

Annual Financial Report

Independent School District No. 2143

Waterville, Minnesota

For the Year Ended

June 30, 2020

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 Waterville, Minnesota
 Annual Financial Report
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INTRODUCTORY SECTION
INDEPENDENT SCHOOL DISTRICT NO. 2143
WATERVILLE, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2020

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Independent School District No. 2143
Waterville, Minnesota
School District Officials
For the Year Ended June 30, 2020

BOARD OF EDUCATION

<u>Name</u>	<u>Term on Board Expires</u>	<u>Position</u>
Pam Baker	January 2023	Chairman
Jon Velishek	January 2023	Vice-Chairman
Gary Michael	January 2023	Treasurer
Jay Schneider	January 2021	Clerk
Jeff Stangler	January 2021	Member
Travis Bowman	January 2023	Member
Dan Houlihan	January 2021	Member

ADMINISTRATION

Joel Whitehurst	Superintendent
Margaret Jewison	Business Manager

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FINANCIAL SECTION
INDEPENDENT SCHOOL DISTRICT NO. 2143
WATERVILLE, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT

Members of the School Board
Independent School District No. 2143
Waterville, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 2143, Waterville, Minnesota, (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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

Opinions

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

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Other Matters

Change in Accounting Standards

As described in Note 7 to the financial statements, the District adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 84, Fiduciary Activities, for the year ended June 30, 2020. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 and the Schedules of Employer's Share of the Net Pension Liability, the Schedules of Employer's Contributions and the Changes in the District's OPEB Liability and Related Ratios starting on page 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

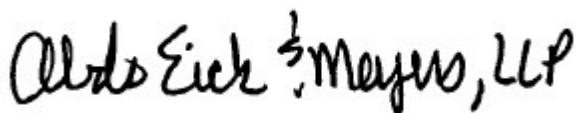
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual fund financial statements, schedules and table are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, schedules and 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. The 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 combining and individual fund financial statements, schedules and 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
December 17, 2020

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Management's Discussion and Analysis

As management of the Independent School District No. 2143, Waterville, Minnesota (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2020.

Financial Highlights

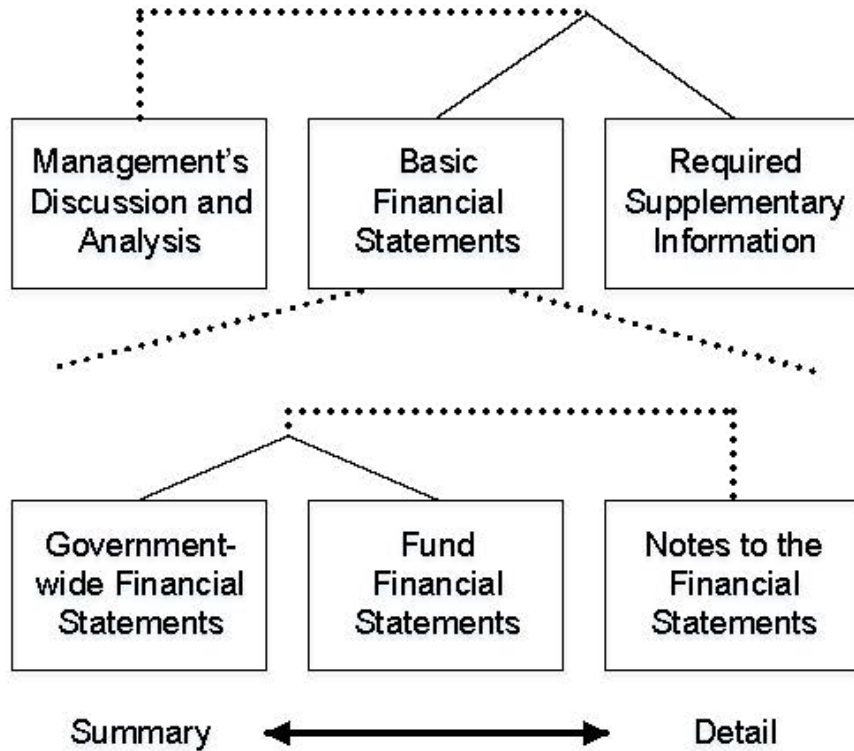
- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$5,410,062 (*net position deficit*). Of this amount, a deficit of \$8,264,828 (*unrestricted net position*) now exists due to the recognition of long-term pension liabilities and other postemployment benefits liability in accordance with GASB Statements No. 68 and No. 75.
- The District's total net position increased by \$1,425,882, compared to the prior year's increase of \$1,885,038. The change is due primarily to the District's share of TRA and PERA net pension liability increasing and the related increase in pension expense recognized.

As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$16,532,876, a decrease of \$5,093,990 in comparison with the prior year. This is mainly due to the ongoing construction for the School Building Project. Within the General fund, expenditures continue to rise at a greater rate than state aid increases. The District plans to continue to use the available fund balance to maintain the integrity of District programs as long as it remains above the minimum fund balance as established in the District's board policy. Unassigned fund balance represents amounts that are available for spending at the District's discretion. Of the total fund balance, \$1,986,111 is *available for spending* at the District's discretion (*unassigned fund balance*).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) District-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplemental information in addition to the basic financial statements themselves. The following chart shows how the various parts of this annual report are arranged and related to one another:

Organization of Independent School District No. 2143 Annual Financial Report



The following chart summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements:

Major Features of the District-wide and Fund Financial Statements

	Fund Financial Statements		
	District-wide Statements	Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> Statement of net position Statement of activities 	<ul style="list-style-type: none"> Balance sheet Statement of revenues, expenditures, and changes in fund balance 	<ul style="list-style-type: none"> Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Financial Statements. The *District-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To assess the District's overall health, you need to consider additional non-financial indicators such as changes in the District's property tax base and condition of school buildings and other facilities.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

In the district-wide financial statements, the District activities are shown in one category titled “governmental activities”:

- *Governmental activities*: The District’s basic services are reported here, including regular and special education, transportation, administration, food services, and community education. Property taxes and State aids finance most of these activities.

The District-wide financial statements can be found starting on page 28 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the District-wide financial statements. However, unlike the District-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a District’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the District-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the District-wide financial statements. By doing so, readers may better understand the long-term impact by the District’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Debt Service and Building Construction funds, which are considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its General fund. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found starting on page 32 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of student scholarships within the District. Fiduciary funds are *not* reflected in the District-wide financial statements because the resources of those funds are not available to support the District’s own programs. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those whom the assets belong. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found starting on page 37 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements. The notes to the financial statements can be found starting on page 39 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Independent School District No. 2143’s share of net pension liabilities (assets) for defined benefits plans, schedules of contributions, and progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found starting on page 70 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund financial statements, schedules and table can be found starting on page 76 of this report.

District-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$5,410,062 at the close of the most recent fiscal year.

A portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. These funds are to be used for the construction of school facilities. Another large portion of the District's net position reflects amounts restricted for specific purposes. These restrictions consist of \$422,509 for educational purposes, \$40,026 for operating capital purchases, \$110,362 for community service and \$29,821 for food service. The remaining deficit of \$8,264,828 is unrestricted net position due to the recognition of long-term pension liabilities and other postemployment benefits liability in accordance with GASB Statements No. 68 and No. 75.

Independent School District No. 2143's Net Position

	Governmental Activities		Increase (Decrease)	
	2020	2019	Amount	Percent
Current and Other Assets	\$ 25,180,718	\$ 26,300,842	\$ (1,120,124)	(4.3) %
Capital Assets	7,132,386	1,123,204	6,009,182	535.0
Total Assets	<u>32,313,104</u>	<u>27,424,046</u>	<u>4,889,058</u>	17.8
Deferred Outflows of Resources	<u>5,146,744</u>	<u>6,679,318</u>	<u>(1,532,574)</u>	(22.9)
Long-term Liabilities Outstanding	25,028,975	25,875,693	(846,718)	(3.3)
Other Liabilities	<u>6,257,229</u>	<u>2,309,775</u>	<u>3,947,454</u>	170.9
Total Liabilities	<u>31,286,204</u>	<u>28,185,468</u>	<u>3,100,736</u>	11.0
Deferred Inflows of Resources	<u>11,583,706</u>	<u>12,855,316</u>	<u>(1,271,610)</u>	(9.9)
Net Position				
Net investment in capital assets	2,252,048	972,397	1,279,651	131.6
Restricted	602,718	424,430	178,288	42.0
Unrestricted	<u>(8,264,828)</u>	<u>(8,334,247)</u>	<u>69,419</u>	0.8
Total Net Position	<u>\$ (5,410,062)</u>	<u>\$ (6,937,420)</u>	<u>\$ 1,527,358</u>	22.0 %

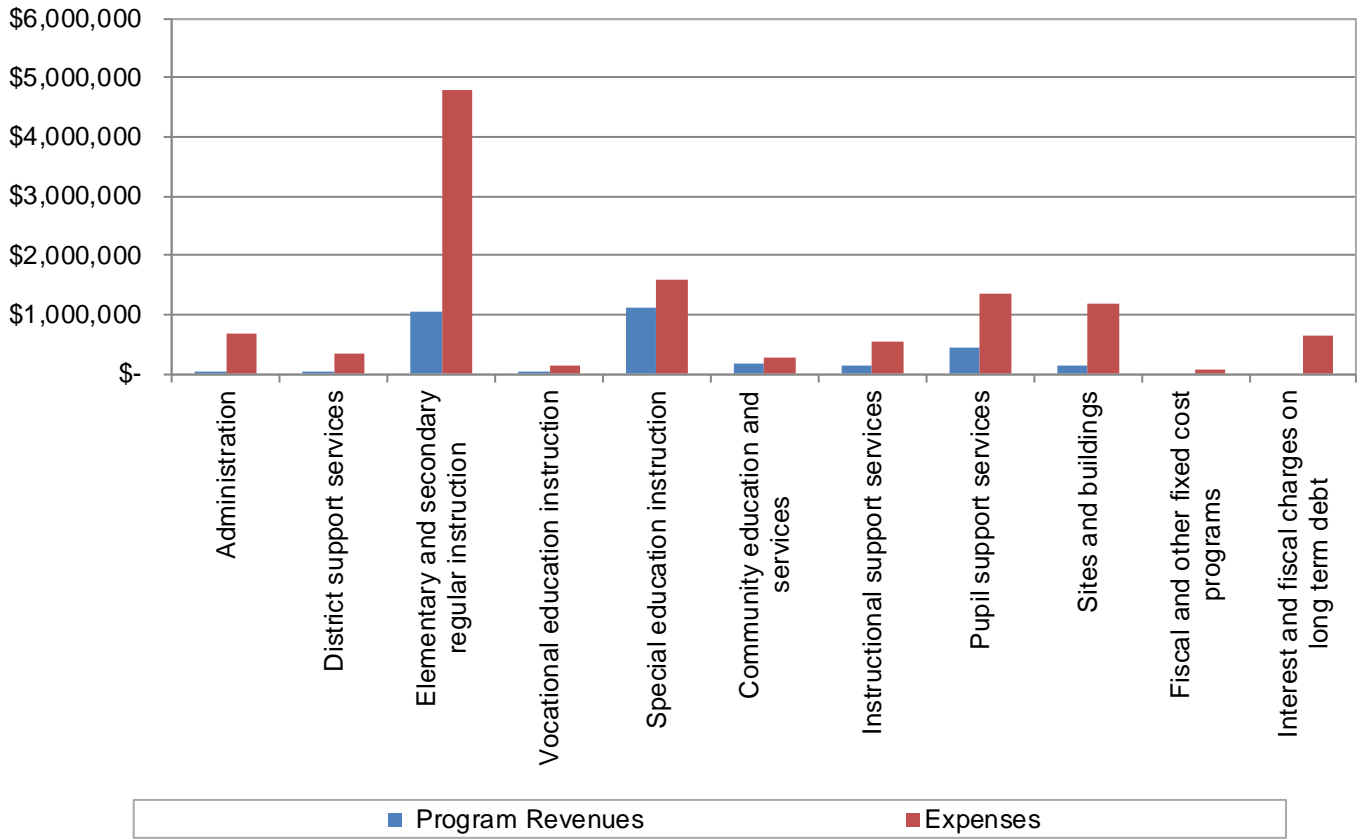
The balance of unrestricted net position is a deficit due to recognition of long-term pension liabilities and other postemployment benefits liability in accordance with GASB Statements No. 68 and No. 75.

