

Special School Board Meeting
Monday, December 20, 2021 6:30 PM

Online & LS-H MS/HS Media Center
901 Ferry St.
Le Sueur, MN 56058

Agenda

1. **CALL TO ORDER**
2. **PLEDGE OF ALLEGIANCE**
3. **APPROVAL OF AGENDA**
4. **CONSENT AGENDA**
 1. Personnel Consent Items
 1. Hirings
 1. Elementary Library/Media Specialist-Marcia Ranft
5. **NEW BUSINESS**
 1. Presentation of FY 2021 Audit
Presenter: Tom Olinger, Abdo
 1. Approval of FY 2021 Audit
 2. Resolution Establishing Combined Polling Places
 3. Resolution of School Board Supporting FORM A Grant Application to MN State High School League Foundation
6. **ADJOURN**



Employment Recommendation Le Sueur - Henderson School District

Position: Library/Media Specialist

Recommended Candidate: Marcia Ranft

Recommended by: Kern/Rittmiller

Date: 12/7/21

To be completed by administrator:

Candidate has current & appropriate certification:

Reference checks completed:

Years of experience granted:

Step Placement:

Highest degree currently held:

Lane Placement:

Credits beyond highest degree granted:

no
yes
7
7
Bachelor's Degree
BA +7
0

New Position

Existing Position

Replacing: Breanne Nelsen

Additional Information:

- Marcia will job shadow 12/13 all day and 12/14 half day and begin 1/3/22

Approval of Principal: Darren Kern

12/7/21

Electronic Signature

Date

Approval of Superintendent:

Electronic Signature

Date

Share with District Office (Ky, Jim, Juanita) & Technology (James) via Google Drive



