

Annual Financial Report

Independent School District No. 256

Red Wing, Minnesota

For the Year Ended
June 30, 2021

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Red Wing, Minnesota
Annual Financial Report
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INTRODUCTORY SECTION

INDEPENDENT SCHOOL DISTRICT NO. 256
RED WING, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2021

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Independent School District No. 256

Red Wing, Minnesota

School District Officials

For the Year Ended June 30, 2021

Board of Education

Name	Term on Board Expires	Position
Pam Roe	12/31/2024	Chairman
Jim Bryant	12/31/2022	Vice-Chairman
Holly Tauer	12/31/2022	Treasurer
Jennifer Tift	12/31/2024	Clerk
Nicky Buck	12/31/2024	Director
Arlen Diercks	12/31/2022	Director
Anna Ostendorf	12/31/2024	Director

Administration

Karsten Anderson
Jackie Paradis

Superintendent
Business Manager from
School Management Services

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FINANCIAL SECTION
INDEPENDENT SCHOOL DISTRICT NO. 256
RED WING, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2021

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INDEPENDENT AUDITOR'S REPORT

Members of the School Board
Independent School District No. 256
Red Wing, 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. 256, Red Wing, Minnesota, (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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, 2021, 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

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 and the Schedules of Employer's Contributions and Schedule of Changes in the District's Net OPEB Liability and Related Ratios starting on page 78 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 and schedules and table and the statistical section are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for the purposes of additional analysis, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules and table and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or 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 and schedules and table and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section and statistical section have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated NEED DATE, 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.

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Management's Discussion and Analysis

As management of the Independent School District No. 256, Red Wing, 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, 2021.

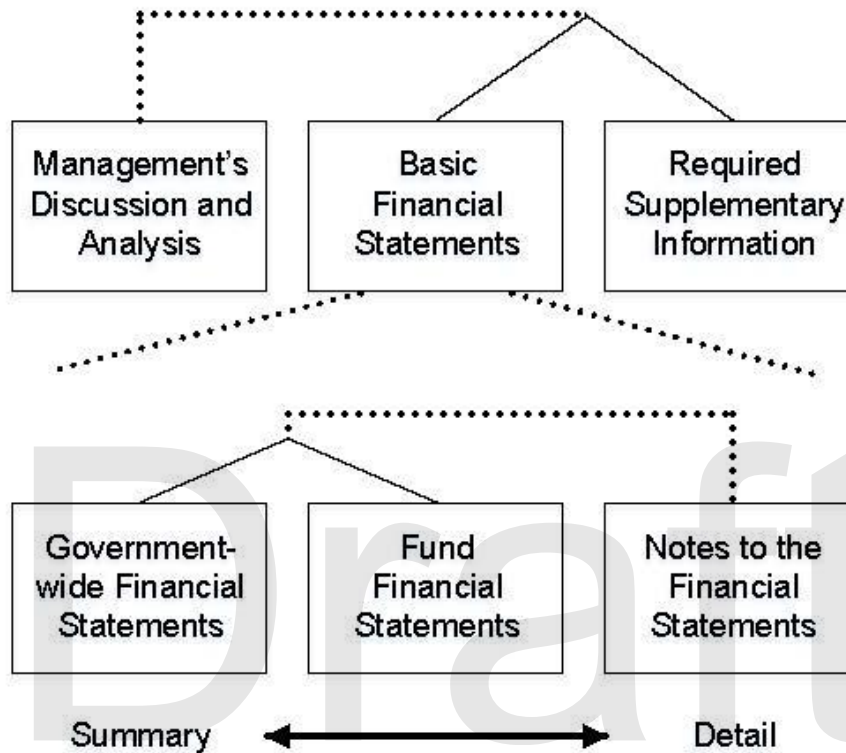
Financial Highlights

- 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 \$6,769,302 (*net position*). Of this amount, a deficit of \$20,442,776 (*unrestricted net position*) exists.
- The District's total net position increased by \$1,673,706, compared to the prior year's decrease of \$605,944. This change is mainly due to revenues decreasing 1.0 percent and expenses decreasing 5.8 percent. A majority of this change relates to GASB 68 pension expense.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$9,826,973, an increase of \$2,595,834 in comparison with the prior year. The main reason for the increase is due to increased property taxes and state and federal grants and contributions. Unassigned fund balance represents amounts that are available for spending at the District's discretion. Of the total fund balance, \$5,353,553 is *available for spending* at the District's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$5,353,553 or 14.5 percent of total General fund expenditures. At the close of 2020 the District had an unassigned balance of \$3,858,000.
- The District's total debt decreased by \$1,135,772 or 5.4 percent during the current fiscal year. This decrease relates to scheduled debt payments on the District's outstanding bond and capital leases.

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. 256 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

	District-wide Statements	Fund Financial 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 being 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 fund and Debt Service fund, both of which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these no major 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. The District is the trustee, or fiduciary, for assets that belong to others, such as the Environmental Learning Center and the other postemployment benefit trust fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District’s fiduciary activities are reported in a separate Statement of Fiduciary Net Position. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

The basic fiduciary fund financial statements can be found starting on page 40 of this report.

Internal Service Funds. Proprietary funds are used to account for services in with the District charges a fee. Proprietary funds are reported in the same way as the District-wide statements. The District’s proprietary funds are internal service funds which charge the District’s activities for the operation of the District’s medical clinic and repairing or replacing student chromebooks.

The basic proprietary 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 43 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 District’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 78 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 and schedules and table can be found starting on page 86 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 exceeded assets and deferred outflows of resources by \$6,769,302 at the close of the most recent fiscal year.

The largest 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. The total of the net investment in capital assets totals \$9,989,616. Another large portion of the District's net position reflects amounts restricted for specific purposes. These restrictions consist of \$2,422,350 for educational purposes, \$411,903 for food service, \$136,614 for capital and \$712,991 for debt service. The remaining deficit of \$20,442,776 is mainly due to the recognition of long-term pension liabilities in accordance with GASB Statement No. 68.

Independent School District No. 256's Net Position

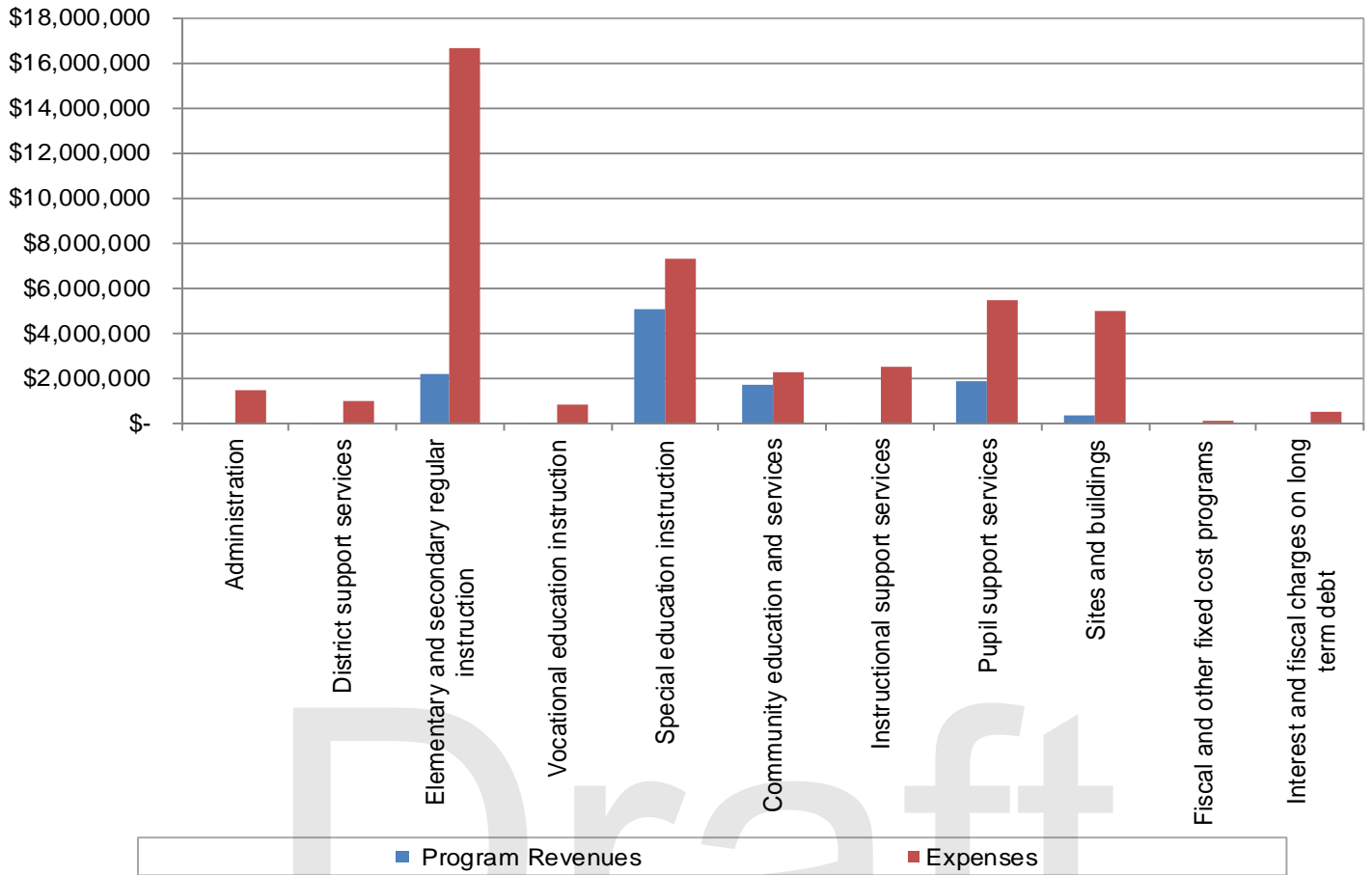
	Governmental Activities		Increase (Decrease)	
	2021	2020	Amount	Percent
Current and Other Assets	\$ 28,723,209	\$ 25,630,400	\$ 3,092,809	12.1 %
Capital Assets	30,180,201	32,008,562	(1,828,361)	(5.7)
Total Assets	<u>58,903,410</u>	<u>57,638,962</u>	<u>1,264,448</u>	2.2
Deferred Outflows of Resources	<u>9,243,153</u>	<u>15,111,170</u>	<u>(5,868,017)</u>	(38.8)
Long-term Liabilities Outstanding	43,678,372	41,880,410	1,797,962	4.3
Other Liabilities	4,099,483	4,082,285	17,198	0.4
Total Liabilities	<u>47,777,855</u>	<u>45,962,695</u>	<u>1,815,160</u>	3.9
Deferred Inflows of Resources	<u>27,138,010</u>	<u>35,230,445</u>	<u>(8,092,435)</u>	(23.0)
Net Position				
Net investment in capital assets	9,989,616	10,718,870	(729,254)	(6.8)
Restricted	3,683,858	2,891,890	791,968	27.4
Unrestricted	<u>(20,442,776)</u>	<u>(22,053,768)</u>	<u>1,610,992</u>	(7.3)
Total Net Position	<u>\$ (6,769,302)</u>	<u>\$ (8,443,008)</u>	<u>\$ 1,673,706</u>	(19.8) %

Governmental Activities. Governmental activities increased the District's net position by \$1,673,706. Key elements of this increase are as follows:

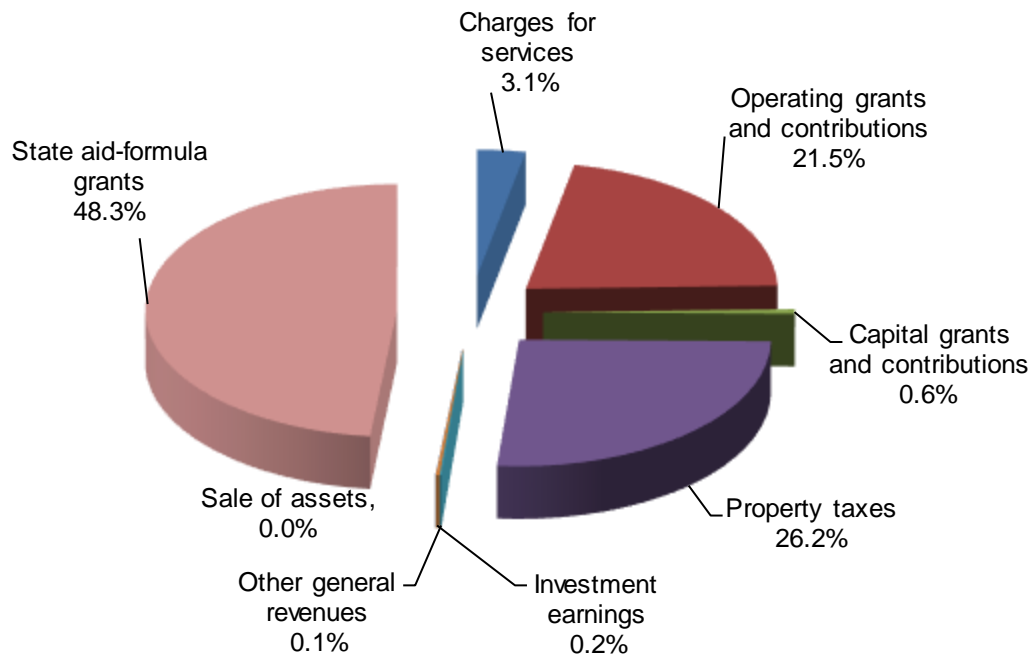
Independent School District No. 256's Changes in Net Position

