

RIDGEWAY COMMUNITY SCHOOL
CSD# 4083
Houston, Minnesota

AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

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**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
TABLE OF CONTENTS**

	<u>PAGE</u>
INTRODUCTORY SECTION	
Board of Education and Administration	i
FINANCIAL SECTION	
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
School-wide Financial Statements	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements	
Balance Sheet - Governmental Funds	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	18
Reconciliation of Net Position in the Government-wide Financial Statements and Fund Balances in the Fund Basis Financial Statements	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	22
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Food Service Fund	23
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Community Service Fund	24
Notes to the Financial Statements	25
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of School's Contributions - General Employee Retirement Funds	50
Schedule of School's Contributions - TRA Retirement funds	50
Schedule of School's and Non-employer Proportionate Share of Net Pension Liability - General Employees Retirement Funds	51
Schedule of School's and Non-employer Proportionate Share of Net Pension Liability - TRA	51
SUPPLEMENTARY INFORMATION	
Comparative Balance Sheet - General Fund	52
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Building Corporation Fund	53
Supplemental Cost Schedules	54
OTHER REQUIRED REPORTS	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an audit of Financial Statements in accordance with <i>Government Auditing Standards</i>	55
Schedule of Findings and Responses	57
Uniform Financial Accounting and Reporting Standards - Compliance Table	58

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA**

INTRODUCTORY SECTION

JUNE 30, 2020

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
BOARD OF EDUCATION AND ADMINISTRATION
JUNE 30, 2020**

	<u>2019 - 2020</u>	<u>Term Expires</u>
Samantha Conway	Chairperson - Teacher	5/31/2021
Tessa Loken	Vice-Chairperson - Parent	5/31/2020
Jennifer Krings	Treasurer - Teacher	5/31/2021
Judith Lubahn	Secretary - Teacher	5/31/2020
Rhonda Anderson	Member - Teacher	5/31/2020
Jennifer Conway	Member - Parent	5/31/2021
Kelly Wooden	Member - Community	5/31/2020

Jodi Dansingburg - Ex-officio & School Coordinator

Mary Feathergill - Ex-officio & Business Manager

**RIDGEWAY COMMUNITY ASSOCIATION
BOARD OF DIRECTORS**

	<u>2019 - 2020</u>	<u>Term Expires</u>
Tammy Merchlewitz	President	6/30/2020
Terry Stinson	Treasurer	6/30/2021
Steve Groth	Secretary/Clerk	6/30/2020

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA**

FINANCIAL SECTION

JUNE 30, 2020

INDEPENDENT AUDITOR'S REPORT

Board of Education
Ridgeway Community School
Houston, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Ridgeway Community School, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Ridgeway Community School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Ridgeway Community School as of June 30, 2020, and the respective changes in financial position and, where applicable, and the respective budgetary comparison for the General Fund and each major 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 on pages 3 through 12 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 Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Other Matters

Required Supplementary Information (Continued)

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 response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ridgeway Community School, Houston, Minnesota's basic financial statements. The introductory section, supplementary information, and Uniform Financial Accounting and Reporting Standards Compliance Table are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information and Uniform Financial Accounting and Reporting Standards Compliance Table are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and Uniform Financial Accounting and Reporting Standards Compliance Table are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Report on Summarized Comparative Information

The financial statements include partial year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the School's financial statement for the year ended June 30, 2019, from which such partial information was derived.

We have previously audited the School's 2019 financial statements and our report, dated September 12, 2019, expressed unmodified opinions on the respective financial statements of the governmental activities and each major fund. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated October 12, 2020, on our consideration of the School'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 and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Smith, Schaff and Associates, Ltd.

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of Ridgeway Community Schools' annual financial report presents our discussion and analysis of the School's financial performance during the year that ended on June 30, 2020. Please read it in conjunction with the School's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

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

- Total Assets and Deferred Outflows: \$2,881,179.
- Overall revenues for the General Fund were \$1,108,165 while overall expenditures totaled \$1,097,505.
- The General Fund Unassigned Fund Balance is \$420,751. This represents an increase of \$156,008 from last year.
- The General Fund total fund balance increased by \$156,008 from the prior year.
- The Food Service Fund total fund balance remained a net zero balance.
- The Community Service Fund total fund balance increased by \$4,644 from the prior year.

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

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

The two School-wide statements report the School's net position and how they have changed. Net position – the difference between the School's assets and deferred outflows of resources and liabilities and deferred inflows of resources – are one way to measure the School's financial health or position. Over time, increases or decreases in the School's net position is an indicator of whether its financial position is improving or deteriorating, respectively. To assess the overall health of the School you need to consider additional non-financial factors such as changes in the condition of School buildings and other facilities.

In the School-wide financial statements the School's activities are shown in one category: Governmental activities. Most of the School's basic services are included here, such as elementary and secondary regular instruction, special education, transportation, administration, food services, and community education. State aids finance most of these activities.

Fund Financial Statements. The fund financial statements provide more detailed information about the School's funds – focusing on its most significant or "major" funds – not the School as a whole. Funds are accounting devices the School uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by State law and by bond covenants. The School establishes other funds to control and manage money for particular purposes.

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The School has one kind of fund:

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

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net position. The School's combined net position from Governmental activities was \$264,533 for the year ended June 30, 2020. This was an decrease of \$61,304 from the prior year primarily these changes are due to the School recognizing their proportionate share of the underfunded liability for Teachers Retirement Association (TRA) and Minnesota Public Employee Retirement Association (PERA). The School's proportionate share is obtained from actuary reports which allocate the underfunded liability of Teachers Retirement Association (TRA) and Minnesota Public Employee Retirement Association (PERA) plans to all governmental units within the plans.

The goal of the School has been to establish an unassigned fund balance of 25% or more so that the School will not have to secure a loan in order to cover the cash flow from one year to the next. The School also plans for specific large expenditure items in the areas of technology, transportation, equipment replacement, and curriculum replacement on a year to year basis.

	Total	
	2020	2019
Assets		
Current and other assets	\$ 799,540	\$ 550,522
Capital assets	1,541,015	1,513,490
Total assets	2,340,555	2,064,012
Deferred Outflows of Resources		
Total deferred outflows of resources	540,624	778,398
Liabilities		
Current liabilities	95,812	144,801
Long-Term liabilities	1,807,072	1,456,032
Total liabilities	1,902,884	1,600,833
Deferred Inflows of Resources		
Total deferred inflows of resources	713,762	915,740
Net Position		
Net investment in capital assets	611,264	694,221
Restricted	255,660	159,106
Unrestricted	(602,391)	(527,490)
Total net position	\$ 264,533	\$ 325,837

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE (Continued)

School's Revenue. The School's total revenues were \$1,392,024 for the year ended June 30, 2020; compared to \$1,394,312 for the year ending June 30, 2019. Federal and State sources accounted for 53.3% (compared to 49.4% the previous year) of the total revenue, with the remaining revenue coming from general revenues, donations, small grants and program revenues.

Recording of the School's proportionate share of the State's net pension liability, which is required by accounting standards, impacts the Statement of Activities. The School's proportionate share is obtained from actuary reports which allocate the underfunded liability of Teachers Retirement Association (TRA) and Minnesota Public Employee Retirement Association (PERA) plans to all governmental units within the plans.

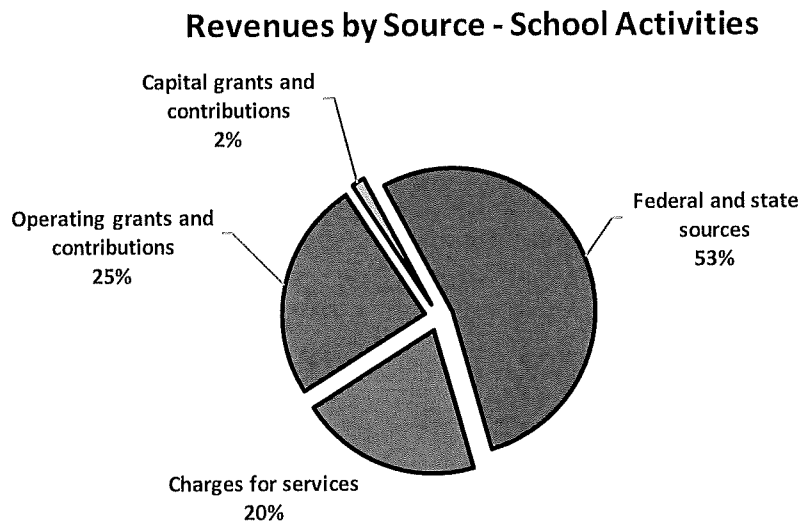
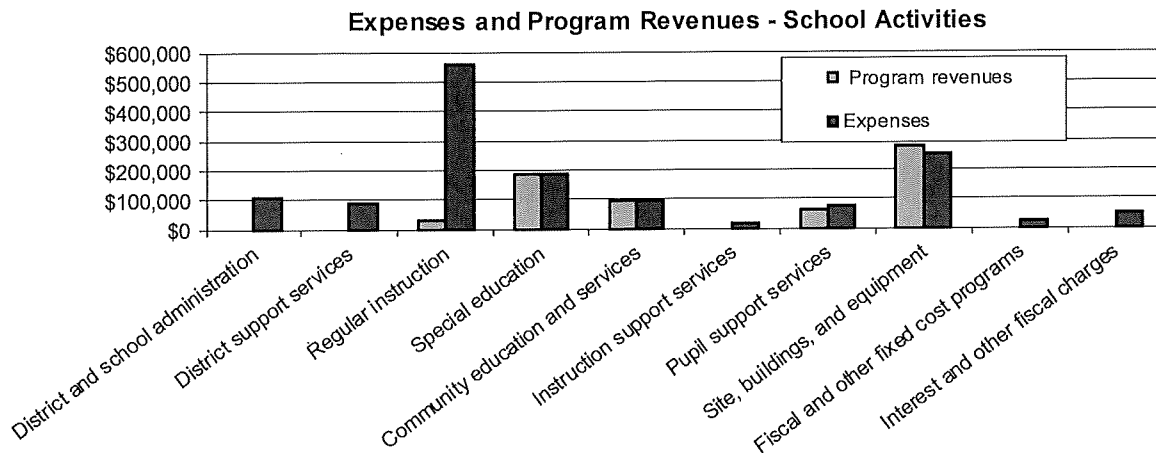
A condensed version of the Statement of Activities follows:

