notes to the Financial Statements – The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-1**

### Independent School District No. 97 Annual Financial Report



**Independent School District No. 97  
Management's Discussion and Analysis**

**Overview of the Financial Statements (Continued)**

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.

<b>Figure A-2</b>		
<b>Major Features of the District-Wide and Fund Financial Statements</b>		
	Government-Wide Statements	Fund Financial Statements Governmental Funds
Scope	Entire District	The activities of the District such as special education and building maintenance
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures and Changes in Fund Balances</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus
Type of asset/liability information	All assets and liabilities and deferred inflows/outflows of resources, both financial and capital, short-term and long-term	Generally, assets and deferred outflows expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable

***Government-Wide Statements***

Minnesota schools are funded by a very detailed series of formulas. The accounting requirements are also very intricate. The government-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, liabilities and deferred inflows/ outflows. All of the current year's revenues and expenses are accounted for in the Statement of Activities.

## **Independent School District No. 97 Management's Discussion and Analysis**

### **Overview of the Financial Statements (Continued)**

#### ***Government-Wide Statements (Continued)***

The two government-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; and liabilities and deferred inflows, is one way to measure the District's financial health or position.

- Statement of Net Position – The Statement of Net Position presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources with the difference between the four reported as "net position".
- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating.
- Statement of Activities – The Statement of Activities presents information showing how the District's net position has changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as uncollected taxes or unused compensated absences.
- To fully assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings.

Government-wide financial statements outline functions of the District that are principally supported by property taxes and state formula aid (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of the facilities, student transportation and operation of non-instructional services.

#### ***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. A fund is a grouping of related accounts that is used to manage resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements.

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

## **Independent School District No. 97 Management's Discussion and Analysis**

### **Overview of the Financial Statements (Continued)**

#### ***Fund Financial Statements (Continued)***

All of the funds of the District can be divided into two categories:

- **Governmental funds:** Most of the District's basic services are included in governmental funds which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending (fund balances). Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

Because this information does not encompass the additional long-term focus of the District-wide statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This enables the reader to better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances are followed by a reconciliation to facilitate this comparison between governmental funds as shown in the fund financial statements and governmental activities as shown in the government-wide statements.

- In accordance with *Minnesota Statutes*, the District maintains five individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General, Debt Service, and Community Service Funds as well as in a combined column for the Food Service and Capital Projects Funds.

Along with the basic financial statements and accompanying notes, this report also presents certain information concerning the District's budget process. The District adopts an annual budget for all governmental funds prior to the beginning of the fiscal year. The budget is revised after the year is underway to account for any changes that have taken place including updated student numbers that will change the amount and source of revenue to be received by the District. A budgetary comparison statement has been provided for the General Fund and Community Service Fund as basic financial statements.

#### **Financial Analysis of the District as A Whole**

**Net Position –** Net position may serve over time as a useful indicator of a government's financial position. As of June 30, 2021, revenues of District resources exceeded expenses by \$1,012,820. The ending net position of the District at June 30, 2021 was \$960,657.

Net investment in capital assets consists of land, buildings and improvements, vehicles and equipment less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

## Independent School District No. 97 Management's Discussion and Analysis

### Financial Analysis of the District as A Whole (Continued)

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

Figure A-3 presents a summary of the District's net position for the fiscal year ended June 30, 2021 as compared to the previous year. There were some shifts in both the Deferred outflows of Resources Related to Pensions and the Deferred Inflows of Resources Related to Pensions with an adjustment to TRA and PERA pension funds. These are not actual revenues and expenses, but are recognized on our books due to GASB rulings.

Figure A-3

#### Statement of Net Position

	Fiscal Year Ending June 30, 2020	Percent of Total 2019-2020	Fiscal Year Ending June 30, 2021	Percent of Total 2019-2021	Total Percent Change
<b>Assets</b>					
Current assets	\$ 4,623,538	11.71%	\$ 5,625,124	13.91%	21.66%
Capital assets	<u>34,865,544</u>	88.29%	<u>34,813,869</u>	86.09%	-0.15%
Total assets	39,489,082		40,438,993		2.41%
<b>Deferred Outflows of Resources Related to Pensions and OPEB</b>					
	<u>3,803,151</u>	9.63%	<u>2,206,672</u>	5.46%	-41.98%
Total assets and deferred outflows of resources	<u>\$ 43,292,233</u>		<u>\$ 42,645,665</u>		
<b>Liabilities</b>					
Current liabilities	\$ 2,907,755	8.07%	\$ 3,492,846	9.74%	20.12%
Noncurrent liabilities (long-term debt)	<u>33,105,076</u>	91.93%	<u>32,368,873</u>	90.26%	-2.22%
Total liabilities	36,012,831		35,861,719		-0.42%
<b>Deferred Inflows of Resources</b>					
Property taxes levied for subsequent year's expenditures	1,314,477	17.93%	1,599,804	27.47%	21.71%
Deferred inflows of resources related to pensions and OPEB	<u>6,017,088</u>	82.07%	<u>4,223,485</u>	72.53%	-29.81%
Total deferred inflows of resources	7,331,565		5,823,289		-20.57%
<b>Net Position</b>					
Net investment in capital assets	5,494,826	-10533.95%	6,412,299	667.49%	16.70%
Restricted for					
Debt service	121,960	-233.81%	129,811	13.51%	0.00%
Other purposes	1,119,594	-2146.34%	940,431	97.89%	-16.00%
Unrestricted	<u>(6,788,543)</u>	13014.10%	<u>(6,521,884)</u>	-678.90%	-3.93%
Total net position	<u>(52,163)</u>		<u>960,657</u>		
Total liabilities, deferred inflows of resources and net position	<u>\$ 43,292,233</u>		<u>\$ 42,645,665</u>		-1.49%

Changes in Net Position – The District's total revenue for the fiscal year ended June 30, 2021, was roughly the same as last year. State aid accounted for about 54% of all revenue.

## Independent School District No. 97 Management's Discussion and Analysis

### Financial Analysis of the District as A Whole (Continued)

The total expenses of all programs and services were down 6.5% from the prior year to \$9.3 million. The largest expense is Instructional expenses, which includes all costs for teaching our students. Sites and Buildings saw a decrease as we are fortunate to have a newer building and do not have to put as much cost into maintaining it.

Figure A-4 represents a summary of the changes in net position and a comparison of the fiscal years ended June 30, 2020 and June 30, 2021. This shows the revenue and expenses in all of the District funds, including Food Service, Transportation, Community Services, Capital, and Debt Service. Overall, you can see that expenses with adjustments were under the revenues, causing the increase in net position.

Figure A-4

#### Changes in Net Position

	Fiscal Year Ending June 30, 2020	Percent of Total 2019-2020	Fiscal Year Ending June 30, 2021	Percent of Total 2019-2021	Total Percent Change
<b>Revenues</b>					
Program revenues					
Charges for services	\$ 787,555	7.56%	\$ 683,507	6.64%	-13.21%
Operating grants and contr	2,145,013	20.59%	2,575,461	25.01%	20.07%
Capital grants and contr	27,476	0.26%	96,965	0.94%	252.91%
		28.42%		32.59%	
General revenues					
Property taxes	1,569,531	15.07%	1,335,701	12.97%	-14.90%
State aid-formula grants	5,810,549	55.79%	5,595,751	54.34%	-3.70%
Investment income	38,725	0.37%	3,161	0.03%	-91.84%
Other gen revenue	36,548	0.35%	7,881	0.08%	-78.44%
Total revenues	<u>10,415,397</u>	<u>71.58%</u>	<u>10,298,427</u>	<u>67.41%</u>	<u>-1.12%</u>
<b>Expenses</b>					
Instruction	5,084,767	51.21%	4,697,844	50.59%	-7.61%
Pupil and instruction support	889,097	8.96%	783,347	8.44%	-11.89%
Admin and business support	835,521	8.42%	901,841	9.71%	7.94%
Sites and buildings	651,473	6.56%	572,807	6.17%	-12.08%
Special programs	768,401	7.74%	661,924	7.13%	-13.86%
Other	1,699,036	17.11%	1,667,844	17.96%	-1.84%
Total expenses	<u>9,928,295</u>		<u>9,285,607</u>		<u>-6.47%</u>
<b>Increase (decrease) in net position</b>	<u>\$ 487,102</u>		<u>\$ 1,012,820</u>		108%

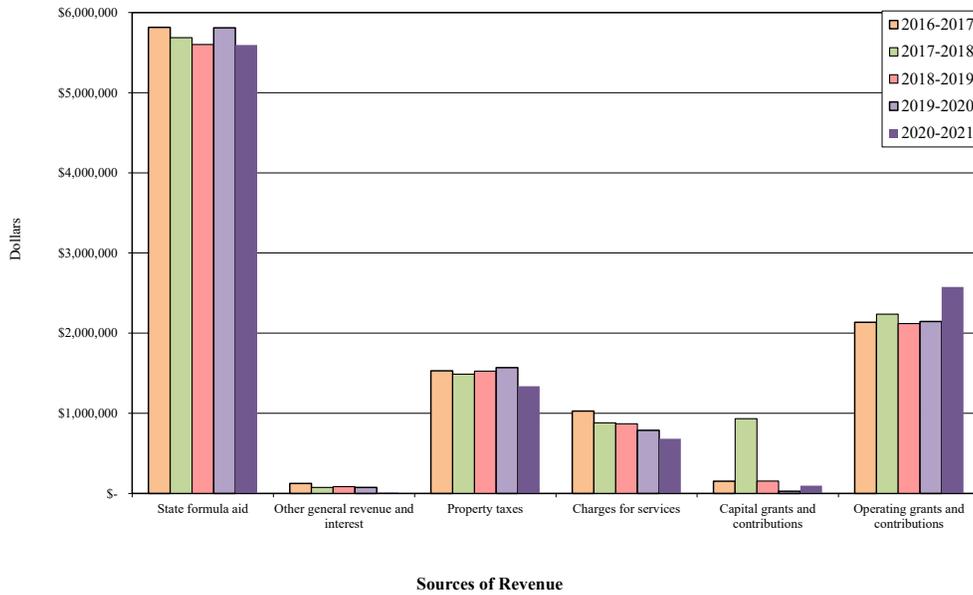
## Independent School District No. 97 Management's Discussion and Analysis

### Financial Analysis of the District as A Whole (Continued)

Figures A-5 and A-6 compare the overall revenues and expenses for the five-year period from fiscal year 2016-2017 through fiscal year 2020-2021 in chart form.

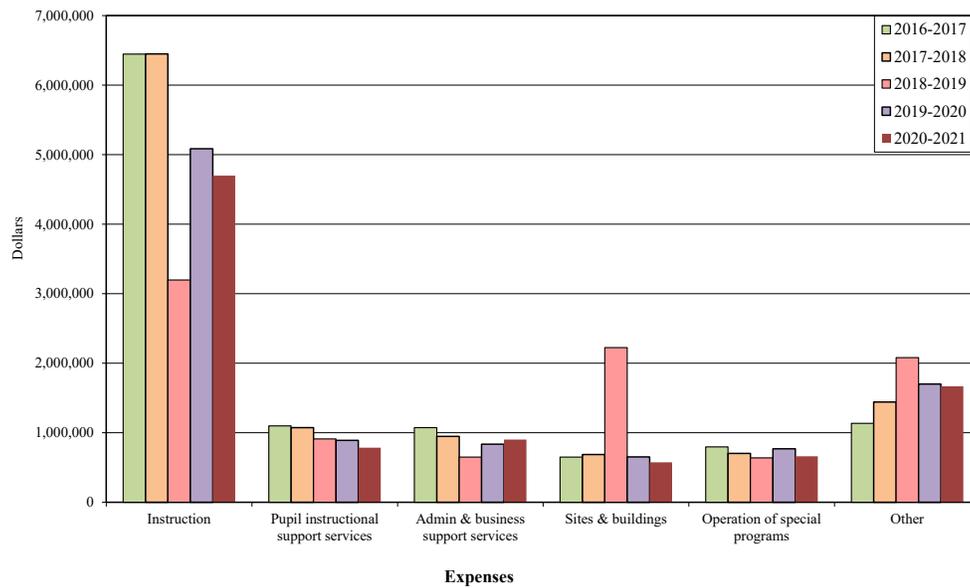
**Figure A-5**

**Revenue Comparison**



**Figure A-6**

**Expense Comparison**



**Independent School District No. 97  
Management's Discussion and Analysis**

**Financial Analysis of the District as A Whole (Continued)**

***Governmental Activities***

The following table represents the costs of the six major District functional activities: instruction, pupil instructional support services, administration and business support services, sites and buildings, operation of special programs (food service and community service), and other. The table also shows each function's net cost which is the total cost less fees for services generated by the activities and intergovernmental aid provided for specific programs. The net cost shows the financial burden that was placed on the State and District's taxpayers by each of these functions.