Governmental Activities. Governmental activities increased the District's net position by \$1,425,882. Key elements of this increase are as follows:

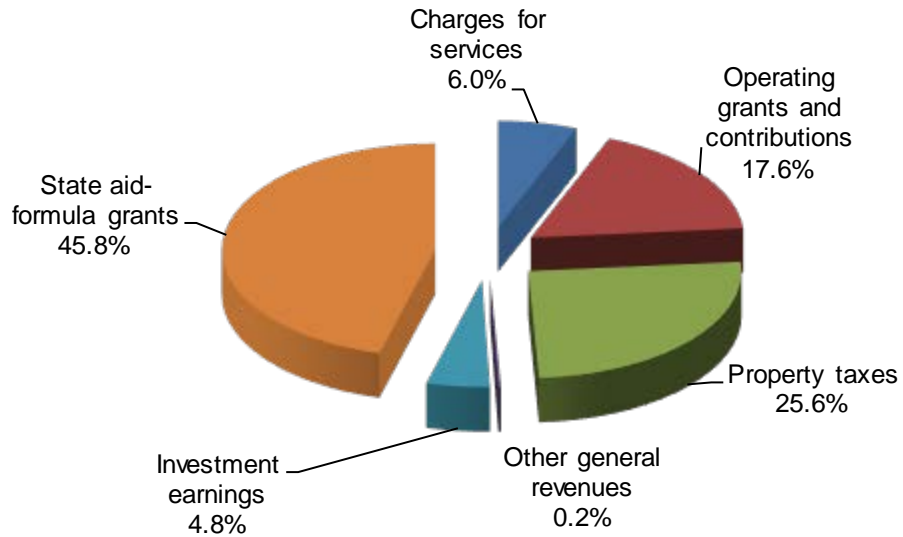
Independent School District No. 2143's Changes in Net Position

	Governmental Activities		Increase (Decrease)	
	2020	2019	Amounts	Percent
Revenues				
Program revenues				
Charges for services	\$ 776,023	\$ 785,487	\$ (9,464)	(1.2) %
Operating grants and contributions	2,290,234	1,928,780	361,454	18.7
General revenues				
Property taxes	3,326,271	2,001,295	1,324,976	66.2
State aid-formula grants and other contributions	5,931,662	5,478,221	453,441	8.3
Other general revenues	19,713	246,554	(226,841)	(92.0)
Investment earnings	625,645	164,323	461,322	280.7
Gain on sale of assets	8,800	182	8,618	4,735.2
Total Revenues	<u>12,978,348</u>	<u>10,604,842</u>	<u>2,373,506</u>	22.4
Expenses				
Administration	670,712	533,296	137,416	25.8
District support services	349,983	323,792	26,191	8.1
Elementary and secondary regular instruction	4,778,973	2,937,677	1,841,296	62.7
Vocational education instruction	153,083	73,969	79,114	107.0
Special education instruction	1,574,432	1,168,307	406,125	34.8
Community education and services	261,634	286,480	(24,846)	(8.7)
Instructional support services	534,473	409,125	125,348	30.6
Pupil support services	1,349,338	1,151,962	197,376	17.1
Sites and buildings	1,178,244	1,377,720	(199,476)	(14.5)
Fiscal and other fixed cost programs	62,001	52,852	9,149	17.3
Interest and fiscal charges on long-term debt	639,593	404,624	234,969	58.1
Total Expenses	<u>11,552,466</u>	<u>8,719,804</u>	<u>2,832,662</u>	32.5
Change in Net Position	1,425,882	1,885,038	(459,156)	(24.4)
Net Position, July 1	(6,937,420)	(8,822,458)	1,885,038	21.4
Prior Period Restatement (Note 7)	<u>101,476</u>	<u>-</u>	<u>101,476</u>	100.0
Net Position, June 30	<u>\$ (5,410,062)</u>	<u>\$ (6,937,420)</u>	<u>\$ 1,527,358</u>	22.0 %

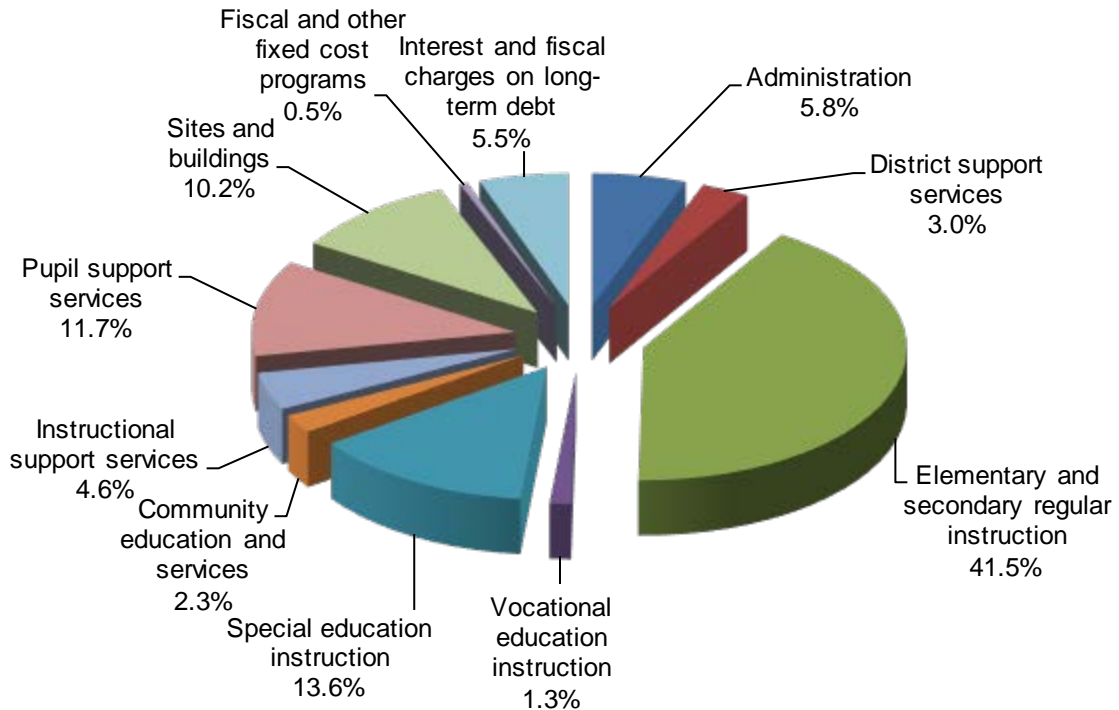
Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



Expenses by Program - Governmental Activities



Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$16,532,876, a decrease of \$5,093,990 in comparison with the prior year. Unassigned fund balance represents amounts that are available for spending at the District's discretion. Unassigned fund balance at the close of 2020 had a balance of \$1,986,111, compared to a balance of \$1,754,399 in the prior year.

The General fund is the chief operating fund of the District. At the end of the current year, unassigned fund balance of the General fund had a balance of \$1,986,111, while total fund balance reached \$2,570,539. As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 20.1 percent of total General fund expenditures, while total fund balance represents 26.0 percent of that same amount.

The fund balance of the District's General fund increased by \$374,498 during the current fiscal year. This increase in the General fund was due to expenditures coming in \$250,675 under budget while revenues were came in \$29,670 under budget. The District had budgeted an increase in fund balance of \$153,193 in comparison to the actual increase of \$374,498 resulting in a positive variance of \$221,305.

The fund balance of the District's Debt Service fund increased by \$63,589 during the current fiscal year. This increase was due property tax and state grant revenues exceeding scheduled debt payments.

The Building Construction fund balance decreased by \$5,474,379 during the current fiscal year. This decrease was due to ongoing construction for the School Building Project.

General Fund Budgetary Highlights

Actual revenues in the General fund were under the final budget by \$29,670. The primary cause of this negative variance is receiving less state and federal revenues than expected.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2020, amounts to \$7,132,386 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements and machinery and equipment. The total increase in the District's investment in capital assets for the current fiscal year was 535.0 percent. The total depreciation expense for the year was \$214,055. The following is a schedule of capital assets as of June 30, 2020:

Independent School District No. 2143's Capital Assets (Net of Depreciation)

	Governmental Activities		
	2020	2019	Increase (Decrease)
Land	\$ 31,400	\$ 31,400	\$ -
Construction in progress	6,052,885	-	6,052,885
Buildings	377,108	445,575	(68,467)
Equipment	644,669	617,451	27,218
Land Improvements	26,324	28,778	(2,454)
Total	<u>\$ 7,132,386</u>	<u>\$ 1,123,204</u>	<u>\$ 6,009,182</u>

Additional information on the District's capital assets can be found in Note 3C on page 50 of this report.

Long-term Debt. At the end of the current fiscal year, the District had total long-term debt outstanding of \$17,809,899. This is related to general obligation bonds and capital leases for copiers.

Independent School District No. 2143's Outstanding Debt

	Governmental Activities		
	2020	2019	Increase (Decrease)
General Obligation Bonds	\$ 17,805,000	\$ 18,500,000	\$ (695,000)
Capital Lease	4,899	11,080	(6,181)
Total Debt Outstanding	<u>\$ 17,809,899</u>	<u>\$ 18,511,080</u>	<u>\$ (701,181)</u>

The District's total debt decreased by \$701,181 during the current fiscal year due to scheduled debt payments.

Additional information on the District's long-term debt can be found in Note 3F on page 51 of this report.

Factors Bearing on the District's Future

The District has seen a stabilization of enrollment during the past three years, which has a significant impact on the future financial position as funding is driven by enrollment. This is a positive change after a long-term trend of declining enrollment. Although student numbers have remained constant over the past three years, the per pupil funding from the state continues to increase at a rate lower than inflation, resulting in the expense of the District increasing at a higher rate than the revenue.

In November of 2015, voters renewed the existing operating referendum at \$677 per pupil unit, with the remaining renewal of \$300 authorized by the School Board. Taxpayers authorized an additional \$450. The operating levy applies to tax levies from 2016-2025. The District must closely monitor expenditures to ensure they will stay in line with revenues.

In November of 2018, voters approved a building referendum of \$19,300,000. General Obligation School Building Bonds were sold in January of 2019 and the remodeling will occur through the fall of 2021.

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

Requests for Information

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Office, Independent School District No. 2143, 500 East Paquin Street Waterville, Minnesota 56906.

DISTRICT-WIDE FINANCIAL STATEMENTS
INDEPENDENT SCHOOL DISTRICT NO. 2143
WATERVILLE, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2020

Independent School District No. 2143

Waterville, Minnesota
 Statement of Net Position
 June 30, 2020

	<u>Governmental Activities</u>
Assets	
Cash and temporary investments	\$22,048,368
Receivables	
Taxes	1,758,146
Accounts	34,430
Interest	236,010
Due from other school districts	15,676
Intergovernmental	1,050,376
Inventories	29,819
Prepaid items	7,893
Capital assets not being depreciated	6,084,285
Capital assets net of accumulated depreciation	1,048,101
Total Assets	<u>32,313,104</u>
Deferred Outflows of Resources	
Deferred pension resources	4,979,189
Deferred other postemployment benefit resources	167,555
Total Deferred Outflows of Resources	<u>5,146,744</u>
Liabilities	
Salaries and wages payable	395,353
Accounts and other payables	4,319,380
Accrued interest payable	276,093
Due to other school districts	62,412
Due to other governments	647
Accrued expenses	530,745
Unearned revenue	22,423
Unamortized premiums	
Noncurrent liabilities	
Due within one year	650,176
Due in more than one year	18,034,678
Net pension liability	5,837,038
Other postemployment benefits liability	1,157,259
Total Liabilities	<u>31,286,204</u>
Deferred Inflows of Resources	
Property taxes levied for subsequent year	3,280,587
Deferred pension resources	8,125,479
Deferred other postemployment benefit resources	177,640
Total Deferred Inflows of Resources	<u>11,583,706</u>
Net Position	
Net investment in capital assets	2,252,048
Restricted for	
Operating capital purposes	40,026
State-mandated reserves	422,509
Community service	110,362
Food service	29,821
Unrestricted	<u>(8,264,828)</u>
Total Net Position	<u><u>\$ (5,410,062)</u></u>

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2143

Waterville, Minnesota

Statement of Activities

For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
Governmental Activities					
Administration	\$ 670,712	\$ -	\$ 3,454	\$ -	\$ (667,258)
District support services	349,983	-	280	-	(349,703)
Elementary and secondary regular instruction	4,778,973	299,222	746,344	-	(3,733,407)
Vocational education instruction	153,083	-	551	-	(152,532)
Special education instruction	1,574,432	71,910	1,043,891	-	(458,631)
Community education and services	261,634	122,185	53,454	-	(85,995)
Instructional support services	534,473	7,300	144,922	-	(382,251)
Pupil support services	1,349,338	183,981	264,724	-	(900,633)
Sites and buildings	1,178,244	91,425	32,614	-	(1,054,205)
Fiscal and other fixed cost programs	62,001	-	-	-	(62,001)
Interest and fiscal charges on long term debt	639,593	-	-	-	(639,593)
Total Governmental Activities	\$ 11,552,466	\$ 776,023	\$ 2,290,234	\$ -	(8,486,209)
General Revenues					
Taxes					
Property taxes, levied for general purposes					2,068,773
Property taxes, levied for community service					61,282
Property taxes, levied for debt service					1,196,216
State aid-formula grants and other contributions					5,931,662
Other general revenues					19,713
Investment earnings					625,645
Gain on sale of assets					8,800
Total General Revenues					9,912,091
Change in Net Position					1,425,882
Net Position, July 1					(6,937,420)
Prior Period Restatement (Note 7)					101,476
Net Position, June 30					\$ (5,410,062)

The notes to the financial statements are an integral part of this statement.