Expenses				
Administration	1,459,176	1,554,400	(95,224)	(6.1)
District support services	1,042,783	999,444	43,339	4.3
Elementary and secondary regular instruction	16,683,559	18,404,317	(1,720,758)	(9.3)
Vocational education instruction	861,985	775,568	86,417	11.1
Special education instruction	7,366,957	7,823,689	(456,732)	(5.8)
Community education and services	2,322,959	2,663,052	(340,093)	(12.8)
Instructional support services	2,519,677	2,572,664	(52,987)	(2.1)
Pupil support services	5,488,964	5,729,031	(240,067)	(4.2)
Sites and buildings	5,031,441	4,931,744	99,697	2.0
Fiscal and other fixed cost programs	170,761	131,323	39,438	30.0
Interest and fiscal charges on long-term debt	559,280	609,255	(49,975)	(8.2)
Total Expenses	<u>43,507,542</u>	<u>46,194,487</u>	<u>(2,686,945)</u>	(5.8)
Increase (Decrease) in Net Position				
Before Transfers	1,673,706	(541,742)	2,215,448	(408.9)
Transfers	<u>-</u>	<u>(64,202)</u>	<u>64,202</u>	(100.0)
Change in Net Position	1,673,706	(605,944)	2,279,650	(376.2)
Net Position, July 1	(8,443,008)	(7,882,504)	(560,504)	7.1
Prior Period Restatement	<u>-</u>	<u>45,440</u>	<u>(45,440)</u>	
Net Position, June 30	<u>\$ (6,769,302)</u>	<u>\$ (8,443,008)</u>	<u>\$ 1,673,706</u>	(19.8) %

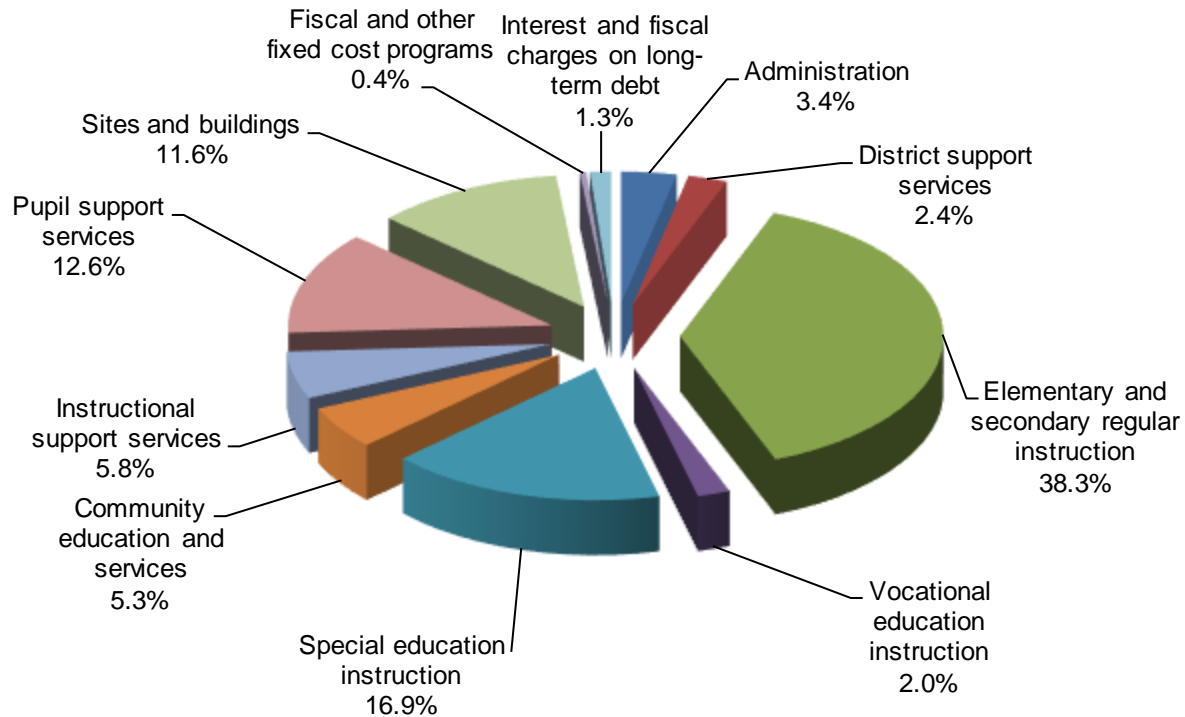
Expenses and Program Revenues - Governmental Activities



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 \$9,826,973, an increase of \$2,595,834 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 2021 had a balance of \$5,353,553, compared to a balance of \$3,858,000 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 \$5,353,553, while total fund balance reached \$7,718,853. 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 14.5 percent of total General fund expenditures, while total fund balance represents 20.9 percent of that same amount.

The fund balance of the District's General fund increased by \$2,194,408 during the current fiscal year. The increase in fund balance was the result of an increase of property tax levies.

The Debt Service fund has a total fund balance of \$932,561, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year was \$100,645. This increase is due to property taxes and State aids being greater than the regularly scheduled payment of principal and interest.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget in February of 2021. The revised budget showed an addition of \$1,020,629 to the District's Unassigned General Fund Balance. This was primarily due to the passage of a new referendum.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2021, amounts to \$30,180,201 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements and machinery and equipment. The total decrease in the District's investment in capital assets for the current fiscal year was 5.7 percent. The total depreciation expense for the year was \$2,422,731. The following is a schedule of capital assets as of June 30, 2021:

Independent School District No. 256's Capital Assets (Net of Depreciation)

	Governmental Activities		
	2021	2020	Increase (Decrease)
Land	\$ 1,771,785	\$ 1,771,785	\$ -
Buildings	24,658,514	21,702,415	2,956,099
Equipment	2,688,013	2,943,871	(255,858)
Land Improvements	1,061,889	665,631	396,258
Construction in Progress	-	4,924,860	(4,924,860)
Total	<u>\$ 30,180,201</u>	<u>\$ 32,008,562</u>	<u>\$ (1,828,361)</u>

Additional information on the District's capital assets can be found in Note 3C on page 57 of this report.

Long-term Debt. At the end of the current fiscal year, the District had total general obligation bonds outstanding of \$19,530,000. Most of this amount is to finance capital projects relating to school buildings.

Independent School District No. 256's Outstanding Debt

	Governmental Activities		
	2021	2020	Increase (Decrease)
General Obligation Bonds	\$ 19,530,000	\$ 20,580,000	\$ (1,050,000)
Capital Leases	181,723	267,495	(85,772)
Total	<u>\$ 19,711,723</u>	<u>\$ 20,847,495</u>	<u>\$ (1,135,772)</u>

The District's total debt decreased by \$1,135,772 (5.4 percent) during the current fiscal year.

Additional information on the District's long-term debt can be found in Note 3F on page 59 of this report.

Factors Bearing on the District's Future

The District is dependent on the State of Minnesota for a significant portion of its revenue. The State Legislature increased the basic funding formula for the 20-21 school year. The COVID-19 pandemic has also had an impact on how the district conducts its business and is expected to contribute to further declining enrollment. The final impact of the increased expenditures and enrollment decline due to the COVID-19 pandemic is not known at this time. The District will strive to maintain quality educational programming while addressing the challenges of declining enrollment. The District will carry on 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. 256, 2451 Eagle Ridge Drive, Red Wing, Minnesota 55066.

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DISTRICT-WIDE FINANCIAL STATEMENTS
INDEPENDENT SCHOOL DISTRICT NO. 256
RED WING, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2021

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Independent School District No. 256
Red Wing, Minnesota
Statement of Net Position
June 30, 2021

	Governmental Activities
Assets	
Cash and temporary investments	\$ 13,923,366
Receivables	
Taxes	5,443,085
Accounts and interest	111,259
Due from other school districts	137,979
Due from fiduciary fund	222,674
Intergovernmental	3,884,723
Inventories	36,481
Prepaid items	407,327
Other postemployment benefits asset	4,556,315
Capital assets not being depreciated	1,771,785
Capital assets net of accumulated depreciation	28,408,416
Total Assets	<u>58,903,410</u>
Deferred Outflows of Resources	
Deferred pension resources	9,226,641
Deferred other post employment benefit resources	16,512
Total Deferred Outflows of Resources	<u>9,243,153</u>
Liabilities	
Salaries and wages payable	1,170,855
Accounts and other payables	1,091,716
Accrued interest payable	236,069
Due to other school districts	185,552
Due to other governments	82,481
Accrued expenses	1,063,338
Unearned revenue	269,472
Unamortized premiums	
Noncurrent liabilities	
Due within one year	
Long-term liabilities	1,197,520
Due in more than one year	
Long-term liabilities	20,155,536
Net pension liability	22,325,316
Total Liabilities	<u>47,777,855</u>
Deferred Inflows of Resources	
Property taxes levied for subsequent year	10,483,110
Deferred pension resources	15,300,411
Deferred other post employment benefit resources	1,354,489
Total Deferred Inflows of Resources	<u>27,138,010</u>
Net Position	
Net investment in capital assets	9,989,616
Restricted for	
Educational purposes	2,422,350
Food service	411,903
Debt service	712,991
Building Construction	136,614
Unrestricted	<u>(20,442,776)</u>
Total Net Position	<u>\$ (6,769,302)</u>

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

Independent School District No. 256

Red Wing, Minnesota

Statement of Activities

For the Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for	Operating	Capital	Revenue and
		Services	Grants and	Grants and	Changes in
			Contributions	Contributions	Net Position
					Governmental
					Activities
Governmental Activities					
Administration	\$ 1,459,176	\$ -	\$ 7,041	\$ -	\$ (1,452,135)
District support services	1,042,783	2,140	696	-	(1,039,947)
Elementary and secondary regular instruction	16,683,559	375,869	1,852,356	-	(14,455,334)
Vocational education instruction	861,985	-	87,857	-	(774,128)
Special education instruction	7,366,957	48,409	5,012,329	-	(2,306,219)
Community education and services	2,322,959	839,346	906,733	-	(576,880)
Instructional support services	2,519,677	-	35,108	-	(2,484,569)
Pupil support services	5,488,964	30,250	1,822,499	-	(3,636,215)
Sites and buildings	5,031,441	90,223	3,847	276,093	(4,661,278)
Fiscal and other fixed cost programs	170,761	-	-	-	(170,761)
Interest and fiscal charges on long term debt	559,280	-	-	-	(559,280)
Total Governmental Activities	<u>\$43,507,542</u>	<u>\$ 1,386,237</u>	<u>\$ 9,728,466</u>	<u>\$ 276,093</u>	<u>(32,116,746)</u>
General revenues					
Taxes					
Property taxes, levied for general purposes					9,609,888
Property taxes, levied for community service					544,799
Property taxes, levied for debt service					1,663,841
State aid-formula grants and other contributions					21,841,050
Other general revenues					52,811
Investment earnings					74,280
Gain on sale of assets					3,783
Total General Revenues					<u>33,790,452</u>
Change in Net Position					1,673,706
Net Position, July 1					<u>(8,443,008)</u>
Net Position, June 30					<u>\$ (6,769,302)</u>

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

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FUND FINANCIAL STATEMENTS
INDEPENDENT SCHOOL DISTRICT NO. 256
RED WING, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2021

Draft

Independent School District No. 256

Red Wing, Minnesota

Balance Sheet

Governmental Funds

June 30, 2021

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and temporary investments	\$ 10,668,498	\$ 1,747,951	\$ 1,482,691	\$ 13,899,140
Receivables				
Taxes				
Current	4,362,631	825,120	192,101	5,379,852
Delinquent	44,622	16,499	2,112	63,233
Accounts	70,244	-	24,858	95,102
Interest	16,157	-	-	16,157
Due from other school districts	96,295	-	41,684	137,979
Intergovernmental	3,546,771	7,217	312,363	3,866,351
Due from other funds	303,656	-	-	303,656
Inventories	-	-	36,481	36,481
Prepaid items	400,838	-	6,189	407,027
Total Assets	\$ 19,509,712	\$ 2,596,787	\$ 2,098,479	\$ 24,204,978
Liabilities				
Salaries and wages payable	\$ 1,027,047	\$ -	\$ 143,808	\$ 1,170,855
Accounts and other payables	913,913	-	146,051	1,059,964
Due to other school districts	185,552	-	-	185,552
Due to other governments	81,726	-	755	82,481
Accrued expenses	1,063,338	-	-	1,063,338
Unearned revenue	36,311	-	233,161	269,472
Total Liabilities	3,307,887	-	523,775	3,831,662
Deferred Inflows of Resources				
Property taxes levied for subsequent year	8,438,350	1,647,727	397,033	10,483,110
Unavailable revenue - delinquent property taxes	44,622	16,499	2,112	63,233
Total Deferred Inflows of Resources	8,482,972	1,664,226	399,145	10,546,343
Fund Balances				
Nonspendable	400,838	-	42,670	443,508
Restricted	1,793,196	932,561	1,132,889	3,858,646
Assigned	171,266	-	-	171,266
Unassigned	5,353,553	-	-	5,353,553
Total Fund Balances	7,718,853	932,561	1,175,559	9,826,973
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 19,509,712	\$ 2,596,787	\$ 2,098,479	\$ 24,204,978