Figure A-7

**Net Cost of Governmental Activities**

	Total Expenses 2020	Total Expenses 2021	Total Dollar Change	Total Percentage Change	Net Cost of Services 2020	Net Cost of Services 2021	Total Dollar Change	Percentage Change 2020 to 2021
Instruction	\$ 5,084,767	\$ 4,697,844	\$ (386,923)	-7.61%	\$ 3,345,150	\$ 2,700,612	(\$644,538)	-19.27%
Pupil and Instructional Support Services	889,097	783,347	(105,750)	-11.89%	442,416	293,922	(\$148,494)	-33.56%
Administration and Business Support Services	835,521	901,841	66,320	7.94%	831,239	863,482	\$32,243	3.88%
Sites and Buildings	651,473	572,807	(78,666)	-12.08%	622,228	410,958	(\$211,270)	-33.95%
Operation of Special Programs	768,401	661,924	(106,477)	-13.86%	28,182	(7,144)	(\$35,326)	-125.35%
Other	1,699,036	1,667,844	(31,192)	-1.84%	1,699,036	1,667,844	(\$31,192)	-1.84%
<b>Total Expenses</b>	<b><u>\$ 9,928,295</u></b>	<b><u>\$ 9,285,607</u></b>	<b><u>\$ (642,688)</u></b>	<b>-6.47%</b>	<b><u>\$ 6,968,251</u></b>	<b><u>\$ 5,929,674</u></b>	<b><u>(\$1,038,577)</u></b>	<b>-14.90%</b>

- The total expenses of all governmental activities during the 2020-2021 school year were down \$642,688 from the prior year to \$9,285,607. The Special Programs include Food Service and Community Services (Early Childhood programs and Community Education programs). Our Food Service program operated in the black for the fourth year in a row. Overall, the Early Childhood program expenses are covered by revenue received for each program. The Other costs are Unallocated depreciation and Interest and fiscal charges on long-term debt.
- Some of the overall expenses of the District were reimbursed by the users of the District's programs. This reimbursement came to \$683,507. These revenues would include food service and community education.
- Net cost of governmental activities was down approximately \$1,000,000, over 14.9% from 2019-2020, which had been up 6.3% from 2018-2019. These activities were financed by general revenues, which are made up primarily of state aid formula grants.

## **Independent School District No. 97 Management's Discussion and Analysis**

### **Financial Analysis of the District's Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. This practice provides a more detailed look at the finances of the District.

**Governmental Funds** – The focus of the District's governmental funds is to provide information on near-term inflows, outflows, balances of spendable resources, and of non-spendable funds. Such information is useful in assessing the District's financial requirements. The unassigned fund balance in particular may serve as a useful measure of the District's net resources available for future spending as of June 30, 2021.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$2,512,334, with a positive net change of \$308,177. For 2017-2018, the total fund balance decreased by \$2.4 million. The fund balances had been changing drastically in the four years prior due to the construction of the new school. The District is working now to increase our unassigned fund balance, which increased by about \$450,000 in 2020-2021.

The funds in the total balances include the General Fund, Debt Service Fund, as well as the other special funds of Food Service and Community Service. Of this total combined fund balance, \$541,969 are unassigned funds which are available for spending at the District's discretion. In addition, \$430,000 has been assigned or committed at the District level for specific future expenditures such as curriculum, designated student activities, bus costs, and severance costs for which the District is obligated. Also, \$1,400,000 is restricted for specific purposes by law such as Capital Expenditures, Capital Projects, or Community Service, and \$102,000 is non-spendable as the dollars have already been spent on inventory and prepaid items so are unavailable for future expenditures.

**General Fund** – This fund is the principal operating fund of the District. This is where most of the activity of running the District occurs including instruction, transportation, equipment needs and maintenance of the building, among other areas. The fund balance in the General Fund during the 2020-2021 school year increased by \$243,000, after a decrease by roughly \$70,000 in the 2019-2020 school year, and a decrease in the 2018-2019 school year by roughly \$92,000, and decreases the prior four years. A comparison of the past two years is illustrated in Figure A-8 on the next page.

**Independent School District No. 97  
Management's Discussion and Analysis**

**Financial Analysis of the District's Funds (Continued)**

**General Fund (Continued)**

**Figure A-8**

**Changes in Fund Balances of the General Fund**

	Fiscal Year Ending June 30, 2020	Percentage of Total 2019-2020	Fiscal Year Ending June 30, 2021	Percentage of Total 2020-2021	Total Percentage Change
<b>Revenues</b>					
Local property taxes	\$ 591,115	8.32%	\$ 443,686	6.21%	-24.94%
Other local and county revenues	378,722	5.33%	350,541	4.90%	-7.44%
Revenue from state sources	5,800,108	81.60%	5,607,248	78.42%	-3.33%
Revenue from federal sources	312,957	4.40%	748,514	10.47%	139.17%
Sales and other conversion of assets	24,912	0.35%	-	0.00%	-100.00%
Total revenues	7,107,814		7,149,989		0.59%
<b>Expenses</b>					
Instruction	4,764,218	66.37%	4,440,358	58.28%	-6.80%
Pupil & instr support	841,964	11.73%	753,833	9.89%	-10.47%
Admin & business support	842,754	11.74%	884,737	11.61%	4.98%
Sites and buildings	690,748	9.62%	1,354,750	17.78%	96.13%
Debt service	-	0.00%	150,894	1.98%	0.00%
Other	39,069	0.54%	34,797	0.46%	-10.93%
Total expenses	7,178,753		7,619,369		6.14%
<b>Excess of revenues over (under) expenditures in General Fund</b>					
	(70,939)		(469,380)		
Proceeds from sale of capital assets	927		-		
Proceeds from capital leases	-		712,716		
<b>Net change in fund balances</b>	<b>\$ (70,012)</b>		<b>\$ 243,336</b>		

The fund balances of the Other Funds, which includes the Food Service Fund and the Capital Projects Fund, had a decrease from 2020 to 2021, following several years of increases. This was due to final payments out of the construction fund. Community Service fund had an increase of roughly \$70,000.

***Budgetary Highlights***

The District revised the operating budget twice during the 2020-2021 school year when updated information on revenues and expenditures was available. Revisions were made to the revenue budget mainly to reflect updated enrollment figures, and to the expenditure budget to reflect personnel changes. Changes were also made as announcements of new Federal Funds were made. Over the course of the year, we received funding from several new federal bills. This allowed us to help fill in some expense areas that were related to COVID-19.

## **Independent School District No. 97 Management's Discussion and Analysis**

### **Financial Analysis of the District's Funds (Continued)**

#### ***Budgetary Highlights (Continued)***

The revised budget of the District's General Fund predicted expenditures would exceed revenues by \$252,000 in the general, transportation, and capital funds. Actual revenues exceeded expenditures by \$495,000. Total revenue received for the general fund was \$7,700 more than budgeted, and actual expenditures were \$224,400 more than what was budgeted. These numbers include a bus purchase lease for \$713,000 with a payback over five years. We are required to list the whole amount as an expenditures, and book the revenue as a financing source. With new GASB requirements, this lease purchase agreement was recorded differently at year end than it had originally been budgeted for. Almost all categories came in under budget. Our adjusted ADM was down by about 46 students from last year, and was down by about 24 students in 2019-2020. We saw a greater number of homeschool students last year, and some parents holding back kindergartners in response to COVID-19 protocols. It is important to continue to monitor our student population changes and subsequent changes in expenditures because our student population is what drives our revenue as well as the staffing and supply needs of our District.

- Actual General Fund revenues in total were very close to what was budgeted. Our deficit in local revenues was offset by greater Federal revenues. Local revenues that can be attributed to being less would include sports and activity admissions, as fans were not allowed or very limited at competitions. We also did not have any revenue from building rental, as we were not allowing usage from outside programs. While we received more Federal funds than normal, it is not expected that we will continue to receive them in the same capacity. These funds are also very limiting as to how they can be spent, and cannot cover general day to day operations.
- Actual General Fund expenditures were around \$450,000 less than budgeted. Much of this difference in from some instruction costs that were shifted to Federal funding, Special Education services that are charged through our Special Education Co-op were less, and some transportation costs were less.

### **Capital Asset and Debt Administration**

#### ***Capital Assets***

As of June 30, 2021, the District had \$38,292,661 in capital assets, which includes school buildings, athletic facilities, vehicles, computers and other equipment prior to depreciation. This amount did not change much from last year, as we did not buy or sell any large assets. Total accumulated depreciation is \$3,478,792. Total capital assets net of depreciation is \$34,813,869, which is a .15% decrease over the prior year, mainly from the increase in depreciation.

The following schedule represents the capital asset balances net of depreciation for the fiscal year ended June 30, 2021. Additional information about the District's capital assets is presented in Note 3 to the financial statements.

**Independent School District No. 97  
Management's Discussion and Analysis**

**Capital Asset and Debt Administration (Continued)**

**Figure A-9**

**Capital Assets (net of depreciation)**

	June 30, 2020	Percentage of Total 2019-2020	June 30, 2021	Percentage of Total 2020-2021	Total Percentage Change
Land and improvements	\$ 1,902,858	5.46%	\$ 1,902,858	5.47%	0.00%
Buildings and improvements	34,187,593	98.06%	34,187,593	98.20%	0.00%
Vehicles, furnit, and equipment	1,365,858	3.92%	2,202,210	6.33%	61.23%
Less accumulated depreciation	<u>(2,590,765)</u>	-7.43%	<u>(3,478,792)</u>	-9.99%	34.28%
Total net capital assets	<u>\$ 34,865,544</u>		<u>\$ 34,813,869</u>		-0.15%

***Debt Administration***

The bond principal payable for the G.O. Bonds of the District as of June 30, 2021, is \$27,839,003.

GASB 68, which requires the District to provide reporting for postemployment benefits other than pensions, has the District recognizing \$5,218,387.

Other long-term debts include the OPEB valuation and compensated absences payable of \$363,188.

The following table presents a summary of the District's outstanding long-term debt for the fiscal year ended June 30, 2021, as it compares to the prior year.

**Figure A-10**

**Schedule of Outstanding Long-Term Debt**

	June 30, 2020	Percentage of Total 2019-2020	June 30, 2021	Percentage of Total 2020-2021	Total Percentage Change
General obligation bonds payable	\$ 29,370,718	88.72%	\$ 27,839,003	86.01%	-5.22%
Net pension liability	4,785,713	14.46%	5,217,387	16.12%	9.02%
Capital Lease Payable	-	0.00%	562,567	1.74%	0.00%
Net OPEB	289,484	0.87%	261,312	0.81%	-9.73%
Compensated absences payable	99,659	0.30%	101,876	0.31%	2.22%
Less amounts due within one year	<u>(1,440,498)</u>	-4.35%	<u>(1,613,272)</u>	-4.98%	11.99%
Total Long-Term Debt	<u>\$ 33,105,076</u>		<u>\$ 32,368,873</u>		-2.22%

Additional information about the District's long-term liabilities is presented in Note 4 to the financial statements.

## **Independent School District No. 97 Management's Discussion and Analysis**

### **Factors Bearing on the District's Future**

With the COVID-19 pandemic, we have seen a significant decrease in our student count. This will affect our budget for the 2021-2022 school year. We are being proactive and are making some changes early in the year to try to offset the lost revenue. Almost every district across the country is feeling the same financial burden. We hope that once school resumes to normal, many of the students that chose other learning options will be back on our enrollment.

It is important that expenses are monitored, however. The initial budget for the subsequent year anticipates even spending. With the loss in students, the district is working on revising a budget early in the school year, which will likely show deficit spending. The administration will work to keep that to a minimum.

We also have put some extra land that the district owns up for sale. The sale of the land would help us in getting some capital projects done that would not be done without the added income.

### **Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or would like additional financial information, please contact Kara Burn, Business Manager/Director of Finance, Moose Lake Independent School District No. 97, 4812 County Rd 10, Moose Lake, Minnesota 55767 or e-mail [kara.burn@isd97.org](mailto:kara.burn@isd97.org).