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FUND FINANCIAL STATEMENTS
INDEPENDENT SCHOOL DISTRICT NO. 2143
WATERVILLE, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2020

Independent School District No. 2143

Waterville, Minnesota

Balance Sheet

Governmental Funds

June 30, 2020

	General	Debt Service	Building Construction	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and temporary investments	\$ 3,523,560	\$ 622,642	\$ 17,775,751	\$ 126,415	\$ 22,048,368
Receivables					
Taxes					
Current	941,097	749,280	-	31,474	1,721,851
Delinquent	29,168	5,737	-	1,390	36,295
Accounts	30,222	-	-	4,208	34,430
Interest	-	-	236,010	-	236,010
Due from other school districts	15,676	-	-	-	15,676
Intergovernmental	970,329	22,093	-	57,954	1,050,376
Inventories	-	-	-	29,819	29,819
Prepaid items	7,893	-	-	-	7,893
	<u>\$ 5,517,945</u>	<u>\$ 1,399,752</u>	<u>\$ 18,011,761</u>	<u>\$ 251,260</u>	<u>\$ 25,180,718</u>
Liabilities					
Salaries and wages payable	\$ 372,575	\$ -	\$ -	\$ 22,778	\$ 395,353
Accounts and other payables	64,899	-	4,252,522	1,959	4,319,380
Due to other school districts	62,412	-	-	-	62,412
Due to other governments	647	-	-	-	647
Accrued expenses	530,745	-	-	-	530,745
Unearned revenue	-	-	-	22,423	22,423
Total Liabilities	<u>1,031,278</u>	<u>-</u>	<u>4,252,522</u>	<u>47,160</u>	<u>5,330,960</u>
Deferred Inflows of Resources					
Property taxes levied for subsequent year	1,886,960	1,329,710	-	63,917	3,280,587
Unavailable revenue - delinquent property taxes	29,168	5,737	-	1,390	36,295
Total Deferred Inflows of Resources	<u>1,916,128</u>	<u>1,335,447</u>	<u>-</u>	<u>65,307</u>	<u>3,316,882</u>
Fund Balances					
Nonspendable	7,893	-	-	29,819	37,712
Restricted	462,535	64,305	13,759,239	108,974	14,395,053
Assigned	114,000	-	-	-	114,000
Unassigned	1,986,111	-	-	-	1,986,111
Total Fund Balances	<u>2,570,539</u>	<u>64,305</u>	<u>13,759,239</u>	<u>138,793</u>	<u>16,532,876</u>
	<u>\$ 5,517,945</u>	<u>\$ 1,399,752</u>	<u>\$ 18,011,761</u>	<u>\$ 251,260</u>	<u>\$ 25,180,718</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 5,517,945</u>	<u>\$ 1,399,752</u>	<u>\$ 18,011,761</u>	<u>\$ 251,260</u>	<u>\$ 25,180,718</u>

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2143

Waterville, Minnesota

Reconciliation of the Balance Sheet

to the Statement of Net Position

Governmental Funds

June 30, 2020

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

Total Fund Balances - Governmental Funds	\$ 16,532,876
--	---------------

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	7,132,386
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.

Bonds payable	(17,805,000)
Capital lease payable	(4,899)
Bond premiums, net of accumulated amortization	(829,678)
Compensated absences payable	(45,277)
Net pension liability	(5,837,038)
Other postemployment benefits liability	(1,157,259)

Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.

Delinquent property taxes receivable	36,295
--------------------------------------	--------

Governmental funds do not report long-term amounts related to pensions.

Deferred outflows of pension resources	4,979,189
Deferred inflows of pension resources	(8,125,479)

Governmental funds do not report long-term amounts related other postemployment benefits.

Deferred outflows of other postemployment benefit resources	167,555
Deferred inflows of other postemployment benefit resources	(177,640)

Governmental funds do not report a liability for accrued interest until due and payable.

<u>(276,093)</u>

Total Net Position - Governmental Activities	<u><u>\$ (5,410,062)</u></u>
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Independent School District No. 2143
 Waterville, Minnesota
 Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2020

	General	Debt Service	Building Construction	Other Governmental Funds	Total
Revenues					
Local property tax levies	\$ 2,063,706	\$ 1,190,479	\$ -	\$ 61,311	\$ 3,315,496
Other local and county revenue	545,503	-	-	122,456	667,959
Interest earned on investments	42,532	-	580,302	2,811	625,645
Revenue from state sources	7,247,626	220,652	-	74,975	7,543,253
Revenue from federal sources	351,403	-	-	222,758	574,161
Sales and other conversion of assets	14,938	-	-	183,220	198,158
Total Revenues	<u>10,265,708</u>	<u>1,411,131</u>	<u>580,302</u>	<u>667,531</u>	<u>12,924,672</u>
Expenditures					
Current					
Administration	630,428	-	-	-	630,428
District support services	348,611	-	-	-	348,611
Elementary and secondary regular instruction	4,579,250	-	-	-	4,579,250
Vocational education instruction	151,150	-	-	-	151,150
Special education instruction	1,530,570	-	-	-	1,530,570
Community education and services	-	-	-	257,276	257,276
Instructional support services	504,116	-	-	-	504,116
Pupil support services	776,815	-	-	465,289	1,242,104
Sites and buildings	1,083,209	-	-	-	1,083,209
Fiscal and other fixed cost programs	62,001	-	-	-	62,001
Capital outlay	218,689	-	6,054,681	2,664	6,276,034
Debt service					
Principal	6,181	695,000	-	-	701,181
Interest and other charges	490	652,542	-	-	653,032
Total Expenditures	<u>9,891,510</u>	<u>1,347,542</u>	<u>6,054,681</u>	<u>725,229</u>	<u>18,018,962</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>374,198</u>	<u>63,589</u>	<u>(5,474,379)</u>	<u>(57,698)</u>	<u>(5,094,290)</u>
Other Financing Sources (Uses)					
Sale of assets	300	-	-	-	300
Transfers in	-	-	-	40,917	40,917
Transfers out	-	-	-	(40,917)	(40,917)
Total Other Financing Sources (Uses)	<u>300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>300</u>
Net Change in Fund Balances	374,498	63,589	(5,474,379)	(57,698)	(5,093,990)
Fund Balances, July 1	2,094,565	716	19,233,618	196,491	21,525,390
Prior Period Restatement (Note 7)	101,476	-	-	-	101,476
Fund Balances, June 30	<u>\$ 2,570,539</u>	<u>\$ 64,305</u>	<u>\$ 13,759,239</u>	<u>\$ 138,793</u>	<u>\$ 16,532,876</u>

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2143
 Waterville, Minnesota
 Reconciliation of the Statement of
 Revenues, Expenditures and Changes in Fund Balances
 to Statement of Activities
 Governmental Funds
 For the Year Ended June 30, 2020

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

Total Net Change in Fund Balances - Governmental Funds \$ (5,093,990)

Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.

Capital outlay	6,214,737
Depreciation expense	(214,055)

The statement of activities reports gains arising from sales or trade-in of existing capital assets to acquire new capital assets. Conversely, governmental funds do not report any gain or loss on a sale or trade-in of capital assets. 8,500

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.

Principal repayments	701,181
Premium on bonds issued, net of amortization	43,667

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however interest expense is recognized as the interest accrues, regardless of when it is due. (30,228)

Long-term pension activity is not reported in governmental funds.

Pension expense	(328,251)
Direct aid contributions	34,101

Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds. 10,775

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Severance costs	(10,086)
Other postemployment benefits costs	89,531

Change in Net Position - Governmental Activities \$ 1,425,882

Independent School District No. 2143
 Waterville, Minnesota
 Statement of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual
 General Fund
 For the Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Local property tax levies	\$ 2,203,823	\$ 2,083,823	\$ 2,063,706	\$ (20,117)
Other local and county revenue	392,762	490,163	545,503	55,340
Interest earned on investments	14,000	14,000	42,532	28,532
Revenue from state sources	6,936,628	7,300,654	7,247,626	(53,028)
Revenue from federal sources	417,056	399,588	351,403	(48,185)
Sales and other conversion of assets	7,150	7,150	14,938	7,788
Total Revenues	<u>9,971,419</u>	<u>10,295,378</u>	<u>10,265,708</u>	<u>(29,670)</u>
Expenditures				
Current				
Administration	685,414	623,241	630,428	(7,187)
District support services	336,794	336,577	348,611	(12,034)
Elementary and secondary regular instruction	4,625,180	4,730,903	4,579,250	151,653
Vocational education instruction	127,184	125,603	151,150	(25,547)
Special education instruction	1,661,693	1,660,972	1,530,570	130,402
Instructional support services	375,939	412,028	504,116	(92,088)
Pupil support services	708,977	700,271	776,815	(76,544)
Sites and buildings	1,193,825	1,216,482	1,083,209	133,273
Fiscal and other fixed cost programs	57,112	57,112	62,001	(4,889)
Capital outlay				
District support services	-	500	-	500
Elementary and secondary regular instruction	31,664	31,664	51,448	(19,784)
Special education instruction	10,962	10,962	15,661	(4,699)
Instructional support services	104,700	104,700	9,506	95,194
Pupil support services	117,000	117,000	99,237	17,763
Sites and buildings	7,500	7,500	42,837	(35,337)
Debt service				
Principal	5,490	5,490	6,181	(691)
Interest and other charges	1,180	1,180	490	690
Total Expenditures	<u>10,050,614</u>	<u>10,142,185</u>	<u>9,891,510</u>	<u>250,675</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(79,195)	153,193	374,198	221,005
Other Financing Sources (Uses)				
Sale of assets	-	-	300	300
Net Change in Fund Balances	(79,195)	153,193	374,498	221,305
Fund Balances, July 1	2,094,565	2,094,565	2,094,565	-
Prior Period Restatement (Note 7)	-	-	101,476	101,476
Fund Balances, June 30	<u>\$ 2,015,370</u>	<u>\$ 2,247,758</u>	<u>\$ 2,570,539</u>	<u>\$ 322,781</u>

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2143
Waterville, Minnesota
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2020

	<u>Custodial Fund Scholarships</u>
Assets	
Cash and Temporary Investments	<u>\$ 17,601</u>
Net Position	
Held in Trust for Scholarships	<u>\$ 17,601</u>

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2143
 Waterville, Minnesota
 Statement of Changes in Fiduciary Net Position
 Fiduciary Funds
 For the Year Ended June 30, 2020

	<u>Custodial Fund Scholarships</u>
Additions	
Interest earned on investments	\$ 35
Gifts and donations	1,300
Total Additions	<u>1,335</u>
Deductions	
Other expenditures	<u>7,500</u>
Change in Net Position	(6,165)
Net Position, July 1	<u>23,766</u>
Net Position, June 30	<u><u>\$ 17,601</u></u>

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2143
Waterville, Minnesota
Notes to the Financial Statements
June 30, 2020

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

Independent School District No. 2143, (the District) was incorporated under the laws of the State of Minnesota, (the State). The District operates under a School Board form of government for the purpose of providing educational services to individuals within the area. The District is governed by an elected School Board of seven members. The District has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The District has no component units that meet the GASB criteria.

B. District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. The effect of interfund activity has been removed from these statements.

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. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. State revenue is recognized in the year to which it applies according to Minnesota statutes and accounting principles generally accepted in the United States of America. Minnesota statutes include State aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure was made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Independent School District No. 2143
Waterville, Minnesota
Notes to the Financial Statements
June 30, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

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.

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

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue. On the modified accrual basis, receivables that will not be collected within the available period have been reported as unavailable revenue.

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Description of Funds

The various District funds have been established by the State of Minnesota Department of Education. Each fund is accounted for as an independent entity. Descriptions of the funds included in this report are as follows:

Major Governmental Funds

The *General fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *Debt Service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Building Construction fund* accounts for all resources used for the acquisition and/or construction of major capital facilities.

Non-major Governmental Funds

The *Food Service special revenue fund* is used to account for food service revenue and expenditures.

The *Community Service special revenue fund* accounts for services provided to residents in the areas of recreation, civic activities, non-public pupils, adult or early childhood programs, or other similar services.

Fiduciary Funds

Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. The District's scholarship custodial fund accounts for activities held to be used by various third parties devoted to awarding student scholarships. All resources of the fund, including any earnings on invested resources, may be used to support the activities.

Independent School District No. 2143
Waterville, Minnesota
Notes to the Financial Statements
June 30, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

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

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency and all of the investments have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed investment contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

The Minnesota School District Liquid Asset Fund (MSDLAF) investment pool operates in accordance with appropriate Minnesota laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. The MSDLAF is an external investment pool not registered with the Securities and Exchange Commission (SEC); however, it follows the same regulatory rules of the SEC under rule §2a7. Financial statements of the MSDLAF fund can be obtained by contacting PFM Asset Management, LLC at P.O. Box 11760, Harrisburg, PA 17108-11760.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's recurring fair value measurements are listed in detail on page 48 and are valued using quoted market prices (Level 1 inputs).

Independent School District No. 2143
Waterville, Minnesota
Notes to the Financial Statements
June 30, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

Property Taxes

The School Board annually adopts a tax levy and certifies it to the County in December for collection the following year. The County is responsible for collecting all property taxes for the District. These taxes attach an enforceable lien on taxable property within the District on January 1 and are payable by the property owners in May and October of each year. The taxes are collected by the County Treasurer and tax settlements are made to the District three or four times throughout the year.

Statutory funding formulas determine the majority of the District revenue in the General and special revenue funds. This revenue is divided between property taxes and State aids by the legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift." The remaining portion of taxes collectible in 2020 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

Taxes payable on qualifying property, as defined by Minnesota statutes, are partially reduced by a market value credit aid. The credits are paid to the District by the State in lieu of taxes levied against the property.

Current property taxes receivable is the uncollected portion of the taxes levied in 2019 and collectible in 2020. This levy is offset with a deferred inflow of resources, property taxes levied for subsequent year. Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year end in the fund financial statements.

Accounts Receivable

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. No allowance for uncollectible accounts has been recorded. The only receivable not expected to be collected within one year are delinquent property taxes receivable.