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

Independent School District No. 256

Red Wing, Minnesota Reconciliation of the Balance Sheet to the Statement of Net Position Governmental Funds June 30, 2021

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

Total Fund Balances - Governmental Funds	\$ 9,826,973
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	30,086,139
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	(19,530,000)
Severance payable	(1,074,810)
Unamortized premiums	(566,523)
Capital leases payable	(181,723)
Other postemployment benefits asset	4,556,315
Net pension liability	(22,325,316)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes receivable	63,233
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	9,226,641
Deferred inflows of pension resources	(15,300,411)
Governmental funds do not report long-term amounts related to other post employment benefits.	
Deferred outflows of other post employment benefit resources	16,512
Deferred inflows of other post employment benefit resources	(1,354,489)
Governmental funds do not report a liability for accrued interest until due and payable.	(236,069)
Internal Service used to charge the cost of student tech repair plans to departments.	
The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	<u>24,226</u>
Total Net Position - Governmental Activities	<u>\$ (6,769,302)</u>

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

Independent School District No. 256
Red Wing, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

	General	Debt Service	Other Governmental Funds	Total
Revenues				
Local property tax levies	\$ 9,493,076	\$ 1,671,659	\$ 545,011	\$ 11,709,746
Other local and county revenue	1,166,803	-	1,354,051	2,520,854
Interest earned on investments	58,042	10,071	6,167	74,280
Revenue from state sources	25,545,804	72,178	408,514	26,026,496
Revenue from federal sources	2,701,300	-	1,903,599	4,604,899
Student activities	98,653	-	-	98,653
Sales and other conversion of assets	41	-	-	41
Total Revenues	<u>39,063,719</u>	<u>1,753,908</u>	<u>4,217,342</u>	<u>45,034,969</u>
Expenditures				
Current				
Administration	1,434,427	-	-	1,434,427
District support services	981,104	-	-	981,104
Elementary and secondary regular instruction	14,188,491	-	-	14,188,491
Vocational education instruction	877,351	-	-	877,351
Special education instruction	7,295,052	-	-	7,295,052
Community education and services	-	-	2,221,690	2,221,690
Instructional support services	2,162,143	-	-	2,162,143
Pupil support services	3,838,753	-	1,673,643	5,512,396
Sites and buildings	4,158,467	-	7,503	4,165,970
Student activities	777,770	-	-	777,770
Fiscal and other fixed cost programs	170,761	-	-	170,761
Capital outlay	894,041	-	13,725	907,766
Debt service				
Principal	85,772	1,050,000	-	1,135,772
Interest and other charges	8,962	603,263	-	612,225
Total Expenditures	<u>36,873,094</u>	<u>1,653,263</u>	<u>3,916,561</u>	<u>42,442,918</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,190,625	100,645	300,781	2,592,051
Other Financing Sources (Uses)				
Sale of assets	<u>3,783</u>	<u>-</u>	<u>-</u>	<u>3,783</u>
Net Change In Fund Balances	2,194,408	100,645	300,781	2,595,834
Fund Balances, July 1	<u>5,524,445</u>	<u>831,916</u>	<u>874,778</u>	<u>7,231,139</u>
Fund Balances, June 30	<u>\$ 7,718,853</u>	<u>\$ 932,561</u>	<u>\$ 1,175,559</u>	<u>\$ 9,826,973</u>

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

Independent School District No. 256
Red Wing, 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, 2021

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

Total Net Change in Fund Balances - Governmental Funds	\$ 2,595,834
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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	602,921
Depreciation expense	(2,422,731)

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	1,135,772
Amortization of bond premiums, net of premium on bonds issued	40,556

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.

12,389

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

Pension expense	(905,001)
Direct aid contributions	147,999

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.

(5,503)

Internal Service used to charge the cost of postemployment benefits for employees and the cost of student tech repair plans to departments. The net revenue of certain activities of internal service funds is reported with governmental activities.

56,017

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.

Other postemployment benefits costs	415,453
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Change in Net Position - Governmental Activities	<u>\$ 1,673,706</u>
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The notes to the financial statements are an integral part of this statement.

Independent School District No. 256
Red Wing, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
General Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Local property tax levies	\$ 9,368,613	\$ 9,484,612	\$ 9,493,076	\$ 8,464
Other local and county revenue	1,342,384	1,306,708	1,166,803	(139,905)
Interest earned on investments	50,000	50,000	58,042	8,042
Revenue from state sources	25,466,048	24,903,502	25,545,804	642,302
Revenue from federal sources	850,929	2,640,028	2,701,300	61,272
Student activities	76,474	63,569	98,653	35,084
Sales and other conversion of assets	6,500	2,316	41	(2,275)
Total Revenues	37,160,948	38,450,735	39,063,719	612,984
Expenditures				
Current				
Administration	1,453,329	1,423,793	1,434,427	(10,634)
District support services	962,526	973,717	981,104	(7,387)
Elementary and secondary regular instruction	13,848,010	14,637,340	14,188,491	448,849
Vocational education instruction	615,200	547,889	877,351	(329,462)
Special education instruction	7,599,157	7,698,560	7,295,052	403,508
Instructional support services	2,082,062	2,286,525	2,162,143	124,382
Pupil support services	4,031,835	3,981,803	3,838,753	143,050
Sites and buildings	5,349,385	5,541,954	4,158,467	1,383,487
Student Activities	1,140,075	1,057,469	777,770	279,699
Fiscal and other fixed cost programs	132,729	157,748	170,761	(13,013)
Capital outlay				
Administration	1,500	1,500	803	697
Elementary and secondary regular instruction	111,205	116,491	102,717	13,774
Special education instruction	5,000	5,000	1,825	3,175
Instructional support services	288,782	302,037	252,424	49,613
Sites and buildings	138,000	200,782	536,272	(335,490)
Student Activities	3,000	3,000	-	3,000
Debt service				
Principal	-	111,544	85,772	25,772
Interest and other charges	-	8,962	8,962	-
Total Expenditures	37,761,795	39,056,114	36,873,094	2,183,020
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(600,847)	(605,379)	2,190,625	2,796,004
Other Financing Sources (Uses)				
Sale of assets	2,500	3,783	3,783	-
Net Change In Fund Balances	(598,347)	(601,596)	2,194,408	2,796,004
Fund Balances, July 1	5,524,445	5,524,445	5,524,445	-
Fund Balances, June 30	\$ 4,926,098	\$ 4,922,849	\$ 7,718,853	\$ 2,796,004

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

Independent School District No. 256
Red Wing, Minnesota
Internal Service Funds
Statement of Net Position
June 30, 2021

	22	23	
	<u>Medical Clinic</u>	<u>Student Tech Repair Plan</u>	<u>Total</u>
Assets			
Current Assets			
Cash and temporary investments	\$ -	\$ 24,226	\$ 24,226
Intergovernmental	18,372	-	18,372
Prepaid items	300	-	300
Total Current Assets	<u>18,672</u>	<u>24,226</u>	<u>42,898</u>
Noncurrent Assets			
Capital assets			
Buildings	171,022	-	171,022
Less accumulated depreciation	<u>(76,960)</u>	<u>-</u>	<u>(76,960)</u>
Total Capital Assets	<u>94,062</u>	<u>-</u>	<u>94,062</u>
Total Assets	<u>\$ 112,734</u>	<u>\$ 24,226</u>	<u>\$ 136,960</u>
Liabilities			
Accounts payable	\$ 31,752	\$ -	\$ 31,752
Due to other funds	<u>80,982</u>	<u>-</u>	<u>80,982</u>
Total Liabilities	<u>112,734</u>	<u>-</u>	<u>112,734</u>
Net Position			
Net investment in capital assets	94,062	-	94,062
Unrestricted	<u>(94,062)</u>	<u>24,226</u>	<u>(69,836)</u>
Total Net Position	<u>-</u>	<u>24,226</u>	<u>24,226</u>
Total Liabilities and Net Position	<u>\$ 112,734</u>	<u>\$ 24,226</u>	<u>\$ 136,960</u>

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

Independent School District No. 256
Red Wing, Minnesota
Internal Service Funds
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2021

	22	23	
	<u>Medical Clinic</u>	<u>Student Tech Repair Plan</u>	<u>Total</u>
Operating Revenues			
Charges for services	\$ 412,430	\$ -	\$ 412,430
Other local and county revenue	-	24,633	24,633
	<u>412,430</u>	<u>24,633</u>	<u>437,063</u>
Operating Expenses			
Rent	13,039	-	13,039
General administration fees	295,683	-	295,683
Supplies and materials	63,366	407	63,773
Depreciation	8,551	-	8,551
Total Operating Expenses	<u>380,639</u>	<u>407</u>	<u>381,046</u>
Operating Income (Loss)	31,791	24,226	56,017
Net Position, July 1	<u>(31,791)</u>	<u>-</u>	<u>(31,791)</u>
Net Position, June 30	<u>\$ -</u>	<u>\$ 24,226</u>	<u>\$ 24,226</u>

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

Independent School District No. 256

Red Wing, Minnesota

Internal Service Funds

Statement of Cash Flows

For the Year Ended June 30, 2021

	22	23	
	Medical Clinic	Student Tech Repair Plan	Total
Cash Flows from Operating Activities			
Receipts from customers and users	\$ 409,120	\$ 24,633	\$ 433,753
Payments to suppliers and vendors	(382,228)	(407)	(382,635)
Net Cash Provided (Used) by Operating Activities	26,892	24,226	51,118
Cash Flows from Noncapital Financing Activities			
Due to other funds	(26,892)	-	(26,892)
Net Increase (Decrease) in Cash and Cash Equivalents	-	24,226	24,226
Cash and Cash Equivalents, July 1	-	-	-
Cash and Cash Equivalents, June 30	\$ -	\$ 24,226	\$ 24,226
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	31,791	24,226	56,017
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	8,551	-	8,551
(Increase) decrease in assets			
Due from other governments	(3,310)	-	(3,310)
Prepaid items	(300)	-	(300)
Increase (decrease) in liabilities			
Accounts payable	(9,840)	-	(9,840)
Net Cash Provided (Used) by Operating Activities	\$ 26,892	\$ 24,226	\$ 51,118

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

Independent School District No. 256

Red Wing, Minnesota

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2021

	<u>Custodial</u>	<u>Other Postemployment Benefit Trust</u>
Assets		
Cash and temporary investments	\$ -	\$ 10,302,448
Receivables		
Accounts	313,953	-
Interest	-	7,207
	<u>-</u>	<u>7,207</u>
Total Assets	<u>\$ 313,953</u>	<u>\$ 10,309,655</u>
Liabilities		
Salaries and wages payable	\$ 8,213	\$ -
Accounts payable	6,165	1,800
Due to other governments	137	-
Due to other funds	222,674	-
	<u>237,189</u>	<u>1,800</u>
Total Liabilities	<u>237,189</u>	<u>1,800</u>
Net Position		
Restricted		
Environmental Learning Center	76,764	-
Held in trust for other postemployment benefits	-	10,307,855
	<u>76,764</u>	<u>10,307,855</u>
Total Net Position	<u>76,764</u>	<u>10,307,855</u>
Total Liabilities and Net Position	<u>\$ 313,953</u>	<u>\$ 10,309,655</u>

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

Independent School District No. 256
Red Wing, Minnesota
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2021

	<u>Custodial</u>	<u>Other Postemployment Benefit Trust</u>
Revenues		
Other local and county revenue	\$ 483,263	\$ -
Interest earned on investments	-	1,732,285
Total Revenues	<u>483,263</u>	<u>1,732,285</u>
 Deductions		
Salaries	210,940	-
Employee benefits	110,343	850,843
Purchased services	42,981	-
Supplies and materials	52,475	-
Other expenditures	39,649	61,988
Investment expenses	-	106,743
Total Deductions	<u>456,388</u>	<u>1,019,574</u>
 Change in Net Position	26,875	712,711
 Net Position, July 1	<u>49,889</u>	<u>9,595,144</u>
 Net Position, June 30	<u>\$ 76,764</u>	<u>\$ 10,307,855</u>

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

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Independent School District No. 256

Red Wing, Minnesota

Notes to the Financial Statements

June 30, 2021

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

Independent School District No. 256, (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. 256
Red Wing, Minnesota
Notes to the Financial Statements
June 30, 2021

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.

Independent School District No. 256
Red Wing, Minnesota
Notes to the Financial Statements
June 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

Additionally, the District reports the following proprietary fund types:

Internal service fund accounts for the financing of services, provided by two funds to other funds of the District on a cost reimbursement basis. The School District's internal service funds and its purposes are as follows:

The *Medical Clinic fund* accounts for the activities related to the employee medical clinic setup by the District.

The *Student Tech Repair fund* accounts for the activities related to the repairing or replacing student chromebooks at a significant savings to the student or their family setup by the District.

Fiduciary Funds

The *other postemployment benefit trust fund* accounts for resources held by the District in trust for the payment of other postemployment benefits.

The *custodial fund* accounts for cash and other assets held by the District as the agent for others. This fund accounts for funds held for Environmental Learning Center (ELC).

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.