	Total	
	2020	2019
Revenue		
Program revenues:		
Charges for services	\$ 284,348	\$ 280,635
Operating grants and contributions	341,941	403,196
Capital grants and contributions	20,618	20,933
General revenues:		
Federal and state sources	741,803	688,473
Miscellaneous	1,197	
Investment earnings	2,117	1,075
Total revenues	<u>1,392,024</u>	<u>1,394,312</u>
Expenses		
District and school administration	106,279	79,438
District support services	90,045	86,218
Regular instruction	559,286	339,572
Special education	186,804	168,069
Community education and services	96,438	86,041
Instruction support services	17,201	17,418
Pupil support services	76,041	99,548
Site, buildings, and equipment	249,209	264,160
Fiscal and other fixed cost programs	25,116	10,474
Interest and other fiscal charges	46,909	95,844
Total expenses	<u>1,453,328</u>	<u>1,246,782</u>
Change in net position	(61,304)	147,530
Net position, beginning	<u>325,837</u>	<u>178,307</u>
Net position, end	<u>\$ 264,533</u>	<u>\$ 325,837</u>

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE (Continued)

Below are specific graphs that provide comparisons of the School activities direct program revenues with their expenses. Any shortfalls in direct revenues are primarily supported by general state aid.



**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

FUND BASIS FINANCIAL ANALYSIS

Financial Analysis of the School's Funds

The financial performance of the School is reflected in its governmental funds as well. As the School completed the year, its Governmental Funds reported a combined fund balance of \$703,728.

The School adheres to the state attendance statutes and works with families to help keep student attendance steady.

History of adjusted average daily membership:

<u>Fiscal Year</u>	<u>ADM</u>	<u>% Change</u>
2011	86.97	
2012	92.30	6.1%
2013	101.32	9.8%
2014	96.00	-5.3%
2015	92.86	-3.3%
2016	96.64	4.1%
2017	99.51	3.0%
2018	95.41	-4.1%
2019	100.68	5.5%
2020	101.34	0.7%

General Fund. The General Fund includes the primary operations of the School in providing educational services to students from kindergarten through grade five.

Total General Fund Revenue increased \$34,545 from the previous year (being \$1,108,165 in 2020 and \$1,073,620 in 2019). The increase was due to general education state aid increase per pupil funding and Federal Title funding allocations for technology purchasing.

Basic general education revenue is determined by multiple complex state formulas, largely enrollment driven, and consists of a specified minimum amount with variables such as socioeconomic indicators driving additional funding. For Minnesota charter Schools the majority of all funding is made up of general education aid, special education aid, and charter School lease aid. Other revenue consists of federal and private grant funding that is often expenditure driven.

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

FUND BASIS FINANCIAL ANALYSIS (Continued)

General fund revenues were as follows:

	2020	2019	Increase/ (Decrease)
Other local sources	\$ 17,590	\$ 18,012	\$ (422)
Investment income	1,929	976	953
State sources	1,028,148	1,016,816	11,332
Federal sources	60,498	37,816	22,682
Total General Fund Revenues	\$ 1,108,165	\$ 1,073,620	\$ 34,545

Total General Fund expenditures increased \$51,809 from the previous year. The increase in the General Fund expenditures was due from the increase allocated to all staff wages and salaries, changes from the COVID-19 Pandemic, which brought about the State School Shut Down and switch to Distance Learning, and to the expensing of restricted revenues received in the year.

General fund expenditures were as follows:

	2020	2019	Increase/ (Decrease)
District and school administration	\$ 100,495	\$ 98,426	\$ 2,069
District support services	90,898	87,725	3,173
Regular instruction	464,554	417,685	46,869
Special education	187,946	197,379	(9,433)
Instructional support services	14,019	17,578	(3,559)
Pupil support services	12,980	12,595	385
Site, buildings, and equipment	214,549	203,834	10,715
Fiscal and other fixed cost programs	12,064	10,474	1,590
Total General Fund Expenditures	\$ 1,097,505	\$ 1,045,696	\$ 51,809

The total General Fund balance on June 30, 2020, is \$470,548 compared to \$314,540 on June 30, 2019 (increase of \$156,008). Of the amount, \$49,797 is nonspendable or restricted – leaving an amount of \$420,751 in the Unassigned General Fund Balance. The increase in Unassigned General Fund Balance is due to the School receiving the Paycheck Protection Program loan funds in 2020 and expending the loan proceeds in accordance with the loan restrictions to apply for forgiveness.

Food Service Fund. The Food Service Fund accounts for the activities related to providing child nutrition services to support K-5 academic programs. The goal for the food service fund is that the child nutrition services program is self-supporting and does not rely upon resources from K-5 instruction programs.

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

FUND BASIS FINANCIAL ANALYSIS (Continued)

Food Service Fund. (Continued)

The Food Service revenue for 2019-2020 totaled \$47,545 compared to \$67,769 the previous year – a decrease of \$17,224.

The Food Service expenditures for 2019-2020 totaled \$60,597 compared to \$69,722 the previous year – a decrease in expenditures of \$9,125.

Food Service revenue and expenditure changes in comparison to prior year are due to the COVID-19 Pandemic, which brought about the State School Shut Down and switch to Distance Learning that occurred this school year.

Community Service Fund. The Community Service Fund accounts for the activities related to providing education and recreation programs for Pre-Kindergarten and before and after School childcare and enrichment programs. The fund operates on the goal of breaking even on a yearly basis so that it does not rely upon resources from K-5 instruction programs.

The Community Service Fund realized an increase in the fund balance of \$4,644.

Community Service Fund revenues for 2019-2020 totaled \$92,457; compared to \$96,955 in the previous year. This was an decrease of revenue of \$4,498.

Community Service Fund expenditures for 2019-2020 totaled \$87,813; compared to \$98,803 in the previous year. This was an decrease of expenditures of \$10,990 from the previous year.

Community Service revenue and expenditure changes in comparison to prior year are due to the COVID-19 Pandemic, which brought about the State School Shut Down and switch to Distance Learning that occurred this school year.

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

GENERAL FUND BUDGETARY HIGHLIGHTS

The School provided a Revised 2019-2020 Budget in January of 2020 and another full budget revision in May of 2020 was done in this year due to the COVID-19 Pandemic, which brought about the State School Shut Down and switch to Distance Learning. The revenue was increased by \$8,151 due to the original budget being based conservatively on 100 students and on more donations and restricted funding received.

The Actual 2020 revenue was \$24,084 more than the Revised Budget Revenue. This is primarily due to the school receiving more than anticipated in special education revenue.

The Revised 2020 Budget stated expenditures at \$29,556 higher than the Original 2020 Budget. The Actual expenditures were \$4,467 more than projected.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2020, the School had invested \$1,541,015 (net of accumulated depreciation) in a broad range of capital assets, technology equipment, and other types of equipment. Capital assets are recorded in the School-wide financial statements, but are not reported in the Fund financial statements.

	Total, net of accumulated depreciation	
	2020	2019
Ridgeway Community School		
Land improvements	\$ 14,651	\$ 14,651
Equipment	311,821	305,175
Ridgeway Community Association		
Land	48,000	48,000
Construction in progress	74,798	
Buildings and improvements	1,975,861	1,949,703
Total	<u>2,425,131</u>	<u>2,317,529</u>
Less: Accumulated depreciation	(884,116)	(804,039)
	<u>\$ 1,541,015</u>	<u>\$ 1,513,490</u>

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Long Term Liabilities. As of June 30, 2020, the School had \$1,088,151 in building loan payable and \$59,265 in compensated absences payable outstanding. A summary of outstanding long-term liabilities as of June 30, 2020, is as follows:

	Total	
	2020	2019
Ridgeway Community Association		
Building loan payable	\$ 779,751	\$ 819,269
Parking lot loan payable	150,000	
Paycheck protection loan	158,400	
Ridgeway Community School		
Compensated absences payable	59,265	51,362
Total	<u>\$ 1,147,416</u>	<u>\$ 870,631</u>

FACTORS BEARING ON THE SCHOOL'S FUTURE

The School is dependent on the State of Minnesota for its revenue authority. The School will continue to plan conservatively on budget projections and maintain an adequate fund balance to keep the School from having to incur operational loans.

The School will continue its commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the School Office, Ridgeway Community School, 35564 County Rd 12, Houston, Minnesota 55943.