Inventories and Prepaid Items

Food Service fund inventories include items purchased by the District and commodities donated by the U.S. Department of Agriculture (USDA). Commodities are valued using a standard price list furnished by the USDA and purchased inventory is valued at the lower of cost or market on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

Capital Assets

Capital assets include property, plant and equipment. Capital assets are defined by the District as assets with an initial, individual cost of more than \$1,000 (amount not rounded). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Independent School District No. 2143
 Waterville, Minnesota
 Notes to the Financial Statements
 June 30, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

Property, plant, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	20 - 50
Land Improvements	20 - 50
Equipment and Machinery	5 - 15

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualifies for reporting in this category. Accordingly, the items, deferred pension resources and deferred OPEB resources, are reported only in the statement of net position. The pension resources results from actuarial calculations and current year pension contributions made subsequent to the measurement date. The OPEB resources are current year OPEB contributions made subsequent to the measurement date.

Unearned Revenue

Unearned revenues are those in which resources are received by the District before it has a legal claim to them. The District has reported unearned revenues for school lunch balances for students in the Food Service fund.

Compensated Absences

The District has employee union contracts with several different employee groups. Employee benefits under the contracts vary, but generally include provisions for both sick and vacation leave. The District accounts for the employee benefits as follows:

Vacation Pay- The District compensates administrative and support staff employees for vacation benefits at various rates based on their respective agreements. The expenditures for vacation pay is recognized when payment is made.

Sick Pay- Substantially all District employees are entitled to sick leave at various rates based on length of service to the District. The expenditure for sick leave is recognized when payment is made. Teachers electing to retire on June 30, who have at least 20 years of service and are at least 55 years of age shall be eligible to have 25% of their unused sick leave (not to exceed 20 days) paid out at June 30 with the proper notification to the District in advance.

At June 30, 2020, compensated absences totaling \$45,277 are recorded in the financial statements.

Postemployment Benefits Other than Pensions

Under Minnesota statute 471.61, subdivision 2b, public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in a group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees are able to add dependent coverage during open enrollment period or qualifying life event prior to retirement. All premiums are funded on a pay-as-you-go basis. The liability was determined, in accordance with GASB Statement No. 75, at July 1, 2019. The General fund is typically used to liquidate governmental other postemployment benefits payable.

Independent School District No. 2143
Waterville, Minnesota
Notes to the Financial Statements
June 30, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight line method. Bond issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt 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.

Pensions

Teachers Retirement Association (TRA)

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

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. The direct aid is a result of the 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. The General fund is typically used to liquidate the governmental net pension liability. Additional information can be found in Note 4.

Public Employees Retirement Association (PERA)

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 additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. 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. The General fund is typically used to liquidate the governmental net pension liability.

The total pension expense for the GERP and TRA is as follows:

	GERP	TRA	Total Pension Expense
Pension Expense	\$ 99,138	\$ 659,477	\$ 758,615

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has three types of items, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, one of the items, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: delinquent property taxes and property taxes levied for subsequent year. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other items are the deferred pension and deferred other post-employment benefit resources reported in the statement of net position of the government-wide statements. These items result from the difference between expected and actual experience, the net difference between projected and actual investments earnings on pension and OPEB plan investments, changes in assumptions and changes in proportion and differences between entity contributions and proportionate share of contributions.

Independent School District No. 2143
Waterville, Minnesota
Notes to the Financial Statements
June 30, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

Restricted - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the School Board (the Board), which is the District's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board modifies or rescinds the commitment by resolution.

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the Board itself or by an official to which the governing body delegates the authority. The Board has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the Board or the Budget Committee.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

The District considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of fund balance when expenditures are made.

The District has formally adopted a fund balance policy for the General fund. The District's policy is to maintain a minimum unassigned General fund balance of 45-60 days of operating expenditures.

Net Position

In the district-wide financial statements, net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

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

Independent School District No. 2143
Waterville, Minnesota
Notes to the Financial Statements
June 30, 2020

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

Budgets are prepared for District governmental funds on the same basis and using the same accounting practices that are used in accounting and preparing financial statements for the funds.

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

1. Prior to July 1, the budget is prepared by the Superintendent to be adopted by the School Board.
2. The approved budget is published in summary form in the District's legal newspaper by November 30 of each year.
3. Budgets for General, Debt Service, Building Construction, Food Service and Community Service funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).
4. Budgeted amounts are as originally adopted, or as amended.
5. Budget appropriations lapse at year end.
6. The legal level of budgetary control is the department level.
7. The District does not use encumbrance accounting.

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the District's deposits may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the School Board, the District maintains deposits at those depository banks which are members of the Federal Reserve System.

Minnesota statutes require that all District deposits be protected by insurance, surety bond or collateral. The fair value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds, with the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

Independent School District No. 2143
Waterville, Minnesota
Notes to the Financial Statements
June 30, 2020

Note 3: Detailed Notes on All Funds (Continued)

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the District.

At year end, the District's carrying amount of deposits was \$1,314,471 and the bank balance was \$1,476,667. Of the bank balance, \$425,141 was covered by federal depository insurance and the remaining amount was covered by bonds or collateral held by the District's agent in the District's name.

Investment Policy

The funds of the District shall be deposited or invested in accordance with Minnesota statutes, chapter 118A and any other applicable law or written administrative procedures. The primary criteria for the investment of the funds of the District, in priority order are as follows:

1. **Safety and Security.** Safety of principal is the first priority. The investments of the District shall be undertaken in a manner that seeks to ensure the preservation of the capital in the overall investment portfolio.
2. **Liquidity.** The funds shall be invested to assure that funds are available to meet immediate payment requirements, including payroll, accounts payable and debt service.
3. **Return and Yield.** The investments shall be managed in a manner to attain a market rate of return through various economic and budgetary cycles, while preserving and protecting the capital in the investment portfolio and taking into account constraints on risk and cash flow requirements.

Limitations on instruments, diversification and maturity scheduling shall depend on whether the funds being invested are considered short-term or long-term funds. All funds shall normally be considered short-term except those reserved for building construction projects or specific future projects and any unreserved funds used to provide financial-related managerial flexibility for future fiscal years. The District shall diversify its investments to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities. Within these parameters, portfolio maturities shall be staggered to avoid undue concentration of assets and a specific maturity sector. The maturities selected shall provide for stability of income and reasonable liquidity.

Independent School District No. 2143
Waterville, Minnesota
Notes to the Financial Statements
June 30, 2020

Note 3: Detailed Notes on All Funds (Continued)

All investment securities purchased by the District shall be held in third-party safekeeping by an institution designated as custodial agent. The custodial agent may be any Federal Reserve Bank, any bank authorized under the laws of the United States or any state to exercise corporate trust powers, a primary reporting dealer in United States Government securities to the Federal Reserve Bank of New York, or a securities broker-dealer defined in Minnesota statutes 118A.06. The institution or dealer shall issue a safekeeping receipt to the District listing the specific instrument, the name of the issuer, the name in which the security is held, the rate, the maturity, serial numbers and other distinguishing marks, and other pertinent information.

Deposit-type securities shall be collateralized as required by Minnesota statute 118A.03 for any amount exceeding FDIC, SAIF, BIF, FCUA, or other federal deposit coverage.

Repurchase agreements shall be secured by the physical delivery or transfer against payment of the collateral securities to a third party or custodial agent for safekeeping. The school district may accept a safekeeping receipt instead of requiring physical delivery or third-party safekeeping of collateral on overnight repurchase agreements of less than \$1,000,000.

As of June 30, 2020 the District had the following investments:

<u>Types of Investments</u>	<u>Credit Quality/ Ratings (1)</u>	<u>Segmented Time Distribution (2)</u>	<u>Balance</u>	<u>Fair Value Measurement Using Level 1</u>
Pooled Investments at Amortized Costs				
Minnesota School District Liquid Asset Fund (MSDLAF)	AAAm	less than 6 months	\$ 2,028,193	
Minnesota School District MAX Fund (MSDMAX)	AAAm	less than 6 months	12,366,305	
Non-pooled Investments at Fair Value				
Negotiable certificates of deposit	N/A	less than 6 months	1,911,000	\$ 1,911,000
Negotiable certificates of deposit	N/A	1 to 3 years	<u>4,446,000</u>	<u>4,446,000</u>
Total investments			<u>\$ 20,751,498</u>	<u>\$ 6,357,000</u>

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.

(2) Interest rate risk is disclosed using the segmented time distribution method.

The Minnesota School District Liquid Asset Fund (MSDLAF) is a trust organized and existing under the laws of the State of Minnesota and the Minnesota Joint Powers Act, as amended. The trust was established for the purpose of allowing Minnesota school districts to pool their investment funds to obtain a competitive investment yield, while maintaining liquidity and preserving capital. The credit rating for the MSDLAF is AAAm. The weighted average days to maturity are not greater than six months. The District's investment in the MSDLAF is equal to the value of pool shares.

Independent School District No. 2143
 Waterville, Minnesota
 Notes to the Financial Statements
 June 30, 2020

Note 3: Detailed Notes on All Funds (Continued)

A reconciliation of cash and temporary investments as shown on the statement of net position for the District follows:

Deposits	\$ 1,314,471
Investments	<u>20,751,498</u>
Total	<u>22,065,969</u>
Less Fiduciary Fund Cash and Temporary Investments	<u>(17,601)</u>
Cash and Temporary Investments	<u><u>\$ 22,048,368</u></u>

B. Property Taxes

Current property taxes receivable is recorded for taxes levied in 2019 and payable in 2020. A portion of the current property taxes receivable is recognized as revenue in the fiscal year ended June 30, 2020 in accordance with Minnesota statutes and the remaining balance is recorded as a deferred inflow of resources for subsequent years' operations.

Delinquent property taxes receivable represents uncollected taxes from the previous six years' property tax levies.

Taxes receivable is comprised of the following components:

	General	Debt Service	Nonmajor Governmental	Total
Current Taxes	\$ 941,097	\$ 749,280	\$ 31,474	\$ 1,721,851
Delinquent Taxes	<u>29,168</u>	<u>5,737</u>	<u>1,390</u>	<u>36,295</u>
Total Taxes Receivable	<u><u>\$ 970,265</u></u>	<u><u>\$ 755,017</u></u>	<u><u>\$ 32,864</u></u>	<u><u>\$ 1,758,146</u></u>
Property Taxes Levied for Subsequent Year	<u><u>\$ 1,886,960</u></u>	<u><u>\$ 1,329,710</u></u>	<u><u>\$ 63,917</u></u>	<u><u>\$ 3,280,587</u></u>

Independent School District No. 2143
Waterville, Minnesota
Notes to the Financial Statements
June 30, 2020

Note 3: Detailed Notes on All Funds (Continued)

C. Capital Assets

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

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 31,400	\$ -	\$ -	\$ 31,400
Construction in progress	-	6,052,885	-	6,052,885
Total capital assets not being depreciated	<u>31,400</u>	<u>6,052,885</u>	<u>-</u>	<u>6,084,285</u>
Capital Assets Being Depreciated				
Land improvements	304,084	-	-	304,084
Buildings	5,104,248	-	-	5,104,248
Equipment	2,229,705	170,352	(265,122)	2,134,935
Total Capital Assets Being Depreciated	<u>7,638,037</u>	<u>170,352</u>	<u>(265,122)</u>	<u>7,543,267</u>
Less Accumulated Depreciation				
Land improvements	(275,306)	(2,454)	-	(277,760)
Buildings	(4,658,673)	(68,467)	-	(4,727,140)
Equipment	(1,612,254)	(143,134)	265,122	(1,490,266)
Total Accumulated Depreciation	<u>(6,546,233)</u>	<u>(214,055)</u>	<u>265,122</u>	<u>(6,495,166)</u>
Total Capital Assets Being Depreciated, Net	<u>1,091,804</u>	<u>(43,703)</u>	<u>-</u>	<u>1,048,101</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 1,123,204</u>	<u>\$ 6,009,182</u>	<u>\$ -</u>	<u>\$ 7,132,386</u>

Depreciation expense was charged to governmental activities as follows:

Administration	\$ 116
District Support Services	1,491
Elementary and Secondary Regular Instruction	20,794
Vocational Education Instruction	1,251
Community Education	143
Instructional Support Services	9,768
Pupil Support Services	92,277
Sites, Buildings and Equipment	87,274
Special Education Instruction	941
Total Depreciation Expense	<u>\$ 214,055</u>

Independent School District No. 2143
 Waterville, Minnesota
 Notes to the Financial Statements
 June 30, 2020

Note 3: Detailed Notes on All Funds (Continued)

D. Construction Commitments

The District has an active construction project as of June 30, 2020. At year end, the District's commitment with contractors are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
School Building Project	<u>\$ 2,172,774</u>	<u>\$ 17,282,311</u>

E. Interfund Receivables, Payables and Transfers

	<u>Transfer In Food Service Fund</u>
Transfer Out Community Service Fund	<u>\$ 40,917</u>

During the year ended June 30, 2020, the District transferred \$40,917 from the Community Service fund to the Food Service fund to eliminate the fund balance deficit.

F. Long-term Debt

General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities.