Independent School District No. 256
Red Wing, Minnesota
Notes to the Financial Statements
June 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

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 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 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.

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.

Independent School District No. 256
Red Wing, Minnesota
Notes to the Financial Statements
June 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

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 2021 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 **2020** and collectible in 2021. 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.

Net Other Postemployment Benefit Asset

For purposes of measuring the net other postemployment benefit (OPEB) asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's Retiree Benefits Plan ("the Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. See the investment note for fair value measurements.

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 \$1,500 (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.

Independent School District No. 256
Red Wing, Minnesota
Notes to the Financial Statements
June 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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

Assets	Years
Buildings and improvements	20 - 30
Land improvements	20 - 30
Equipment	5 - 20

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 qualify for reporting in this category. Accordingly, the items, deferred pension resources and deferred other post-employment benefit resources, are reported only in the statement of net position. These items result from actuarial calculations and current year pension and OPEB contributions made subsequent to the measurement date.

Compensated Absences

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

Vacation leave vests and may be carried forward for up to one year, depending on the contract. A liability is recorded for earned but unpaid vacation leave.

Substantially all District employees are entitled to sick leave at various rates for each month of full-time service. For certain employees, unused sick leave enters into the calculation of severance pay upon termination and is accounted for as follows:

Early Retirement Incentive Payment – Secretarial/Clerical Employees and Education Support Personnel – An early retirement incentive payment is available to employees who work at least 5 hours per day and have completed at least 10 years of continuous service with the District and are at least 55 years of age. An eligible employee upon retirement will receive a payment based on a set formula for every unused sick leave hour to a maximum of 1,050 unused sick leave hours. The formula starts at a payment of \$10.00 per unused sick leave hour to \$12.50 per unused sick leave hour to a maximum benefit amount of \$12,075.

Early Retirement Incentive Payment – Food Service Employees – An early retirement incentive payment is available to food service employees who have completed at least 10 years of continuous service with the District and are at least 55 years of age. An eligible employee upon retirement will receive a payment based on a set formula for every unused sick leave hour to a maximum of 1,050 unused sick leave hours. The formula starts at a payment of \$10.00 per unused sick leave hour to \$12.50 per unused sick leave hour to a maximum benefit amount of \$12,075.

Independent School District No. 256

Red Wing, Minnesota

Notes to the Financial Statements

June 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

Early Retirement Incentive Payment – Nonclassified Personnel – An early retirement incentive payment is available to employees, hired prior to July 1, 2001, who work at least 5 hours per day and have completed at least 10 years of continuous service with the District and are at least 55 years of age. An eligible employee upon retirement will receive a payment based on a set formula for every unused sick leave day to a maximum of 200 unused sick leave days. The formula starts at a payment of \$65 per unused sick leave day to \$80 per unused sick leave day to a maximum benefit of \$14,500, less any District contributions to a matching deferred compensation program under M.S. 356.24.

Early Retirement Incentive Payment – District Coordinators and Directors – An early retirement incentive payment is available to full-time coordinators/directors, hired prior to July 1, 2001, who have completed at least 8 years of continuous service with the District and are at least 50 years of age. An eligible coordinator/director upon retirement shall receive an amount equal to the number of unused accumulated sick leave days multiplied by the employee's daily rate of pay, not to exceed 130 days, less any District contributions to a matching deferred compensation program under M.S. 356.24.

Early Retirement Incentive Payment – Principals – A severance payment is available to principals who have completed at least 7 years of continuous service with the District. An eligible principal upon retirement shall receive an amount equal to the number of unused accumulated sick leave days multiplied by a percentage of the employee's daily rate of pay, from 65% to 75%, not to exceed 100 days, less any District contribution to a matching deferred compensation program under M.S. 356.24.

An early retirement incentive payment is also available to principals who have completed at least 7 years of continuous service with the District. An eligible principal upon retirement shall receive an amount equal to the number of unused accumulated sick leave days multiplied by a percentage of the employee's daily rate of pay, from 65% to 75%, not to exceed 100 days, less any District contributions to a matching deferred compensation program under M.S. 356.24.

Early Retirement Incentive Payment – Teachers – An early retirement incentive payment is available to teachers who have completed at least 10 years of teaching service with the District and who are at least 55 years of age. An eligible employee upon retirement will receive a payment based on a set formula for every unused sick leave day to a maximum of 120 unused sick leave days. The formula starts at a payment of \$85 per unused sick leave day to \$160 per unused sick leave day to a maximum benefit amount of \$14,550.

Early Retirement Incentive Payment – Program Supervisors – An early retirement incentive payment is available to program supervisors, hired prior to July 1, 2001, who have completed at least 10 years of continuous service with the District and are at least 55 years of age. An eligible employee upon retirement will receive a payment based on a formula for every unused sick leave day to a maximum of 120 unused sick leave days. The formula starts at a payment of \$85 per unused sick leave day to \$160 per unused sick leave day to a maximum benefit of \$14,550, less any District contribution to a matching deferred compensation program under M.S. 356.24.

Early Retirement Incentive Payment – Custodial Employees – An early retirement incentive payment is available to custodial employees who have completed at least 10 years of continuous service with the District and who are at least 55 years of age. An eligible custodial employee upon retirement will receive a payment based on a set formula for every unused sick leave day to maximum of 200 unused sick leave days. The formula starts at a payment of \$65 per unused sick leave day to \$80 per unused sick leave day to a maximum benefit of \$14,500.

Early Retirement Incentive Payment – Superintendent – A severance payment is available to the superintendent upon completion of at least 8 years of continuous service with the District. The superintendent upon retirement shall receive an amount equal to the number of unused accumulated sick leave days multiplied by the superintendent's daily rate of pay, not to exceed 40 days.

Independent School District No. 256

Red Wing, Minnesota

Notes to the Financial Statements

June 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

An early retirement incentive payment is available to the superintendent upon completed of at least 8 years of continuous service with the District. The superintendent upon retirement shall receive an amount equal to the number of unused accumulated sick leave days multiplied by the superintendent's daily rate of pay, not to exceed 130 days.

At June 30, 2021, compensated absences payable totaling \$1,074,810 is recorded in the financial statements.

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. The recognition of bond premiums and discounts are amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. 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 General Employee Plan (GERP) and TRA is as follows:

	GERP	TRA	Total Pension Expense
Pension Expense	\$ 241,599	\$ 2,441,515	\$ 2,683,114

Independent School District No. 256
Red Wing, Minnesota
Notes to the Financial Statements
June 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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, which identifies an unrestricted General Fund balance, including committed, assigned and unassigned, of at least 5 percent of the prior fiscal year's General Fund expenditures and no greater than 20 percent of the prior fiscal year's General Fund expenditures.

Independent School District No. 256
Red Wing, Minnesota
Notes to the Financial Statements
June 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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. Budgets for General, Special Revenue and Debt Service funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).
3. Budgeted amounts are as originally adopted, or as amended.
4. Budget appropriations lapse at year end.
5. The legal level of budgetary control is the department level.
6. The District does not use encumbrance accounting.

The District amended the originally adopted budget for the General fund, Food Service fund, Community Service fund, Building Construction fund, and the Debt Service Fund in the current year to account for increased expenses related to COVID response and related grants, increased food costs, the restructuring of buildings to 7-12 and the resulting reallocation of students between buildings, the running of the summer food program for the entire school year, the renewal of the DEED grant for 2021.

B. Excess of Actual Expenditures Over Appropriations

For the year ended June 30, 2021, expenditures exceeded appropriations in the following funds:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
Food Service	1,658,217	1,666,285	8,068
Community Service	2,212,800	2,242,773	29,973

The excess expenditures were funded by actual revenues in excess of budget.

Independent School District No. 256

Red Wing, Minnesota

Notes to the Financial Statements

June 30, 2021

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.

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 a deficit of \$243,923 and the bank balance was \$420,736. Of the bank balance, \$296,131 was covered by federal depository insurance and \$124,605 was covered by bonds or collateral held by the District's agent in the District's name.

Independent School District No. 256

Red Wing, Minnesota

Notes to the Financial Statements

June 30, 2021

Note 3: Detailed Notes on All Funds (Continued)

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.

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.

Independent School District No. 256
Red Wing, Minnesota
Notes to the Financial Statements
June 30, 2021

Note 3: Detailed Notes on All Funds (Continued)

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

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using Level 1
Pooled Investments at Amortized Costs				
Minnesota School District Liquid Asset Fund (MSDLAF)	AAA	Under 1 year	\$ 7,125,989	
Minnesota Trust Investment Shares Portfolio	N/A	Under 1 year	2,393,560	
Minnesota Trust Investment Shares Portfolio	N/A	1 - 5 years	3,732,275	
Government obligations	AAA	1 - 5 years	1,831,533	1,831,533
Corporate obligations	A	Under 1 year	50,112	50,112
Corporate obligations	AA-	1 - 5 years	78,869	78,869
Corporate obligations	A+	1 - 5 years	336,179	336,179
Corporate obligations	A	1 - 5 years	491,188	491,188
Corporate obligations	A-	1 - 5 years	406,353	406,353
Corporate obligations	BBB+	1 - 5 years	373,744	373,744
Corporate obligations	BBB	1 - 5 years	560,137	560,137
Equities	N/A	N/A	4,861,797	4,861,797
Alternative investments	N/A	N/A	1,759,370	1,759,370
Real estate assets	N/A	N/A	464,197	464,197
Total pooled investments			<u>\$ 24,465,303</u>	<u>\$ 11,213,479</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.

N/A Indicates not applicable or available.

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 AAA. The weighted average days to maturity are less than six months. The District's investment in the MSDLAF is equal to the value of pool shares.

Independent School District No. 256
Red Wing, Minnesota
Notes to the Financial Statements
June 30, 2021

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:

Petty Cash	\$ 4,434
Deposits	(243,923)
Investments	24,465,303
Total	<u>24,225,814</u>
Less Fiduciary Fund Cash and Temporary Investments	<u>(10,302,448)</u>
 Total Cash and Temporary Investments	 <u><u>\$ 13,923,366</u></u>

B. Property Taxes

Current property taxes receivable is recorded for taxes levied in 2020 and payable in 2021. A portion of the current property taxes receivable is recognized as revenue in the fiscal year ended June 30, 2021 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	\$ 4,362,631	\$ 825,120	\$ 192,101	\$ 5,379,852
Delinquent Taxes	44,622	16,499	2,112	63,233
 Total Taxes Receivable	 <u>\$ 4,407,253</u>	 <u>\$ 841,619</u>	 <u>\$ 194,213</u>	 <u>\$ 5,443,085</u>
 Property Taxes Levied for Subsequent Year	 <u>\$ 8,438,350</u>	 <u>\$ 1,647,727</u>	 <u>\$ 397,033</u>	 <u>\$ 10,483,110</u>

Independent School District No. 256

Red Wing, Minnesota

Notes to the Financial Statements

June 30, 2021

Note 3: Detailed Notes on All Funds (Continued)

C. Capital Assets

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

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 1,771,785	\$ -	\$ -	\$ 1,771,785
Construction In Progress	4,924,860	-	(4,924,860)	-
Total Capital Assets not Being Depreciated	6,696,645	-	(4,924,860)	1,771,785
Capital Assets Being Depreciated				
Buildings and improvements	62,795,517	4,927,593	-	67,723,110
Land improvements	3,780,869	454,249	-	4,235,118
Equipment	16,286,344	145,939	-	16,432,283
Total Capital Assets Being Depreciated	82,862,730	5,527,781	-	88,390,511
Less Accumulated Depreciation				
Buildings and improvements	(41,093,102)	(1,971,494)	-	(43,064,596)
Land improvements	(3,115,238)	(57,991)	-	(3,173,229)
Equipment	(13,342,473)	(401,797)	-	(13,744,270)
Total Accumulated Depreciation	(57,550,813)	(2,431,282)	-	(59,982,095)
Total Capital Assets Being Depreciated, Net	25,311,917	3,096,499	-	28,408,416
Governmental Activities				
Capital Assets, Net	\$ 32,008,562	\$ 3,096,499	\$ (4,924,860)	\$ 30,180,201

Depreciation expense was charged to governmental activities as follows:

Administration	\$ 265
District Support Services	74,313
Elementary and Secondary Regular Instruction	1,207,829
Special Education Instruction	1,352
Community Education	116,277
Instructional Support Services	78,921
Pupil Support Services	19,919
Sites and Buildings	932,406
Total Depreciation Expense	<u>\$ 2,431,282</u>

Independent School District No. 256

Red Wing, Minnesota

Notes to the Financial Statements

June 30, 2021

Note 3: Detailed Notes on All Funds (Continued)

D. Interfund Receivables, Payables and Transfers

Interfund Receivables and Payables

The following interfund receivable and payables from/to other funds are to eliminate cash deficits:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 303,656	\$ -
Internal Service Fund		
Medical Clinic	-	80,982
Fiduciary Fund		
Custodial	-	222,674
Total	<u>\$ 303,656</u>	<u>\$ 303,656</u>

E. Leases

Capital Leases

The District's outstanding capital leases had a total cost of \$362,229 and accumulated depreciation of \$108,669 as of June 30, 2021. The details of these outstanding capital leases are as follows:

	Original Issue	Interest Rate	Issue Date	Final Maturity	Principal Outstanding	
					Due Within One Year	Total
Firefly Lease 1	\$ 7,075	3.35 %	02/11/20	02/11/24	\$ 1,368	\$ 4,242
Firefly Lease 2	239,000	3.35	03/23/20	03/23/22	58,734	148,646
Firefly Lease 3	116,154	3.35	03/17/20	03/17/22	28,544	28,835
Total Capital Leases					<u>\$ 88,646</u>	<u>\$ 181,723</u>

The annual requirements to amortize all capital leases at June 30, 2021 are as follows:

Year Ending June 30,	Principal Payments	Interest Payments	Total
2022	\$ 88,646	\$ 6,088	\$ 94,734
2023	91,616	3,118	94,734
2024	1,461	50	1,511
Total	<u>\$ 181,723</u>	<u>\$ 9,256</u>	<u>\$ 190,979</u>

Independent School District No. 256
Red Wing, Minnesota
Notes to the Financial Statements
June 30, 2021

Note 3: Detailed Notes on All Funds (Continued)

Operating Leases

The District has entered into multiple operating leases for real estate and copiers. For the year ended June 30, 2021, the District paid \$122,234 in rent under the terms of the previous and existing leases.