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA**

BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
STATEMENT OF NET POSITION**

June 30, 2020

With Comparative Data as of June 30, 2019

	Governmental Activities	
	2020	2019
Assets		
Cash and investments	\$ 643,169	\$ 398,933
Other receivables	2,371	3,088
Due from other governmental units	129,996	131,509
Prepaid expenses	24,004	16,992
Capital Assets:		
Nondepreciable	122,798	48,000
Depreciable, net of accumulated depreciation	1,418,217	1,465,490
TOTAL ASSETS	2,340,555	2,064,012
Deferred Outflows of Resources		
Deferred outflow from pension activities	540,624	778,398
Liabilities		
Accounts payable	4,530	4,774
Accrued liabilities	80,134	76,766
Due to other school districts	9,786	14,430
Due to other governmental units		411
Unearned revenue	1,362	1,198
Long-Term Liabilities:		
Due within one year	53,201	47,222
Due in more than one year	1,094,215	823,409
Net pension liability	659,656	632,623
TOTAL LIABILITIES	1,902,884	1,600,833
Deferred Inflows of Resources		
Deferred inflows from pension activities	713,762	915,740
Net Position		
Net investment in capital assets	611,264	694,221
Restricted:		
Community service	15,254	10,610
Building corporation	217,926	127,793
Other	22,480	20,703
Unrestricted:	(602,391)	(527,490)
TOTAL NET POSITION	\$ 264,533	\$ 325,837

See Notes to Financial Statements

RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020
With Partial Comparative Data for the Year Ended June 30, 2019

	2020			
	<div> <div>Program Revenues</div> <div> <div>Operating</div> <div>Capital Grants</div> </div> </div>			
	Expenses	Charges for	Grants and	and
Functions/Programs		Services	Contributions	Contributions
District and school administration	\$ 106,279	\$	\$	\$
District support services	90,045			
Regular instruction	559,286		31,768	
Special education	186,804	17,133	166,797	
Community education and services	96,438	91,449		
Instruction support services	17,201			
Pupil support services	76,041	44,881	15,716	
Site, buildings, and equipment	249,209	130,885	127,660	20,618
Fiscal and other fixed cost programs	25,116			
Interest and other fiscal charges	46,909			
Total governmental activities	\$ 1,453,328	\$ 284,348	\$ 341,941	\$ 20,618
General Revenues:				
State aid not restricted to specific purposes				
Miscellaneous				
Investment income				
Total general revenues				
Change in net position				
Net Position - Beginning				
Net Position - Ending				

See Notes to Financial Statements

2020	2019
Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Total Governmental Activities	Total Governmental Activities
\$ (106,279)	\$ (79,438)
(90,045)	(86,218)
(527,518)	(303,297)
(2,874)	31,013
(4,989)	10,914
(17,201)	(17,418)
(15,444)	(34,779)
29,954	(71,059)
(25,116)	(10,474)
(46,909)	18,738
(806,421)	(542,018)
741,803	688,473
1,197	
2,117	1,075
745,117	689,548
(61,304)	147,530
325,837	178,307
\$ 264,533	\$ 325,837

RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
 June 30, 2020
With Partial Comparative Data as of June 30, 2019

	General	Food Service	Community Service
Assets			
Cash and investments	\$ 405,629	\$ 2,831	\$ 15,480
Accounts receivable	1,543		828
Due from other school districts	632		
Due from Minnesota Department of Education	123,830		
Due from Federal through Minnesota Department of Education	5,534		
Due from other funds			
Prepaid items	24,004		
TOTAL ASSETS	\$ 561,172	\$ 2,831	\$ 16,308
Liabilities and Fund Balance			
Liabilities			
Accounts payable	\$ 760	\$ 2,427	\$ 40
Salaries and accrued liabilities payable	79,730	404	
Due to other school districts	9,786		
Due to other government units			
Due to other funds			
Unearned revenue	348		1,014
TOTAL LIABILITIES	90,624	2,831	1,054
Fund Balances			
Nonspendable	24,004		
Restricted	25,793		15,254
Unassigned	420,751		
TOTAL FUND BALANCES	470,548		15,254
TOTAL LIABILITIES AND FUND BALANCE	\$ 561,172	\$ 2,831	\$ 16,308

See Notes to Financial Statements

Building Corporation	Total Governmental Funds	
	2020	2019
\$ 219,229	\$ 643,169	\$ 398,933
	2,371	3,088
	632	
	123,830	120,217
	5,534	11,292
		339
	24,004	16,992
<u>\$ 219,229</u>	<u>\$ 799,540</u>	<u>\$ 550,861</u>

\$ 1,303	\$ 4,530	\$ 4,774
	80,134	76,766
	9,786	14,430
		411
		339
	1,362	1,198
<u>1,303</u>	<u>95,812</u>	<u>97,918</u>

	24,004	16,992
217,926	258,973	159,106
	420,751	276,845
<u>217,926</u>	<u>703,728</u>	<u>452,943</u>
<u>\$ 219,229</u>	<u>\$ 799,540</u>	<u>\$ 550,861</u>

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2020
With Partial Comparative Data for the Year Ended June 30, 2019

	General	Food Service	Community Service
Revenues			
Local sources:			
Other local sources	\$ 17,590	\$ 26,503	\$ 91,449
Investment income	1,929		
State sources	1,028,148	2,894	
Federal sources	60,498	18,148	
TOTAL REVENUES	1,108,165	47,545	91,449
Expenditures			
District and school administration	100,495		
District support services	90,898		
Regular instruction	464,554		
Special education	187,946		
Community education and services			86,805
Instructional support services	14,019		
Pupil support services	12,980	60,597	
Site, buildings, and equipment	214,549		
Fiscal and other fixed cost programs	12,064		
Building corporation			
Principal			
Interest and other fiscal charges			
TOTAL EXPENDITURES	1,097,505	60,597	86,805
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	10,660	(13,052)	4,644
Other Financing Sources (Uses)			
Loan proceeds	158,400		
Payment on refunded loan			
Transfers in		13,052	
Transfers out	(13,052)		
TOTAL OTHER FINANCING SOURCES (USES)	145,348	13,052	
NET CHANGE IN FUND BALANCES	156,008		4,644
FUND BALANCES - BEGINNING	314,540		10,610
FUND BALANCES - ENDING	\$ 470,548	\$	\$ 15,254

See Notes to Financial Statements

Building Corporation	Total Governmental Funds	
	2020	2019
\$ 131,625	\$ 267,167	\$ 310,425
188	2,117	1,075
	1,031,042	1,020,727
	78,646	62,085
131,813	1,378,972	1,394,312
	100,495	98,426
	90,898	87,725
	464,554	417,685
	187,946	197,379
	86,805	98,803
	14,019	17,578
	73,577	82,317
105,253	319,802	265,656
	12,064	10,474
39,518	39,518	35,983
46,909	46,909	95,844
191,680	1,436,587	1,407,870
(59,867)	(57,615)	(13,558)
150,000	308,400	841,700
		(793,383)
	13,052	4,953
	(13,052)	(4,953)
150,000	308,400	48,317
90,133	250,785	34,759
127,793	452,943	418,184
\$ 217,926	\$ 703,728	\$ 452,943

RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
RECONCILIATION OF NET POSITION IN THE
SCHOOL-WIDE FINANCIAL STATEMENTS AND FUND BALANCES
IN THE FUND BASIS FINANCIAL STATEMENTS
June 30, 2020

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

Total governmental fund balances (pages 16 and 17)		\$ 703,728
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$ 2,425,131	
Less: Accumulated depreciation	<u>884,116</u>	
		1,541,015
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Loans payable	\$ (1,088,151)	
Compensated absences	(59,265)	
Net pension liability	<u>(832,794)</u>	
		<u>(1,980,210)</u>
Net position of governmental activities (page 13)		<u><u>\$ 264,533</u></u>

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020**

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

Net change in fund balances - total governmental funds (pages 18 and 19)	\$	250,785
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Governmental funds reported capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$1,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlays	\$	107,602	
Depreciation expense		(80,077)	
			27,525

The governmental funds report long-term debt proceeds as financing sources, while repayment of long-term debt principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligations bonds and related items is as follows.

Principal retirement on long-term debt	\$	39,518	
Issuance of loan payable		(308,400)	
			(268,882)

In the statement of activities, certain operating expenses - net pension liability and compensated absences - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).