## **BASIC FINANCIAL STATEMENTS**

**Independent School District No. 97**  
**Statement of Net Position**  
**June 30, 2021**

	Governmental Activities
<b>Assets</b>	
Cash and investments	\$ 3,677,309
Current property taxes receivable	779,509
Delinquent property taxes receivable	26,839
Accounts receivable	11,357
Interest receivable	40
Due from Department of Education	642,090
Due from Federal Government through Department of Education	240,860
Due from other Minnesota school districts	144,474
Inventory	7,597
Prepaid items	95,049
Capital assets	
Capital assets not being depreciated	
Land	25,782
Capital assets being depreciated	
Land Improvements	1,877,076
Buildings	34,187,593
Equipment and vehicles	2,202,210
Less accumulated depreciation	<u>(3,478,792)</u>
	<u>40,438,993</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows of resources related to pensions	2,111,925
Deferred outflows of resources related to OPEB	<u>94,747</u>
Total deferred outflows of resources	<u>2,206,672</u>
 Total assets and deferred outflows of resources	 <u><u>\$ 42,645,665</u></u>
<b>Liabilities</b>	
Accounts and contracts payable	\$ 49,322
Salaries and benefits payable	547,843
Interest payable	393,427
Due to other Minnesota school districts	164,063
Due to other governmental units	681,380
Unearned revenue	43,539
Bond principal payable	
Payable within one year	1,460,000
Payable after one year	26,379,003
Net pension liability	5,217,387
Capital lease payable	
Payable within one year	135,135
Payable after one year	427,432
Compensated absences payable	
Payable within one year	18,137
Payable after one year	83,739
Total OPEB liability	<u>261,312</u>
Total liabilities	<u>35,861,719</u>
<b>Deferred Inflows of Resources</b>	
Property taxes levied for subsequent year's expenditures	1,599,804
Deferred inflows of resources related to pensions	4,216,175
Deferred inflows of resources related to OPEB	<u>7,310</u>
Total deferred inflows of resources	<u>5,823,289</u>
<b>Net Position</b>	
Net investment in capital assets	6,412,299
Restricted for	
Debt service	129,811
Other purposes	940,431
Unrestricted	<u>(6,521,884)</u>
Total net position	<u>960,657</u>
 Total liabilities, deferred inflows of resources, and net position	 <u><u>\$ 42,645,665</u></u>

See notes to basic financial statements.

**Independent School District No. 97**  
**Statement of Activities**  
**Year Ended June 30, 2021**

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions		Governmental Activities
Governmental activities					
Administration	\$ 552,149	\$ -	\$ 2,168	\$ -	\$ (549,981)
District support services	349,692	-	36,191	-	(313,501)
Elementary and secondary regular instruction	3,460,501	75,404	747,477	-	(2,637,620)
Vocational education instruction	140,608	-	66,973	-	(73,635)
Special education instruction	1,096,735	207,493	899,885	-	10,643
Instructional support services	224,942	-	81,641	-	(143,301)
Pupil support services	558,405	42,162	365,622	-	(150,621)
Sites and buildings	572,807	115	64,769	96,965	(410,958)
Fiscal and other fixed cost programs	34,797	-	-	-	(34,797)
Food service	226,821	14,174	235,532	-	22,885
Community education and services	435,103	344,159	75,203	-	(15,741)
Unallocated depreciation	783,633	-	-	-	(783,633)
Interest and fiscal charges on long-term debt	849,414	-	-	-	(849,414)
<b>Total governmental activities</b>	<b>\$ 9,285,607</b>	<b>\$ 683,507</b>	<b>\$ 2,575,461</b>	<b>\$ 96,965</b>	<b>(5,929,674)</b>
General revenues					
Taxes					
					441,015
					82,072
					812,614
					5,595,751
					7,881
					3,161
					<u>6,942,494</u>
Change in net position					1,012,820
Net position - beginning					<u>(52,163)</u>
Net position - ending					<u>\$ 960,657</u>

See notes to basic financial statements.

**Independent School District No. 97**  
**Balance Sheet - Governmental Funds**  
**June 30, 2021**

	General	Debt Service	Special Revenue Community Service	Other Nonmajor Funds	Total Governmental Funds
<b>Assets</b>					
Cash and investments	\$ 2,115,463	\$ 826,431	\$ 652,348	\$ 83,067	\$ 3,677,309
Current property taxes receivable	302,105	444,698	32,706	-	779,509
Delinquent property taxes receivable	9,679	15,486	1,674	-	26,839
Accounts receivable	4,451	-	6,806	100	11,357
Interest receivable	40	-	-	-	40
Due from Department of Education	479,478	157,483	5,129	-	642,090
Due from Federal Government through Department of Education	240,860	-	-	-	240,860
Due from other Minnesota school districts	144,474	-	-	-	144,474
Inventory	-	-	-	7,597	7,597
Prepaid items	92,962	-	596	1,491	95,049
<b>Total assets</b>	<b>\$ 3,389,512</b>	<b>\$ 1,444,098</b>	<b>\$ 699,259</b>	<b>\$ 92,255</b>	<b>\$ 5,625,124</b>
<b>Liabilities</b>					
Accounts payable	\$ 44,250	\$ -	\$ 4,435	\$ 637	\$ 49,322
Salaries and benefits payable	520,602	-	16,565	10,676	547,843
Due to other Minnesota school districts	163,230	-	833	-	164,063
Due to other governmental units	681,380	-	-	-	681,380
Unearned revenue	5,850	-	26,060	11,629	43,539
<b>Total liabilities</b>	<b>1,415,312</b>	<b>-</b>	<b>47,893</b>	<b>22,942</b>	<b>1,486,147</b>
<b>Deferred Inflows of Resources</b>					
Property taxes levied for subsequent year's expenditures	605,412	920,860	73,532	-	1,599,804
Unavailable delinquent property taxes	9,679	15,486	1,674	-	26,839
<b>Total deferred inflows of resources</b>	<b>615,091</b>	<b>936,346</b>	<b>75,206</b>	<b>-</b>	<b>1,626,643</b>
<b>Fund Balances</b>					
Nonspendable	92,962	-	596	9,088	102,646
Restricted	293,284	507,752	575,564	60,225	1,436,825
Committed	156,286	-	-	-	156,286
Assigned	274,608	-	-	-	274,608
Unassigned	541,969	-	-	-	541,969
<b>Total fund balances</b>	<b>1,359,109</b>	<b>507,752</b>	<b>576,160</b>	<b>69,313</b>	<b>2,512,334</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 3,389,512</b>	<b>\$ 1,444,098</b>	<b>\$ 699,259</b>	<b>\$ 92,255</b>	<b>\$ 5,625,124</b>

**Independent School District No. 97  
Reconciliation of the Balance Sheet to  
the Statement of Net Position- Governmental Funds  
June 30, 2019**

Total fund balances - governmental funds	\$ 2,512,334
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	
Cost of capital assets	38,292,661
Less accumulated depreciation	(3,478,792)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Bond principal payable	(26,205,000)
Capital lease payable	(562,567)
Compensated absences payable	(101,876)
Unamortized bond premium	(1,634,003)
Total OPEB liability	(261,312)
Net pension liability	(5,217,387)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions and OPEB that are not recognized in the governmental funds.	
Deferred outflows of resources related to pensions	2,111,925
Deferred inflows of resources related to pensions	(4,216,175)
Deferred outflows of resources related to OPEB	94,747
Deferred inflows of resources related to OPEB	(7,310)
Delinquent property taxes receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	26,839
Governmental funds do not report a liability for accrued interest on bonds payable until due and payable.	<u>(393,427)</u>
Total net position - governmental activities	<u>\$ 960,657</u>

**Independent School District No. 97**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Governmental Funds**  
**Year Ended June 30, 2021**

	General	Debt Service	Special Revenue Community Service	Other Nonmajor Funds	Total Governmental Funds
<b>Revenues</b>					
Local property taxes	\$ 443,686	\$ 818,772	\$ 82,519	\$ -	\$ 1,344,977
Other local and county revenues	350,541	794	370,711	61	722,107
Revenue from state sources	5,607,248	1,574,827	52,699	2,474	7,237,248
Revenue from federal sources	748,514	-	-	230,758	979,272
Sales and other conversion of assets	-	-	-	14,174	14,174
Total revenues	<u>7,149,989</u>	<u>2,394,393</u>	<u>505,929</u>	<u>247,467</u>	<u>10,297,778</u>
<b>Expenditures</b>					
<b>Current</b>					
Administration	521,865	-	-	-	521,865
District support services	359,538	-	-	-	359,538
Elementary and secondary regular instruction	3,208,061	-	-	-	3,208,061
Vocational education instruction	136,772	-	-	-	136,772
Special education instruction	1,074,889	-	-	-	1,074,889
Instructional support services	222,883	-	-	-	222,883
Pupil support services	500,092	-	-	-	500,092
Sites and buildings	597,242	-	-	18,755	615,997
Fiscal and other fixed cost programs	34,797	-	-	-	34,797
Food service	-	-	-	239,262	239,262
Community education and services	-	-	433,655	-	433,655
<b>Capital outlay</b>					
Administration	668	-	-	-	668
District support services	2,666	-	-	-	2,666
Elementary and secondary regular instruction	6,882	-	-	-	6,882
Special education instruction	13,754	-	-	-	13,754
Pupil support services	30,858	-	-	-	30,858
Sites and buildings	757,508	-	-	3,021	760,529
Community education and services	-	-	2,830	-	2,830
<b>Debt service</b>					
Principal	150,894	1,415,000	-	-	1,565,894
Interest and fiscal charges	-	970,425	-	-	970,425
Total expenditures	<u>7,619,369</u>	<u>2,385,425</u>	<u>436,485</u>	<u>261,038</u>	<u>10,702,317</u>
Excess of revenues over (under) expenditures	(469,380)	8,968	69,444	(13,571)	(404,539)
<b>Other financing sources</b>					
Issuance of capital lease	712,716	-	-	-	712,716
Net change in fund balances	243,336	8,968	69,444	(13,571)	308,177
<b>Fund Balances</b>					
Beginning of year	1,115,773	498,784	506,716	82,884	2,204,157
End of year	<u>\$ 1,359,109</u>	<u>\$ 507,752</u>	<u>\$ 576,160</u>	<u>\$ 69,313</u>	<u>\$ 2,512,334</u>

See notes to basic financial statements.

**Independent School District No. 97  
Reconciliation of the Statement of Revenues,  
Expenditures, and Changes in Fund Balances to the  
Statement of Activities - Governmental Funds  
Year Ended June 30, 2021**

Net change in fund balances - total governmental funds	\$ 308,177
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlays	855,036
Depreciation expense	(906,711)
OPEB amounts are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	
	5,296
Governmental funds recognize pension contributions as expenditures at the time of payment in the funds whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.	
	(211,674)
Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	
	(2,217)
Principal payments on long-term debt are recognized as expenditures in the Governmental funds but as an increase in the net position in the Statement of Activities.	
	1,565,149
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	
	5,041
Governmental funds report the effect of bond premiums when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	
	116,715
Proceeds from the sale of bonds are recognized as other financing sources in the governmental funds increasing fund balance but having no effect on net position in the Statement of Activities.	
Capital lease payable	(712,716)
Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	
	<u>(9,276)</u>
Change in net position - governmental activities	<u>\$ 1,012,820</u>

**Independent School District No. 97**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances -**  
**Budget and Actual - General Fund**  
**Year Ended June 30, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues</b>				
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>
<b>Expenditures</b>				
<b>Current</b>				
Administration	541,311	517,771	521,865	4,094
District support services	394,807	393,157	359,538	(33,619)
Elementary and secondary regular instruction	3,277,023	3,432,519	3,208,061	(224,458)
Vocational education instruction	121,234	126,437	136,772	10,335
Special education instruction	1,231,802	1,133,462	1,074,889	(58,573)
Instructional support services	236,818	233,743	222,883	(10,860)
Pupil support services	881,465	860,796	500,092	(360,704)
Sites and buildings	453,869	478,052	597,242	119,190
Fiscal and other fixed cost programs	41,800	34,800	34,797	(3)
<b>Capital outlay</b>				
Administration	100	768	668	(100)
District support services	1,440	2,000	2,666	666
Elementary and secondary regular instruction	11,000	15,000	6,882	(8,118)
Special education instruction	69,351	69,673	13,754	(55,919)
Instructional support services	200	200	-	(200)
Pupil support services	1,000	26,859	30,858	3,999
Sites and buildings	44,500	69,694	757,508	687,814
<b>Debt service</b>				
Principal	-	-	150,894	150,894
Total expenditures	<u>7,307,720</u>	<u>7,394,931</u>	<u>7,619,369</u>	<u>224,438</u>
Excess of revenues over (under) expenditures	(261,933)	(252,639)	(469,380)	(216,741)
<b>Other Financing Sources</b>				
Proceeds from sale of capital assets	-	641	-	(641)
Issuance of capital lease	-	-	712,716	712,716
Total other financing sources (uses)	<u>-</u>	<u>641</u>	<u>712,716</u>	<u>712,075</u>
Net change in fund balances	<u>\$ (261,933)</u>	<u>\$ (251,998)</u>	243,336	<u>\$ 495,334</u>
<b>Fund Balances</b>				
Beginning of year			<u>1,115,773</u>	
End of year			<u>\$ 1,359,109</u>	

**Independent School District No. 97**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances -**  
**Budget and Actual - Community Service Fund**  
**Year Ended June 30, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues</b>				
Local property taxes	\$ 89,962	\$ 87,462	\$ 82,519	\$ (4,943)
Other local and county revenues	404,695	297,620	370,711	73,091
Revenue from state sources	53,818	51,316	52,699	1,383
Total revenues	<u>548,475</u>	<u>436,398</u>	<u>505,929</u>	<u>69,531</u>
<b>Expenditures</b>				
Current				
Community education and services	611,004	526,092	433,655	(92,437)
Capital outlay				
Community education and services	4,650	4,150	2,830	(1,320)
Total expenditures	<u>615,654</u>	<u>530,242</u>	<u>436,485</u>	<u>(93,757)</u>
Net change in fund balances	<u>\$ (67,179)</u>	<u>\$ (93,844)</u>	69,444	<u>\$ 163,288</u>
<b>Fund Balances</b>				
Beginning of year			<u>506,716</u>	
Ending of year			<u>\$ 576,160</u>	

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**Independent School District No. 97**  
**Notes to Basic Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The District operates under a school board form of government for the purpose of providing educational services to individuals within the District areas. The governing body consists of a six member board elected by the voters of the District to serve four-year terms.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies.