The following is a summary of future minimum lease payments:

Year Ending June 30,	Total
2022	\$ 122,234
2023	110,663
2024	69,864
2025	44,611
2026	43,000
2027 - 2029	129,000
Total	<u>\$ 519,372</u>

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. In addition, general obligation bonds have been issued to refund general obligation bonds.

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

Description	Original Issue	Interest Rate	Issue Date	Final Maturity	Principal Outstanding	
					Due Within One Year	Total
G.O. School Building Refunding Bonds, Series 2014A	\$ 1,590,000	2.00 - 3.00	06/26/14	02/01/25	\$ 160,000	\$ 680,000
G.O. School Building Bonds, Series 2016A	21,935,000	2.00 - 4.00	08/19/16	02/01/37	920,000	18,850,000
					<u>\$ 1,080,000</u>	<u>\$ 19,530,000</u>

The annual requirements to amortize all bonds outstanding at June 30, 2021 are as follows:

Year Ending June 30,	Principal Payments	Interest Payments	Total
2022	1,080,000	569,713	\$ 1,649,713
2023	1,120,000	528,113	1,648,113
2024	1,160,000	485,013	1,645,013
2025	1,215,000	440,312	1,655,312
2026	1,065,000	403,862	1,468,862
2027 - 2031	5,855,000	1,483,575	7,338,575
2032 - 2036	6,605,000	737,240	7,342,240
2037	1,430,000	40,040	1,470,040
Total	<u>\$ 19,530,000</u>	<u>\$ 4,687,868</u>	<u>\$ 24,217,868</u>

Independent School District No. 256

Red Wing, Minnesota

Notes to the Financial Statements

June 30, 2021

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2021 was as follows:

	Beginning Balance As Restated	Additions	Deductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds Payable					
General obligation bonds	\$ 20,580,000	\$ -	\$ (1,050,000)	\$ 19,530,000	\$ 1,080,000
Bond premiums	607,079	-	(40,556)	566,523	-
Total Bonds Payable	21,187,079	-	(1,090,556)	20,096,523	1,080,000
Capital Leases Payable	267,495	-	(85,772)	181,723	88,646
Other Liabilities					
Severance and compensated absences payable	1,256,005	222,151	(403,346)	1,074,810	28,874
Total Long-term Liabilities	\$ 22,710,579	\$ 222,151	\$ (1,579,674)	\$ 21,353,056	\$ 1,197,520

G. Components of Fund Balance

At June 30, 2021, 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	Nonmajor Governmental	Total	Reconciling Items	UFARS Balance
Nonspendable for						
Inventories	\$ -	\$ -	\$ 36,481	\$ 36,481	\$ -	\$ 36,481
Prepaid items	400,838	-	6,189	407,027	-	407,027
Total Nonspendable	\$ 400,838	\$ -	\$ 42,670	\$ 443,508	\$ -	\$ 443,508
Restricted for						
Student activities	\$ 90,013	\$ -	\$ -	\$ 90,013	\$ -	\$ 90,013
Staff development	182,387	-	-	182,387	-	182,387
Operating capital	395,546	-	-	395,546	-	395,546
Restricted for Area Learning Center	65,658	-	-	65,658	-	65,658
Long term facility maintenance	1,059,592	-	-	1,059,592	-	1,059,592
Community education	-	-	398,537	398,537	-	398,537
Early childhood and family education	-	-	29,375	29,375	-	29,375
School readiness	-	-	-	-	(11,701)	(11,701)
Food service	-	-	369,233	369,233	-	369,233
Adult basic education	-	-	10,973	10,973	-	10,973
Community service	-	-	188,157	188,157	11,701	199,858
Building construction	-	-	136,614	136,614	-	136,614
Debt service	-	932,561	-	932,561	-	932,561
Total Restricted	\$ 1,793,196	\$ 932,561	\$ 1,132,889	\$ 3,858,646	\$ -	\$ 3,858,646
Assigned for student activities	\$ 171,266	\$ -	\$ -	\$ 171,266	\$ -	\$ 171,266
Unassigned for student activities	\$ 5,353,553	\$ -	\$ -	\$ 5,353,553	\$ -	\$ 5,353,553

Independent School District No. 256

Red Wing, Minnesota

Notes to the Financial Statements

June 30, 2021

Note 3: Detailed Notes on All Funds (Continued)

Restricted for Student Activities - This amount represents available resources for student activities. Revenues are derived from donations and fundraising and expenditures are for student activities at each site.

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

Restricted for Community Education - This amount represents available resources for community education classes. Revenues are derived from local tax levies and State aids and expenditures are for salaries, benefits and supplies.

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 sales to pupils and State aid.

Restricted for Adult Basic Education - This amount represents available resources available to provide adult basic education programming.

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 related to general obligation alternative and capital facility bonds issued for the addition/renovations of the District's building and property.

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.

Independent School District No. 256

Red Wing, Minnesota

Notes to the Financial Statements

June 30, 2021

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 members, one retired member and three statutory officials.

Educators employed in Minnesota's public elementary and secondary school, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members. 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:	Step Rate Formula	Percentage
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. 256

Red Wing, Minnesota

Notes to the Financial Statements

June 30, 2021

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 Rate

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

Plan	Ending June 30, 2019		Ending June 30, 2020		Ending June 30, 2021	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic	11.00%	11.71%	11.00%	11.92%	11.00%	12.13%
Coordinated	7.50%	7.71%	7.50%	7.92%	7.50%	8.13%

The District's contributions to TRA for the years ending June 30, 2021, 2020 and 2019 were \$1,167,303, \$1,099,043 and \$1,022,890, respectively. The District's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

Independent School District No. 256
Red Wing, Minnesota
Notes to the Financial Statements
June 30, 2021

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 Comprehensive Annual Financial Report Statement of Changes in Fiduciary Net Position	\$ 425,223,000
Add Employer Contributions not Related to Future Contribution Efforts	(56,000)
Deduct TRA'S Contributions not Included in Allocation	(508,000)
Total Employer Contributions	<u>424,659,000</u>
Total Non-employer Contributions	<u>35,587,000</u>
Total Contributions Reported in Schedule of Employer and Non-employer Pension Allocations	<u><u>\$ 460,246,000</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, 2020 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement.

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Actuarial Information	
Valuation date	July 1, 2020
Experience study	June 5, 2015
	November 6, 2017 (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	7.50%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028 and 3.25% thereafter
Projected salary increase	2.85% to 8.85% before July 1, 2028 and 3.25% to 9.25% thereafter
Cost of living adjustment	1.0% for January 2020 through January 2023, then increasing by 0.1% each year up to 1.5% annually
Mortality Assumption	
Pre-retirement	RP-2014 white collar employee table, male rates set back six years and female rates set back seven 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. 256

Red Wing, Minnesota

Notes to the Financial Statements

June 30, 2021

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:

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

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2020 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 2019 valuation:

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

Independent School District No. 256
Red Wing, Minnesota
Notes to the Financial Statements
June 30, 2021

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 2020 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

6. Net Pension Liability

At June 30, 2021, the District reported a liability of \$17,642,864 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The District proportionate share was 0.2388 percent at the end of the measurement period and 0.2337 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	\$ 17,642,864
State's Proportionate Share of Net Pension Liability Associated with the District	1,478,454

For the year ended June 30, 2021, the District recognized pension expense of \$2,306,079. It also recognized \$135,436 as an increase to pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 353,992	\$ 264,671
Net Difference Between Projected and Actual Earnings on Plan Investments	302,168	-
Changes in Actuarial Assumptions	6,393,563	14,665,203
Changes in Proportion	304,668	145,564
Contributions to TRA Subsequent to the Measurement Date	1,167,303	-
	<u>1,167,303</u>	<u>-</u>
Total	<u>\$ 8,521,694</u>	<u>\$ 15,075,438</u>

Independent School District No. 256
Red Wing, Minnesota
Notes to the Financial Statements
June 30, 2021

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

Deferred outflows of resources totaling \$1,167,303 related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

2022	\$ 284,822
2023	(5,088,632)
2024	(3,453,242)
2025	462,584
2026	73,421

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%)
\$ 27,011,038	\$ 17,642,864	\$ 9,923,962

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.

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.

Independent School District No. 256
Red Wing, Minnesota
Notes to the Financial Statements
June 30, 2021

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

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). General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

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.

General Employee Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989 receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the 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.

General Employees Fund 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 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ending June 30, 2021, 2020 and 2019 were \$415,398, \$416,184 and \$410,110, respectively. The District's contributions were equal to the contractually required contributions for each year as set by statute.

Independent School District No. 256
Red Wing, Minnesota
Notes to the Financial Statements
June 30, 2021

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

4. Pension Costs

General Employee Fund Pension Costs

At June 30, 2021, the District reported a liability of \$4,682,452 for 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. 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 \$144,375. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021 relative to the total employer contributions received from all of PERA's participating employers. The District's proportion was 0.0781 percent which was an increase of 0.0008 percent from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the District recognized pension expense of \$229,034 for its proportionate share of General Employees Plan's pension expense. In addition, the District recognized an additional \$12,565 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At June 30, 2021, the District reported its proportionate share of General Employees Plan's deferred outflows of resources and deferred inflows of resources, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 42,174	\$ 17,715
Net Difference Between Projected and Actual Earnings on Plan Investments	98,143	-
Changes in Actuarial Assumptions	-	170,229
Changes in Proportion	149,232	37,029
Contributions Paid to PERA Subsequent to the Measurement Date	415,398	-
Total	<u>\$ 704,947</u>	<u>\$ 224,973</u>

The \$415,398 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2022	\$ (219,004)
2023	69,093
2024	101,362
2025	113,125

Independent School District No. 256
Red Wing, Minnesota
Notes to the Financial Statements
June 30, 2021

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

5. Actuarial Assumptions

The total pension liability in the June 30, 2021, actuarial valuation was determined using an individual entry-age normal actuarial cost method and 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 disabilitants were based on RP-2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for General Employees Plan.

Actuarial assumptions used in the June 30, 2021 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. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2021:

General Employees Fund

Changes in Actuarial Assumptions

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

Independent School District No. 256

Red Wing, Minnesota
Notes to the Financial Statements
June 30, 2021

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

Changes in Plan Provisions

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

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:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Stocks	35.50 %	5.10 %
Alternative Assets (Private Markets)	25.00	5.90
Bonds (Fixed Income)	20.00	0.75
International Stocks	17.50	5.30
Cash	2.00	-
Total	100.00 %	

6. Discount Rate

The discount rate used to measure the total pension liability in 2020 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:

District Proportionate Share of NPL		
1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
\$ 7,504,346	\$ 4,682,452	\$ 2,354,616

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

Independent School District No. 256

Red Wing, Minnesota

Notes to the Financial Statements

June 30, 2021

Note 5: Postemployment Benefits Other Than Pensions

A. Plan Description

The District operates single-employer retiree benefit plan ("the Plan") that provides health insurance to eligible employees and their spouses through the District's health insurance plan. There are 368 active participants, 68 retired participants and 22 spouses. Benefit and eligibility provisions are established through negotiations between the District and various unions representing District employees and are renegotiated at various times. The Plan does not issue a publicly available financial report.

At June 30, 2021, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	90
Active Plan Members	368
Total Plan Members	458

B. Funding Policy

Contributions requirements are also negotiated between the District and union representatives. The District contributes the premiums for family medical or premiums for single medical for teachers hired before July 1, 2008 and retiring prior to July 1, 2010 and other eligible retired plan members. Also, for teachers hired before July 1, 2008 and retiring on or after July 1, 2010, a \$11,500 annual contribution to an HRA will be made by the District. The District also contributes an implicit rate subsidy for retired plan members. This is due to the actual cost for retirees being higher than the average per-person premium for the entire group. For fiscal year 2021, the District did not make any contributions to the plan.

C. Investments

The District's policy in regards to the allocation of invested assets is established and may be amended by the School Board. The following was the District's adopted asset allocation policy as of June 30, 2021:

Asset Class	Target Allocation
Cash	1.00 %
Fixed Income	39.00
Domestic Equity	26.00
International Equity	14.00
Real Estate	10.00
Other (Hedged Equity Funds)	10.00
Total	100.00

Independent School District No. 256

Red Wing, Minnesota

Notes to the Financial Statements

June 30, 2021

Note 5: Postemployment Benefits Other Than Pensions (Continued)

D. Actuarial Methods and Assumptions

The District's total OPEB liability (asset) was measured as of June 30, 2020. And the total OPEB liability was determined by an actuarial valuation as of July 1, 2019.