Net pension liability	\$	(62,829)	
Compensated absences		(7,903)	
			(70,732)

Change in net position of governmental activities (pages 14 and 15)	\$	(61,304)
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**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND**

For the Year Ended June 30, 2020
With Partial Comparative Data for the Year Ended June 30, 2019

	Budgeted Amounts		2020	Over (Under)	2019
	Original	Final	Actual	Final Budget	Actual
Revenues					
Local sources:					
Other local sources	\$ 11,700	\$ 14,096	\$ 17,590	\$ 3,494	\$ 18,012
Investment income	900	2,000	1,929	(71)	976
State sources	1,014,020	1,007,956	1,028,148	20,192	1,016,816
Federal sources	49,310	60,029	60,498	469	37,816
TOTAL REVENUES	<u>1,075,930</u>	<u>1,084,081</u>	<u>1,108,165</u>	<u>24,084</u>	<u>1,073,620</u>
Expenditures					
District and school administration	97,713	103,181	100,495	(2,686)	98,426
District support services	82,526	86,324	90,898	4,574	87,725
Regular instruction	426,119	462,321	464,554	2,233	417,685
Special education	207,579	185,656	187,946	2,290	197,379
Instructional support services	19,760	17,566	14,019	(3,547)	17,578
Pupil support services	14,378	16,596	12,980	(3,616)	12,595
Site, buildings, and equipment	204,933	210,920	214,549	3,629	203,834
Fiscal and other fixed cost programs	10,474	10,474	12,064	1,590	10,474
TOTAL EXPENDITURES	<u>1,063,482</u>	<u>1,093,038</u>	<u>1,097,505</u>	<u>4,467</u>	<u>1,045,696</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	12,448	(8,957)	10,660	19,617	27,924
Other Financing Sources (Uses)					
Loan proceeds			158,400		
Transfers out			(13,052)	(13,052)	(4,953)
NET CHANGE IN FUND BALANCE	12,448	(8,957)	156,008	6,565	22,971
FUND BALANCE - BEGINNING	314,540	314,540	314,540		291,569
FUND BALANCE - ENDING	<u>\$ 326,988</u>	<u>\$ 305,583</u>	<u>\$ 470,548</u>	<u>\$ 6,565</u>	<u>\$ 314,540</u>

See Notes to Financial Statements

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOOD SERVICE FUND**

For the Year Ended June 30, 2020
With Partial Comparative Data for the Year Ended June 30, 2019

	Budgeted Amounts		2020	Over (Under)	2019
	Original	Final	Actual	Final Budget	Actual
Revenues					
Local sources:					
Other local sources	\$ 36,795	\$ 24,655	\$ 26,503	\$ 1,848	\$ 36,589
State sources	4,000	3,004	2,894	(110)	3,911
Federal sources	23,645	19,003	18,148	(855)	24,269
TOTAL REVENUES	<u>64,440</u>	<u>46,662</u>	<u>47,545</u>	<u>883</u>	<u>64,769</u>
Expenditures					
Pupil support services	<u>65,512</u>	<u>56,868</u>	<u>60,597</u>	<u>3,729</u>	<u>69,722</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,072)	(10,206)	(13,052)	(2,846)	(4,953)
Other Financing Sources					
Transfers in			<u>13,052</u>	<u>13,052</u>	<u>4,953</u>
NET CHANGE IN FUND BALANCE	(1,072)	(10,206)		10,206	
FUND BALANCE - BEGINNING					
FUND BALANCE - ENDING	<u>\$ (1,072)</u>	<u>\$ (10,206)</u>	<u>\$</u>	<u>\$ 10,206</u>	<u>\$</u>

See Notes to Financial Statements

RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
COMMUNITY SERVICE FUND
 For the Year Ended June 30, 2020
 With Partial Comparative Data for the Year Ended June 30, 2019

	Budgeted Amounts		2020	Over (Under)	2019
	Original	Final	Actual	Final Budget	Actual
Revenues					
Local sources:					
Other local sources	\$ 92,020	\$ 86,879	\$ 91,449	\$ 4,570	\$ 96,955
TOTAL REVENUES	92,020	86,879	91,449	4,570	96,955
Expenditures					
Community education and services	96,275	90,833	86,805	(4,028)	98,803
NET CHANGE IN FUND BALANCE	(4,255)	(3,954)	4,644	8,598	(1,848)
FUND BALANCE - BEGINNING	10,610	10,610	10,610		12,458
FUND BALANCE - ENDING	\$ 6,355	\$ 6,656	\$ 15,254	\$ 8,598	\$ 10,610

See Notes to Financial Statements

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The financial statements of Ridgeway Community School have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB has issued codification of governmental accounting and financial reporting standards dated June 30, 2000. This codification and subsequent GASB pronouncements are recognized as U.S. generally accepted accounting principles for state and local government.

Financial Reporting Entity

Ridgeway Community School, Houston, Minnesota ("School") is a Charter School, and was formed August 29, 2001 through an agreement with Winona Area Public Schools School No. 861 in accordance with Minnesota Statutes and began operating September 17, 2001 pursuant to applicable Minnesota laws and statutes. The primary objective of the School is to prepare individuals for responsible, self-directed, lifelong learning, with an emphasis on traditional rural values of cooperation, respect, community service, and stewardship of the natural environment.

Accounting principles generally accepted in the United States of America (GAAP) require that the School's financial statements include all funds, account groups, departments, agencies, boards, commissions, and other organizations which are not legally separated from the School. In addition, the School's financial statements are to include all component units - entities for which the School is financially accountable.

Financial accountability includes such aspects as appointing a voting majority of the organization's governing body, significantly influencing the programs, projects, activities or level of services performed or provided by the organization or receiving specific financial benefits from, or imposing specific financial burden on, the organization. These financial statements include all funds and account groups of the School.

Based on these criteria, there is one organization that is considered to be a component unit of the School. Ridgeway Community Association is a Minnesota non-profit corporation holding IRS classification as a 501 (C)(3) tax exempt organization which owns the real estate and building that is leased by the School for its operations. Ridgeway Community Association is governed by a separate board appointed by the board of the School. Although it is legally separate from the School (as a blended component unit) because its sole purpose is to acquire, construct, and own an educational site, which is leased to the School. All long-term debt related to the purchase of the building and property and fixed assets related to the School site will be the responsibility of and will be under ownership of the Ridgeway Community Association.

Basic Financial Statement Presentation

The School-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 School.

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

RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Basic Financial Statement Presentation (Continued)

The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted components of net position are available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense, and is reported separately on the Statement of Activities.

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

Proprietary funds are used to report business-type activities carried on by a School. No activities of the School were determined to be of this nature, so no proprietary funds are present in the financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The School-wide financial statements were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State aids are recorded as revenue in the fiscal year for which the aids are designated by statute.

Governmental fund types are accounted for using the modified accrual basis of accounting. Under this method revenues are recognized when susceptible to accrual, i.e. both measurable and available to finance expenditures of the fiscal period. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues susceptible to accrual are state aids, fees, and interest. For this purpose, the School considers all revenue to be available if they are collected within 60 days after the end of the current period.

Expenditures are generally recognized using the modified accrual basis of accounting when a related fund liability is incurred. Exceptions to this rule include (1) accumulated unpaid vacation, sick pay, and other employee amounts which are not accrued, and (2) principle and interest on general long-term debt which is recognized when due.

These methods are in accordance with the Uniform Financial Accounting and Reporting System (UFARS), which the School uses to prepare its financial statements.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Non-exchange transaction, in which the School receives value without directly giving equal value in return, include grants, and donations. Revenue from grants and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year in which the resources are required to be used or the year when use is first permitted; matching requirements, in which the School must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it is recognized.

Unearned revenue is recorded when assets are recognized before revenue recognition criteria have been satisfied. Grants received before eligibility requirements other than time requirements are met are recorded as unearned revenue. Grants received before time requirements are met are recorded as a deferred inflow of resources.

Description of Funds

The accounts of the School are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, fund equity, revenues and expenditures. School resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The major funds of the School are presented as follows:

The *general fund* is the School's primary operating fund. It accounts for all financial resources and transactions except those required to be accounted for in other funds.

The *food service fund* accounts for all activities associated with the preparation and serving of regular and incidental meals, lunches or snacks in connection with School activities.

The *community service fund* accounts for the resources designated for programs other than those for elementary and secondary students.

The *Building Corporation Fund* - Accounts for all activities of the Ridgeway Community Association. This includes accounting for the proceeds and uses of resources borrowed for the purpose of purchasing and building the School site, the receipt of lease payments from Ridgeway Community School, and the debt service payments required under the terms of the building loan.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than program services.

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, then unrestricted resources as needed.

RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Budgets and Budgetary Accounting

Budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America. Each June, the School Board adopts an annual budget for the following fiscal year for the General, Food Service, Community Service, and Building Corporation Funds. Reported budget amounts represent the amended budget as adopted by the Board of Directors. Legal budgetary control is at the fund level.

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

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

Cash and Investments

Except where otherwise required, the School maintains all deposits in bank accounts in the name of the School. These deposits are invested on a short-term basis with interest income allocated to each fund based upon their relative account balance. The balances shown in each fund represents an equity interest in the commingled pool of cash and temporary cash investments, which is under the management of the School.

Investments are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

Accounts Receivable

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

Prepaid Expenses

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

Use of Estimates

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

RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets are recorded at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated acquisition value at the date of donation. The School maintains a capitalization threshold level of \$1,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the School-wide financial statement, but are not reported in the Fund financial statements. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public School purpose by the School, no salvage value is taken into consideration for depreciation purposes. Depreciation is provided using the straight-line method applied over the following estimated useful lives of the assets.

	Useful Life in Years
Buildings	50
Furniture and fixtures	5 - 15

Capital assets not being depreciated include land.

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

Unearned Revenue

Unearned revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

Fund Balance

Fund balances of governmental fund types are classified in three separate categories. The general meaning is as follows:

- Nonspendable – Such as fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned)
- Restricted – Indicates that a portion of fund equity has been legally segregated for specific purposes.
- Unassigned Fund Balance – Indicates that portion of fund equity which is available for general expenditures in future periods.

Compensated Absences

Full-time 12-month employees of the School earn 12 days of personal leave each year, and student service-day employees earn 9 days of personal leave each year. This benefit vests to employees. At June 30, 2020, compensated absences totaling \$59,265 are recorded in the financial statements.

RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Long-term Obligations

In the School-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

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

Comparative Data

Comparative data for the prior year has been presented in certain of the accompanying financial statements in order to provide an understanding of changes in the School's financial position and operations. However, complete comparative data has not been presented since their inclusion would not provide meaningful comparisons. Certain amounts in the June 30, 2019 totals column have been reclassified to conform with the current year presentation.

Concentration of Credit Risk

Financial instruments which expose the School to a concentration of credit risk consist primarily of cash and investments. Credit risk is discussed in Note 3.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the School-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 School-wide financial statements when there are limitations on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Deferred Outflows of Resources

In addition to assets, the financial statements will sometimes report a separate section of 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 School has one item which occurs related to revenue recognition. The deferred outflow of resources is pension related.

Deferred Inflows of Resources

In addition to liabilities, the financial statements will sometimes report a separate financial statement element, deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School has one type of item which occur related to revenue recognition. The deferred inflow of resources is pension related.

RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses or revenues/income initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses or revenues/income in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

Pension

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

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.

2. Stewardship and Accountability

Excess of expenditures over appropriations at the individual fund level during 2020 is as follows:

General Fund	\$	4,467
Food Service Fund		3,729

Excess expenditures were the result of planned processes.

3. Cash and Investments

Summary of Cash

As of June 30, 2020, the School's cash and cash equivalents consisted of the following items, all of which are held in an internal investment pool:

Deposits	\$	<u>643,169</u>
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RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Cash and Investments (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned to it. The School's deposit policy for custodial credit risk follows Minnesota Statutes for deposits. The School's deposits are entirely covered by federal depository insurance or by collateral held by the School's custodial banks in the School's name.

Minnesota Statutes require that all School deposits be insured, secured by surety bonds or be collateralized. Except for notes secured by first mortgages of future maturity, the market value of collateral pledged by the custodial bank must equal 110% of the deposits not covered by insurance or surety bonds.

Credit Risk

The School has no investment policy that would limit its investment choices.

Concentration of Credit Risk

The School has no limit on the amount the School may invest in any one issuer.

Interest Rate Risk

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

Fair Value Measurement

Fair value measurements are determined utilizing the framework established by the Governmental Accounting Standards Board. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the School has the ability to access

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active market
- Quoted prices for identical assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specific (contractual) term, Level 2 input must be observable for substantially the full term of the asset or liability

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

There were no assets measured at fair value on a recurring basis noted at the School.

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Due from Other Governmental Units

The amounts due from other governmental units at June 30, 2020 are as follows:

Fund	Minnesota Department of Education	Federal Government Through MDE	Other Minnesota School Districts	Total
General	\$ 123,830	\$ 5,534	\$ 632	\$ 129,996

5. Capital Assets

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

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
<i>Ridgeway Community Association</i>				
Capital assets, not being depreciated:				
Land	\$ 48,000	\$	\$	\$ 48,000
Construction in progress		74,798		74,798
Total capital assets, not being depreciated	48,000	74,798		122,798
<i>Ridgeway Community School</i>				
Capital assets, being depreciated:				
Land improvements	14,651			14,651
Equipment	305,175	6,646		311,821
<i>Ridgeway Community Association</i>				
Capital assets, being depreciated:				
Buildings and improvements	1,949,703	26,158		1,975,861
Total capital assets, being depreciated	2,269,529	32,804		2,302,333
Less accumulated depreciation for:				
Land improvements	5,756	733		6,489
Equipment	189,033	22,089		211,122
Buildings and improvements	609,250	57,255		666,505
Total accumulated depreciation	804,039	80,077		884,116
Total capital assets, being depreciated, net	1,465,490	(47,273)		1,418,217
Governmental activities capital assets, net	\$ 1,513,490	\$ 27,525	\$	\$ 1,541,015

RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Capital Assets (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
Regular instruction	\$ 44,451
Instructional support services	110
Pupil support services	4,790
Site, buildings and equipment	<u>30,726</u>
Total depreciation expense - governmental activities	<u>\$ 80,077</u>

6. Long-Term Liabilities

The long-term debt obligations outstanding and related maturities and interest rates are summarized in the following schedules. General Obligation Bonds are serviced by the Building Corporation Fund. They are backed by the full faith and credit of the School. A summary of interest rates, maturities and June 30, 2020 balances is as follows:

	Original Amount of Debt	Range of Interest Rates	Final Maturity	Balance June 30, 2020
Building Loan Payable				
Building Note C	\$ 841,700	5.00 - 5.50%	2034	\$ 779,751
Paycheck Protection Program Loan	158,400	1.00%	2022	158,400
Parking Lot Loan Payable	150,000	4.85%	2025	<u>150,000</u>
Total				<u>\$ 1,088,151</u>

The following is a summary of the changes in long-term debt obligations for the year ended June 30, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Building loan payable	\$ 819,269	\$	\$ 39,518	\$ 779,751	\$ 41,680
Parking lot loan payable		150,000		150,000	2,631
Paycheck protection program loan		158,400		158,400	
Compensated absences payable	51,362	7,903		59,265	8,890
Governmental Activities					
Long-term Liabilities	<u>\$ 870,631</u>	<u>\$ 316,303</u>	<u>\$ 39,518</u>	<u>\$ 1,147,416</u>	<u>\$ 53,201</u>

RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Long-Term Liabilities (Continued)

The annual requirements to amortize all long-term debt outstanding as of June 30, 2020, over the life of the debt, are summarized below:

Years	Loan Payable		
	Principal	Interest	Total
<u>Governmental Activities</u>			
2021	\$ 44,311	\$ 45,936	\$ 90,247
2022	48,499	43,553	92,052
2023	51,007	41,045	92,052
2024	54,657	38,494	93,151
2025	58,446	35,533	93,979
2026 - 2030	436,499	104,068	540,567
2031 - 2034	236,333	19,688	256,021
Totals	\$ 929,751	\$ 328,317	\$ 1,258,068

Building Loan Payable

Ridgeway Community Association obtained a construction loan on June 27, 2007 in the amount of \$1,100,000 to pay off the 2006 building loan and to finance construction which began after June 30, 2007. This project consisted of renovating the existing building as well as two additional classrooms and a library. The financing bank issued two separate loans as follows: \$1,045,000 with a term of twenty-five years and \$55,000 with a term of ten years. From the time of issuance until the conversion date interest is a "floating rate" set on the first of each month at three percent above the base interest rate. Upon reaching the conversion date, December 26, 2007, the interest rates became fixed at 6.93% and 7.5%, respectively. Issuance costs related to the loan amounted to \$22,487. The loans are guaranteed by Ridgeway Community School. The \$55,000 loan was paid in full during fiscal year 2018 and the \$1,045,000 loan was paid in full during fiscal year 2019.

On November 11, 2018 Ridgeway Community Association issued a new building loan from Merchant's Bank for \$841,700 with a term of fifteen years. For the first five years the interest rate is set at 5% and every five years later, an additional 0.25% will be included.

Parking Lot Loan Payable

Ridgeway Community Association obtained a construction loan on February 2, 2020 in the amount of \$150,000 to finance current construction on the parking lot at Ridgeway Community School. The financing bank issued one loan as follows: \$150,000 with a term of five years. From the time of issuance until full payment of the loan in 2025, the interest rate is fixed at 4.85%. First payment on principal will occur in fiscal year 2021.

Paycheck Protection Program Loan

The School received a Paycheck Protection Program loan for \$158,400 under the Coronavirus Aid, Relief and Economic Society (CARES) Act. The loan is to be used to pay employee payroll and related costs, rent and utilities. The School used the loan proceeds for qualified expenditures and expects to receive full forgiveness from the federal government. Due to continued changes in the law related to the loan, the School has opted to record the loan as debt until forgiven by the federal government. In the event any portion of the loan is not forgiven the loan accrues interest at 1%. No payments are expected to be required during the year ended June 30, 2021.

RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. Inter-fund Transfers

Ridgeway Community School had one inter-fund transfer during the year, \$13,052 was transferred from the General Fund to replenish the deficit in the Food Service Fund.

8. Operating Lease

Ridgeway Community School incurs expenditures under an operating lease for rent of facilities. This lease agreement is cancelable and has a term of twenty-five years. The lease agreement was amended and effective July 1, 2018, Ridgeway Community School annual rent increased to \$130,560 compared to previously \$128,000. The following is a schedule of future minimum lease payments required under the operating lease:

Year ending June 30,	
2021	\$ 130,560
2022	130,560
2023	130,560
2024	130,560
2025	130,560
2026 - 2030	522,240
2031 - 2032	261,120
Total Minimum Lease Payments	<u>\$ 1,436,160</u>

The School's lease expense for the year ended June 30, 2020 was \$130,560.

RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. Fund Equity

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the School classifies governmental fund balances as follows:

- Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual restraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained to due constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The School uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring for dollar spending. Additionally, the School would first use committed, then assigned, and lastly unassigned amounts of the unrestricted fund balance when expenditures are made.

The School has a formal minimum fund balance policy for the General Fund Unassigned Fund Balance to be at least twenty-five percent of the prior year's expenditures.

Restriction of fund balance indicates that a portion of the fund balance is legally segregated for a specific future use. The following is a summary of the reserved fund balances for the governmental funds:

Medical Assistance – Represents available resources to be used for medical assistance expenditures.