**A. Reporting Entity**

The basic financial statements present the District and its component units. The District includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the District are financially accountable and are included within the basic financial statements of the District because of the significance of their operational or financial relationships with the District.

The District is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of services performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens, on the District.

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

The student activity accounts of the District are under board control and are not reported separately.

**B. Basic Financial Statement Information**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District.

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

Depreciation expense that can be specifically identified by function is included in the direct expenses of that function. Depreciation expense relating to assets that serve multiple functions is presented as unallocated depreciation in the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. The effect of interfund activity has been removed from these statements.

**Independent School District No. 97**  
**Notes to Basic Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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 as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to *Minnesota Statutes* and accounting principles generally accepted in the United States of America. *Minnesota Statutes* include state aid funding formulas for specific years. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within 60 days.

**2. Recording of Expenditures**

Expenditures are generally recorded when a liability is incurred. The exceptions to this general rule are that interest and principal expenditures in the Debt Service Fund, compensated absences and claims and judgments are recognized when payment is due.

The District applies restricted resources first when an expenditure is incurred for a purpose for which both restricted and unrestricted fund balances are available. If resources from more than one fund balance classification could be spent, the District will strive to spend resources from fund balance classifications in the following order (first to last): restricted, committed, assigned, and unassigned, except for buses which will be paid out of the transportation portion of the General Fund unless otherwise determined by the School Board, equipment purchases which will be determined on a case by case basis and textbooks which will be taken partially from restricted and partially from unassigned.

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

**Description of Funds:**

Major Funds:

General Fund – This fund is the basic operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

**Independent School District No. 97**  
**Notes to Basic Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus and Basis of Accounting (Continued)**

Major Funds: (Continued)

Debt Service Fund – This fund is used to account for the accumulation of resources for, and payment of, general obligation (G.O.) bond and state loan principal, interest, and related costs.

Community Service Special Revenue Fund – This fund is used to account for services provided to residents in the areas of community education, school readiness, early childhood and family education, or other similar services.

Nonmajor Funds:

Food Service Special Revenue Fund – This fund is used to account for food service revenues and expenditures.

Building Construction Fund – Capital Projects – This fund is used to account for financial resources used for the acquisition or construction of major capital facilities authorized by bond issue.

**D. Deposits and Investments**

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments held by investment pools are measured at amortized cost.

Cash and investments at June 30, 2021, were comprised of deposits, shares in the Minnesota School District Liquid Asset Fund (MSDLAF) and shares in MNTrust. MSDLAF and MNTrust securities are valued at amortized cost, which approximates fair value.

*Minnesota Statutes* requires all deposits be protected by federal deposit insurance, corporate surety bonds or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds.

*Minnesota Statutes* authorizes the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days.

**Independent School District No. 97**  
**Notes to Basic Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Deposits and Investments (Continued)**

In accordance with GASB Statement No. 79, the various MSDLAF and MNTrust securities are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the MSDLAF Liquid Class or MNTrust Investment Shares Portfolio. Investments in the MSDLAF MAX class must be deposited for a minimum of 14 calendar days with the exception of direct investments of funds distributed by the State of Minnesota. Withdrawals prior to the 14-day restriction period may be subject to a penalty and there is a 24 hour hold on all requests for redemptions.

**E. Property Tax Receivable**

Current property taxes receivable are recorded for taxes certified the previous December and collectible in the current calendar year, which have not been received by the District. Delinquent property taxes receivable represent uncollected taxes for the past six years, and are deferred and included in the deferred inflows of resources section of the fund financial statements as unavailable revenue because they are not available to finance the operations of the District in the current year.

**F. Property Taxes Levied for Subsequent Year's Expenditures**

Property taxes levied for subsequent year's expenditures consist principally of property taxes levied in the current year which will be collected and recognized as revenue in the District's following year to properly match those revenues with the budgeted expenditures for which they were levied. This amount is equal to the amount levied by the School Board in December 2020, less various components and their related adjustments as mandated by the state. These portions of that levy were recognized as revenue in fiscal year 2021. The remaining portion of the levy will be recognized when measurable and available.

**G. Inventories**

Inventories of commodities donated directly by the U.S. Department of Agriculture are recorded at market value. Other inventories are stated at cost as determined on a first-in, first-out (FIFO) basis. Inventories are recorded as expenditures when consumed rather than when purchased.

**H. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are recorded as an expenditure at the time of consumption.

**I. Property Taxes**

The District levies its property tax during the month of December. December 28 is the last day the District can certify a tax levy to the County Auditor. Such taxes become a lien on January 1. The property tax is recorded as revenue when it becomes measurable and available. Carlton and Pine Counties are the collecting agencies for the levy and remit the collections to the District three times a year. The Tax levy notice is mailed in March with the first half of the payment due on May 15 and the second half due on October 15. Delinquent collections for November and December are received the following January.

**Independent School District No. 97**  
**Notes to Basic Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**I. Property Taxes (Continued)**

A portion of property taxes levied is paid by the State of Minnesota through various tax credits, which are included in revenue from state sources in the basic financial statements.

**J. Capital Assets**

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements.

Capital assets are defined by the District as assets with an initial individual cost of more than \$2,000 and an estimated useful life of more than one year. Such 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 its acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets lives are not capitalized.

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 purpose. Useful lives vary from 20 to 50 years for land improvements and buildings and 5 to 30 years for equipment and vehicles.

Capital assets not being depreciated include land. The District does not possess any material amounts of infrastructure capital assets, such as sidewalks and parking lots. Such items are considered to be part of the cost of buildings or other improvable property.

**K. Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. The District has two items that qualify for reporting in this category. A deferred outflows of resources related to pensions is recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years. Deferred outflows of resources related to OPEB is recorded for various estimate differences that will be amortized and recognized over future years.

**Independent School District No. 97**  
**Notes to Basic Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K. Deferred Outflows/Inflows of Resources (Continued)**

In addition to liabilities, the Statement of Financial Position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has four types of items which qualify for reporting in this category. The first item, unavailable revenue from property taxes, arises under a modified accrual basis of accounting and is reported only in the Governmental Funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available. The second item is property taxes levied for subsequent year's expenditures, which represent property taxes received or reported as a receivable before the period for which the taxes are levied, and is reported as a deferred inflow of resources in both the government-wide Statement of Net Position and the Governmental Funds Balance Sheet. Property taxes levied for subsequent year's expenditures are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied and in the governmental fund financial statements during the year for which they are levied, if available. The third item, a deferred inflows of resources related to pensions, is recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years. Finally, deferred inflows of resources related to OPEB is recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years.

**L. Long-Term Obligations**

In the government-wide financial statements long-term debt and other long term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

**M. Compensated Absences – Vacation and Sick Pay**

The District compensates salaried clerical, custodial, and nonrepresented employees upon termination of employment for unused vacation. Employees earn vacation time up to a maximum amount which varies depending upon the contract the employee is covered by. Employees are required to take their vacation during the contract period.

Employees are not compensated for unused sick leave upon termination of employment, unless taken in conjunction with severance pay as described in Note 1.N.

Sick leave pay is shown as an expenditure in the year paid.

**Independent School District No. 97  
Notes to Basic Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**N. Post Employment Severance Benefits**

A teacher shall receive one of the following severance packages described on the following page upon their retirement.

In order to be eligible for the benefits, the following must be satisfied: (1) the teacher must have 20 years of continuous service to the District and (2) be a least age 55 as of the effective date of the teacher's resignation.

- a. Teachers hired by the District on or before September 1, 1985, shall have a one-time irrevocable choice to receive severance instead of the 403(b) match. If this method is selected, they must also choose an option for calculation of benefits.

The amount of severance shall be obtained by the following steps: (1) divide the teacher's step and lane on the salary schedule at the time of retirement by the number of duty days as stated in the teacher's contract and (2) multiply the value determined in Step 1 by the teacher's unused sick leave days (maximum 123 days) as of the effective date of the teacher's resignation. Part-time teachers may participate on a prorated basis.

Or

The amount of severance shall be obtained by the following steps: (1) divide the teacher's step and lane on the salary schedule as of January 1, 2000, by 181 and (2) multiply the value determined in Step 1 by the teacher's unused sick leave days (maximum of 68% of duty days less allowed vacations days and holidays) as of the effective date of the teacher's resignation. Part-time teachers may participate on a prorated basis.

- b. Teachers hired after September 1, 1985, those teachers not choosing severance, shall receive 403(b) District matching contribution to a specific amount (CAP). The CAP shall be \$25,500.

Noncertified employees upon retirement, 12 month employees shall receive 70% of his or her unused sick leave, not to exceed 84 days, as severance pay. Nine or ten month employees shall receive 55% of unused sick leave, not to exceed 66 days, as severance pay. Such employees must have completed ten years of service to the District and must meet one of the following criteria to be eligible: has reached the age of 58 or has reached the Rule of 85 (age plus years of work-retirement points).

The Superintendent is (1) is eligible to receive reimbursement for unused sick leave (to a maximum of 152 days) and vacations days (to a maximum of 25 days) as stipulated in this Contract, and (2) terminates services with the District, 100% of that payment will be directed to a district sponsored Health Reimbursement Arrangement (HRA) on behalf of the Superintendent. Reimbursement shall be based on a duty year of 260 days.

**Independent School District No. 97**  
**Notes to Basic Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**O. Pensions**

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and 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.

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

**P. Risk Management**

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; natural disasters; and injuries to employees for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in the District's insurance coverage during the year ending June 30, 2021.

**Q. Fund Equity**

In the fund financial statements, governmental funds report various levels of spending constraints.

- Nonspendable Fund Balances – These are amounts that cannot be spent because they are not in spendable form as they are legally or contractually required to be maintained intact and include, but are not limited to, inventories and prepaid items.
- Restricted Fund Balances – These are subject to externally enforceable legal restrictions
- Committed Fund Balances – Committed balances are funds used for specific purposes pursuant to constraints imposed by formal action of the School Board. The government's highest level of decision making authority is the School Board. The formal action to establish or modify a commitment is action by the School Board.
- Assigned Fund Balances – Assigned fund balances are amounts constrained by the District's intent that they be used for specific purposes, but they do not meet the criteria to be classified as restricted or committed. The Director of Finance and the Superintendent are authorized to assign fund balances. The policy to establish that authorization is 714 Fund Balances.
- Minimum Fund Balance Policy – The School Board recognizes the need to maintain a minimum unassigned General Fund balance amount to guard against unanticipated calamities, state hold backs and future obligations. This amount should be eight weeks of unassigned expenditures in the General Fund.

**Independent School District No. 97**  
**Notes to Basic Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**R. Net Position**

Net position represents the difference between assets and deferred outflows of resources; and liabilities and deferred inflows of resources in the government-wide financial statements. Net investment in capital assets consists of capital assets net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statement when there are limitations on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**S. Use of Estimates**

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

**T. Budgetary Information**

The District follows these procedures in establishing the budgetary data reflected in the basic financial statements:

1. Prior to July 1, the School Superintendent submits to the School Board, a proposed operating budget for the year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. The Superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the School Board.
3. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds and the Capital Project Fund. Formal budgetary integration is not required for Debt Service Funds because effective budgetary control is alternatively achieved through general obligation (G.O.) bond indenture provisions.
4. Budgets for all funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Budgets are as originally adopted or as amended by the School Board. Budgeted expenditure appropriations lapse at year-end.