The total OPEB liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	6.20%
Expected Long-term Investment Return Rate	6.20%
20-Year Municipal Bond rate	2.10%
Inflation Rate	2.50%
Salary Increases	Service graded ranging from 2.85% to 11.25% based on position and years of service
Medical Trend Rate	6.25% in 2019 grading to 5.00% over 5 years
Dental Trend Rate	4.00%

The long-term return on assets has been set based on the plan's target investment allocation along with long-term return expectations by asset class. When there is sufficient historical evidence of market outperformance, historical average returns may be considered. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2021 are summarized in the following table:

Asset Class	Expected Class Return
Cash	2.50 %
Fixed Income	2.60
Domestic Equity	9.00
International Equity	10.00
Real Estate	8.70
Other (Hedged Equity Funds)	5.80
Total	6.20 %

E. Sensitivity of the Total Net OPEB Liability

The following presents the net OPEB liability (asset) of the School, as well as what the School's total net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.20 percent) or 1-percentage-point higher (7.20 percent) than the current discount rate:

1 Percent Decrease (5.20%)	Current (6.20%)	1 Percent Increase (7.20%)
\$ (4,304,933)	\$ (4,556,315)	\$ (4,793,587)

The following presents the total net OPEB liability (asset) of the School, as well as what the School's net OPEB liability (asset) would be if it were calculated using a Healthcare Cost Trend Rate that is 1-percentage point lower (5.50 percent decreasing to 4.00 percent) or 1-percentage-point higher (7.50 percent decreasing to 6.00 percent) than the current 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%)
\$ (4,854,755)	\$ (4,556,315)	\$ (4,215,117)

Independent School District No. 256
Red Wing, Minnesota
Notes to the Financial Statements
June 30, 2021

Note 5: Postemployment Benefits Other Than Pensions (Continued)

F. Changes in the Total Net OPEB Liability (Asset)

	Total OPEB Liability (a)
Balance at June 30, 2020	<u>\$ (3,495,044)</u>
Changes for the Year:	
Service Cost	201,446
Interest	362,824
Projected investment return	(594,899)
Differences between expensed and actual experience	<u>(1,030,642)</u>
Net Changes	<u>(1,061,271)</u>
Balances at June 30, 2021	<u><u>\$ (4,556,315)</u></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 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.

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$415,453. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 550,032
Difference between projected and actual earnings on plan investments	-	600,063
Changes in assumptions	<u>16,512</u>	<u>204,394</u>
Total	<u><u>\$ 16,512</u></u>	<u><u>\$ 1,354,489</u></u>

Independent School District No. 256
Red Wing, Minnesota
Notes to the Financial Statements
June 30, 2021

Note 5: Postemployment Benefits Other Than Pensions (Continued)

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

Year ended June 30	
2022	\$ (336,091)
2023	(346,359)
2024	(380,389)
2025	(275,138)
2026	-

Note 6: 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 for employee health, liability, property and automotive. Settled claims have not exceeded this coverage in any of the past three fiscal years. There was no reduction in insurance coverage during 2021.

B. Federal And State Programs

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

C. Jointly Governed Organizations

The Goodhue County Education District No. 6051-61 was established by an act of the 1987 Legislature of the State of Minnesota. The primary objective of the District is to provide, by a cooperative effort, comprehensive education programs and other related services as can be effectively operated by its five member districts. Each member district shares in the cost of the programming, which is paid to the education district in the form of membership fees, reimbursements, and other charges for services. The education district is able to recover the cost of its programs through the previously mentioned revenue sources. The jointly governed organization's financial statements are audited and available for inspection.

Note 7: Subsequent Event

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus ("COVID-19") and the risks to the international community as virus spreads globally. On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. In response to the pandemic, the State of Minnesota has issued stay-at-home orders and other measures aimed at slowing the spread of the coronavirus.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Due to the rapid development and fluidity of this situation, the District cannot determine the ultimate impact that the COVID-19 pandemic will have on its financial condition, liquidity, and future revenue collection, and therefore any prediction as to the ultimate impact on the District's financial condition, liquidity, and future results of its revenue collections is uncertain.

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REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 256
RED WING, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2021

Draft

Independent School District No. 256

Red Wing, Minnesota

Required Supplementary Information

For the Year Ended June 30, 2021

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/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/20	0.2388 %	\$ 17,642,864	\$ 1,478,454	\$ 19,121,318	\$ 13,876,806	137.8 %	75.5 %
06/30/19	0.2337	14,896,087	1,318,353	16,214,440	13,267,056	122.2	78.2
06/30/18	0.2329	14,628,341	1,374,472	16,002,813	12,867,520	124.4	78.1
06/30/17	0.2326	46,431,179	4,488,622	50,919,801	12,518,867	406.7	51.6
06/30/16	0.2407	57,412,693	5,763,607	63,176,300	12,518,973	504.6	44.9
06/30/15	0.2608	16,133,059	1,978,944	18,112,003	12,518,947	144.7	76.8
06/30/14	0.2791	12,860,727	904,631	13,765,358	12,738,778	108.1	81.5

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)
06/30/21	\$ 1,167,303	\$ 1,167,303	\$ -	\$ 14,357,970	8.1 %
06/30/20	1,099,043	1,099,043	-	13,876,806	7.9
06/30/19	1,022,890	1,022,890	-	13,267,056	7.7
06/30/18	965,064	965,064	-	12,867,520	7.5
06/30/17	938,915	938,915	-	12,518,867	7.5
06/30/16	992,663	992,663	-	13,235,507	7.5
06/30/15	891,714	891,714	-	11,889,520	7.5

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

Independent School District No. 256
Red Wing, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2021

Notes to the Required Supplementary Information - TRA

Changes in Actuarial Assumptions

2020 - Assumed termination rates were changed to more closely reflect actual experience. The pre-retirement mortality assumption was changed to RP-2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP-2015 scale. Assumed form of annuity election proportions were changed to more closely reflect actual experience for female retirees.

2019 - No changes noted.

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 cost of living adjustment was not assumed to increase to 2.5 percent but remain at 2.0 percent for all future years. The investment return assumption was changed from 8.25 percent to 8.00 percent.

2014 - The cost of living adjustment was assumed to increase from 2.0 percent annually to 2.5 percent annually on July 1, 2034.

Independent School District No. 256
Red Wing, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2021

Notes to the Required Supplementary Information – TRA (Continued)

Changes in Plan Provisions

2020 - No changes noted.

2019 - No changes noted.

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 – No changes noted.

2016 – No changes noted.

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.

2014 - The increase in the post-retirement benefit adjustment (COLA) will be made once the plan is 90% funded (on a market value basis) in two consecutive years, rather than just one year.

Independent School District No. 256
Red Wing, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2021

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/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/20	0.0781 %	\$ 4,682,452	\$ 144,375	\$ 4,826,827	\$ 5,549,120	87.0 %	79.0 %
06/30/19	0.0773	4,273,744	132,828	4,406,572	5,468,133	80.6	80.2
06/30/18	0.0737	4,088,574	134,082	4,222,656	4,954,560	85.2	79.5
06/30/17	0.0760	4,851,790	61,021	4,912,811	4,897,200	100.3	75.9
06/30/16	0.0758	6,154,584	80,392	6,234,976	4,702,213	132.6	68.9
06/30/15	0.0846	4,384,411	-	4,384,411	4,644,219	94.4	78.2
06/30/14	0.0930	4,368,674	-	4,368,674	4,884,545	89.4	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)
06/30/21	\$ 415,398	\$ 415,398	\$ -	\$ 5,538,640	7.5 %
06/30/20	416,184	416,184	-	5,549,120	7.5
06/30/19	410,110	410,110	-	5,468,133	7.5
06/30/18	371,592	371,592	-	4,954,560	7.5
06/30/17	367,290	367,290	-	4,897,200	7.5
06/30/16	352,666	352,666	-	4,702,213	7.5
06/30/15	354,130	354,130	-	4,721,733	7.5

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

Independent School District No. 256
Red Wing, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2021

Notes to the Required Supplementary Information – PERA

Changes in Actuarial Assumptions

2020 - The price inflation assumption was decreased from 2.50% to 2.25%. The payroll growth assumption was decreased from 3.25% to 3.00%. Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates. Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter. Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019. The assumed spouse age difference was changed from two years older for females to one year older. The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

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.

Independent School District No. 256
Red Wing, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2021

Notes to the Required Supplementary Information – PERA (Continued)

Changes in Plan Provisions

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

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 – No changes noted.

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. 256
Red Wing, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2021

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

	2021	2020	2019	2018
Total OPEB Liability				
Service Cost	\$ 201,446	\$ 195,579	\$ 190,756	\$ 182,235
Interest	362,824	408,134	427,426	501,250
Assumption changes	-	(275,801)	28,895	(47,896)
Differences between expected and actual experience	-	(163,743)	-	(1,028,969)
Benefit Payments	(912,831)	(889,233)	(818,878)	(756,001)
Net Change in Total OPEB Liability	(348,561)	(725,064)	(171,801)	(1,149,381)
Total OPEB Liability - Beginning	6,100,101	6,825,165	6,996,966	8,146,347
Total OPEB Liability - Ending	<u>\$ 5,751,540</u>	<u>\$ 6,100,101</u>	<u>\$ 6,825,165</u>	<u>\$ 6,996,966</u>
Plan Fiduciary Net Position				
Projected investment return	\$ 1,625,541	\$ 626,298	\$ 647,478	\$ 615,448
Differences between expected and actual experience	-	(243,505)	(170,206)	-
Benefit payments	(912,831)	(889,233)	(818,878)	(756,001)
Net Change in Plan Fiduciary Net Position	712,710	(506,440)	(341,606)	(140,553)
Plan Fiduciary Net Position - Beginning	9,595,145	10,101,585	10,443,191	10,583,744
Plan Fiduciary Net Position - Ending	<u>\$ 10,307,855</u>	<u>\$ 9,595,145</u>	<u>\$ 10,101,585</u>	<u>\$ 10,443,191</u>
Net OPEB Liability - Ending	\$ (4,556,315)	\$ (3,495,044)	\$ (3,276,420)	\$ (3,446,225)
Covered - Employee Payroll	\$ 18,572,493	\$ 18,031,547	\$ 17,973,472	\$ 17,449,973
Districts's Total OPEB Liability as a Percentage of Covered Employee Payroll	-24.53% %	-19.38% %	-18.23% %	-19.75% %

Note: This schedule intended to show 10-year trends. Additional years will be reported as they become available.

Notes to the Required Supplementary Information – OPEB

The following benefit changes occurred:

2021 - None.

2020 - None.

The following changes in assumptions occurred:

2021 – The health care trend rates, mortality tables, and salary increase rates were updated.

2020 - The health care trend rates were changed to better anticipate short term and long term medical increases.

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.

COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES AND TABLE

INDEPENDENT SCHOOL DISTRICT NO. 256
RED WING, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2021

Draft

Independent School District No. 256

Red Wing, Minnesota

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2021

	Special Revenue		Capital Projects	
	Food Service	Community Service	Building Construction	Total
Assets				
Cash and temporary investments	\$ 424,117	\$ 931,258	\$ 127,316	\$ 1,482,691
Receivables				
Accounts and interest	920	23,938	-	24,858
Taxes				
Current	-	192,101	-	192,101
Delinquent	-	2,112	-	2,112
Due from other school districts	-	19,684	22,000	41,684
Intergovernmental	105,311	207,052	-	312,363
Prepaid items	6,189	-	-	6,189
Inventories	36,481	-	-	36,481
Total Assets	\$ 573,018	\$ 1,376,145	\$ 149,316	\$ 2,098,479
Liabilities				
Salaries payable	\$ 55,447	\$ 88,361	\$ -	\$ 143,808
Accounts and other payables	32,780	100,569	12,702	146,051
Due to other governments	-	755	-	755
Unearned revenue	72,888	160,273	-	233,161
Total Liabilities	161,115	349,958	12,702	523,775
Deferred Inflows of Resources				
Property taxes levied for subsequent year	-	397,033	-	397,033
Unavailable revenue - delinquent property taxes	-	2,112	-	2,112
Total Deferred Inflows of Resources	-	399,145	-	399,145
Fund Balances				
Nonspendable for				
Inventories	42,670	-	-	42,670
Restricted for				
Community education	-	398,537	-	398,537
Early childhood family education	-	29,375	-	29,375
Adult basic education	-	10,973	-	10,973
Community service	-	188,157	-	188,157
Food service	369,233	-	-	369,233
Building construction	-	-	136,614	136,614
Total Fund Balances	411,903	627,042	136,614	1,175,559
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 573,018	\$ 1,376,145	\$ 149,316	\$ 2,098,479

Independent School District No. 256
Red Wing, Minnesota
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2021