Lighting the path forward

Independent School District No. 2397

2020 - 2021

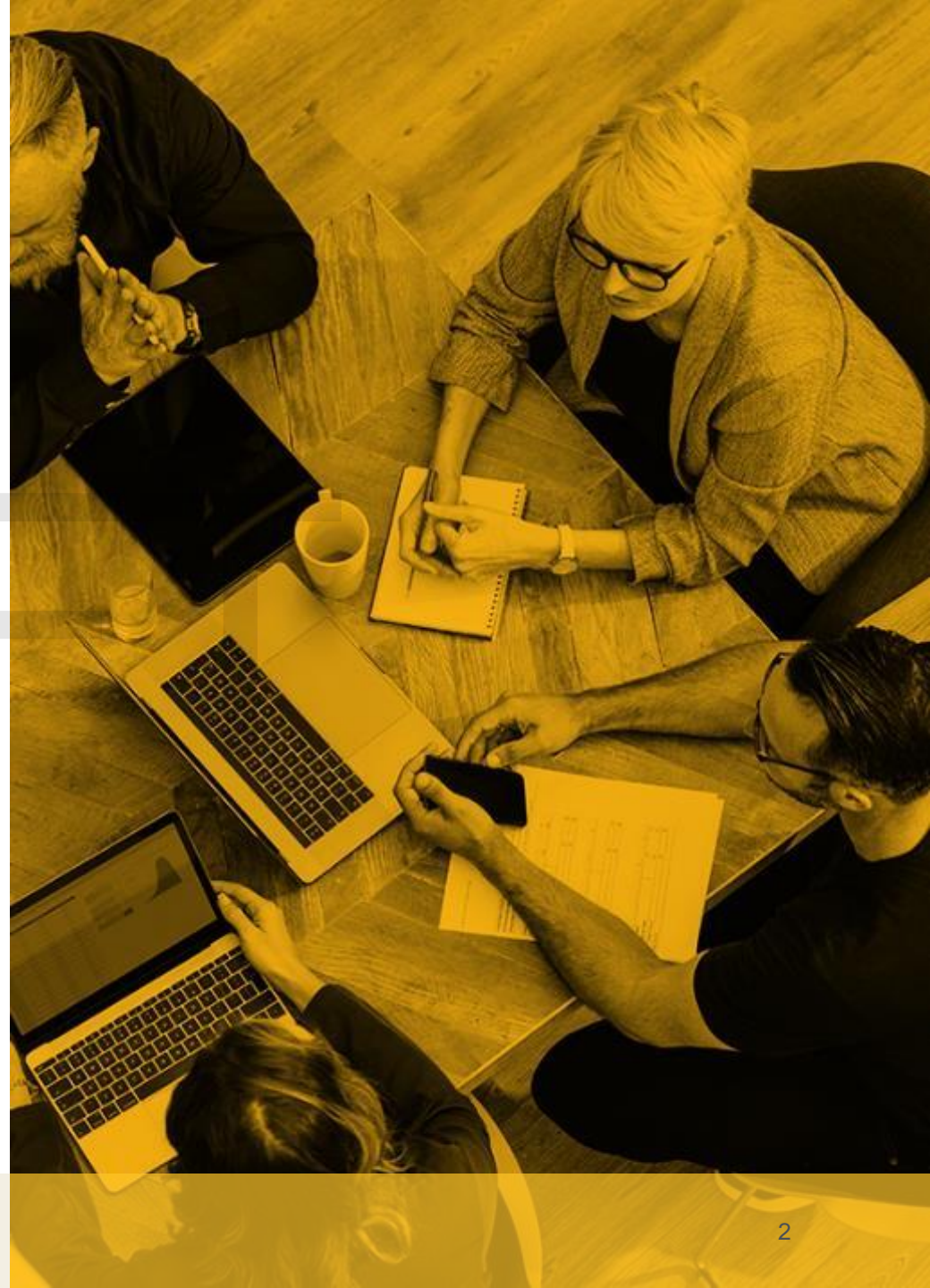
Financial Statement Audit



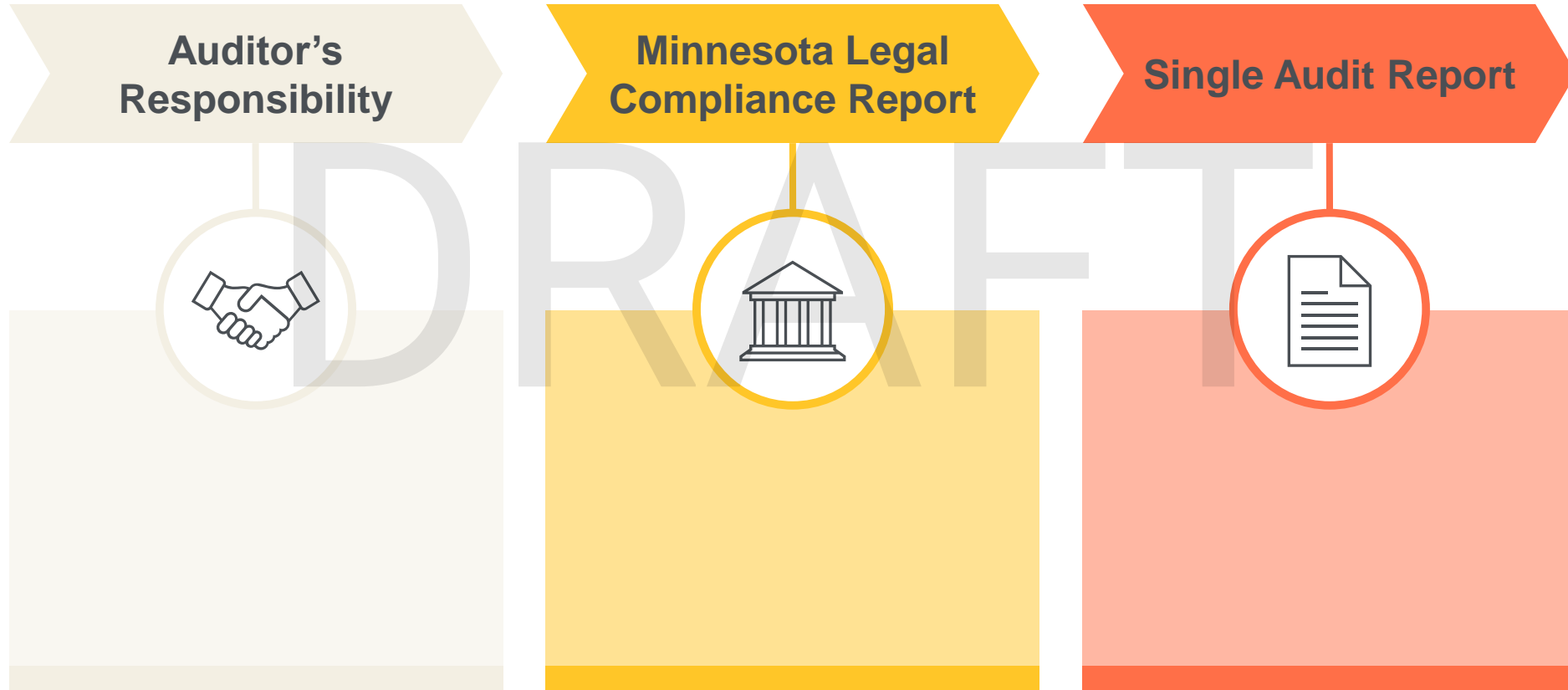
Introduction

- Audit Opinion and Responsibility
- General Fund Results
- Other Governmental Funds
- Key Performance Indicators