General obligation bonds are direct obligations and pledge the full faith and credit of the District. General obligation bonds currently outstanding are as follows:

<u>Description</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>	
					<u>Due Within One Year</u>	<u>Total</u>
G.O. School Building Bonds, Series 2019A	\$ 18,500,000	3.00 - 5.00 %	02/01/19	02/01/39	<u>\$ 600,000</u>	<u>\$ 17,805,000</u>

Independent School District No. 2143
Waterville, Minnesota
Notes to the Financial Statements
June 30, 2020

Note 3: Detailed Notes on All Funds (Continued)

The annual requirements to amortize all bonds outstanding at June 30, 2020 are as follows:

Year Ending June 30,	Principal Payments	Interest Payments	Total
2021	\$ 600,000	\$ 662,623	\$ 1,262,623
2022	620,000	638,623	1,258,623
2023	700,000	613,823	1,313,823
2024	725,000	585,823	1,310,823
2025	755,000	556,823	1,311,823
2026 - 2030	4,365,000	2,196,763	6,561,763
2031 - 2035	5,215,000	1,339,613	6,554,613
2036 - 2039	4,825,000	430,555	5,255,555
Total	<u>\$ 17,805,000</u>	<u>\$ 7,024,646</u>	<u>\$ 24,829,646</u>

Capital Leases

The District had a capital lease for copiers. The copiers had a total cost of \$28,820 and accumulated depreciation of \$25,938 as of June 30, 2020. The details are as follows:

	Issue Date	Interest Rate	Original Issue	Final Maturity	Principal Outstanding	
					Due Within One Year	Total
Copiers	03/26/16	5.93 %	\$ 28,820	03/28/21	<u>\$ 4,899</u>	<u>\$ 4,899</u>

The future minimum lease obligations of these minimum lease payments as of June 30, 2020 are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	<u>\$ 4,899</u>	<u>\$ 121</u>	<u>\$ 5,020</u>

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds Payable					
General obligation bonds	\$ 18,500,000	\$ -	\$ (695,000)	\$ 17,805,000	\$ 600,000
Bond premiums	873,345	-	(43,667)	829,678	-
Total bonds payable	<u>19,373,345</u>	<u>-</u>	<u>(738,667)</u>	<u>18,634,678</u>	<u>600,000</u>
Other Liabilities					
Capital leases payable	11,080	-	(6,181)	4,899	4,899
Compensated absences payable	<u>35,191</u>	<u>33,295</u>	<u>(23,209)</u>	<u>45,277</u>	<u>45,277</u>
Total Long-term Liabilities	<u>\$ 19,419,616</u>	<u>\$ 33,295</u>	<u>\$ (768,057)</u>	<u>\$ 18,684,854</u>	<u>\$ 650,176</u>

Independent School District No. 2143
Waterville, Minnesota
Notes to the Financial Statements
June 30, 2020

Note 3: Detailed Notes on All Funds (Continued)

G. Components of Fund Balance

At June 30, 2020, portions of the District's fund balance are not available for appropriation due to legal restrictions (Restricted) and policy and/or intent (Assigned). The following is a summary of the components of fund balance:

	General	Debt Service	Building Construction	Nonmajor Governmental	Total
Nonspendable For					
Inventories	\$ -	\$ -	\$ -	\$ 29,819	\$ 29,819
Prepaid items	7,893	-	-	-	7,893
Total Nonspendable	\$ 7,893	\$ -	\$ -	\$ 29,819	\$ 37,712
Restricted for					
Student activities	\$ 96,118	\$ -	\$ -	\$ -	\$ 96,118
Staff development	40,244	-	-	-	40,244
Operating capital	40,026	-	-	-	40,026
Learning and development	23,040	-	-	-	23,040
Gifted and talented	15,841	-	-	-	15,841
Basic skills	35,552	-	-	-	35,552
Safe schools	20,207	-	-	-	20,207
Long-term facilities maintenance	148,795	-	-	-	148,795
Medical assistance	42,712	-	-	-	42,712
Early childhood and family education	-	-	-	48,339	48,339
School readiness	-	-	-	51,943	51,943
Food service	-	-	-	2	2
Community service	-	-	-	8,690	8,690
Building construction	-	-	13,759,239	-	13,759,239
Debt service	-	64,305	-	-	64,305
Total Restricted	\$ 462,535	\$ 64,305	\$ 13,759,239	\$ 108,974	\$ 14,395,053
Assigned for					
Separation/retirement benefits	\$ 114,000	\$ -	\$ -	\$ -	\$ 114,000
Unassigned					
	\$ 1,986,111	\$ -	\$ -	\$ -	\$ 1,986,111

Independent School District No. 2143
Waterville, Minnesota
Notes to the Financial Statements
June 30, 2020

Note 3: Detailed Notes on All Funds (Continued)

Restricted for Student Activities - This amount represents available resources for various student activities.

Restricted for Staff Development - This amount represents available resources for staff development. Revenues are derived from state aids and expenditures are for staff development at each site.

Restricted for Operating Capital - This amount represents available resources dedicated for capital expenditure building projects, equipment purchases, vehicles and computer hardware and software. Revenues are derived from tax levies and State aids and expenditures are for repair and restoration of existing facilities and construction of new facilities, purchase of equipment, computers, software, textbooks and library books.

Restricted for Learning and Development - This amount represents accumulated resources available to provide for learning and development programming in accordance with funding made available for that purpose.

Restricted for Gifted and Talented - This amount represents accumulated resources made available through a portion of the District's general education aid for gifted and talented programs.

Restricted for Basic Skills Programs - This amount represents accumulated resources available to provide for basic skills programming in accordance with funding made available for that purpose.

Restricted for Safe Schools - This amount represents resources restricted for crime prevention and making schools safe for students and staff.

Restricted for Long-Term Facilities Maintenance - This amount represents available resources for larger maintenance projects. Revenues are derived from State aids and expenditures are for maintenance.

Restricted for Medical Assistance - This amount represents available resources for medical assistance expenditures. Revenues are derived from State or Federal aids.

Restricted for Early Childhood Family Education (ECFE) - This amount represents available resources for ECFE classes. Revenues are derived from local tax levies and State aids and expenditures are for salaries, benefits and supplies.

Restricted for School Readiness - This amount represents available resources to provide for services for school readiness programs. Revenues are derived from State aids, fees and grants and expenditures are for salaries, benefits and supplies.

Restricted for Food Service - This amount represents available resources available for Food Service. Revenues are derived from state, federal, local and county sources along with sales and other conversion of assets and expenditures are primarily for salaries, benefits, supplies and materials.

Restricted for Community Service - This amount represents available resources available for community services. Revenues are derived from tax levies and local and county sources and expenditures are primarily for salaries, benefits, purchased services, supplies and materials.

Restricted for Building Construction - This amount represents available resources dedicated exclusively for building construction projects. Revenues are derived from the issuance of bonds and expenditures are for building construction costs.

Restricted for Debt Service - This amount represents available resources dedicated exclusively for debt service payments. Revenues are derived from tax levies and expenditures are for principal, interest and paying agent fees.

Assigned for Separation/Retirement Benefits - This amount represents resources segregated from the unassigned fund balance for retirement benefits, including severance, pensions, other post-employment benefits and termination benefits.

Unassigned amounts represent resources available to meet current and future years' expenditures.

Independent School District No. 2143
 Waterville, Minnesota
 Notes to the Financial Statements
 June 30, 2020

Note 4: Defined Benefit Pension Plans - Statewide

Substantially all employees of the District are required by State Law to belong to pension plans administered by Teachers Retirement Association (TRA) or Public Employees Retirement Association (PERA), all of which are administered on a statewide basis.

Disclosures relating to these plans follow:

A. Teachers Retirement Association (TRA)

1. Plan Description

The Teachers Retirement Association (TRA) is an administrator of a multiple employer, cost-sharing, defined benefit retirement fund. TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with Minnesota statutes, chapters 354 and 356. TRA is a separate statutory entity and administered by a Board of Trustees. The Board consists of four active member, 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. State university, community college, and technical college educators first employed by (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.

2. Benefits Provided

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

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

Tier I:	<u>Step Rate Formula</u>	<u>Percentage</u>
Basic	1st ten years of service	2.2 percent per year
	All years after	2.7 percent per year
Coordinated	1st ten years if service years are prior to July 1, 2006	1.2 percent per year
	1st 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 prior 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

Independent School District No. 2143
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Note 4: Defined Benefit Pension Plans - Statewide (Continued)

With these provisions:

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

or

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

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

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

3. Contribution Rates

Per Minnesota statutes, chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year were:

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

The District's contributions to TRA for the years ending June 30, 2020, 2019 and 2018 were \$331,088, \$333,626 and \$284,917, respectively. The District's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

Independent School District No. 2143
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Notes to the Financial Statements
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Note 4: Defined Benefit Pension Plans - Statewide (Continued)

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

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 schedule of employer and non-employer pension allocations	<u><u>\$ 437,714,000</u></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.

4. 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 10, 2015
	November 6, 2017 (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	7.50%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028 and 3.25% thereafter
Projected salary increase	2.85 to 8.85% before July 1, 2028 and 3.25 to 9.25% thereafter
Cost of living adjustment	1.0% for January 2019 through January 2023. then increasing by 0.1% each year up to 1.5% annually.
Mortality Assumption	
Pre-retirement	RP-2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP-2015 scale.
Post-retirement	RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
Post-disability	RP-2014 disabled retiree mortality table, without adjustment.

Independent School District No. 2143

Waterville, Minnesota

Notes to the Financial Statements

June 30, 2020

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Stocks	35.50 %	5.10 %
International Stocks	17.50	5.30
Private Markets	25.00	5.90
Fixed Income	20.20	0.75
Unallocated Cash	<u>2.00</u>	-
 Total	 <u><u>100.20 %</u></u>	

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2019 is 6.00 years. The “Difference Between Expected and Actual Experience”, “Changes of Assumptions” and “Changes in Proportion” use the amortization period of 6.00 years in the schedule presented. The amortization period for “Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments” is 5.00 years as required by GASB 68.

Changes in actuarial assumptions since the 2018 valuation:

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

Independent School District No. 2143
Waterville, Minnesota
Notes to the Financial Statements
June 30, 2020

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

5. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. There was no change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2018 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).

6. Net Pension Liability

At June 30, 2020, Independent School District No. 2143 (the District) reported a liability of \$4,659,409 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The District proportionate share was 0.0731 percent at the end of the measurement period and 0.0719 percent for the beginning of the year.

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

District's Proportionate Share of Net Pension Liability	\$ 4,659,409
State's Proportionate Share of Net Pension Liability Associated with the District	412,504

For the year ended June 30, 2020, the District recognized pension expense of \$628,122. It also recognized \$31,355 as an increase to pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 6,312	\$ 127,559
Changes in Actuarial Assumptions	4,426,037	6,728,840
Net Difference Between Projected and Actual Earnings on Plan Investments	-	386,909
Changes in Proportion	60,297	587,659
Contributions to TRA Subsequent to the Measurement Date	331,088	-
Total	\$ 4,823,734	\$ 7,830,967

Independent School District No. 2143
 Waterville, Minnesota
 Notes to the Financial Statements
 June 30, 2020

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

Deferred outflows of resources totaling \$331,088 related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

2021	\$ 82,773
2022	(187,320)
2023	(2,019,312)
2024	(1,205,827)
2025	(8,635)

7. Pension Liability Sensitivity

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

District Proportionate Share of NPL		
1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
\$ 7,428,238	\$ 4,659,409	\$ 2,376,551

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

8. Pension Plan Fiduciary Net Position

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

9. Subsequent Events and the Covid-19 Pandemic Subsequent to Year-End

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

B. Public Employees Retirement Association (PERA)

1. Plan Description

The District participates in the following defined benefit pension plans administered by the Public Employees Retirement Association (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota statutes, chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan (GERP)

All full-time and certain part-time employees of the District are covered by the General Employees Retirement Plan (GERP). GERP members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

Independent School District No. 2143
Waterville, Minnesota
Notes to the Financial Statements
June 30, 2020

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

2. Benefits Provided

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

GERP Benefits

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

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. If the General Employees Plan is at least 90 percent funded for two consecutive years, benefit recipients are given a 2.5 percent increase. If the plan has not exceeded 90 percent funded, or have fallen below 80 percent, benefit recipients are given a one percent increase. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase.

3. Contributions

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

GERP Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2020 and the District was required to contribute 7.5 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the years ending June 30, 2020, 2019 and 2018 were \$104,824, \$112,677 and \$106,419, respectively. The District's contributions were equal to the contractually required contributions for each year as set by state statute.

4. Pension Costs

At June 30, 2020, the District reported a liability of \$1,177,629 or its proportionate share of the General Employee Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2019. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$36,665. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the District's proportion was 0.0213 percent which was an increase of 0.0001 percent from its proportion measured as of June 30, 2018.

Independent School District No. 2143
Waterville, Minnesota
Notes to the Financial Statements
June 30, 2020

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

For the year ended June 30, 2020, the District recognized pension expense of \$96,392 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional \$2,746 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 36,910	\$ 1,472
Changes in Actuarial Assumptions	4,481	104,117
Net Difference Between Projected and Actual Earnings on Plan Investments	-	121,299
Changes in Proportion	9,240	67,624
Contributions to PERA Subsequent to the Measurement Date	<u>104,824</u>	<u>-</u>
Total	<u>\$ 155,455</u>	<u>\$ 294,512</u>

The \$104,824 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2021		\$ (93,033)
2022		(130,840)
2023		(21,902)
2024		1,894

5. Actuarial Assumptions

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

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 disabled members 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 General Employees Plan.