	Special Revenue		Capital Projects	
	Food Service	Community Service	Building Construction	Total
Revenues				
Local property tax levies	\$ -	\$ 545,011	\$ -	\$ 545,011
Other local and county revenue	30,812	1,301,239	22,000	1,354,051
Interest earned on investments	2,112	4,041	14	6,167
Revenue from state sources	56,182	352,332	-	408,514
Revenue from federal sources	1,738,924	164,675	-	1,903,599
Total Revenues	1,828,030	2,367,298	22,014	4,217,342
Expenditures				
Current				
Community education and services	-	2,221,690	-	2,221,690
Pupil support services	1,666,285	7,358	-	1,673,643
Sites and buildings	-	-	7,503	7,503
Capital outlay	-	13,725	-	13,725
Total Expenditures	1,666,285	2,242,773	7,503	3,916,561
Net Change In Fund Balances	161,745	124,525	14,511	300,781
Fund Balances, July 1	250,158	502,517	122,103	874,778
Fund Balances, June 30	\$ 411,903	\$ 627,042	\$ 136,614	\$ 1,175,559

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Independent School District No. 256
Red Wing, Minnesota
General Fund
Balance Sheet
June 30, 2021
(With Comparative Totals for the Year Ended June 30, 2020)

	2021	2020
Assets		
Cash and temporary investments	\$ 10,668,498	\$ 10,120,210
Receivables		
Taxes		
Current	4,362,631	4,684,612
Delinquent	44,622	42,095
Accounts	70,244	26,197
Interest	16,157	41,191
Due from other school districts	96,295	116,144
Intergovernmental	3,546,771	2,602,416
Due from other funds	303,656	272,548
Prepaid items	400,838	117,447
	<u>19,509,712</u>	<u>18,022,860</u>
Total Assets	<u>\$ 19,509,712</u>	<u>\$ 18,022,860</u>
Liabilities		
Salaries payable	\$ 1,027,047	\$ 966,157
Accounts and other payables	913,913	279,132
Due to other school districts	185,552	289,579
Due to other governments	81,726	63,911
Accrued expenses	1,063,338	1,793,893
Unearned revenue	36,311	32,646
Total Liabilities	<u>3,307,887</u>	<u>3,425,318</u>
Deferred Inflows of Resources		
Property taxes levied for subsequent year	8,438,350	9,031,002
Unavailable revenue - delinquent property taxes	44,622	42,095
Total Deferred Inflows of Resources	<u>8,482,972</u>	<u>9,073,097</u>
Fund Balances		
Nonspendable for		
Prepaid items	400,838	117,447
Restricted for		
Student activities	90,013	97,086
Staff development	182,387	97,784
Operating capital	395,546	291,935
Safe schools	-	62,461
Long term facility maintenance	1,059,592	857,747
Restricted for area learning center	65,658	-
Assigned		
Student activities	171,266	141,985
Unassigned	5,353,553	3,858,000
Total Fund Balances	<u>7,718,853</u>	<u>5,524,445</u>
	<u>19,509,712</u>	<u>18,022,860</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 19,509,712</u>	<u>\$ 18,022,860</u>

Independent School District No. 256
Red Wing, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021				2020
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Local property tax levies	\$ 9,368,613	\$ 9,484,612	\$ 9,493,076	\$ 8,464	\$ 9,093,463
Other local and county revenue	1,342,384	1,306,708	1,166,803	(139,905)	1,397,970
Interest earned on investments	50,000	50,000	58,042	8,042	100,835
Revenue from state sources	25,466,048	24,903,502	25,545,804	642,302	25,599,867
Revenue from federal sources	850,929	2,640,028	2,701,300	61,272	909,267
Student activities	76,474	63,569	98,653	35,084	52,144
Sales and other conversion of assets	6,500	2,316	41	(2,275)	1,061
Total Revenues	37,160,948	38,450,735	39,063,719	612,984	37,154,607
Expenditures					
Current					
Administration					
Salaries	924,532	915,611	950,527	(34,916)	889,305
Employee benefits	354,781	336,216	320,039	16,177	292,226
Purchased services	113,348	111,298	117,245	(5,947)	128,551
Supplies and materials	34,352	34,352	17,902	16,450	13,457
Other expenditures	26,316	26,316	28,714	(2,398)	23,758
Total administration	1,453,329	1,423,793	1,434,427	(10,634)	1,347,297
District support services					
Salaries	210,790	217,436	232,680	(15,244)	233,892
Employee benefits	102,950	97,274	81,791	15,483	113,920
Purchased services	632,817	632,817	635,161	(2,344)	606,496
Supplies and materials	15,869	26,090	23,972	2,118	9,613
Other expenditures	100	100	7,500	(7,400)	100
Total district support services	962,526	973,717	981,104	(7,387)	964,021
Elementary and secondary regular instruction					
Salaries	9,090,724	9,549,582	9,084,377	465,205	8,587,637
Employee benefits	3,236,039	3,274,934	2,980,262	294,672	2,856,263
Purchased services	946,709	1,093,808	1,585,222	(491,414)	1,167,692
Supplies and materials	557,127	712,266	533,052	179,214	736,993
Other expenditures	17,411	6,750	5,578	1,172	29,774
Total elementary and secondary regular instruction	13,848,010	14,637,340	14,188,491	448,849	13,378,359
Vocational education instruction					
Salaries	416,584	376,233	630,319	(254,086)	462,390
Employee benefits	170,706	144,782	225,449	(80,667)	146,827
Purchased services	9,512	8,476	3,098	5,378	45,299
Supplies and materials	18,298	18,298	18,485	(187)	13,096
Other expenditures	100	100	-	100	100
Total vocational education instruction	615,200	547,889	877,351	(329,462)	667,712
Special education instruction					
Salaries	5,311,652	5,456,496	5,125,979	330,517	4,950,854
Employee benefits	1,799,603	1,775,608	1,639,337	136,271	1,540,010
Purchased services	368,544	347,098	436,829	(89,731)	303,817
Supplies and materials	44,158	44,158	4,436	39,722	85,332
Other expenditures	75,200	75,200	88,471	(13,271)	81,180
Total special education instruction	7,599,157	7,698,560	7,295,052	403,508	6,961,193

Independent School District No. 256
Red Wing, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021				2020
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Instructional support services					
Salaries	\$ 1,153,897	\$ 1,132,191	\$ 1,056,185	\$ 76,006	\$ 1,204,713
Employee benefits	392,243	432,512	390,934	41,578	389,603
Purchased services	267,285	275,202	342,284	(67,082)	245,954
Supplies and materials	253,157	432,271	367,874	64,397	172,059
Other expenditures	15,480	14,349	4,866	9,483	9,511
Total instructional support services	2,082,062	2,286,525	2,162,143	124,382	2,021,840
Pupil support services					
Salaries	817,476	842,010	823,014	18,996	886,002
Employee benefits	299,998	272,973	239,925	33,048	255,777
Purchased services	2,859,061	2,805,760	2,700,326	105,434	2,633,831
Supplies and materials	55,300	61,060	75,488	(14,428)	43,092
Total pupil support services	4,031,835	3,981,803	3,838,753	143,050	3,818,702
Sites and buildings					
Salaries	1,422,315	1,517,283	1,463,774	53,509	1,498,944
Employee benefits	694,786	612,443	593,644	18,799	599,667
Purchased services	2,838,458	2,907,678	1,700,182	1,207,496	1,869,675
Supplies and materials	391,826	497,700	396,346	101,354	269,665
Other expenditures	2,000	6,850	4,521	2,329	798
Total sites and buildings	5,349,385	5,541,954	4,158,467	1,383,487	4,238,749
Student activities					
Salaries	527,441	486,469	441,708	44,761	457,349
Employee benefits	120,967	110,672	89,079	21,593	109,661
Purchased services	250,637	223,336	147,125	76,211	191,907
Supplies and materials	232,030	227,992	79,925	148,067	186,362
Other expenditures	9,000	9,000	19,933	(10,933)	8,745
Total student activities	1,140,075	1,057,469	777,770	279,699	954,024
Fiscal and other fixed cost programs					
Purchased services	132,729	157,748	170,761	(13,013)	131,323
Total Current	37,214,308	38,306,798	35,884,319	2,422,479	34,483,220
Capital outlay					
Administration	1,500	1,500	803	697	-
Elementary and secondary regular instruction	111,205	116,491	102,717	13,774	310,342
Special education instruction	5,000	5,000	1,825	3,175	4,110
Instructional support services	288,782	302,037	252,424	49,613	654,045
Sites and buildings	138,000	200,782	536,272	(335,490)	171,002
Student activities	3,000	3,000	-	3,000	-
Total Capital Outlay	547,487	628,810	894,041	(265,231)	1,139,499
Debt service					
Principal	-	111,544	85,772	25,772	94,734
Interest and other charges	-	8,962	8,962	-	-
Total debt service	-	120,506	94,734	25,772	94,734
Total Expenditures	37,761,795	39,056,114	36,873,094	2,183,020	35,717,453
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	(600,847)	(605,379)	2,190,625	2,796,004	1,437,154
Other Financing Sources (Uses)					
Sale of assets	2,500	3,783	3,783	-	129,359
Leases issued	-	-	-	-	362,229
Transfers out to agency fund	-	-	-	-	(64,202)
Total Other Financing Sources (Uses)	2,500	3,783	3,783	-	427,386
Net Change In Fund Balances	(598,347)	(601,596)	2,194,408	2,796,004	1,864,540
Fund Balances, July 1	5,524,445	5,524,445	5,524,445	-	3,614,465
Prior Period Restatement	-	-	-	-	45,440
Fund Balances, June 30	\$ 4,926,098	\$ 4,922,849	\$ 7,718,853	\$ 2,796,004	\$ 5,524,445

Independent School District No. 256
Red Wing, Minnesota
Food Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021				2020
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Interest earned on investments	\$ 1,500	\$ 750	\$ 2,112	\$ 1,362	\$ 1,277
Other local and county revenues	758,040	37,025	30,812	(6,213)	513,321
Revenue from state sources	121,700	104,500	56,182	(48,318)	65,008
Revenue from federal sources	1,030,720	1,591,449	1,738,924	147,475	1,334,213
Total Revenues	<u>1,911,960</u>	<u>1,733,724</u>	<u>1,828,030</u>	<u>94,306</u>	<u>1,913,819</u>
Expenditures					
Current					
Pupil support services					
Salaries	661,788	554,496	625,113	(70,617)	604,834
Employee benefits	225,677	225,354	236,045	(10,691)	239,915
Purchased services	57,800	48,400	39,478	8,922	55,219
Supplies and materials	946,375	826,767	762,471	64,296	833,990
Other expenditures	3,150	3,200	3,178	22	2,799
Total Expenditures	<u>1,894,790</u>	<u>1,658,217</u>	<u>1,666,285</u>	<u>(8,068)</u>	<u>1,736,757</u>
Net Change In Fund Balances	17,170	75,507	161,745	86,238	177,062
Fund Balances, July 1	-	250,158	250,158	-	73,096
Fund Balances, June 30	<u>\$ 17,170</u>	<u>\$ 325,665</u>	<u>\$ 411,903</u>	<u>\$ 86,238</u>	<u>\$ 250,158</u>

Independent School District No. 256
Red Wing, Minnesota
Community Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021				2020
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Local property tax levies	\$ 545,849	\$ 544,736	\$ 545,011	\$ 275	\$ 590,197
Other local and county revenue	1,217,270	1,212,684	1,301,239	88,555	1,457,839
Interest earned on investments	5,600	2,800	4,041	1,241	8,103
Revenue from state sources	312,993	343,183	352,332	9,149	302,902
Revenue from Federal sources	52,000	138,175	164,675	26,500	135,698
Total Revenues	<u>2,133,712</u>	<u>2,241,578</u>	<u>2,367,298</u>	<u>125,720</u>	<u>2,494,739</u>
Expenditures					
Current					
Community education and services					
Salaries	1,356,645	1,299,371	1,206,143	93,228	1,322,370
Employee benefits	390,412	372,686	352,759	19,927	387,420
Purchased services	372,446	366,953	533,237	(166,284)	649,029
Supplies and materials	161,792	162,934	120,608	42,326	182,795
Other expenditures	3,330	3,333	8,943	(5,610)	4,548
Total community education and services	<u>2,284,625</u>	<u>2,205,277</u>	<u>2,221,690</u>	<u>(16,413)</u>	<u>2,546,162</u>
Pupil support services					
Salaries	6,702	6,344	6,243	101	6,454
Employee benefits	517	1,079	1,115	(36)	707
Purchased services	-	-	-	-	10
Total pupil support services	<u>7,219</u>	<u>7,423</u>	<u>7,358</u>	<u>65</u>	<u>7,171</u>
Total Current	<u>2,291,844</u>	<u>2,212,700</u>	<u>2,229,048</u>	<u>(16,348)</u>	<u>2,553,333</u>
Capital outlay					
Community education and services	<u>100</u>	<u>100</u>	<u>13,725</u>	<u>(13,625)</u>	<u>188</u>
Total Expenditures	<u>2,291,944</u>	<u>2,212,800</u>	<u>2,242,773</u>	<u>(29,973)</u>	<u>2,553,521</u>
Net Change in Fund Balances	(158,232)	28,778	124,525	95,747	(58,782)
Fund Balances, July 1	<u>502,517</u>	<u>502,517</u>	<u>502,517</u>	<u>-</u>	<u>561,299</u>
Fund Balances, June 30	<u>\$ 344,285</u>	<u>\$ 531,295</u>	<u>\$ 627,042</u>	<u>\$ 95,747</u>	<u>\$ 502,517</u>