**NOTE 2 – DEPOSITS AND INVESTMENTS**

**A. Deposits**

In accordance with applicable *Minnesota Statutes*, the District maintains deposits at depository banks authorized by the School Board.

The District has an investment policy in place to address custodial credit risk for deposits, stating that deposit type securities shall be collateralized as required by *Minnesota Statutes* 118A for any amount exceeding FDIC, SAIF, FIB, FCUA, or other federal deposit coverage.

**Independent School District No. 97  
Notes to Basic Financial Statements**

**NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)**

**A. Deposits (Continued)**

As of June 30, 2021, the District's bank balance was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name.

Pooled deposits	
Checking	\$ 598,314
Petty cash checking	6,000
Flex checking	<u>14,931</u>
Total pooled deposits	<u><u>\$ 619,245</u></u>

**B. Investments**

As of June 30, 2021, the District had the following pooled investments:

<u>Investment</u>	<u>Total</u>	<u>Maturities Less Than 1 Year</u>	<u>S&amp;P Rating</u>
MSDLAF Liquid Class	\$ 70	\$ 70	AAAm
MSDLAF MAX Class	2,733,991	2,733,991	AAAm
MNTrust Investment Shares Portfolio	<u>324,003</u>	<u>324,003</u>	AAAm
Total pooled investments	<u><u>\$ 3,058,064</u></u>	<u><u>\$ 3,058,064</u></u>	

**Interest Rate Risk:** This is the risk that market value of securities will fall due to the change in market interest rates. The District's policy states investments shall be managed in a manner to attain a market rate of return through various economic and budgetary cycles. Furthermore, investment maturities shall be scheduled to coincide with projected District cash flow needs and shall provide for stability of income and reasonable liquidity. Operating funds will primarily be invested in shorter-term securities, money market mutual funds or similar investment pools.

**Credit Risk:** The District's investment policy states the District may invest its available funds in those instruments specified in *Minnesota Statutes* 118A.04 and 118A.05, which limits investments in the top two ratings issued by nationally recognized statistical rating organizations. The District shall maintain a list of the financial institutions that are approved for investment purposes. As of June 30, 2021, the District's investments were rated in the above tables.

**Custodial Credit Risk:** For an investment, this is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The policy states all investment securities shall be held in third party safekeeping by an institution designated as the custodial agent.

**Independent School District No. 97**  
**Notes to Basic Financial Statements**

**NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)**

**B. Investments (Continued)**

Concentration of Credit Risk – Investments: The District's investment policy states the District shall diversify its investments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, or maturities. However, the policy places no specific limit on the amount the District may invest in any one issuer.

**C. Deposits and Investments**

The following is a summary of total deposits and investments:

Deposits - pooled	\$ 619,245
Investments - pooled	<u>3,058,064</u>
Total deposits and investments	<u><u>\$ 3,677,309</u></u>

Deposits and investments are presented in the June 30, 2021, basic financial statements as follows:

Statement of Net Position	
Cash and investments	<u><u>\$ 3,677,309</u></u>

**Independent School District No. 97**  
**Notes to Basic Financial Statements**

**NOTE 3 – CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 25,782	\$ -	\$ -	\$ 25,782
Capital assets being depreciated				
Land improvements	1,877,076	-	-	1,877,076
Buildings	34,187,593	-	-	34,187,593
Equipment and vehicles	1,365,858	855,036	18,684	2,202,210
Total capital assets being depreciated	<u>37,430,527</u>	<u>855,036</u>	<u>18,684</u>	<u>38,266,879</u>
Less accumulated depreciation for				
Land improvements	226,056	93,655	-	319,711
Buildings	1,811,740	688,411	-	2,500,151
Equipment and vehicles	552,969	124,645	18,684	658,930
Total accumulated depreciation	<u>2,590,765</u>	<u>906,711</u>	<u>18,684</u>	<u>3,478,792</u>
Total capital assets being depreciated, net	<u>34,839,762</u>	<u>(51,675)</u>	<u>-</u>	<u>34,788,087</u>
Governmental activities, capital assets, net	<u>\$ 34,865,544</u>	<u>\$ (51,675)</u>	<u>\$ -</u>	<u>\$ 34,813,869</u>

Depreciation expense of \$906,711 for the year ended June 30, 2021, was charged to the following governmental functions:

Administration	\$ 1,475
Elementary and secondary regular instruction	33,309
Special education instruction	3,299
Community Education	1,356
Pupil support services	68,955
Sites and buildings	14,684
Unallocated	<u>783,633</u>
Total depreciation expense	<u>\$ 906,711</u>

**Independent School District No. 97**  
**Notes to Basic Financial Statements**

**NOTE 4 – LONG-TERM DEBT**

**A. Components of Long-Term Liabilities**

Long-term liabilities as of June 30, 2021, consisted of the following:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Original Issue</u>	<u>Principal Outstanding</u>	<u>Due Within One Year</u>
Long-Term Liabilities					
G.O. School Building Bonds					
Series 2015A	2.0%-4.0%	2/1/2035	\$ 32,745,000	\$ 26,205,000	\$ 1,460,000
Unamortized Bond Premium				<u>1,634,003</u>	<u>-</u>
Total G.O. Bonds (net of unamortized premiums)				27,839,003	1,460,000
Compensated absences payable				101,876	18,137
Capital leases				<u>562,567</u>	<u>135,135</u>
Total long-term liabilities				<u>\$ 28,503,446</u>	<u>\$ 1,613,272</u>

The long-term bond liabilities listed were issued to finance the acquisition and construction or improvements of capital facilities. Other liabilities are typically liquidated through the General Fund.

**B. Minimum Debt Payments for Bonds**

Minimum annual principal and interest payments required to retire bond liabilities:

<u>Year Ending June 30,</u>	G.O. Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 1,460,000	\$ 924,500	\$ 2,384,500
2023	1,500,000	880,700	2,380,700
2024	1,560,000	820,700	2,380,700
2025	1,625,000	758,300	2,383,300
2026	1,690,000	693,300	2,383,300
2027-2031	9,515,000	2,529,925	12,044,925
2032-2035	<u>8,855,000</u>	<u>541,275</u>	<u>9,396,275</u>
Total	<u>\$ 26,205,000</u>	<u>\$ 7,148,700</u>	<u>\$ 33,353,700</u>

**Independent School District No. 97  
Notes to Basic Financial Statements**

**NOTE 4 – LONG-TERM DEBT (CONTINUED)**

**C. Changes in Long-Term Liabilities**

	Beginning Balance	Additions	Reductions	Ending Balance
Long-term liabilities				
G.O. bond	\$ 27,620,000	\$ -	\$ 1,415,000	\$ 26,205,000
Unamortized premium	1,750,718	-	116,715	1,634,003
Compensated absences payable	99,659	172,095	169,878	101,876
Capital leases	-	712,716	150,149	562,567
	<u>\$ 29,470,377</u>	<u>\$ 884,811</u>	<u>\$ 1,851,742</u>	<u>\$ 28,503,446</u>

**D. Capital Lease Obligations**

The District entered into a lease purchase option agreement on September 3, 2020 with Bell Bank Equipment Finance for four 2022 Blue Bird buses. The capital lease obligation and corresponding improvements totaled \$416,646. The capital lease agreement includes annual principal and interest payments of \$87,798 for each of the four remaining years of the agreement.

On August 1, 2020, the District entered into a lease purchase agreement with Bell Bank Equipment Finance for the acquisition of four 2018 Blue Bird Buses. The capital lease obligation and corresponding equipment totaled \$296,070. The capital lease agreement includes annual principal and interest payments of \$62,351 for each of the four remaining years of the agreement.

The future minimum lease obligations and the net present value of these minimum lease payments were as follows:

Year Ending June 30,	
2022	\$ 150,149
2023	150,150
2024	150,150
2025	150,150
Total minimum lease payments	<u>600,599</u>
Less amount representing interest	<u>(38,032)</u>
Present value of minium lease payments	<u>\$ 562,567</u>

The assets purchased with the 2022 Blue Bird Buses lease are classified as equipment and totaled \$416,646. The associated accumulated depreciation for these assets is \$26,040 for a net value of \$390,606.

**Independent School District No. 97  
Notes to Basic Financial Statements**

**NOTE 4 – LONG-TERM DEBT (CONTINUED)**

**D. Capital Lease Obligations (Continued)**

The assets purchased with the 2018 Blue Bird Buses lease are classified as equipment and totaled \$296,070. The associated accumulated depreciation for these assets is \$18,504 for a net value of \$277,566.

**NOTE 5 – 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.

**Fund Equity**

Fund equity balances are classified as follows to reflect the limitations and restrictions of the respective funds.

**Independent School District No. 97**  
**Notes to Basic Financial Statements**

**NOTE 5 – FUND BALANCES (CONTINUED)**

**A. Fund Balances**

	General Fund	Debt Service	Community Service	Nonmajor Funds	Total
Nonspendable					
Inventory	\$ -	\$ -	\$ -	\$ 7,597	\$ 7,597
Prepaid items	92,962	-	596	1,491	95,049
Total nonspendable	<u>92,962</u>	<u>-</u>	<u>596</u>	<u>9,088</u>	<u>102,646</u>
Restricted/reserved for					
Student Activities	26,985	-	-	-	26,985
Operating Capital	150,343	-	-	-	150,343
Gifted and talented	8,083	-	-	-	8,083
State Approved Alternative Programs	2,438	-	-	-	2,438
Long-term Facilities Maintenance	95,549	-	-	-	95,549
Basic Skills Extended Time	4,710	-	-	-	4,710
Medical Assistance	5,176	-	-	-	5,176
Community Service	-	-	340,010	-	340,010
Community Education	-	-	137,927	-	137,927
Early Childhood and Family Education	-	-	9,994	-	9,994
Debt Service	-	507,752	-	-	507,752
Capital Projects	-	-	-	2,149	2,149
School Readiness	-	-	87,633	-	87,633
Food Service	-	-	-	58,076	58,076
Total restricted/reserved	<u>293,284</u>	<u>507,752</u>	<u>575,564</u>	<u>60,225</u>	<u>1,436,825</u>
Committed for					
Retiree benefits	<u>156,286</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>156,286</u>
Assigned for					
Students	118,365	-	-	-	118,365
Bus lease	156,243	-	-	-	156,243
Total assigned	<u>274,608</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>274,608</u>
Unassigned	<u>541,969</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>541,969</u>
Total fund balances	<u>\$ 1,359,109</u>	<u>\$ 507,752</u>	<u>\$ 576,160</u>	<u>\$ 69,313</u>	<u>\$ 2,512,334</u>

Nonspendable Inventory – A portion of the fund balance has been spent on inventory and is not available for other uses.

Nonspendable Prepaid Items – A portion of the fund balance has been spent on prepaid expenses and is not available for other uses.

Restricted/Reserved for Student Activities – This balance represents available resources to be used for the extracurricular activity funds raised by the students.

Restricted/Reserved for Operating Capital – This balance represents available resources in the General Fund to be used to purchase equipment and facilities.

Restricted/Reserved for Gifted and Talented – The part of General Education Aid revenue for gifted and talented program that is unspent at the year end must be restricted in this Balance Sheet Account.

**Independent School District No. 97**  
**Notes to Basic Financial Statements**

**NOTE 5 – FUND BALANCES (CONTINUED)**

**A. Fund Balances (Continued)**

Restricted/Reserved for State Approved Alternative Programs – Per *Minnesota Statutes*, section 123.05, subd. 2, each district that is a member of a state approved alternative learning program must restrict/reserve revenue in an amount equal to the sum of (1) at least 90 and no more than 100 percent of the district average General Education Revenue per adjusted pupil unit minus an amount equal to the product of the formula allowance according to section 126.10 subd. 2, times .0466, calculated without basic skills revenue, local optional revenue, and transportation sparsity revenue, times the number of pupil units attending a state-approved public alternative program, plus (2) the amount of basic skills revenue generated by pupils attending the alternative learning program.

Restricted/Reserved for Long-Term Facilities Maintenance (LTFM) – This balance represents available resources to be used for LTFM projects in accordance with the 10-year plan (*Minnesota Statutes* 123B.595, subd. 12).

Restricted/Reserved for Basic Skills Extended Time – This balance represents resources available for the basic skills extended time uses listed in *Minnesota Statutes* 126C.15, subd. 1.

Restricted/Reserved for Medical Assistance – This balance represents available resources to be used for medical assistance expenditures.

Restricted for Community Service – This balance represents the remaining positive fund balance of the Community Service Fund.

Restricted/Reserved for Community Education – This balance represents the resources available to provide programming such as: nonvocational, recreational and leisure time activities, programs for adults with disabilities, noncredit summer programs, adult basic education programs, youth development and youth service programming, early childhood and family education, and extended day programs.