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employee Plan was completed in 2019. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

Independent School District No. 2143

Waterville, Minnesota

Notes to the Financial Statements

June 30, 2020

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

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

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	35.50 %	5.10 %
Private Markets	25.00	5.30
Fixed Income	20.00	5.90
International Equity	17.50	0.75
Cash Equivalents	2.00	-
Total	<u>100.00 %</u>	

6. Discount Rate

The discount rate used to measure the total pension liability 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 rates set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

7. Pension Liability Sensitivity

The following presents the District's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

<u>District Proportionate Share of NPL</u>		
<u>1 Percent Decrease (6.50%)</u>	<u>Current (7.50%)</u>	<u>1 Percent Increase (8.50%)</u>
\$ 1,935,959	\$ 1,177,629	\$ 551,477

Independent School District No. 2143
 Waterville, Minnesota
 Notes to the Financial Statements
 June 30, 2020

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

8. Pension Plan Fiduciary Net Position

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

Note 5: Postemployment Benefits Other Than Pensions

A. Plan Description

The District operates a single-employer retiree benefit plan ("the Plan") that provides health, life and dental insurance to eligible employees and their families through the District's health insurance plan. The full cost of the benefits is covered by the plan. Benefit and eligibility provisions are established through negotiations between the District and various unions representing District employees and are renegotiated each two-year bargaining period. The Plan does not issue a publicly available report.

At June 30, 2020, the following employees were covered by the benefit terms:

Active Plan Members	99
Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	26
	99
Total Plan Members	125

B. Funding Policy

The District has historically funded these liabilities on a pay-as-you-go basis. Contribution requirements are negotiated between the District and union representatives on a per contract basis. At the present time, no retiree benefits are provided except the allowance to continue health insurance that is mandated by Minnesota Law. The District does not contribute any of the cost of current-year premiums for eligible retired plan members or their spouses. For the year ended June 30, 2020, the District's average contribution rate was 4.7 percent of covered-employee payroll. For fiscal year 2020, the District directly contributed \$111,201 to the Plan, while implicit contributions totaled \$56,354.

C. Actuarial Methods and Assumptions

The District's total OPEB liability of \$1,157,259 was measured as of July 1, 2019.

The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.10%
20-Year Municipal Bond Yield	3.10%
Inflation Rate	2.50%
Salary Increases	Service graded table
Medical Trend Rate	6.50% as of July 1, 2019 grading to 5.00% over 6 yea

The discount rate used to measure the total OPEB liability was 3.10 percent. Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-Year Municipal Bond Yield.

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

Independent School District No. 2143
 Waterville, Minnesota
 Notes to the Financial Statements
 June 30, 2020

Note 6: Postemployment Benefits Other Than Pensions (Continued)

The actuarial assumptions used in the July 1, 2019 valuation were based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information as well as for consistency with the other economic assumptions.

D. Changes in the Total OPEB Liability

	Total OPEB Liability (a)
	<u>\$ 1,498,897</u>
Balances at June 30, 2019	
Changes for the Year:	
Service cost	45,083
Interest	49,840
Assumption changes	(150,653)
Plan changes	14,039
Differences between expected and actual experience	(57,925)
Benefit payments	(242,022)
Net Changes	<u>(341,638)</u>
Balances at June 30, 2020	<u>\$ 1,157,259</u>

Since the prior measurement date, the following assumptions changed:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The post-retirement medical coverage election rate was changed from 50% to 30% for employees who are not entitled to a direct subsidy.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP- 2016 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount- Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and contract group.
- The discount rate was changed from 3.50% to 3.10%.

Since the prior measurement date, the following plan changes occurred:

- The subsidy for the superintendent was changed from \$7,100 per year towards medical coverage for 11 years to \$7,810 per year towards medical coverage for 10 years.
- The subsidy for eligible teachers was extended to cover retirements through June 30, 2022.

Independent School District No. 2143
Waterville, Minnesota
Notes to the Financial Statements
June 30, 2020

Note 6: Postemployment Benefits Other Than Pensions (Continued)

E. Sensitivity of the Total OPEB Liability

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.10 percent) or 1-percentage-point higher (4.10percent) than the current discount rate:

1 Percent Decrease (2.10%)	Current (3.10%)	1 Percent Increase (4.10%)
\$ 1,199,578	\$ 1,157,259	\$ 1,115,530

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a Healthcare Cost Trend Rates that is 1-percentage point lower (5.50 percent decreasing to 4.00 percent) or 1-percentage-point higher (7.50 percent increasing to 6.00 percent) than the current Healthcare Cost Trend Rate:

1 Percent Decrease (5.50% decreasing to 4.00%)	Healthcare Cost Trend Rates (6.50% decreasing to 5.00%)	1 Percent Increase (7.50% decreasing to 6.00%)
\$ 1,112,534	\$ 1,157,259	\$ 1,208,538

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$89,531. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 48,270
Changes in actuarial assumptions	-	129,370
Contributions Subsequent to the Measurement Date	167,555	-
Total	\$ 167,555	\$ 177,640

Deferred outflows of resources totaling \$167,555 related to the OPEB resulting from the District's contributions to the plan subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2021	\$ (35,721)
2022	(35,721)
2023	(35,721)
2024	(35,719)
2025	(34,758)

Independent School District No. 2143
Waterville, Minnesota
Notes to the Financial Statements
June 30, 2020

Note 7: Other Information

A. Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District carries insurance. Settled claims have not exceeded this coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The District's management is not aware of any incurred but not reported claims.

The Southcentral Services Cooperative Gross Self-Insured Health Insurance Plan was formed under a joint powers agreement. This is a public entity risk pool that is currently operating as common risk management and insurance program for member districts. The District pays an annual premium to this plan for its health and insurance coverage. These premiums are used to purchase reinsurance through commercial companies. The administrators to the plan believe assessment to participating districts for future losses sustained is extremely remote.

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

B. Commitments and Contingencies

Federal and State Receivables

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

Note 8: Prior Period Restatement

During fiscal year 2020, the District implemented a new accounting pronouncement issued by the Government Accounting Standards Board (GASB), Statement No. 84, *Fiduciary Activities*. This standard required a retroactive implementation due to student activities and scholarship funds which resulted in the restatement of beginning balances in the June 30, 2020 financial statements. Changes related to this standard are reflected in the financial statements and related disclosures. As a result of the restatement of beginning balances, the following schedule reconciles the previously reported June 30, 2019 balances to the July 1, 2020 financial statement balances:

Fund	June 30, 2020		
	Net Position June 30, 2019 as Previously Reported	Prior Period Restatement	Net Position July 1, 2019 as Restated
Governmental Activities	<u>\$ (6,937,420)</u>	<u>\$ 101,476</u>	<u>\$ (6,835,944)</u>
Governmental Funds			
General fund	<u>\$ 2,094,565</u>	<u>\$ 101,476</u>	<u>\$ 2,196,041</u>

Note 9: Subsequent Event

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world in the first quarter of 2020 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the District is unable to determine if it will have a material impact to its operations.

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REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 2143
WATERVILLE, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2020

Independent School District No. 2143
Waterville, Minnesota
Required Supplementary Information
For the Year Ended June 30, 2020

Schedule of Employer's Share of TRA Net Pension Liability

Fiscal Year Ending	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability with the District (b)	Total (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/19	0.0731 %	\$ 4,659,409	\$ 412,504	\$ 5,071,913	\$ 4,327,183	117.2 %	78.2 %
06/30/18	0.0719	4,517,463	424,532	4,941,995	3,798,893	130.1	78.1
06/30/17	0.0785	15,670,024	1,514,976	17,185,000	4,225,227	406.7	51.6
06/30/16	0.0804	19,177,318	1,925,554	21,102,872	4,352,387	484.9	44.9
06/30/15	0.0840	5,196,231	637,344	5,833,575	4,295,696	135.8	76.8
06/30/14	0.0919	4,234,685	298,010	4,532,695	4,169,560	108.7	81.1

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Schedule of Employer's TRA Contributions

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
06/30/20	\$ 331,088	\$ 331,088	\$ -	\$ 4,180,408	7.9 %
06/30/19	333,626	333,626	-	4,327,183	7.7
06/30/18	284,917	284,917	-	3,798,893	7.5
06/30/17	316,892	316,892	-	4,225,227	7.5
06/30/16	326,429	326,429	-	4,352,387	7.5
06/30/15	322,253	322,253	-	4,295,696	7.5

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Independent School District No. 2143
Waterville, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2020

Notes to the Required Supplementary Information - TRA

Changes in Actuarial Assumptions

2019 - None

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

Changes in Plan Provisions

2019 – None

2018 - The 2018 Omnibus Pension Bill contained a number of changes:

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

2017 – None

2016 – None

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

Independent School District No. 2143
Waterville, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2020

Schedule of Employer's Share of PERA Net Pension Liability

Fiscal Year Ending	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	Total (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/19	0.0213 %	\$ 1,177,629	\$ 36,665	\$ 1,214,294	\$ 1,502,363	80.8 %	80.2 %
06/30/18	0.0212	1,176,089	38,586	1,214,675	1,418,920	85.6	79.5
06/30/17	0.0233	1,487,457	18,692	1,506,149	1,493,787	100.8	75.9
06/30/16	0.0230	1,867,486	24,390	1,891,876	1,415,533	133.7	68.9
06/30/15	0.0254	1,316,360	-	1,316,360	1,474,414	89.3	78.2
06/30/14	0.0256	1,202,560	-	1,202,560	1,346,110	89.3	78.7

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Schedule of Employer's PERA Contributions

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
06/30/20	\$ 104,824	\$ 104,824	\$ -	\$ 1,397,655	7.5 %
06/30/19	112,677	112,677	-	1,502,363	7.5
06/30/18	106,419	106,419	-	1,418,920	7.5
06/30/17	112,034	112,034	-	1,493,787	7.5
06/30/16	106,165	106,165	-	1,415,533	7.5
06/30/15	106,895	106,895	-	1,474,414	7.3

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Independent School District No. 2143
Waterville, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2020

Notes to the Required Supplementary Information - PERA

Changes in Actuarial Assumptions

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

Changes in Plan Provisions

2019 - The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The state's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

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

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

2016 – None

2015 - On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

Independent School District No. 2143
Waterville, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2020

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

	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 45,083	\$ 62,775	\$ 61,457
Interest	49,840	53,193	57,913
Changes in assumptions	(150,653)	(5,740)	-
Plan changes	14,039	-	-
Differences between expected and actual experience	(57,925)	-	-
Changes in benefit terms	-	15,869	-
Benefit payments	(242,022)	(255,717)	(263,238)
Net Change in Total OPEB Liability	(341,638)	(129,620)	(143,868)
Total OPEB Liability - Beginning	1,498,897	1,628,517	1,772,385
Total OPEB Liability - Ending	<u>\$ 1,157,259</u>	<u>\$ 1,498,897</u>	<u>\$ 1,628,517</u>
Covered - Employee Payroll	\$ 4,292,693	\$ 4,421,474	\$ 4,292,693
District's Total OPEB Liability As a Percentage of Covered Employee Payroll	0.27	0.34 %	0.38 %

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Changes in Benefits

2019 - The subsidy for eligible teachers retiring before June 30, 2021 was changed to be paid over eight years instead of seven years and the subsidy for the individual principal was changed from \$6,000 per year to \$8,000 per year.

2018 - The teacher's subsidized post-retirement benefit was changed to \$6,000 per year toward medical coverage for seven years if retiring before the 2020-2021 school year.

Changes in Assumptions

2019 - The discount rate was changed from 3.40% to 3.50%

2018 - The health care trend rates were changed to better anticipate short term and long term medical increases. The mortality table was updated from RP-2017 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale. The prior valuation assumed an implicit rate subsidy for dental insurance valued to age 85. Based on plan experience, the implicit rate liability is not significant for dental insurance and has not been included in this valuation. The discount rate was changed from 3.50% to 3.40%

Changes in Method

2018 - The actuarial cost method was changed from projected unit credit entry age as prescribed by GASB 75.

COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS, SCHEDULES AND TABLE

INDEPENDENT SCHOOL DISTRICT NO. 2143
WATERVILLE, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2020

Independent School District No. 2143
 Waterville, Minnesota
 Nonmajor Governmental Funds
 Combining Balance Sheet
 June 30, 2020
 (With Comparative Totals for June 30, 2019)

	Special Revenue		Totals	
	Food Service	Community Service	2020	2019
Assets				
Cash and temporary investments	\$ (17,130)	\$ 143,545	\$ 126,415	\$ 203,445
Receivables				
Taxes				
Current	-	31,474	31,474	30,653
Delinquent	-	1,390	1,390	1,419
Accounts and interest	-	4,208	4,208	2,362
Intergovernmental	52,534	5,420	57,954	30,089
Inventories	29,819	-	29,819	26,418
Total Assets	<u>\$ 65,223</u>	<u>\$ 186,037</u>	<u>\$ 251,260</u>	<u>\$ 294,386</u>
Liabilities				
Salaries payable	\$ 11,084	\$ 11,694	\$ 22,778	\$ 11,370
Accounts and other payables	1,895	64	1,959	12,930
Unearned revenue	22,423	-	22,423	8,963
Total Liabilities	<u>35,402</u>	<u>11,758</u>	<u>47,160</u>	<u>33,263</u>
Deferred Inflows of Resources				
Property taxes levied for subsequent year	-	63,917	63,917	63,213
Unavailable revenue - delinquent property taxes	-	1,390	1,390	1,419
Total Deferred Inflows of Resources	<u>-</u>	<u>65,307</u>	<u>65,307</u>	<u>64,632</u>
Fund Balances				
Nonspendable for				
Inventories	29,819	-	29,819	26,418
Restricted for				
Community education	-	-	-	4,808
Early childhood family education	-	48,339	48,339	71,444
School readiness	-	51,943	51,943	82,652
Community service	-	8,690	8,690	7,589
Food service	2	-	2	3,580
Total Fund Balances	<u>29,821</u>	<u>108,972</u>	<u>138,793</u>	<u>196,491</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 65,223</u>	<u>\$ 186,037</u>	<u>\$ 251,260</u>	<u>\$ 294,386</u>