The following is a summary of fund balances as of June 30, 2020 with comparative totals for June 30, 2019:

	General	Food Service	Community Service	Building Corporation	2020 Totals	2019 Totals
Nonspendable						
Prepaid expenses	\$ 24,004	\$	\$	\$	\$ 24,004	\$ 16,992
Restricted						
Medical assistance	1,711				1,711	476
Safe Schools	3,313				3,313	
Contributors	20,769				20,769	20,227
Community service			15,254		15,254	10,610
Debt service				217,926	217,926	127,793
Total restricted	25,793		15,254	217,926	258,973	159,106
Unassigned	420,751				420,751	276,845
Total Fund Balance	\$ 470,548	\$	\$ 15,254	\$ 217,926	\$ 703,728	\$ 452,943

RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. Fund Equity (Continued)

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

	<u>GASB Balance</u>	<u>Reconciling Balance</u>	<u>UFARS Balance June 30, 2020</u>	<u>UFARS Balance June 30, 2019</u>
Nonspendable				
Prepaid expenses	\$ 24,004	\$	\$ 24,004	\$ 16,992
Total nonspendable	<u>24,004</u>		<u>24,004</u>	<u>16,992</u>
Restricted				
Medical assistance	1,711		1,711	476
Safe Schools	3,313		3,313	
Contributors	20,769		20,769	20,227
Community service	15,254		15,254	10,610
Debt service	<u>217,926</u>		<u>217,926</u>	<u>127,793</u>
Total restricted	<u>258,973</u>		<u>258,973</u>	<u>159,106</u>
Unassigned	<u>420,751</u>		<u>420,751</u>	<u>276,845</u>
Total Fund Balance	<u>\$ 703,728</u>	<u>\$</u>	<u>\$ 703,728</u>	<u>\$ 452,943</u>

RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Defined Benefit Pension Plans – Statewide

Plan Description

1. General Employees Retirement Plan

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

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

2. Teachers Retirement Association Fund (TRA)

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

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

Benefits Provided

1. General Employees Plan Benefits

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

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

RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Defined Benefit Pension Plans – Statewide (Continued)

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

2. TRA Benefits

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

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

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

With these provisions:

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

Or

Tier II Benefits

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

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

RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Defined Benefit Pension Plans – Statewide (Continued)

Benefits Provided (Continued)

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 also eligible for a refund of their employee contributions plus interest.

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

Contributions

1. General Employees Fund Contributions

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

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2019 and the School was required to contribute 7.50 percent for Coordinated Plan members. The School's contributions to the General Employees Fund for the year ended June 30, 2020 were \$18,051. The School's contributions were equal to the required contributions as set by the state statute.

2. TRA Contributions

Per *Minnesota Statutes*, Chapter 354 sets the rates for the employee and employer contributions. Rates for each fiscal year ended were:

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

The School's contributions to the TRA Fund for the year ended June 30, 2020 was \$32,439. The School's contributions were equal to the required contributions for each year as set by state statute.

RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Defined Benefit Pension Plans – Statewide (Continued)

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

Employer contributions reported in TRA's CAFR, Statement of Changes in Fiduciary Net Position	\$ 403,300,000
Add employer contributions not related to future contribution efforts	(688,000)
Deduct TRA's contributions not included in allocation	<u>(486,000)</u>
Total employer contributions	402,126,000
Total non-employer contributions	<u>35,588,000</u>
Total Contributions reported in <i>Schedule of Employer and Non-Employer Allocations</i>	<u>\$ 437,714,000</u>

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

Pension Costs

1. General Employees Fund Pension Costs

At June 30, 2020, the School reported a liability of \$187,978 for its proportionate share of the General Employees fund's net pension liability. The School'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 School totaled \$5,833. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the School's proportion was 0.0034 percent which did not change from its proportion measured as of June 30, 2018.

School's proportionate share of net pension liability	\$ 187,978
State's proportionate share of the net pension liability associated with the district	\$ 5,833

For the year ended June 30, 2020 the School recognized pension expense of \$5,833 for its proportionate share of the General Employees Plan's pension expense. In addition, the School recognized an additional \$437 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.

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Defined Benefit Pension Plans – Statewide (Continued)

At June 30, 2020, the School reported its proportionate share of General Employee Retirement Fund's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 5,283	\$
Changes in actuarial assumptions	3,064	12,055
Difference between projected and actual investment earnings		20,845
Changes in proportion	10,150	
Contributions paid to PERA subsequent to the measurement date	17,622	
Total	<u>\$ 36,119</u>	<u>\$ 32,900</u>

The \$17,622 reported as deferred outflows of resources related to pensions resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	Pension Expense Amount
2021	\$ 532
2022	(13,404)
2023	(1,834)
2024	303

2. TRA Pension Costs

At June 30, 2020, the School reported a liability of \$471,678 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The School's proportionate share was 0.0074% at the end of the measurement period and 0.0070% for the beginning of the period.

RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Defined Benefit Pension Plans – Statewide (Continued)

The pension liability amount reflected a reduction due to direct aid provided to TRA. The amount recognized by the School 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 School were as follows:

School's proportionate share of net pension liability	\$ 471,678
State's proportionate share of the net pension liability associated with the district	\$ 41,976

For the year ended June 30, 2020, the School recognized pension expense of \$68,325. It also recognized \$2,633 as an increase to pension expense for the support provided by direct aid.

At June 30, 2020, the School had deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 396,797	\$ 10,903
Changes in actuarial assumptions		587,259
Difference between projected and actual investment earnings		34,996
Changes in proportion	73,326	47,704
Contributions paid to TRA subsequent to the measurement date	34,382	
Total	\$ 504,505	\$ 680,862

The \$34,382 reported as deferred outflows of resources related to pensions resulting from School contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to TRA will be recognized in pension expense as follows:

Year ending June 30:	Pension Expense Amount
2021	\$ 44,435
2022	21,101
2023	(171,929)
2024	(107,659)
2025	3,313

RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Defined Benefit Pension Plans – Statewide (Continued)

Pension expense recognized by the School for the fiscal year ended June 30, 2020 is as follows:

General Employees Retirement Fund	\$	(5,496)
TRA		68,325
Total	\$	<u>62,829</u>

Actuarial Assumptions

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

1. General Employees Fund Actuarial Assumptions

Assumptions	General Employees Retirement Fund
Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

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

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

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

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Defined Benefit Pension Plans – Statewide (Continued)

2. TRA Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Actuarial Information	
Valuation Date	July 1, 2019
Experience Study	June 5, 2015
	November 6, 2017 (economic assumptions)
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	7.50%
Price Inflation	2.50%
Wage Growth Rate	2.85% before July 1, 2028 and 3.25% after June 30, 2028
Projected Salary Increases	2.85 to 8.85% before July 1, 2028 and 3.25 to 9.25% after June 30, 2028
Cost of Living Adjustment	1% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.
Mortality Assumptions:	
Pre-Retirement:	RP-2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projections 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 adjustment of the rates. Generational projection uses the MP-2015 scale
Post-Disability:	RP-2014 disabled retiree morality table, without adjustment.

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

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.

RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Defined Benefit Pension Plans – Statewide (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	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	35.5%	5.10%
Private Markets	25.0%	5.90%
Fixed Income	20.0%	0.75%
International Equity	17.5%	5.90%
Cash Equivalents	2.0%	0.00%
Total	100%	

The TRA actuary has determined the average of the expected remaining service lives of all members for the 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 the Pension Plan Investments* is five years as required by GASB 68.

The following changes in TRA actuarial assumptions since the 2018 valuation:

- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 6 years, (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

Discount Rate

1. General Employees Fund Discount Rate

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

RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Defined Benefit Pension Plans – Statewide (Continued)

2. TRA Discount Rate

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

Pension Liability Sensitivity

The following table presents the School'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 School's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
General Employees Retirement Fund Discount Rate	6.50%	7.50%	8.50%
School's proportionate share of the General Employees Retirement Fund net pension liability	\$ 309,026	\$ 187,978	\$ 88,029
TRA Discount Rate	6.50%	7.50%	8.50%
School's proportionate share of the TRA net pension liability	\$ 751,969	\$ 471,678	\$ 240,581

Pension Plan Fiduciary Net Position

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

Detailed information about TRA's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at www.MinnesotaTRA.org; by writing to TRA at 60 Empire Drive #400, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-2409 or 1-800-657-3669.

11. Risk Management

The School is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School carries insurance for liability, property, and automotive insurance. Settled claims resulting from these risks have not exceeded the insurance coverage in any of the past four years. There was no reduction in insurance coverage during 2020.

RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

12. Commitments and Contingencies

Federal and State Programs

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

Lease Commitment and Terms - School Site - Ridgeway Association

The School leases its educational site from Ridgeway Community Association (a blended component unit). Under the terms of the lease agreement, the lease term is for the period beginning April 1, 2011 and ending June 30, 2032.

The net annual base rent for the term of the lease agreement is directly tied to the debt service requirements of the Ridgeway Community Association. In addition, the School is responsible for all utility costs.

The total amount of rent paid by the School to Ridgeway Community Association under the terms of the lease agreement was \$130,560 for fiscal 2020. Future amounts to be requested for state lease aid from the Minnesota Department of Education may vary due to financing arrangements, which are subject to change.

The School's ability to make payment under this lease agreement is dependent on its revenues which are in turn, largely dependent on sufficient enrollments being served at the School and on sufficient state aids per student being authorized and received from the State of Minnesota. The School believes that its enrollments and aid entitlements will be sufficient to meet the lease obligations as they become due.