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Audit Results



Audit Results Fiscal Year 2021 Findings

- Claims Approval
 - Legal Control Finding
- Student Activity Purpose Statements
 - Legal Control Finding

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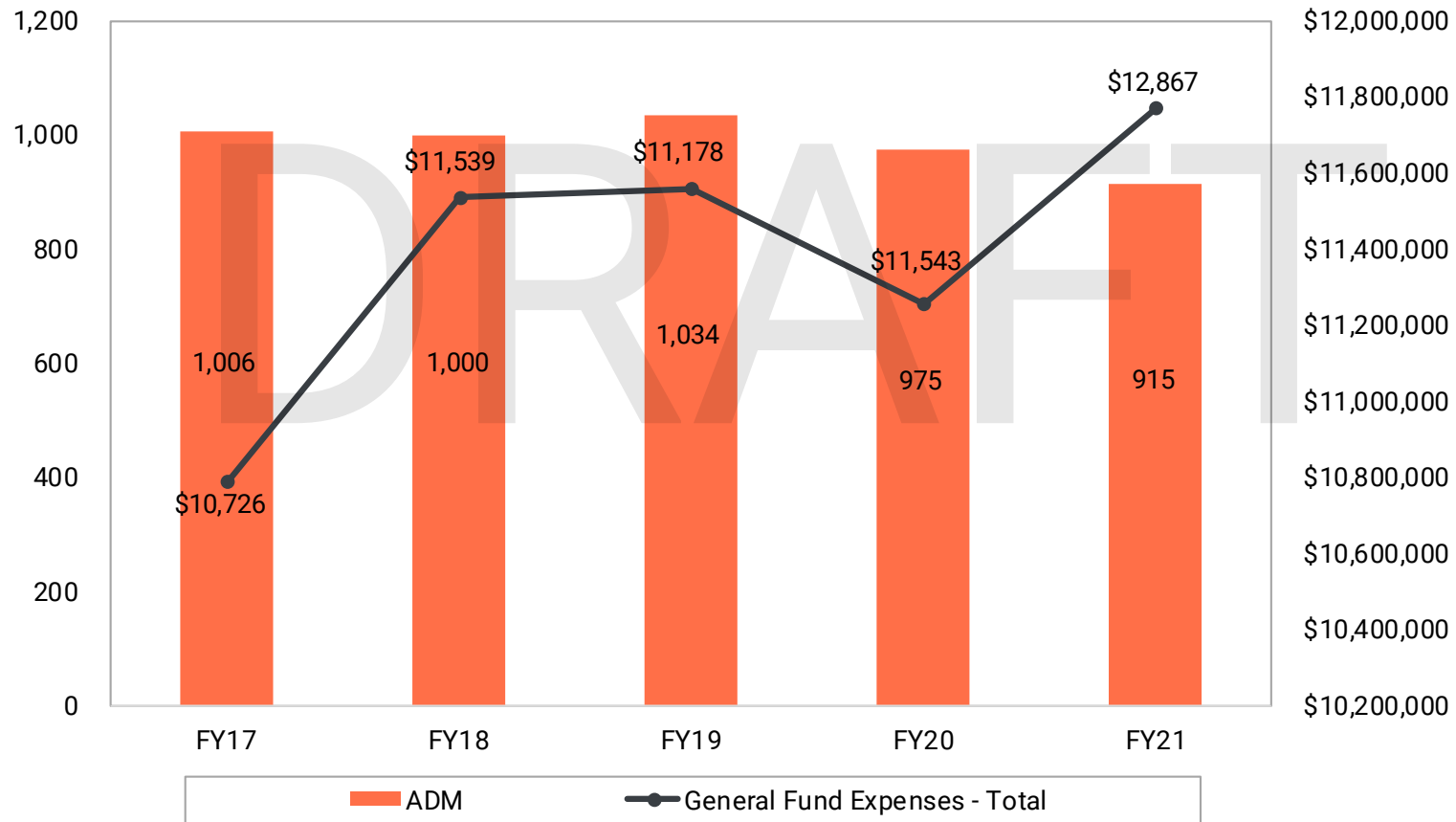