Independent School District No. 2143
 Waterville, Minnesota
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 For the Year Ended June 30, 2020
 (With Comparative Totals for the Year Ended June 30, 2019)

	Special Revenue		Totals	
	Food Service	Community Service	2020	2019
Revenues				
Local property tax levies	\$ -	\$ 61,311	\$ 61,311	\$ 61,873
Other local and county revenue	150	122,306	122,456	190,387
Interest earned on investments	176	2,635	2,811	2,789
Revenue from state sources	20,555	54,420	74,975	83,860
Revenue from federal sources	222,758	-	222,758	229,729
Sales and other conversion of assets	183,220	-	183,220	242,210
Total Revenues	<u>426,859</u>	<u>240,672</u>	<u>667,531</u>	<u>810,848</u>
Expenditures				
Current				
Community education and services	-	257,276	257,276	251,816
Pupil support services	465,289	-	465,289	476,167
Capital outlay	2,664	-	2,664	-
Total Expenditures	<u>467,953</u>	<u>257,276</u>	<u>725,229</u>	<u>727,983</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(41,094)</u>	<u>(16,604)</u>	<u>(57,698)</u>	<u>82,865</u>
Other Financing Sources				
Transfers in	40,917	-	40,917	-
Transfers out	-	(40,917)	(40,917)	-
Total Other Financing Sources (Uses)	<u>40,917</u>	<u>(40,917)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(177)	(57,521)	(57,698)	82,865
Fund Balances, July 1	<u>29,998</u>	<u>166,493</u>	<u>196,491</u>	<u>113,626</u>
Fund Balances, June 30	<u>\$ 29,821</u>	<u>\$ 108,972</u>	<u>\$ 138,793</u>	<u>\$ 196,491</u>

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Independent School District No. 2143

Waterville, Minnesota

General Fund

Comparative Balance Sheets

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Cash and temporary investments	\$ 3,523,560	\$ 3,319,291
Receivables		
Taxes		
Current	941,097	969,408
Delinquent	29,168	24,101
Accounts	30,222	41,369
Due from other school districts	15,676	33,995
Intergovernmental	970,329	922,433
Prepaid items	<u>7,893</u>	<u>5,568</u>
Total Assets	<u>\$ 5,517,945</u>	<u>\$ 5,316,165</u>
Liabilities		
Salaries payable	\$ 372,575	\$ 406,747
Accounts and other payables	64,899	199,896
Due to other school districts	62,412	119,245
Due to other governments	647	549
Accrued expenses	<u>530,745</u>	<u>528,970</u>
Total Liabilities	<u>1,031,278</u>	<u>1,255,407</u>
Deferred Inflows of Resources		
Property taxes levied for subsequent year	1,886,960	1,942,092
Unavailable revenue - delinquent property taxes	<u>29,168</u>	<u>24,101</u>
Total Deferred Inflows of Resources	<u>1,916,128</u>	<u>1,966,193</u>
Fund Balances		
Nonspendable for		
Prepaid items	7,893	5,568
Restricted for		
Student activities	96,118	101,476
Staff development	40,244	15,558
Operating capital	40,026	4,414
Learning and development	23,040	20,310
Gifted and talented	15,841	7,215
Basic skills	35,552	31,019
Safe schools	20,207	1,086
Long-term facilities maintenance	148,795	-
Medical assistance	42,712	39,520
Assigned		
Separation/retirement benefits	114,000	114,000
Unassigned	<u>1,986,111</u>	<u>1,754,399</u>
Total Fund Balances	<u>2,570,539</u>	<u>2,094,565</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 5,517,945</u>	<u>\$ 5,316,165</u>

Independent School District No. 2143

Waterville, Minnesota

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual

For the Year Ended June 30, 2020

(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	2020			Variance with Final Budget	2019
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			Amounts
Revenues					
Local property tax levies	\$ 2,203,823	\$ 2,083,823	\$ 2,063,706	\$ (20,117)	\$ 1,946,673
Other local and county revenue	392,762	490,163	545,503	55,340	642,220
Interest earned on investments	14,000	14,000	42,532	28,532	54,146
Revenue from state sources	6,936,628	7,300,654	7,247,626	(53,028)	6,935,825
Revenue from federal sources	417,056	399,588	351,403	(48,185)	392,135
Sales and other conversion of assets	7,150	7,150	14,938	7,788	10,155
Total Revenues	9,971,419	10,295,378	10,265,708	(29,670)	9,981,154
Expenditures					
Current					
Administration					
Salaries	466,915	436,215	449,647	(13,432)	584,375
Employee benefits	184,980	153,507	162,634	(9,127)	169,498
Purchased services	22,015	22,015	10,078	11,937	34,570
Supplies and materials	1,025	1,025	183	842	346
Other expenditures	10,479	10,479	7,886	2,593	8,910
Total administration	685,414	623,241	630,428	(7,187)	797,699
District support services					
Salaries	148,765	133,627	136,232	(2,605)	151,424
Employee benefits	63,274	55,258	54,497	761	62,509
Purchased services	102,000	124,937	141,084	(16,147)	105,398
Supplies and materials	7,485	7,485	6,494	991	5,756
Other expenditures	15,270	15,270	10,304	4,966	8,316
Total district support services	336,794	336,577	348,611	(12,034)	333,403
Elementary and secondary regular instruction					
Salaries	2,812,438	2,831,815	2,803,709	28,106	2,789,134
Employee benefits	1,358,401	1,356,456	1,309,407	47,049	1,343,776
Purchased services	180,852	180,783	129,161	51,622	141,289
Supplies and materials	260,395	348,755	317,435	31,320	184,970
Other expenditures	13,094	13,094	19,538	(6,444)	14,393
Total elementary and secondary regular instruction	4,625,180	4,730,903	4,579,250	151,653	4,473,562
Vocational education instruction					
Salaries	76,684	75,314	94,504	(19,190)	73,872
Employee benefits	43,391	43,180	52,843	(9,663)	41,615
Purchased services	1,435	1,435	407	1,028	3
Supplies and materials	5,674	5,674	3,396	2,278	4,705
Total vocational education instruction	127,184	125,603	151,150	(25,547)	120,195
Special education instruction					
Salaries	1,007,070	1,007,070	924,162	82,908	1,027,764
Employee benefits	380,338	379,617	351,709	27,908	372,604
Purchased services	262,127	262,127	245,866	16,261	227,541
Supplies and materials	11,548	11,548	8,833	2,715	10,894
Other expenditures	610	610	-	610	-
Total special education instruction	1,661,693	1,660,972	1,530,570	130,402	1,638,803

Independent School District No. 2143

Waterville, Minnesota

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual (Continued)

For the Year Ended June 30, 2020

(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	2020			2019	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Instructional support services					
Salaries	\$ 212,468	\$ 237,229	\$ 279,569	\$ (42,340)	\$ 258,787
Employee benefits	80,690	92,018	91,114	904	79,234
Purchased services	51,588	51,588	56,704	(5,116)	63,037
Supplies and materials	27,588	27,588	68,731	(41,143)	9,433
Other expenditures	3,605	3,605	7,998	(4,393)	7,798
Total instructional support services	<u>375,939</u>	<u>412,028</u>	<u>504,116</u>	<u>(92,088)</u>	<u>418,289</u>
Pupil support services					
Salaries	469,202	466,585	464,930	1,655	468,446
Employee benefits	141,387	135,298	143,120	(7,822)	132,428
Purchased services	134	134	97,560	(97,426)	42,349
Supplies and materials	98,254	98,254	71,205	27,049	83,077
Total pupil support services	<u>708,977</u>	<u>700,271</u>	<u>776,815</u>	<u>(76,544)</u>	<u>726,300</u>
Sites and buildings					
Salaries	271,376	263,088	239,963	23,125	251,674
Employee benefits	111,651	116,852	107,949	8,903	116,299
Purchased services	663,380	663,380	588,705	74,675	755,599
Supplies and materials	147,288	173,032	146,462	26,570	182,140
Other expenditures	130	130	130	-	130
Total sites and buildings	<u>1,193,825</u>	<u>1,216,482</u>	<u>1,083,209</u>	<u>133,273</u>	<u>1,305,842</u>
Fiscal and other fixed cost programs					
Purchased services	57,112	57,112	62,001	(4,889)	52,852
Total current	<u>9,772,118</u>	<u>9,863,189</u>	<u>9,666,150</u>	<u>197,039</u>	<u>9,866,945</u>
Capital outlay					
District support services	-	500	-	500	-
Elementary and secondary regular instruction	31,664	31,664	51,448	(19,784)	65,426
Special education instruction	10,962	10,962	15,661	(4,699)	1,358
Instructional support services	104,700	104,700	9,506	95,194	108,018
Pupil support services	117,000	117,000	99,237	17,763	101,426
Sites and buildings	7,500	7,500	42,837	(35,337)	7,842
Total capital outlay	<u>271,826</u>	<u>272,326</u>	<u>218,689</u>	<u>53,637</u>	<u>284,070</u>
Debt service					
Principal	5,490	5,490	6,181	(691)	5,826
Interest and other charges	1,180	1,180	490	690	845
Total debt service	<u>6,670</u>	<u>6,670</u>	<u>6,671</u>	<u>(1)</u>	<u>6,671</u>
Total Expenditures	<u>10,050,614</u>	<u>10,142,185</u>	<u>9,891,510</u>	<u>250,675</u>	<u>10,157,686</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	(79,195)	153,193	374,198	221,005	(176,532)
Other Financing Sources (Uses)					
Sale of assets	-	-	300	300	-
Net Change in Fund Balances	(79,195)	153,193	374,498	221,305	(176,532)
Fund Balances, July 1	2,094,565	2,094,565	2,094,565	-	2,271,097
Prior Period Restatement (Note 7)	-	-	101,476	101,476	-
Fund Balances, June 30	<u>\$ 2,015,370</u>	<u>\$ 2,247,758</u>	<u>\$ 2,570,539</u>	<u>\$ 322,781</u>	<u>\$ 2,094,565</u>

Independent School District No. 2143
 Waterville, Minnesota
 Food Service Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual
 For the Year Ended June 30, 2020
 (With Comparative Actual Amounts for the Year Ended June 30, 2019)

	2020				2019
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Other local and county revenues	\$ 100	\$ 100	\$ 150	\$ 50	\$ -
Interest earned on investments	20	20	176	156	26
Revenue from state sources	28,300	28,300	20,555	(7,745)	27,898
Revenue from federal sources	206,160	221,200	222,758	1,558	229,729
Sales and other conversion of assets	236,690	236,690	183,220	(53,470)	242,210
Total Revenues	<u>471,270</u>	<u>486,310</u>	<u>426,859</u>	<u>(59,451)</u>	<u>499,863</u>
Expenditures					
Current					
Pupil support services					
Salaries	161,959	159,780	168,188	(8,408)	166,149
Employee benefits	91,965	79,680	96,231	(16,551)	93,067
Purchased services	1,465	1,465	2,030	(565)	241
Supplies and materials	201,206	223,206	198,350	24,856	215,975
Other expenditures	1,082	1,082	490	592	735
Total current	<u>457,677</u>	<u>465,213</u>	<u>465,289</u>	<u>(76)</u>	<u>476,167</u>
Capital outlay					
Pupil support services	10,000	10,000	2,664	7,336	-
Total Expenditures	<u>467,677</u>	<u>475,213</u>	<u>467,953</u>	<u>7,260</u>	<u>476,167</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,593	11,097	(41,094)	(52,191)	23,696
Other Financing Sources					
Transfers in	-	-	40,917	40,917	-
Net Change in Fund Balances	3,593	11,097	(177)	(11,274)	23,696
Fund Balances, July 1	<u>29,998</u>	<u>29,998</u>	<u>29,998</u>	<u>-</u>	<u>6,302</u>
Fund Balances, June 30	<u>\$ 33,591</u>	<u>\$ 41,095</u>	<u>\$ 29,821</u>	<u>\$ (11,274)</u>	<u>\$ 29,998</u>

Independent School District No. 2143
 Waterville, Minnesota
 Community Service Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual
 For the Year Ended June 30, 2020
 (With Comparative Actual Amounts for the Year Ended June 30, 2019)

	2020				2019
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Local property tax levies	\$ 62,986	\$ 62,986	\$ 61,311	\$ (1,675)	\$ 61,873
Other local and county revenue	158,100	166,100	122,306	(43,794)	190,387
Interest earned on investments	1,000	1,000	2,635	1,635	2,763
Revenue from state sources	47,797	58,528	54,420	(4,108)	55,962
Total Revenues	<u>269,883</u>	<u>288,614</u>	<u>240,672</u>	<u>(47,942)</u>	<u>310,985</u>
Expenditures					
Current					
Community education and services					
Salaries	170,145	169,223	165,422	3,801	154,949
Employee benefits	57,186	65,774	51,278	14,496	51,320
Purchased services	27,563	27,563	31,686	(4,123)	28,978
Supplies and materials	18,204	21,441	8,344	13,097	16,031
Other expenditures	834	834	546	288	538
Total current	<u>273,932</u>	<u>284,835</u>	<u>257,276</u>	<u>27,559</u>	<u>251,816</u>
Capital outlay					
Community education and services	3,427	3,427	-	3,427	-
Total Expenditures	<u>277,359</u>	<u>288,262</u>	<u>257,276</u>	<u>30,986</u>	<u>251,816</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures					
	(7,476)	352	(16,604)	(16,956)	59,169
Other Financing Sources (Uses)					
Transfers out	-	-	(40,917)	(40,917)	-
Net Change in Fund Balances					
	(7,476)	352	(57,521)	(57,873)	59,169
Fund Balances, July 1					
	<u>166,493</u>	<u>166,493</u>	<u>166,493</u>	<u>-</u>	<u>107,324</u>
Fund Balances, June 30					
	<u>\$ 159,017</u>	<u>\$ 166,845</u>	<u>\$ 108,972</u>	<u>\$ (57,873)</u>	<u>\$ 166,493</u>