Restricted/Reserved for Early Childhood and Family Education – This balance represents the resources available to provide for services for early childhood and family education programming.

Restricted/Reserved for Debt Service – This balance represents the positive fund balance of the Debt Service Fund.

Restricted/Reserved for Capital Projects – This amount represents available resources for capital projects.

Restricted/Reserved for School Readiness – This balance represents the resources available to provide for services for school readiness programs (*Minnesota Statutes* 124D.16).

Restricted for Food Service - This balance represents the remaining positive fund balance in the Food Service Fund.

**Independent School District No. 97**  
**Notes to Basic Financial Statements**

**NOTE 5 – FUND BALANCES (CONTINUED)**

**A. Fund Balances (Continued)**

Committed for Retiree Benefits – This balance represents resources segregated from the unreserved/undesignated fund balance for retirement benefits, including compensated absences, pensions, OPEB and termination benefits (as defined in GASB Statement Nos. 16, 27, 45, 47 and 50 and *Minnesota Statutes* 123B.79, subd. 7).

Assigned for Students – The District has assigned funds at year-end for student purposes.

Assigned for Bus Lease – The District has assigned funds at year-end for future bus lease payments.

Net position restricted for other purposes is comprised of the total positive General Fund restricted fund balances plus the total net position in the Food Service, Community Service and Capital Project Funds.

**NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE**

The District participates in various pension plans, total pension expense for the year ended June 30, 2021, was \$597,268. The components of pension expense are noted in the following plan summaries.

The General Fund typically liquidates the Liability related to the pensions.

**Teachers' Retirement Association**

**A. Plan Description**

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

Educators employed in Minnesota's public elementary and secondary schools, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members (except those teachers employed by St. Paul Schools or Minnesota State Colleges and Universities). Educators first hired by Minnesota State may elect either TRA coverage or coverage through the Define Contribution Plan (DCR) administered by Minnesota State.

**B. Benefits Provided**

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

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

**Independent School District No. 97  
Notes to Basic Financial Statements**

**NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**B. Benefits Provided (Continued)**

*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:

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

*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.

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.

**Independent School District No. 97  
Notes to Basic Financial Statements**

**NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**Teachers' Retirement Association (Continued)**

**B. Benefits Provided (Continued)**

*Tier II Benefits (Continued)*

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

**C. Contribution Rate**

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

	<u>June 30, 2019</u>		<u>June 30, 2020</u>		<u>June 30, 2021</u>	
	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>
Basic	11.0%	11.71%	11.0%	11.92%	11.0%	12.13%
Coordinated	7.5%	7.71%	7.5%	7.92%	7.5%	8.13%

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

Employer contributions reported in TRA's ACFR Statement of Changes in Fiduciary Net Position	\$ 425,223
Deduct employer contributions not related to future contribution efforts	(56)
Deduct TRA's contributions not included in allocation	<u>(508)</u>
Total employer contributions	424,659
Total non-employer contributions	<u>35,587</u>
Total contributions reported in Schedule of Employer and Non-Employer Allocations	<u><u>\$ 460,246</u></u>

**Independent School District No. 97  
Notes to Basic Financial Statements**

**NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**Teachers' Retirement Association (Continued)**

**C. Contribution Rate (Continued)**

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

**D. Actuarial Assumptions**

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

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**Actuarial Information**

Valuation date	July 1, 2020
Experience study	June 5, 2015
	November 6, 2017, (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	7.50%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028, and 3.25% thereafter
Projected salary increase	2.85% to 8.85% before July 1, 2028, and 3.25% to 9.25% thereafter
Cost of living adjustment	1.0% for January 2020 through January 2023, then increasing by 0.1% each year up to 1.5% annually.

**Mortality Assumptions**

Pre-retirement	RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.
Post-retirement	RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projections uses the MP 2015 scale.
Post-disability	RP 2014 disabled retiree mortality table, without adjustment.

**Independent School District No. 97  
Notes to Basic Financial Statements**

**NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**Teachers' Retirement Association (Continued)**

**D. Actuarial Assumptions (Continued)**

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	35.5 %	5.10 %
International equity	17.5	5.30
Private markets	25.0	5.90
Fixed income	20.0	0.75
Unallocated cash	2.0	0.00
	<u>100 %</u>	
Total	<u>100 %</u>	

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

Changes in actuarial assumptions and methods for the July 1, 2020, valuation:

- Assumed termination rates were changed to more closely reflect actual experience.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back five years, and female rates set back seven years. Generational projection uses the MP 2015 scale.
- Assumed form of annuity election proportions were changed to more closely reflect actual experience for female retirees.

**Independent School District No. 97  
Notes to Basic Financial Statements**

**NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**Teachers' Retirement Association (Continued)**

**E. Discount Rate**

The discount rate used to measure the total pension liability was 7.5%. 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).

**F. Net Pension Liability**

On June 30, 2021, the District reported a liability of \$4,078,250 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. District proportionate share was 0.0552% at the end of the measurement period and 0.0573% for the beginning of the year.

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

District's proportionate share of net pension liability	\$ 4,078,250
State's proportionate share of the net pension liability associated with the District	341,621

For the year ended June 30, 2021, the District recognized pension expense of \$613,768. Included in this amount, the District recognized \$31,295 as pension expense for the support provided by direct aid.

**Independent School District No. 97  
Notes to Basic Financial Statements**

**NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**Teachers' Retirement Association (Continued)**

**F. Net Pension Liability (Continued)**

On June 30, 2021, the District had deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 81,785	\$ 65,132
Net difference between projected and actual earnings on plan investments	45,769	-
Changes of assumptions	1,608,770	3,641,785
Changes in proportion	12,372	331,212
Contributions to TRA subsequent to the measurement date	256,658	-
Total	\$ 2,005,354	\$ 4,038,129

The \$256,658 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

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

Year Ended June 30,	Pension Expense Amount
2022	\$ 30,021
2023	(1,430,230)
2024	(938,436)
2025	54,551
2026	(5,339)
Total	\$ (2,289,433)

**Independent School District No. 97  
Notes to Basic Financial Statements**

**NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**Teachers' Retirement Association (Continued)**

**G. Pension Liability Sensitivity**

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percent lower (6.5%) and 1 percent higher (8.5%) than the current rate.

District proportionate share of NPL		
1% decrease in Discount Rate (6.5%)	Current Discount Rate (7.5%)	1% increase in Discount Rate (8.5%)
\$ 6,243,758	\$ 4,078,250	\$ 2,293,981

The District's proportion of the net pension liability was based on the employer contributions to TRA in relation to TRA's total employer contributions including direct aid contributions from the State of Minnesota, City of Minneapolis, and Minneapolis School District.

**H. Pension Plan Fiduciary Net Position**

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

**Public Employees' Retirement Association**

**A. Plan Description**

The District participates in the following cost-sharing multiple-employer defined benefit pension plan administered by PERA. PERA's defined benefit pension plan is established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code.

**General Employees Retirement Plan**

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

**B. Benefits Provided**

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

**Independent School District No. 97  
Notes to Basic Financial Statements**

**NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**B. Benefits Provided (Continued)**

General Employees Plan 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 annuity accrual rate for a Coordinated Plan member is 1.2% for each of the first 10 years of service 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% 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 1.0% 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.

**C. Contributions**

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2021 and the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2021, were \$94,582. The District's contributions were equal to the required contributions as set by state statute.

**Independent School District No. 97  
Notes to Basic Financial Statements**

**NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**D. Pension Costs**

General Employees Fund Pension Costs

At June 30, 2021, the District reported a liability of \$1,139,137 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$35,152. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0190% at the end of the measurement period and 0.0205% for the beginning of the period.

District's proportionate share of net pension liability	\$ 1,139,137
State's proportionate share of the net pension liability associated with the District	35,152

For the year ended June 30, 2021, the District recognized pension expense of \$(16,500) for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized \$3,059 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 deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 11,243	\$ 4,310
Changes in actuarial assumptions	-	45,231
Difference between projected and actual investments earnings	746	-
Change in proportion	-	128,505
Contributions paid to PERA subsequent to the measurement date	94,582	-
Total	\$ 106,571	\$ 178,046

**Independent School District No. 97  
Notes to Basic Financial Statements**

**NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**D. Pension Costs (Continued)**

The \$94,582 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense
2022	\$ (145,633)
2023	(49,005)
2024	1,059
2025	27,522
Total	\$ (166,057)

**E. Actuarial Assumptions**

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

Inflation	2.25 % Per year
Active member payroll growth	3.00 % Per year
Investment rate of return	7.50 %

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on the Pub-2010 General Employee Mortality table. Cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year.

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

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

**Changes in Actuarial Assumptions**

- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.

**Independent School District No. 97**  
**Notes to Basic Financial Statements**

**NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**E. Actuarial Assumptions (Continued)**

Changes in Actuarial Assumptions (Continued)

- 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 changes 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 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 change from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and 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 or current privatized members was reduced to 2.0% for the period July 1, 2020, through December 31, 2023, and 0.0% thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

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

**Independent School District No. 97  
Notes to Basic Financial Statements**

**NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**E. Actuarial Assumptions (Continued)**

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	Final Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	35.5 %	5.10 %
International stocks	17.5	5.30
Bonds (fixed income)	20.0	0.75
Alternative assets (private markets)	25.0	5.90
Cash	2.0	0.00
Total	<u>100 %</u>	

**F. Discount Rate**

The discount rate used to measure the total pension liability in 2020 was 7.5%. 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 was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**G. Pension Liability Sensitivity**

The following table 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 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.5%)	Current Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
District's proportionate share of the PERA net pension liability	\$ 1,825,641	\$ 1,139,137	\$ 572,826

**Independent School District No. 97  
Notes to Basic Financial Statements**

**NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**H. Pension Plan Fiduciary Net Position**

Detailed information about the General Employees Fund's fiduciary net position is available in a separately-issued PERA financial report that includes the basic financial statements and required supplementary information. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org).

**NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN**

**A. Plan Description**

The District provides a single-employer defined benefit health care plan to eligible retirees. The plan offers medical coverage. Medical coverage is administered by Public Employees Insurance Program (PEIP) for employees. It is the District's policy to periodically review its medical coverage and to obtain requests for proposals in order to provide the most favorable benefits and premiums for District employees and retirees.

**B. Benefits Provided**

At retirement, employees of the district receiving retirement or disability benefit, or eligible to receive benefit from a Minnesota public pension plan may continue to participate in the District's group insurance plan.

All teachers who were hired before January 1, 2018, are at least age 55 at the age of retirement and have at least 20 years of service with the District at the age of retirement are entitled to a District contribution of \$166.67 per month toward the District's health care premium until age 65.

After ten years of service, the Superintendent is eligible for up to \$750 monthly insurance premium paid by the District upon retirement until age 65. The Principals are entitled to up to \$350 monthly insurance premium paid by the District upon retirement until age 65, provided they have at least 20 years of service with the District.

**C. Members**

As of June 30, 2019, the following were covered by the benefit terms:

Retiree electing coverage	8
Active employees	99
	<hr/>
Total	107
	<hr/> <hr/>

**D. Contributions**

Retirees contribute to the health care plan at the same rate as District employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the District, based on the contract terms with PEIP. The required contributions are based on projected pay-as-you-go financing requirements. For the year 2021, the District contributed \$30,947 to the plan.

**Independent School District No. 97  
Notes to Basic Financial Statements**

**NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)**

**E. Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

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Discount Rate	2.45%
Inflation	2.50%
Healthcare cost trend increases	6.4% for FY2020, decreasing over several decades to an ultimate rate of 4.0% in FY 2076 and later years
Mortality Assumption	RP-2014 mortality tables with projected mortality improvements based on scale MP-2015 and scale MP-2017, and other adjustments

Liabilities are based on an Entry Age Normal Level percent of pay cost method.

The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2019 to June 30, 2020.

The discount rate used to measure the total OPEB liability was 2.45% using the 20-year municipal bond yield.

**F. Total OPEB Liability**

The District's total OPEB liability of \$261,312 was measured as of June 30, 2020, and was determined by an actuarial valuation as of June 30, 2019.

**Independent School District No. 97  
Notes to Basic Financial Statements**

**NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)**

**F. Total OPEB Liability (Continued)**

Changes in the total OPEB liability are as follows:

	<u>Total OPEB Liability</u>
Balances at July 1, 2019	<u>\$ 289,494</u>
Changes for the year	
Service cost	13,130
Interest	8,637
Changes in assumptions	3,393
Benefit payments	<u>(53,342)</u>
Net changes	<u>(28,182)</u>
Balances at June 30, 2020	<u><u>\$ 261,312</u></u>

Since the last valuation, the following changes have been made:

- The discount rate was changed from 3.13% to 2.45% based on updated 20-year municipal bond rates.