In addition, the School is responsible for reasonable repairs and maintenance costs applicable to a tenant, as well as all custodial and utility costs.

13. Student Activity Accounts

The School has no student activity accounts as of June 30, 2020. If the School does have any student activity accounts established, they will be under School board control.

14. Subsequent Events

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through October 12, 2020, the date the financial statements were available to be issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to impact future operations, however, the potential impact is unknown at this time.

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA**

REQUIRED SUPPLEMENTAL INFORMATION

JUNE 30, 2020

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA**

**Schedule of School's Contributions
General Employees Retirement Funds
Last Ten Years (presented prospectively)**

Fiscal Year Ended June 30	Pension Plan	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	School Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	PERA	\$ 14,259	\$ 14,259	\$	\$ 190,120	7.50%
2016	PERA	15,113	15,113		201,507	7.50%
2017	PERA	13,923	13,923		185,640	7.50%
2018	PERA	17,044	17,044		227,253	7.50%
2019	PERA	17,565	17,565		234,200	7.50%
2020	PERA	18,051	18,051		240,680	7.50%
2021						
2022						
2023						
2024						

**Schedule of School's Contributions
TRA Retirement Funds
Last Ten Years (presented prospectively)**

Fiscal Year Ended June 30	Pension Plan	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	School Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	TRA	\$ 23,846	\$ 23,846	\$	\$ 317,947	7.50%
2016	TRA	22,996	22,996		306,613	7.50%
2017	TRA	27,930	27,930		372,400	7.50%
2018	TRA	27,650	27,650		368,667	7.50%
2019	TRA	28,926	28,926		385,680	7.50%
2020	TRA	32,439	32,439		432,520	7.71%
2021						
2022						
2023						
2024						

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA**

Schedule of School's and Non-Employer Proportionate Share of Net Pension Liability
PERA General Employees Retirement Fund
Last Ten Years (presented prospectively)

Fiscal Year Ended June 30	School's Proportionate (Percentage) of the Net Pension Liability (Asset)	School's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the School (b)	School's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the School (a+b)	School's Covered Payroll (c)	School's Proportionate Share (Amount) of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0037%	\$ 173,807	\$	\$ 173,807	\$ 190,120	91.4%	78.70%
2015	0.0035%	181,388		181,388	201,507	90.0%	78.20%
2016	0.0030%	243,585	3,140	246,725	185,640	132.9%	68.90%
2017	0.0035%	223,438	2,832	226,270	227,253	99.6%	75.90%
2018	0.0035%	194,166	6,343	200,509	234,200	85.6%	79.53%
2019	0.0034%	187,978	5,833	193,811	240,680	80.5%	80.20%
2020							
2021							
2022							
2023							

Schedule of School's and Non-Employer Proportionate Share of Net Pension Liability
TRA
Last Ten Years (presented prospectively)

Fiscal Year Ended June 30	School's Proportionate (Percentage) of the Net Pension Liability (Asset)	School's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the School (b)	School's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the School (a+b)	School's Covered Payroll (c)	School's Proportionate Share (Amount) of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0075%	\$ 345,595	\$ 24,228	\$ 369,823	\$ 317,947	116%	81.5%
2015	0.0060%	371,159	45,283	416,442	306,613	136%	76.8%
2016	0.0072%	1,717,372	171,886	1,889,258	372,400	507%	44.9%
2017	0.0068%	1,357,403	131,967	1,489,370	368,667	404%	51.6%
2018	0.0070%	438,457	40,997	479,454	385,680	124%	78.1%
2019	0.0074%	471,678	41,976	513,654	432,520	119%	78.1%
2020							
2021							
2022							
2023							

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA**

SUPPLEMENTAL INFORMATION

JUNE 30, 2020

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
COMPARATIVE BALANCE SHEET
GENERAL FUND
June 30, 2020 and 2019**

	2020	2019
Assets		
Cash and cash equivalents	\$ 405,629	\$ 258,621
Accounts receivable	1,543	256
Due from other school districts	632	
Due from Minnesota Department of Education	123,830	120,217
Due from Federal through Minnesota Department of Education	5,534	11,292
Due from other funds		339
Prepaid items	24,004	16,992
TOTAL ASSETS	\$ 561,172	\$ 407,717
Liabilities		
Accounts payable	\$ 760	\$ 2,387
Salaries and accrued liabilities payable	79,730	76,360
Due to other school districts	9,786	14,430,
Unearned revenue	348	
TOTAL LIABILITIES	90,624	93,177
Fund Balances		
Nonspendable	24,004	16,992
Restricted	25,793	20,703
Unassigned	420,751	276,845
TOTAL FUND BALANCES	470,548	314,540
TOTAL LIABILITIES AND FUND BALANCE	\$ 561,172	\$ 407,717

RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
BUILDING CORPORATION FUND
For the Year Ended June 30, 2020
With Partial Comparative Data for the Year Ended June 30, 2019

	Budgeted Amounts		2020	Over (Under)	2019
	Original	Final	Actual	Final Budget	Actual
Revenues					
Local sources:					
Other local sources	\$ 130,560	\$ 130,605	\$ 131,625	\$ 1,020	\$ 158,869
Investment income	90	155	188	33	99
TOTAL REVENUES	130,650	130,760	131,813	1,053	158,968
Expenditures					
Sites, buildings, and equipment	5,831	32,099	105,253	73,154	61,822
Principal	40,653	40,653	39,518	(1,135)	35,983
Interest and other fiscal charges	39,600	39,600	46,909	7,309	95,844
TOTAL EXPENDITURES	86,084	112,352	191,680	79,328	193,649
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	44,566	18,408	(59,867)	(78,275)	(34,681)
Other Financing Sources (Uses)					
Loan proceeds			150,000	150,000	841,700
Payment on refunded loan					(793,383)
Total Other Financing Sources (Uses)			150,000	150,000	48,317
NET CHANGE IN FUND BALANCE	44,566	18,408	90,133	71,725	13,636
FUND BALANCE - BEGINNING	127,793	127,793	127,793		114,157
FUND BALANCE - ENDING	\$ 172,359	\$ 146,201	\$ 217,926	\$ 71,725	\$ 127,793

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA
SUPPLEMENTAL COST SCHEDULES**
For the Fiscal Years Ended June 30, 2020 and 2019
(Unaudited)

	2019 - 2020 Expenditures	Cost Per Adjusted Average Daily Membership (All Funds)
Fiscal Year Ended June 30, 2020		
District and school administration	\$ 100,495	\$ 992
District support services	90,898	897
Regular instruction	464,554	4,584
Special education	187,946	1,855
Community education and services	86,805	857
Instructional support services	14,019	138
Pupil support services	73,577	726
Site, buildings, and equipment	319,802	3,156
Fiscal and other fixed cost programs	12,064	119
TOTALS	\$ 1,350,160	\$ 13,323

2019 - 2020 Adjusted Average Daily Membership - 101.34

	2018 - 2019 Expenditures	Cost Per Adjusted Average Daily Membership (All Funds)
Fiscal Year Ended June 30, 2019		
District and school administration	\$ 98,426	\$ 978
District support services	87,725	871
Regular instruction	417,685	4,149
Special education	197,379	1,960
Community education and services	98,803	981
Instructional support services	17,578	175
Pupil support services	82,317	818
Site, buildings, and equipment	265,656	2,639
Fiscal and other fixed cost programs	(818,892)	(8,134)
TOTALS	\$ 446,677	\$ 4,437

2018 - 2019 Adjusted Average Daily Membership - 100.68

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA**

OTHER REQUIRED REPORTS

JUNE 30, 2020

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

To the Board of Education
Ridgeway Community School
Houston, Minnesota 55943

We have audited the financial statements of the governmental activities and each major fund of Ridgeway Community School, Houston, Minnesota, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprises the School's basic financial statements, and have issued our report thereon dated October 12, 2020. We conducted our audit 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; and the provisions of the *Minnesota Legal Compliance Audit Guide for Charter Schools* promulgated by the Legal Compliance Task Force pursuant to Minnesota Statutes Section 6.65.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention of 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. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

To the Board of Education
Ridgeway Community School
Houston, Minnesota 55943
Page Two

Minnesota Legal Compliance

The *Minnesota Legal Compliance Audit Guide for Charter Schools*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains two categories of compliance to be tested in audits of charter Schools: uniform financial accounting and reporting standards, and charter Schools.

In connection with our audit, nothing came to our attention that caused us to believe that the School failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Charter Schools*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the School's noncompliance with the above referenced provisions.

Other Matter

School's response to internal control and legal compliance findings identified in our audit has been included in the Schedule of Findings and Responses. The School's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Smith, Schafn and Associates, Ltd.