Independent School District No. 2143
 Waterville, Minnesota
 Debt Service Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual
 For the Year Ended June 30, 2020
 (With Comparative Actual Amounts for the Year Ended June 30, 2019)

	2020				2019
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Local property tax levies	\$ 1,350,000	\$ 1,350,000	\$ 1,190,479	\$ (159,521)	\$ -
Revenue from state sources	-	-	220,652	220,652	-
Total Revenues	<u>1,350,000</u>	<u>1,350,000</u>	<u>1,411,131</u>	<u>61,131</u>	<u>-</u>
Expenditures					
Current					
Debt service					
Principal	1,350,000	1,350,000	695,000	655,000	-
Interest and other charges	-	-	652,542	(652,542)	-
Total Expenditures	<u>1,350,000</u>	<u>1,350,000</u>	<u>1,347,542</u>	<u>2,458</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	63,589	63,589	-
Other Financing Sources					
Transfers in	-	-	-	-	716
Net Change in Fund Balances	-	-	63,589	63,589	716
Fund Balances, July 1	<u>716</u>	<u>716</u>	<u>716</u>	<u>-</u>	<u>-</u>
Fund Balances, June 30	<u>\$ 716</u>	<u>\$ 716</u>	<u>\$ 64,305</u>	<u>\$ 63,589</u>	<u>\$ 716</u>

Independent School District No. 2143
 Waterville, Minnesota
 Building Construction Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual
 For the Year Ended June 30, 2020
 (With Comparative Actual Amounts for the Year Ended June 30, 2019)

	2020				2019
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Interest earned on investments	\$ 432,000	\$ 432,000	\$ 580,302	\$ 148,302	\$ 107,388
Expenditures					
Capital outlay					
Sites and buildings	6,848,600	9,793,600	6,054,681	3,738,919	88,485
Debt service					
Interest and other fixed cost programs	-	-	-	-	157,914
Total Expenditures	6,848,600	9,793,600	6,054,681	3,738,919	246,399
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,416,600)	(9,361,600)	(5,474,379)	3,887,221	(139,011)
Other Financing Sources					
Bonds issued	-	-	-	-	18,500,000
Premium on bonds issued	-	-	-	-	873,345
Transfers out	-	-	-	-	(716)
Total Other Financing Sources (Uses)	-	-	-	-	19,372,629
Net Change in Fund Balances	(6,416,600)	(9,361,600)	(5,474,379)	3,887,221	19,233,618
Fund Balances, July 1	19,233,618	19,233,618	19,233,618	-	-
Fund Balances, June 30	<u>\$ 12,817,018</u>	<u>\$ 9,872,018</u>	<u>\$ 13,759,239</u>	<u>\$ 3,887,221</u>	<u>\$ 19,233,618</u>

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Independent School District No. 2143
 Waterville, Minnesota
 Schedules of Tax Capacity, Tax Levy and Tax Rates
 For the Years Ended June 30, 2020 and 2019

	2020	2019
Tax Capacity		
Agricultural	\$ 3,496,394	\$ 3,398,537
Nonagricultural	6,662,461	6,205,501
Total	\$10,158,855	\$ 9,604,038
Tax Levy		
General	\$ 1,974,243	\$ 2,052,913
Community Service	63,696	63,002
Debt Service	1,325,121	1,412,370
Total	\$ 3,363,060	\$ 3,528,285
Tax Capacity Rates		
General	4.809	5.148
Community Service	0.627	0.656
Debt Service	13.044	14.706
Total	18.480	20.510



Fiscal Compliance Report - 6/30/2020
District: WATERVILLE-ELYSIAN-MORRI (2143-1)

	Audit	UFARS	Audit - UFARS		Audit	UFARS	Audit - UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$10,265,708	<u>\$10,265,699</u>	<u>\$9</u>	Total Revenue	\$580,302	<u>\$580,302</u>	<u>\$0</u>
Total Expenditures	\$9,891,510	<u>\$9,891,499</u>	<u>\$11</u>	Total Expenditures	\$6,054,681	<u>\$6,054,681</u>	<u>\$0</u>
<i>Non Spendable:</i>				<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$7,893	<u>\$7,893</u>	<u>\$0</u>	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>				<i>Restricted / Reserved:</i>			
4.01 Student Activities	\$96,118	<u>\$96,118</u>	<u>\$0</u>	4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>
4.02 Scholarships	\$0	<u>\$0</u>	<u>\$0</u>	4.13 Project Funded by COP	\$0	<u>\$0</u>	<u>\$0</u>
4.03 Staff Development	\$40,244	<u>\$40,245</u>	<u>(\$1)</u>	4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>
4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted:</i>			
4.08 Cooperative Revenue	\$0	<u>\$0</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$13,759,239	<u>\$13,759,238</u>	<u>\$1</u>
4.13 Project Funded by COP	\$0	<u>\$0</u>	<u>\$0</u>	<i>Unassigned:</i>			
4.14 Operating Debt	\$0	<u>\$0</u>	<u>\$0</u>	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.16 Levy Reduction	\$0	<u>\$0</u>	<u>\$0</u>				
4.17 Taconite Building Maint	\$0	<u>\$0</u>	<u>\$0</u>	07 DEBT SERVICE			
4.24 Operating Capital	\$40,026	<u>\$40,026</u>	<u>\$0</u>	Total Revenue	\$1,411,131	<u>\$1,411,130</u>	<u>\$1</u>
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$1,347,542	<u>\$1,347,541</u>	<u>\$1</u>
4.27 Disabled Accessibility	\$0	<u>\$0</u>	<u>\$0</u>	<i>Non Spendable:</i>			
4.28 Learning & Development	\$23,040	<u>\$23,041</u>	<u>(\$1)</u>	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.34 Area Learning Center	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted / Reserved:</i>			
4.35 Contracted Alt. Programs	\$0	<u>\$0</u>	<u>\$0</u>	4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.36 State Approved Alt. Program	\$0	<u>\$0</u>	<u>\$0</u>	4.33 Maximum Effort Loan Aid	\$0	<u>\$0</u>	<u>\$0</u>
4.38 Gifted & Talented	\$15,841	<u>\$15,842</u>	<u>(\$1)</u>	4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>	4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>
4.41 Basic Skills Programs	\$35,552	<u>\$35,553</u>	<u>(\$1)</u>	<i>Restricted:</i>			
4.48 Achievement and Integration	\$0	<u>\$0</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$64,305	<u>\$64,305</u>	<u>\$0</u>
4.49 Safe School Crime - Crime Levy	\$20,207	<u>\$20,207</u>	<u>\$0</u>	<i>Unassigned:</i>			
4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>				
4.53 Unfunded Sev & Retirement Levy	\$0	<u>\$0</u>	<u>\$0</u>	08 TRUST			
4.59 Basic Skills Extended Time	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.67 LTFM	\$148,795	<u>\$148,796</u>	<u>(\$1)</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.72 Medical Assistance	\$42,712	<u>\$42,711</u>	<u>\$1</u>	<i>Restricted / Reserved:</i>			
4.73 PPP Loan	\$0	<u>\$0</u>	<u>\$0</u>	4.01 Student Activities	\$0	<u>\$0</u>	<u>\$0</u>
4.74 EIDL Loan	\$0	<u>\$0</u>	<u>\$0</u>	4.02 Scholarships	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>				
4.75 Title VII Impact Aid	\$0	<u>\$0</u>	<u>\$0</u>	18 CUSTODIAL			
4.76 Payments in Lieu of Taxes	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$1,335	<u>\$1,334</u>	<u>\$1</u>
<i>Committed:</i>				Total Expenditures	\$7,500	<u>\$7,500</u>	<u>\$0</u>
4.18 Committed for Separation	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted / Reserved:</i>			
4.61 Committed Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	4.01 Student Activities	\$0	<u>\$0</u>	<u>\$0</u>
<i>Assigned:</i>				4.02 Scholarships	\$0	<u>\$0</u>	<u>\$0</u>
4.62 Assigned Fund Balance	\$114,000	<u>\$114,000</u>	<u>\$0</u>	4.48 Achievement and Integration	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</i>				4.64 Restricted Fund Balance	\$17,601	<u>\$17,601</u>	<u>\$0</u>
4.22 Unassigned Fund Balance	\$1,986,111	<u>\$1,986,110</u>	<u>\$1</u>				
02 FOOD SERVICES				20 INTERNAL SERVICE			
Total Revenue	\$426,859	<u>\$426,858</u>	<u>\$1</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$467,953	<u>\$467,953</u>	<u>\$0</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Non Spendable:</i>				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
4.60 Non Spendable Fund Balance	\$29,819	<u>\$29,819</u>	<u>\$0</u>				
<i>Restricted / Reserved:</i>				25 OPEB REVOCABLE TRUST			
4.52 OPEB Liab Not In Trust				Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
				Total Expenditures			

	\$0	<u>\$0</u>	<u>\$0</u>
4.74 EIDL Loan <i>Restricted:</i>	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance <i>Unassigned:</i>	\$2	<u>\$0</u>	<u>\$2</u>
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
04 COMMUNITY SERVICE			
Total Revenue	\$240,672	<u>\$240,673</u>	<u>(\$1)</u>
Total Expenditures <i>Non Spendable:</i>	\$257,276	<u>\$257,277</u>	<u>(\$1)</u>
4.60 Non Spendable Fund Balance <i>Restricted / Reserved:</i>	\$0	<u>\$0</u>	<u>\$0</u>
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>
4.31 Community Education	\$0	<u>\$0</u>	<u>\$0</u>
4.32 E.C.F.E	\$48,339	<u>\$48,339</u>	<u>\$0</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>
4.44 School Readiness	\$51,943	<u>\$51,943</u>	<u>\$0</u>
4.47 Adult Basic Education	\$0	<u>\$0</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>
4.73 PPP Loan	\$0	<u>\$0</u>	<u>\$0</u>
4.74 EIDL Loan <i>Restricted:</i>	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance <i>Unassigned:</i>	\$8,690	<u>\$8,690</u>	<u>\$0</u>
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
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45 OPEB IRREVOCABLE TRUST

Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>

47 OPEB DEBT SERVICE

Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures <i>Non Spendable:</i>	\$0	<u>\$0</u>	<u>\$0</u>
4.60 Non Spendable Fund Balance <i>Restricted:</i>	\$0	<u>\$0</u>	<u>\$0</u>
4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance <i>Unassigned:</i>	\$0	<u>\$0</u>	<u>\$0</u>
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

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OTHER REPORTS

INDEPENDENT SCHOOL DISTRICT NO. 2143
WATERVILLE, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT ON
MINNESOTA LEGAL COMPLIANCE

Members of the School Board
Independent School District No. 2143
Waterville, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 2143, Waterville, Minnesota, (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated December 17, 2020.

The Minnesota Legal Compliance Audit Guide for School Districts, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards for school districts. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the Minnesota Legal Compliance Audit Guide for School District, except as described in the Schedule of Finding and Response as item 2020-001. However our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions.

This report is intended solely for the information and use of those charged with governance and management of the District and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
December 17, 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*

Members of the School Board
Independent School District No. 2143
Waterville, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 2143, Waterville, Minnesota, (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 17, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control 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

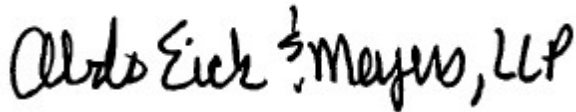
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* or statutes set forth by the State of Minnesota.

The District's Responses Findings

The District's responses to the finding identified in our audit are described in the accompanying Findings and Responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
December 17, 2020

Independent School District No. 2143
Waterville, Minnesota
Schedule of Finding and Response
For the Year Ended June 30, 2020

2020-001

Student Activities

Condition: Auditing of legal compliance requires review of the District's student activities. Our study indicated an instance of noncompliance that we believe is required to be remedied.

Criteria: In accordance with Minnesota Statute, section 123B.49 and Minnesota Rules, part 3545.0800, the District is required to have specific procedures in place around student activities.

Cause: The District did not follow the MAFA manual.

Effect: At year end, the District was out of compliance with various statutes and rules.

Recommendation: We recommend the District established enhanced procedures around student activities.

Management Response:

There is no disagreement with this finding. The District will take action to avoid similar occurrences in the future.

Waterville-Elysian-Morristown Public School

I.S.D. #2143
District Office/Secondary/Elementary
500 East Paquin Street
Waterville, MN 56096

District-507-362-4432
(Fax 507-362-4561)
Secondary-507-362-4431
Elementary-507-362-4439
Community Service-507-362-4403

2020-001 Student Activities

Corrective Action Plan (CAP)

1. Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding

2. Actions Planned in Response to the Finding:

The District will review their student activity procedures.

3. Official Responsible for ensuring Corrective Action Plan:

Joel Whitehurst, Superintendent, is the official responsible for ensuring corrective action.

4. Planned Completion Date for Corrective Action Plan:

The planned completion date is June 30, 2021.

5. Plan to Monitor Completion of Corrective Action Plan:

The Business Manager and Student Activity Advisor will monitor this corrective action.



Joel Whitehurst
Superintendent