The General Fund typically liquidates the OPEB liability.

**G. OPEB Liability Sensitivity**

The following presents the District's total OPEB liability calculated using the discount rate of 2.45% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

	1% decrease in Discount Rate (1.45%)	Current Discount Rate (2.45%)	1% increase in Discount Rate (3.45%)
Total OPEB liability (asset)	\$ 275,045	\$ 261,312	\$ 247,748

**Independent School District No. 97  
Notes to Basic Financial Statements**

**NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)**

**G. 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 healthcare cost trend rates that are 1% lower and 1% higher than the current healthcare cost trend rates.

	1% decrease (5.4% decreasing to 3.0%)	Current (6.4% decreasing to 4.0%)	1% increase (7.4% decreasing to 5.0%)
Total OPEB liability (asset)	\$ 240,782	\$ 261,312	\$ 286,021

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$29,584. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual liability	\$ 44,389	\$ -
Change of assumptions	19,411	7,310
Subsequent Contributions	30,947	-
Total	\$ 94,747	\$ 7,310

\$30,947 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2022.

**Independent School District No. 97  
Notes to Basic Financial Statements**

**NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)**

**H. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources  
Related to OPEB (Continued)**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Total
2022	\$ 7,817
2023	7,817
2024	7,817
2025	7,817
2026	8,143
Thereafter	17,079
Total	\$ 56,490

**NOTE 8 – GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED**

GASB Statement No. 87, Leases 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. This statement will be effective for the year ending June 30, 2022.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**Independent School District No. 97**  
**Schedule of Changes in Total OPEB Liability**  
**and Related Ratios**

	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
Total OPEB Liability				
Service cost	\$ 11,327	\$ 10,709	\$ 10,989	\$ 13,130
Interest cost	8,385	9,043	7,969	8,637
Differenced between expected and actual experience	-	-	57,367	-
Changes of assumptions	(7,423)	(5,110)	21,198	3,393
Changes of benefit terms	-	-	2,597	-
Benefit payments	(31,712)	(57,970)	(39,577)	(53,342)
Net change in total OPEB liability	<u>(19,423)</u>	<u>(43,328)</u>	<u>60,543</u>	<u>(28,182)</u>
Beginning of year	<u>291,702</u>	<u>272,279</u>	<u>228,951</u>	<u>289,494</u>
End of year	<u>\$ 272,279</u>	<u>\$ 228,951</u>	<u>\$ 289,494</u>	<u>\$ 261,312</u>
Covered payroll	\$ 3,941,410	\$ 4,335,296	\$ 4,164,342	\$ 4,367,901
Total OPEB liability as a percentage of covered-employee	6.91%	5.28%	6.95%	5.98%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

**Independent School District No. 97**  
**Schedule of District's and Non-Employer Proportionate**  
**Share of Net Pension Liability**  
**Last Ten Years General Employees Retirement Fund**

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Share of the Net Pension of Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0239%	\$ 1,122,702	\$ -	\$ 1,122,702	\$ 1,254,234	89.51%	78.75%
2015	0.0226%	1,171,249	-	1,171,249	1,308,333	89.52%	78.19%
2016	0.0230%	1,867,486	24,390	1,891,876	1,427,427	130.83%	68.91%
2017	0.0234%	1,493,841	18,798	1,512,639	1,508,600	99.02%	75.90%
2018	0.0222%	1,231,565	40,348	1,271,913	1,488,947	82.71%	79.53%
2019	0.0205%	1,133,399	35,332	1,168,731	1,453,480	77.98%	80.23%
2020	0.0190%	1,139,137	35,152	1,174,289	1,355,507	84.04%	79.06%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

**Schedule of District's and Non-Employee Proportionate**  
**Share of Net Pension Liability**  
**Last Ten Years TRA Retirement Fund**

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Share of the Net Pension of Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0672%	\$ 3,096,528	\$ 217,754	\$ 3,314,282	\$ 3,068,714	100.91%	81.50%
2015	0.0595%	3,680,663	451,480	4,132,143	3,020,227	121.87%	76.77%
2016	0.0607%	14,478,398	1,453,412	15,931,810	3,157,040	458.61%	44.88%
2017	0.0588%	11,737,547	1,134,912	12,872,459	3,167,627	370.55%	51.57%
2018	0.0587%	3,686,909	346,315	4,033,224	3,245,040	113.62%	78.07%
2019	0.0573%	3,652,314	323,370	3,975,684	3,250,285	112.37%	78.21%
2020	0.0552%	4,078,250	341,621	4,419,871	3,208,194	127.12%	75.48%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

**Independent School District No. 97  
Schedule of District Contributions  
General Employees Retirement Fund  
Last Ten Years**

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	\$ 90,932	\$ 90,932	\$ -	\$ 1,254,234	7.25%
2015	98,125	98,125	-	1,308,333	7.50%
2016	107,057	107,057	-	1,427,427	7.50%
2017	113,145	113,145	-	1,508,600	7.50%
2018	111,671	111,671	-	1,488,947	7.50%
2019	109,011	109,011	-	1,453,480	7.50%
2020	101,663	101,663	-	1,355,507	7.50%
2021	94,582	94,582	-	1,261,093	7.50%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

**Schedule of District Contributions  
TRA Retirement Fund  
Last Ten Years**

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	\$ 214,810	\$ 214,810	\$ -	\$ 3,068,714	7.00%
2015	226,517	226,517	-	3,020,227	7.50%
2016	236,778	236,778	-	3,157,040	7.50%
2017	237,572	237,572	-	3,167,627	7.50%
2018	243,378	243,378	-	3,245,040	7.50%
2019	250,597	250,597	-	3,250,285	7.71%
2020	254,089	254,089	-	3,208,194	7.92%
2021	256,658	256,658	-	3,156,925	8.13%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

**Independent School District No. 97**  
**Notes to the Required Supplementary Information**

**TRA Retirement Fund**

**2020 Changes**

Changes in Actuarial Assumptions

- Assumed termination rates were changed to more closely reflect actual experience.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP 2015 scale.
- Assumed form of annuity election proportions were changed to more closely reflect actual experience for female retirees.

**2019 Changes**

Changes in Actuarial Assumptions

- None

**2018 Changes**

Changes in Actuarial Assumptions

- The discount rate was increased to 7.5% from 5.12%.
- The cost of living adjustment (COLA) was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019, and ending July 1, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero 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 was reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 6 years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

**2017 Changes**

Changes in Actuarial Assumptions

- The discount rate was increased to 5.12% from 4.66%.
- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5% but remain at 2.0% for all future years.

**Independent School District No. 97**  
**Notes to the Required Supplementary Information**

**TRA Retirement Fund (Continued)**

**2017 Changes (Continued)**

Changes in Actuarial Assumptions (Continued)

- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 2.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for ten years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

**2016 Changes**

Changes in Actuarial Assumptions

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

**2015 Changes**

Changes of Benefit Terms

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

**Independent School District No. 97**  
**Notes to the Required Supplementary Information**

**TRA Retirement Fund (Continued)**

**2015 Changes (Continued)**

Changes in Actuarial Assumptions

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

**Independent School District No. 97**  
**Notes to the Required Supplementary Information**

**General Employees Fund**

**2020 Changes**

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- 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 and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and 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% thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

**2019 Changes**

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, decreasing from \$31 million to \$21 million per year. The State's special funding contribution was changed prospectively, requiring \$16 million due per year through 2031.

**2018 Changes**

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

**Independent School District No. 97**  
**Notes to the Required Supplementary Information**

**General Employees Fund (Continued)**

**2018 Changes (Continued)**

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 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age. Does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

**2017 Changes**

Changes in Actuarial Assumptions

- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

Changes in Plan Provisions

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

**2016 Changes**

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, the inflation was decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**Independent School District No. 97**  
**Notes to the Required Supplementary Information**

**General Employees Fund (Continued)**

**2015 Changes**

Changes in Actuarial Assumptions

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

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 September 2015.

**Independent School District No. 97**  
**Notes to the Required Supplementary Information**

**Total OPEB Liability**

**2020 Changes**

Since the last valuation, the following changes have been made:

- The discount rate was changed from 3.13% to 2.45% based on updated 20-year municipal bond rates.

**2019 Changes**

Since the last valuation, the following changes have been made:

- The discount rate was changed from 3.62% to 3.13% based on updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations, including an adjustment to reflect the impact of the Affordable Care Act's Excise Tax on high-cost health insurance plans.
- Medical per capita claims were updated to reflect recent experience.
- Mortality and salary increase rates were updated from the rates used in the 7/1/2017 PERA General Employees Retirement Plan and 7/1/2017 Teachers Retirement Association valuations to the rates used in the 7/1/2018 valuations.
- The percent of retirees election spouse coverage changed from 0% to 10% to reflect recent plan experience.
- The percent of future non Medicare eligible retirees electing each medical plan changed to reflect recent plan experience.
- The inflation assumptions was changed from 2.75% to 2.50% based on an updated historical analysis of inflation rates and forward-looking market expectations.

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**SUPPLEMENTARY INFORMATION**

**Independent School District No. 97**  
**Moose Lake, Minnesota**  
**Combining Balance Sheet -**  
**Nonmajor Governmental Funds**  
**June 30, 2021**

	Special Revenue Food Service	Capital Projects	Total Nonmajor Funds
<b>Assets</b>			
Cash and investments	\$ 80,918	\$ 2,149	\$ 83,067
Accounts receivable	100	-	100
Inventory	7,597	-	7,597
Prepaid items	1,491	-	1,491
Total assets	\$ 90,106	\$ 2,149	\$ 92,255
<b>Liabilities</b>			
Accounts payable	\$ 637	\$ -	\$ 637
Salaries and benefits payable	10,676	-	10,676
Unearned revenue	11,629	-	11,629
Total liabilities	22,942	-	22,942
<b>Fund Balances</b>			
Nonspendable	9,088	-	9,088
Restricted	58,076	2,149	60,225
Total fund balances	67,164	2,149	69,313
Total liabilities and fund balances	\$ 90,106	\$ 2,149	\$ 92,255

**Independent School District No. 97**  
**Moose Lake, Minnesota**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Nonmajor Governmental Funds**  
**Year Ended June 30, 2021**

	Special Revenue <u>Food Service</u>	Capital Projects <u>Projects</u>	Total Nonmajor Funds <u>Funds</u>
<b>Revenues</b>			
Other local and county revenues	\$ 51	\$ 10	\$ 61
Revenue from state sources	2,474	-	2,474
Revenue from federal sources	230,758	-	230,758
Sales and other conversion of assets	14,174	-	14,174
Total revenues	<u>247,457</u>	<u>10</u>	<u>247,467</u>
<b>Expenditures</b>			
Current			
Sites and Buildings	-	18,755	18,755
Food service	239,262	-	239,262
Capital outlay			
Sites and buildings	-	3,021	3,021
Total expenditures	<u>239,262</u>	<u>21,776</u>	<u>261,038</u>
Net change in fund balances	8,195	(21,766)	(13,571)
<b>Fund Balances</b>			
Beginning of year	<u>58,969</u>	<u>23,915</u>	<u>82,884</u>
End of year	<u>\$ 67,164</u>	<u>\$ 2,149</u>	<u>\$ 69,313</u>

**Independent School District No. 97**  
**Uniform Financial Accounting And Reporting Standards**  
**Compliance Table**  
**Year Ended June 30, 2021**