Rochester, Minnesota
October 12, 2020

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA**

SCHEDULE OF FINDINGS

JUNE 30, 2020



35564 Cty Rd 12, HOUSTON, MN 55943
507-454-9566 voice 507-454-9567 fax

**SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2019**

**FINDING 2019-001 ANNUAL FINANCIAL REPORTING UNDER GENERALLY ACCEPTED
ACCOUNTING PRINCIPLES (GAAP)**

Condition:	The School does have a control in place for the review of the drafted financial statements. However, the School does not have the expertise to ensure all disclosures required by generally accepted accounting principles are included in the annual financial statements. The potential exists that a material disclosure could be omitted from the financial statements and not be prevented or detected by the School's internal controls.
Criteria:	The School should have controls in place to prevent or detect the omission of a material disclosure in the annual financial statements.
Questioned Costs:	None.
Context:	The School has informed us they will continue to rely upon the audit firm to prepare the financial statements and related footnote disclosures and will review and approve these prior to the issuance of the financial statements.
Effect:	No effect on the financial statements.
Cause:	The School does not have the expertise to draft the notes to the financial statements; however, they have reviewed and approved the annual financial statements as prepared by the audit firm.
Recommendation:	We recommend the School continue to evaluate their internal staff and expertise to determine if further controls over the annual financial reporting are beneficial.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Findings:

There is no disagreement with the audit findings.

Actions Planned in Response to Findings:

The School Coordinator and Business Manager review the drafted financial statements and notes. The School does not have the expertise to ensure all disclosures required by GAAP are included in the financial statements. Accordingly, the School will rely upon the auditors for completeness of the disclosures. However, the business manager will review the notes for accuracy and compare the balances to UFARS and other School reports prior to issuance of the statements.

Official Responsible for Ensuring CAP:

Mary Feathergill, Business Manager, is the official responsible for ensuring the planned responses.

Planned Completion Date for CAP:

June 30, 2019

Plan to Monitor Completion of CAP:

Jodi Dansingburg, School Coordinator, will ensure the review by the Business Manager has been completed. She will do this through discussion with the Business Manager and reviewing the draft of the financial statements.

Current Status:

The School does have controls in place for the review of the drafted financial statements. Finding did not reoccur in 2020.

**RIDGEWAY COMMUNITY SCHOOL
HOUSTON, MINNESOTA**

COMPLIANCE TABLE

JUNE 30, 2020

Fiscal Compliance Report - 6/30/2020
District: RIDGEWAY COMMUNITY SCHOO (4083-7)

	Audit	UFARS	Audit - UFARS		Audit	UFARS	Audit - UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$1,108,165	<u>\$1,108,162</u>	\$3	Total Revenue	\$0	<u>\$0</u>	\$0
Total Expenditures	\$1,097,505	<u>\$1,097,504</u>	\$1	Total Expenditures	\$0	<u>\$0</u>	\$0
Non Spendable:				Non Spendable:			
4.60 Non Spendable Fund Balance	\$24,004	<u>\$24,004</u>	\$0	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	\$0
Restricted / Reserved:				Restricted / Reserved:			
4.01 Student Activities	\$0	<u>\$0</u>	\$0	4.07 Capital Projects Levy	\$0	<u>\$0</u>	\$0
4.02 Scholarships	\$0	<u>\$0</u>	\$0	4.13 Project Funded by COP	\$0	<u>\$0</u>	\$0
4.03 Staff Development	\$0	<u>\$0</u>	\$0	4.67 LTFM	\$0	<u>\$0</u>	\$0
4.07 Capital Projects Levy	\$0	<u>\$0</u>	\$0	Restricted:			
4.08 Cooperative Revenue	\$0	<u>\$0</u>	\$0	4.64 Restricted Fund Balance	\$0	<u>\$0</u>	\$0
4.13 Project Funded by COP	\$0	<u>\$0</u>	\$0	Unassigned:			
4.14 Operating Debt	\$0	<u>\$0</u>	\$0	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	\$0
4.16 Levy Reduction	\$0	<u>\$0</u>	\$0				
4.17 Taconite Building Maint	\$0	<u>\$0</u>	\$0	07 DEBT SERVICE			
4.24 Operating Capital	\$0	<u>\$0</u>	\$0	Total Revenue	\$0	<u>\$0</u>	\$0
4.26 \$25 Taconite	\$0	<u>\$0</u>	\$0	Total Expenditures	\$0	<u>\$0</u>	\$0
4.27 Disabled Accessibility	\$0	<u>\$0</u>	\$0	Non Spendable:			
4.28 Learning & Development	\$0	<u>\$0</u>	\$0	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	\$0
4.34 Area Learning Center	\$0	<u>\$0</u>	\$0	Restricted / Reserved:			
4.35 Contracted Alt. Programs	\$0	<u>\$0</u>	\$0	4.25 Bond Refundings	\$0	<u>\$0</u>	\$0
4.36 State Approved Alt. Program	\$0	<u>\$0</u>	\$0	4.33 Maximum Effort Loan Aid	\$0	<u>\$0</u>	\$0
4.38 Gifted & Talented	\$0	<u>\$0</u>	\$0	4.51 QZAB Payments	\$0	<u>\$0</u>	\$0
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	\$0	4.67 LTFM	\$0	<u>\$0</u>	\$0
4.41 Basic Skills Programs	\$0	<u>\$0</u>	\$0	Restricted:			
4.48 Achievement and Integration	\$0	<u>\$0</u>	\$0	4.64 Restricted Fund Balance	\$0	<u>\$0</u>	\$0
4.49 Safe School Crime - Crime Levy	\$3,313	<u>\$3,313</u>	\$0	Unassigned:			
4.51 QZAB Payments	\$0	<u>\$0</u>	\$0	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	\$0
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	\$0				
4.53 Unfunded Sev & Retirement Levy	\$0	<u>\$0</u>	\$0	08 TRUST			
4.59 Basic Skills Extended Time	\$0	<u>\$0</u>	\$0	Total Revenue	\$0	<u>\$0</u>	\$0
4.67 LTFM	\$0	<u>\$0</u>	\$0	Total Expenditures	\$0	<u>\$0</u>	\$0
4.72 Medical Assistance	\$1,711	<u>\$1,711</u>	\$0	Restricted / Reserved:			
4.73 PPP Loan	\$0	<u>\$0</u>	\$0	4.01 Student Activities	\$0	<u>\$0</u>	\$0
4.74 EIDL Loan	\$0	<u>\$0</u>	\$0	4.02 Scholarships	\$0	<u>\$0</u>	\$0
Restricted:				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	\$0
4.64 Restricted Fund Balance	\$20,769	<u>\$20,769</u>	\$0				
4.75 Title VII Impact Aid	\$0	<u>\$0</u>	\$0	18 CUSTODIAL			
4.76 Payments In Lieu of Taxes	\$0	<u>\$0</u>	\$0	Total Revenue	\$0	<u>\$0</u>	\$0
Committed:				Total Expenditures	\$0	<u>\$0</u>	\$0
4.18 Committed for Separation	\$0	<u>\$0</u>	\$0	Restricted / Reserved:			
4.61 Committed Fund Balance	\$0	<u>\$0</u>	\$0	4.01 Student Activities	\$0	<u>\$0</u>	\$0
Assigned:				4.02 Scholarships	\$0	<u>\$0</u>	\$0
4.62 Assigned Fund Balance	\$0	<u>\$0</u>	\$0	4.48 Achievement and Integration	\$0	<u>\$0</u>	\$0
Unassigned:				4.64 Restricted Fund Balance	\$0	<u>\$0</u>	\$0
4.22 Unassigned Fund Balance	\$420,751	<u>\$420,750</u>	\$1				
				20 INTERNAL SERVICE			
02 FOOD SERVICES				Total Revenue	\$0	<u>\$0</u>	\$0
Total Revenue	\$47,545	<u>\$47,545</u>	\$0	Total Expenditures	\$0	<u>\$0</u>	\$0
Total Expenditures	\$60,597	<u>\$60,597</u>	\$0	4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	\$0
Non Spendable:							
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	\$0	25 OPEB REVOCABLE TRUST			
Restricted / Reserved:				Total Revenue	\$0	<u>\$0</u>	\$0
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	\$0	Total Expenditures	\$0	<u>\$0</u>	\$0
4.74 EIDL Loan	\$0	<u>\$0</u>	\$0	4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	\$0
Restricted:							
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	\$0	45 OPEB IRREVOCABLE TRUST			
Unassigned:				Total Revenue	\$0	<u>\$0</u>	\$0
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	\$0	Total Expenditures	\$0	<u>\$0</u>	\$0
				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	\$0
04 COMMUNITY SERVICE							
Total Revenue	\$91,449	<u>\$91,449</u>	\$0	47 OPEB DEBT SERVICE			
Total Expenditures	\$86,805	<u>\$86,805</u>	\$0	Total Revenue	\$0	<u>\$0</u>	\$0
Non Spendable:				Total Expenditures	\$0	<u>\$0</u>	\$0
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	\$0	Non Spendable:			
Restricted / Reserved:				4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	\$0
4.26 \$25 Taconite	\$0	<u>\$0</u>	\$0	Restricted:			
4.31 Community Education	\$0	<u>\$0</u>	\$0	4.25 Bond Refundings	\$0	<u>\$0</u>	\$0
4.32 E.C.F.E	\$0	<u>\$0</u>	\$0	4.64 Restricted Fund Balance	\$0	<u>\$0</u>	\$0
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	\$0	Unassigned:			
4.44 School Readiness	\$0	<u>\$0</u>	\$0	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	\$0
4.47 Adult Basic Education	\$0	<u>\$0</u>	\$0				
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	\$0				
4.73 PPP Loan	\$0	<u>\$0</u>	\$0				
4.74 EIDL Loan	\$0	<u>\$0</u>	\$0				
Restricted:							
4.64 Restricted Fund Balance	\$15,254	<u>\$15,253</u>	\$1				
Unassigned:							
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	\$0				