Independent School District No. 256
Red Wing, Minnesota
Building Construction Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021				2020
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Other local and county revenue	\$ 22,000	\$ 22,000	\$ 22,000	\$ -	\$ 22,000
Interest earned on investments	1,000	500	14	(486)	1,599
Total Revenues	<u>23,000</u>	<u>22,500</u>	<u>22,014</u>	<u>(486)</u>	<u>23,599</u>
Expenditures					
Current					
Sites and buildings					
Purchased services	11,160	10,000	7,503	2,497	30,400
Capital outlay					
Sites and buildings	<u>137,379</u>	<u>134,603</u>	<u>-</u>	<u>134,603</u>	<u>117,858</u>
Total Expenditures	<u>148,539</u>	<u>144,603</u>	<u>7,503</u>	<u>137,100</u>	<u>148,258</u>
Net Change in Fund Balances	(125,539)	(122,103)	14,511	136,614	(124,659)
Fund Balances, July 1	-	122,103	122,103	-	246,762
Fund Balances, June 30	<u>\$ (125,539)</u>	<u>\$ -</u>	<u>\$ 136,614</u>	<u>\$ 136,614</u>	<u>\$ 122,103</u>

Independent School District No. 256
Red Wing, Minnesota
Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021				2020
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Local property tax levies	\$ 1,605,096	\$ 1,664,137	\$ 1,671,659	\$ 7,522	\$ 3,690,669
Interest earned on investments	8,000	4,000	10,071	6,071	36,418
Revenue from state sources	131,221	72,179	72,178	(1)	131,111
Total Revenues	<u>1,744,317</u>	<u>1,740,316</u>	<u>1,753,908</u>	<u>13,592</u>	<u>3,858,198</u>
Expenditures					
Debt service					
Principal	1,050,000	1,050,000	1,050,000	-	2,965,000
Interest and other charges	602,213	603,263	603,263	-	683,488
Total Expenditures	<u>1,652,213</u>	<u>1,653,263</u>	<u>1,653,263</u>	<u>-</u>	<u>3,648,488</u>
Net Change in Fund Balances	92,104	87,053	100,645	13,592	209,710
Fund Balances, July 1	<u>831,916</u>	<u>831,916</u>	<u>831,916</u>	<u>-</u>	<u>622,206</u>
Fund Balances, June 30	<u>\$ 924,020</u>	<u>\$ 918,969</u>	<u>\$ 932,561</u>	<u>\$ 13,592</u>	<u>\$ 831,916</u>

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Independent School District No. 256
Red Wing, Minnesota
Schedules of Tax Capacity, Tax Levy and Tax Rates
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Tax Capacity		
Agricultural	\$ 3,091,239	\$ 3,027,433
Nonagricultural	<u>37,369,252</u>	<u>35,818,411</u>
Total	<u><u>\$ 40,460,491</u></u>	<u><u>\$ 38,845,844</u></u>
Tax Levy		
General	\$ 9,099,328	\$ 9,571,161
Community Service	397,033	368,974
Debt Service	<u>1,647,727</u>	<u>1,736,317</u>
Total	<u><u>\$ 11,144,088</u></u>	<u><u>\$ 11,676,452</u></u>
Tax Capacity Rates		
General	5.747	5.966
Community Service	0.966	0.950
Debt Service	<u>4.009</u>	<u>4.469</u>
Total	<u><u>10.722</u></u>	<u><u>11.385</u></u>

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Fiscal Compliance Report - 6/30/2021

District: RED WING (256-1)

	Audit	UFARS	Audit - UFARS		Audit	UFARS	Audit - UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$39,063,719	<u>\$39,063,715</u>	<u>\$4</u>	Total Revenue	\$22,014	<u>\$22,015</u>	<u>(\$1)</u>
Total Expenditures	\$36,873,094	<u>\$36,873,094</u>	<u>\$0</u>	Total Expenditures	\$7,503	<u>\$7,503</u>	<u>\$0</u>
<i>Non Spendable:</i>				<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$400,838	<u>\$400,838</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	\$90,013	<u>\$90,012</u>	<u>\$1</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	\$182,387	<u>\$182,389</u>	<u>(\$2)</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	\$136,614	<u>\$136,614</u>	<u>\$0</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	\$395,546	<u>\$395,546</u>	<u>\$0</u>	Total Revenue	\$1,744,105	<u>\$1,744,104</u>	<u>\$1</u>
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$1,653,263	<u>\$1,653,263</u>	<u>\$0</u>
4.27 Disabled Accessibility	\$0	<u>\$0</u>	<u>\$0</u>	<i>Non Spendable:</i>			
4.28 Learning & Development	\$0	<u>\$0</u>	<u>\$0</u>	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.34 Area Learning Center	\$65,658	<u>\$65,658</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	\$0	<u>\$0</u>	<u>\$0</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	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted:</i>			
4.48 Achievement and Integration	\$0	<u>\$0</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$445,661	<u>\$445,661</u>	<u>\$0</u>
4.49 Safe School Crime - Crime Levy	\$0	<u>\$0</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	\$1,059,592	<u>\$1,059,592</u>	<u>\$0</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.72 Medical Assistance	\$0	<u>\$0</u>	<u>\$0</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	\$483,263	<u>\$483,263</u>	<u>\$0</u>
<i>Committed:</i>				Total Expenditures	\$456,388	<u>\$456,388</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	\$57,613	<u>\$57,614</u>	<u>(\$1)</u>
4.62 Assigned Fund Balance	\$171,266	<u>\$171,267</u>	<u>(\$1)</u>	4.48 Achievement and Integration	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</i>				4.64 Restricted Fund Balance	\$19,151	<u>\$19,150</u>	<u>\$1</u>
4.22 Unassigned Fund Balance	\$5,353,553	<u>\$5,353,552</u>	<u>\$1</u>				
02 FOOD SERVICES				20 INTERNAL SERVICE			
Total Revenue	\$1,828,030	<u>\$1,828,032</u>	<u>(\$2)</u>	Total Revenue	\$437,063	<u>\$437,064</u>	<u>(\$1)</u>
Total Expenditures	\$1,666,285	<u>\$1,666,287</u>	<u>(\$2)</u>	Total Expenditures	\$381,046	<u>\$381,047</u>	<u>(\$1)</u>
<i>Non Spendable:</i>				4.22 Unassigned Fund Balance (Net Assets)	\$24,226	<u>\$24,225</u>	<u>\$1</u>
4.60 Non Spendable Fund Balance	\$42,670	<u>\$42,669</u>	<u>\$1</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			

Minnesota Department of Education

	\$0	<u>\$0</u>	<u>\$0</u>
4.74 EIDL Loan	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$369,233	<u>\$369,233</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
04 COMMUNITY SERVICE			
Total Revenue	\$2,367,298	<u>\$2,367,286</u>	<u>\$12</u>
Total Expenditures	\$2,242,773	<u>\$2,242,762</u>	<u>\$11</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>
4.31 Community Education	\$398,537	<u>\$398,538</u>	<u>(\$1)</u>
4.32 E.C.F.E	\$29,375	<u>\$29,374</u>	<u>\$1</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>
4.44 School Readiness	(\$11,701)	<u>(\$11,701)</u>	<u>\$0</u>
4.47 Adult Basic Education	\$10,973	<u>\$10,973</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	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$199,858	<u>\$199,859</u>	<u>(\$1)</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

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

45 OPEB IRREVOCABLE TRUST

Total Revenue	\$1,732,285	<u>\$1,732,285</u>	<u>\$0</u>
Total Expenditures	\$1,019,574	<u>\$1,019,575</u>	<u>(\$1)</u>
4.22 Unassigned Fund Balance (Net Assets)	\$10,307,855	<u>\$10,307,855</u>	<u>\$0</u>

47 OPEB DEBT SERVICE

Total Revenue	\$9,803	<u>\$9,802</u>	<u>\$1</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance	\$486,900	<u>\$486,900</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

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OTHER REPORTS

INDEPENDENT SCHOOL DISTRICT NO. 256
RED WING, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2021

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Members of the School Board
Independent School District No. 256
Red Wing, 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. 256, Red Wing, Minnesota, (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements which collectively compromise the District's basic financial statements, and have issued our report thereon dated NEED DATE.

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

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

Abdo
Mankato, Minnesota
NEED DATE



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. 256
Red Wing, 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. 256, Red Wing, Minnesota, (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated NEED DATE.

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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, 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. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the District's compliance with those requirements. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

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Mankato, Minnesota
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FEDERAL AWARD PROGRAMS
INDEPENDENT SCHOOL DISTRICT NO. 256
RED WING, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2021

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

Members of the School Board
Independent School District No. 256
Red Wing, Minnesota

Report on Compliance for Each Major Federal Program

We have audited the Independent School District No. 256, Red Wing, Minnesota, (the District) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses and Questioned Costs/Corrective Action Plans.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Abdo
Mankato, Minnesota
NEED DATE

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Independent School District No. 256
Red Wing, Minnesota
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Funding Source	Administering Department	Program Name	Federal Domestic Assistance Number	Pass-Through Entity Identifying Number	Federal Program Clusters	Total Federal Expenditures
U.S. Department of Agriculture	Minnesota Department of Education	Summer Food Service Program for Children	10.559	1000003875	<u>\$ 1,604,677</u>	
		Total Child Nutrition cluster				\$ 1,604,677
U.S. Department of Agriculture	Minnesota Department of Education	Commodity Supplement Food Program	10.565	1000003875	<u>97,485</u> *	
		Total Food Distribution cluster				97,485
U.S. Department of Education	Goodhue County Education District Flow through payments	Special Education Grants to States	84.027	6051-61	306,521	
U.S. Department of Education	Goodhue County Education District Flow through payments	Special Education Grants to States	84.173	6051-61	<u>13,461</u>	
		Total Special Education cluster				319,982
U.S. Department of Education	Minnesota Department of Education	Adult Education - Basic Grants to States	84.002	S424A210024	57,762	
U.S. Department of Education	Minnesota Department of Education	Title I Grants to Local Educational Agencies	84.010	S010A200023A	321,526	
U.S. Department of Education	Goodhue County Education District Flow through payments	Career and Technical Education Basic Grants to States	84.048	6051-61	13,902	
U.S. Department of Education	Direct	Indian Education Grants to Local Educational Agencies	84.060	N/A	24,802	
U.S. Department of Education	Goodhue County Education District Flow through payments	Special Education - Grants for Infants and Families	84.181	6051-61	18,128	
U.S. Department of Education	Minnesota Department of Education	Improving Teacher Quality State Grants	84.367	S367A200022	55,765	
U.S. Department of Education	Minnesota Department of Education	Student Support and Academic Enrichment Program	84.424	S424A200024	21,603	
U.S. Department of Education	Minnesota Department of Education	Education Stabilization Fund Under The Coronavirus Aid, Relief, and Economic Security Act	84.425C	S425C200015	25,668	
U.S. Department of Education	Minnesota Department of Education	Education Stabilization Fund Under The Coronavirus Aid, Relief, and Economic Security Act	84.425D	S425D210045	1,176,845	
U.S. Department of Treasury	Minnesota Department of Revenue	Coronavirus Relief Fund	21.019C	N/A	752,228	
U.S. Department of Treasury	Goodhue County	Coronavirus Relief Fund	21.019C	N/A	21,500	
U.S. Department of Treasury	United Way	Coronavirus Relief Fund	21.019C	N/A	5,000	
U.S. Department of Treasury	Minnesota Department of Revenue	COVID 19 - American Rescue PI	21.027	N/A	<u>88,026</u>	
		Total Other Programs				<u>2,582,755</u>
		Total Expended				<u><u>\$ 4,604,899</u></u>

* This represents noncash assistance comprised of the value of commodities issued to the District for the year.

Independent School District No. 256
Red Wing, Minnesota
Notes to Schedule of Expenditures of Federal Awards
For The Year Ended June 30, 2021

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Independent School District No. 256, Red Wing, Minnesota (the District). The District's reporting entity is defined in Note 1A to the District's financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). All federal awards received directly from Federal agencies as well as Federal awards passed through other government agencies are included on the schedule.

Note 2: Summary of Significant Accounting Policies for Expenditures

Expenditures reported on this schedule are reported on the modified accrual basis of accounting.

Note 3: Pass-through Entity Identifying Numbers

Pass-through entity identifying numbers, if any, are presented where available.

Note 4: Sub recipients

No federal expenditures presented in this schedule were provided to subrecipients.

Note 5: Indirect Cost Rate

During the year ended June 30, 2021, the District did not elect to use the 10 percent de Minimis indirect cost rate.

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Independent School District No. 256
Red Wing, Minnesota
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	No

Identification of Major Programs/Projects

	<u>CFDA No.</u>
Education Stabilization Fund Under The Coronavirus Aid, Relief, and Economic Security Act	84.425
Coronavirus Relief Fund	21.019C
Dollar threshold used to distinguish between Type A and Type B Programs	\$ 750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

None

Section III - Major Federal Award Findings and Questioned Costs

There are no significant deficiencies, material weaknesses, or instances of noncompliance including questioned costs that are required to be reported in accordance with the Uniform Guidance.