	Audit	UFARS	Audit-UFARS		Audit	UFARS	Audit-UFARS
<b>01 GENERAL FUND</b>				<b>06 BUILDING CONSTRUCTION FUND</b>			
Total revenue	\$ 7,149,989	\$ 7,149,990	\$ (1)	Total revenue	\$ 10	\$ 10	\$ -
Total expenditures	7,619,369	7,619,370	(1)	Total expenditures	21,776	21,776	-
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
4.60 Nonspendable fund balance	92,962	92,961	1	4.60 Nonspendable fund balance	-	-	-
<i>Restricted/reserved:</i>				<i>Restricted/reserved:</i>			
4.01 Student Activities	26,985	26,985	-	4.07 Capital Projects Levy	-	-	-
4.02 Scholarships	-	-	-	4.13 Building Projects Funded By COP/LP	-	-	-
4.03 Staff Development	-	-	-	4.67 Long-term Facilities Maintenance	-	-	-
4.07 Capital Projects Levy	-	-	-	<i>Restricted:</i>			
4.08 Cooperative Programs	-	-	-	4.64 Restricted fund balance	2,149	2,149	-
4.09 Alternative Facility Program	-	-	-	<i>Unassigned:</i>			
4.13 Building Projects funded by COP/LP	-	-	-	4.63 Unassigned fund balance	-	-	-
4.14 Operating Debt	-	-	-				
4.16 Levy Reduction	-	-	-	<b>07 DEBT SERVICE FUND</b>			
4.17 Taconite Building Maintenance	-	-	-	Total revenue	\$ 2,394,393	\$ 2,394,393	\$ -
4.24 Operating Capital	150,343	150,343	-	Total expenditures	2,385,425	2,385,425	-
4.26 \$25 Taconite	-	-	-	<i>Nonspendable:</i>			
4.27 Disabled Accessibility	-	-	-	4.60 Nonspendable fund balance	-	-	-
4.28 Learning And Development	-	-	-	<i>Restricted/reserved:</i>			
4.34 Area Learning Center	-	-	-	4.25 Bond refundings	-	-	-
4.35 Contracted Alternative Programs	-	-	-	4.33 Maximum effort loan aid	-	-	-
4.36 State Approved Alternative Program	2,438	2,438	-	4.51 QZAB payments	-	-	-
4.38 Gifted and Talented	8,083	8,083	-	4.67 LTFM	-	-	-
4.40 Teacher Development and Evaluation	-	-	-	<i>Restricted:</i>			
4.41 Basic Skills Programs	-	-	-	4.64 Restricted fund balance	507,752	507,751	1
4.45 Career Technical Programs	-	-	-	<i>Unassigned:</i>			
4.48 Achievement and Integration Revenue	-	-	-	4.63 Unassigned fund balance	-	-	-
4.49 Safe School Crime	1	-	(1)				
4.51 QZAB Payments	-	-	-	<b>08 TRUST FUND</b>			
4.52 OPEB liabilities not held in trust	-	-	-	Total revenue	\$ -	\$ -	\$ -
4.53 Unfunded Severance and Retirement Levy	-	-	-	Total expenditures	-	-	-
4.59 Basic Skills Extended Time	4,710	4,710	-	<i>Unassigned:</i>			
4.67 Long-term Facilities Maintenance	95,549	95,549	-	4.01 Student Activities	-	-	-
4.72 Medical Assistance	5,176	5,177	(1)	4.02 Scholarships	-	-	-
4.75 Title VII - Impact Aid	-	-	-	4.22 Net position	-	-	-
4.76 Payments in Lieu of Taxes	-	-	-				
<i>Restricted:</i>				<b>18 CUSTODIAL</b>			
4.72 Medical Assistance	-	-	-	Total revenue	-	-	-
4.64 Restricted fund balance	-	-	-	Total expenditures	-	-	-
4.75 Title VII - Impact Aid	-	-	-	<i>Restricted/Reserved:</i>			
4.76 Payments in Lieu of Taxes	-	-	-	4.01 Student Activities	\$ -	\$ -	\$ -
<i>Committed:</i>				4.02 Scholarships	-	-	-
4.18 Committed for separation	156,286	156,286	-	4.48 Achievement and Integration	-	-	-
4.61 Committed	-	-	-	4.64 Restricted	-	-	-
<i>Assigned:</i>				<b>20 INTERNAL SERVICE FUND</b>			
4.62 Assigned fund balance	274,608	274,608	-	Total revenue	\$ -	\$ -	\$ -
<i>Unassigned:</i>				Total expenditures	-	-	-
4.22 Unassigned fund balance (net position)	541,969	541,968	1	<i>Unassigned:</i>			
				4.22 Net position	-	-	-
<b>02 FOOD SERVICE FUND</b>				<b>25 OPEB REVOCABLE TRUST</b>			
Total revenue	\$ 247,457	\$ 247,456	\$ 1	Total revenue	\$ -	\$ -	\$ -
Total expenditures	239,262	239,260	2	Total expenditures	-	-	-
<i>Nonspendable:</i>				<i>Unassigned:</i>			
4.60 Nonspendable fund balance	9,088	9,088	-	4.22 Net position	-	-	-
<i>Restricted/reserved:</i>							
4.52 OPEB liabilities not held in trust	-	-	-	<b>45 OPEB IRREVOCABLE TRUST</b>			
<i>Restricted:</i>				Total revenue	\$ -	\$ -	\$ -
4.64 Restricted fund balance	58,076	58,076	-	Total expenditures	-	-	-
<i>Unassigned:</i>				<i>Unassigned:</i>			
4.63 Unassigned fund balance	-	-	-	4.22 Net position	-	-	-
<b>04 COMMUNITY SERVICE FUND</b>				<b>47 OPEB DEBT SERVICE</b>			
Total revenue	\$ 505,929	\$ 505,927	\$ 2	Total revenue	\$ -	\$ -	\$ -
Total expenditures	436,485	436,482	3	Total expenditures	-	-	-
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
4.60 Nonspendable fund balance	596	596	-	4.25 Bond refundings	-	-	-
<i>Restricted/reserved:</i>				4.60 Nonspendable fund balance	-	-	-
4.26 \$25 Taconite	-	-	-	<i>Restricted:</i>			
4.31 Community Education	137,927	137,927	-	4.64 Restricted fund balance	-	-	-
4.32 ECFE	9,994	9,994	-	<i>Unassigned:</i>			
4.40 Teacher Development and Evaluation	-	-	-	4.63 Unassigned fund balance	-	-	-
4.44 School Readiness	87,633	87,633	-				
4.47 Adult Basic Education	-	-	-				
4.52 OPEB Liabilities not Held in Trust	-	-	-				
<i>Restricted:</i>							
4.64 Restricted fund balance	340,010	340,012	(2)				
<i>Unassigned:</i>							
4.63 Unassigned fund balance	-	-	-				

**Independent School District No. 97**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2021**

Federal Agency/Pass Through Agency/Program Title	Federal CFDA Number	Expenditures
<b>U.S. Department of Agriculture</b>		
Through Minnesota Department of Education:		
Child Nutrition Cluster:		
School Breakfast	10.553	\$ 2,845
Type A Lunch	10.555	12,315
Summer Food Service Program - COVID-19	10.559	195,402
Commodities	10.555	19,751
Total Child Nutrition Cluster and U.S. Department of Agriculture		230,313
<b>U.S. Department of Education</b>		
Through Minnesota Department of Education:		
Title I, Part A	84.010	59,574
Infants and Toddlers	84.181	1,540
Title IV, Part A	84.186	6,532
Title II, Part A - Improving Teacher Quality	84.367	12,994
Carl Perkins Career and Technical Education	84.048	18,159
Carl Perkins	84.048A	48,814
Special Education Cluster:		
Special Education	84.027	129,383
Disabled Early Education	84.173	4,493
Total Special Education Cluster		133,876
Education Stabilization Fund Cluster:		
Elementary and Secondary School Education Relief (ESSER) Fund - COVID-19	84.425	28,744
The Governor's Emergency Education Relief (GEER) Fund - COVID-19	84.425	11,181
Elementary and Secondary School Education Relief (ESSER) II Fund - COVID-19	84.425	219,998
Expanded Summer Learning - ESSER - COVID-19	84.4255D	8,133
Total Education Stabilization Fund Cluster		268,056
Direct from Federal Government		
Title V, Part A - Small, Rural Education Achievement Program	84.358	39,163
Total U.S. Department of Education		588,708
<b>U.S. Department of Education</b>		
Through Minnesota Department of Education:		
Coronavirus Relief Fund - COVID-19	21.019C	157,876
Through Carlton County:		
Other Coronavirus Aid, Relief, and Economic Security Act - COVID-19	21.019C	2,386
Total Coronavirus Relief Fund Cluster		160,262
Total Federal Expenditures		\$ 979,283

**Independent School District No. 97**  
**Notes to the Schedule of Expenditures of Federal Awards**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

**NOTE 2 – PASS-THROUGH GRANT NUMBERS**

All pass-through entities listed above use the same CFDA numbers as the federal grantors to identify these grants and have not assigned any additional identifying numbers.

**NOTE 3 – INVENTORY**

Inventories of commodities donated by the U.S. Department of Agriculture are recorded at market value in the Food Service Fund as inventory. Revenue and expenditures are recorded when commodities are used.

**NOTE 4 – INDIRECT COST RATE**

The District did not elect to use the 10 percent de minimis indirect cost rate, as allowed under the Uniform Guidance.

**Report on Internal Control over Financial Reporting  
and on Compliance and other Matters Based on an Audit  
of Basic Financial Statements Performed in Accordance with  
*Government Auditing Standards***

**Independent Auditor's Report**

To the School Board  
Independent School District No. 97  
Moose Lake, 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 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 ending June 30, 2021, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 2, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the basic financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the 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.

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 basic 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 were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs in Accordance with Uniform Guidance, to be a significant deficiency, Audit Finding 2021-001.

### **Compliance and Other Matters**

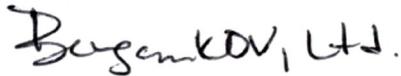
As part of obtaining reasonable assurance about whether the District's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

### **District's Response to the Findings**

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance. The District's response was not subjected to the auditing procedures applied in the audit of the basic 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 result 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.



St. Cloud, Minnesota  
November 2, 2021

**Report on Compliance for Each Major Federal Program  
and Report on Internal Control over Compliance in Accordance  
with the Uniform Guidance**

**Independent Auditor's Report**

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

**Report on Compliance for Each Major Federal Program**

We have audited Independent School District No. 97's, Moose Lake, Minnesota, compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance.

**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.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of 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, Independent School District No. 97, Moose Lake, Minnesota 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.

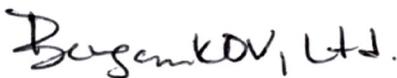
## Report on Internal Control over Compliance

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 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 were not identified.

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



St. Cloud, Minnesota  
November 2, 2021

**Independent School District No. 97  
Schedule of Findings and Questioned Costs  
in Accordance with the Uniform Guidance**

**SECTION I – SUMMARY OF AUDITOR'S RESULTS**

**Basic Financial Statements**

Type of auditor's report issued:	We issued an unmodified opinion on the fair presentation of the basic financial statements of the governmental activities, each major fund and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).
----------------------------------	---

Internal control over financial reporting:	
<ul style="list-style-type: none"> <li>• Material weakness(es) identified?</li> <li>• Significant deficiency(ies) identified?</li> </ul>	<p>No</p> <p>Yes, Audit Finding 2021-001</p>

Noncompliance material to basic financial statements noted?	No
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**Federal Awards**

Type of auditor's report issued on compliance for major programs:	Unmodified
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Internal control over major programs:	
<ul style="list-style-type: none"> <li>• Material weakness(es) identified?</li> <li>• Significant deficiency(ies) identified?</li> </ul>	<p>No</p> <p>No</p>

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516?	No
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**Identification of Major Programs**

CFDA No:	84.425
Name of Federal Program or Cluster:	Education Stabilization Funds Cluster

CFDA No:	10.553, 10.555, 10.559
Name of Federal Program or Cluster:	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
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Auditee qualified as low risk auditee?	No
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**Independent School District No. 97  
Schedule of Findings and Questioned Costs  
in Accordance with the Uniform Guidance**

**SECTION II – BASIC FINANCIAL STATEMENT FINDINGS**

**Audit Finding 2021-001**

*Criteria or Specific Requirement:*

Internal control that supports the District's ability to initiate, record, process and report financial data consistent with the assertions of management in the basic financial statements requires adequate segregation of accounting duties.

*Condition:*

The District does not have adequate segregation of accounting duties.

*Context:*

This finding impacts the internal control for all significant accounting functions.

*Effect or Potential Effect:*

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

*Cause:*

There are a limited number of office employees.

*Recommendation:*

Continue to review the accounting system, including changes that may occur. Implement segregation whenever practical.

*Management's Response:*

**CORRECTIVE ACTION PLAN (CAP):**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding  
Administration will continually review current segregation of accounting duties to determine if further segregation is possible. However, at this time, the District does not consider it cost beneficial to increase staff in order to further segregate accounting functions.
3. Official Responsible for Ensuring CAP  
Billie Jo Steen, Superintendent, is the official responsible for ensuring corrective action of the deficiency.

**Independent School District No. 97  
Schedule of Findings and Questioned Costs  
in Accordance with the Uniform Guidance**

**SECTION II – BASIC FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**Audit Finding 2021-001 (Continued)**

*Management's Response: (Continued)*

**CORRECTIVE ACTION PLAN (CAP): (Continued)**

4. Planned Completion Date for CAP  
The planned completion date for the CAP is ongoing.
5. Plan to Monitor Completion of CAP  
The School Board will be monitoring this CAP.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None

**SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

None

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**Minnesota Legal Compliance**

**Independent Auditor's Report**

To the School Board  
Independent School District No. 97  
Moose Lake, 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 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, and the related notes to basic financial statements, and have issued our report thereon dated November 2, 2021.

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

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

*BergankDV, Ltd.*

St. Cloud, Minnesota  
November 2, 2021