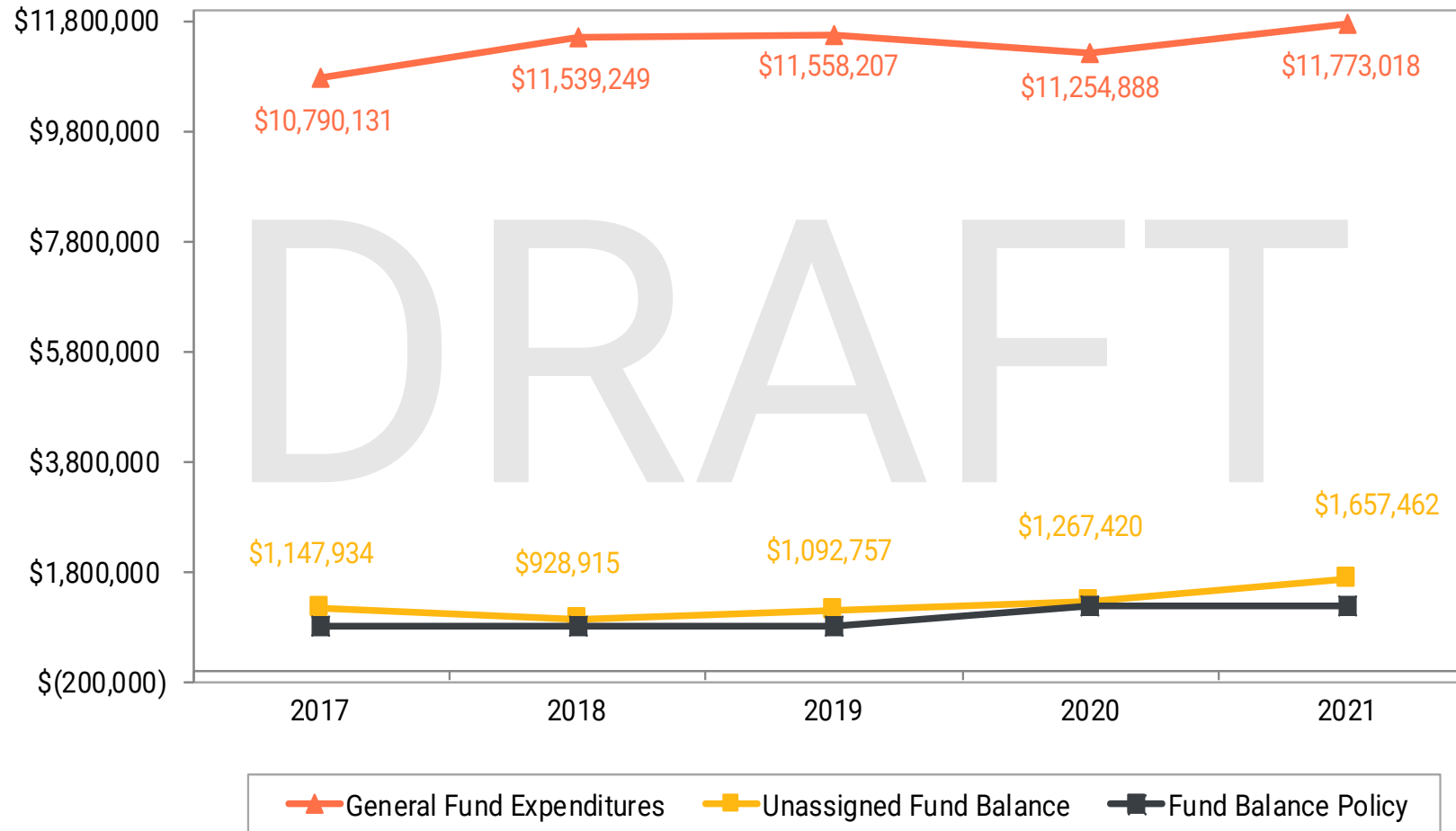
Relevant Future Accounting Standards

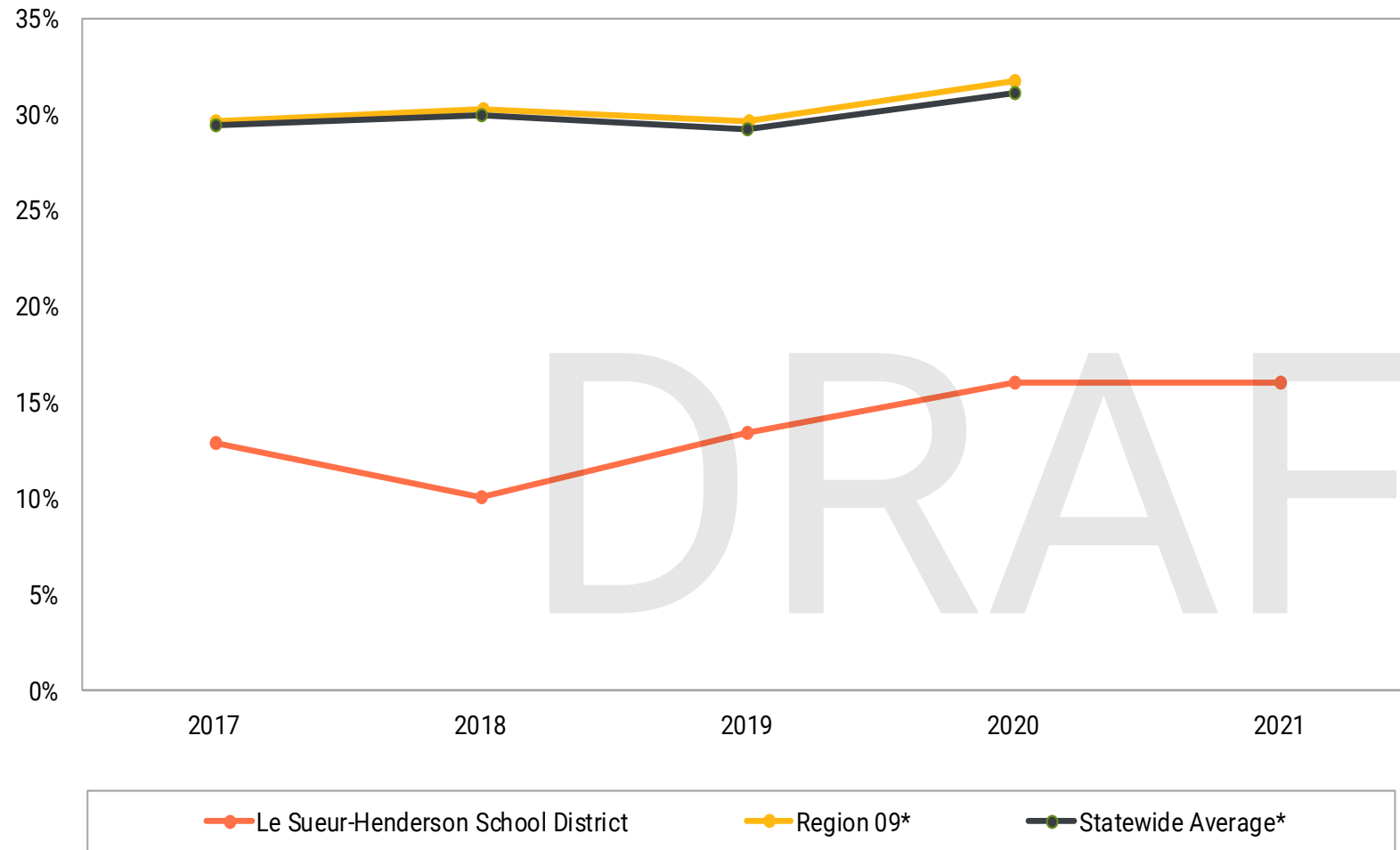
- GASB Statement No. 87:
Lease Accounting
 - Implementation Date – Fiscal Year 2022
- GASB Statement No. 97:
IRS 457 Deferred Compensation Plans Accounting
 - Implementation Date – Fiscal Year 2022

Average Daily Membership and General Fund Expenditures



General Fund Fund Balances





* Information obtained from School District Profile reports published by the MDE

General Fund Fund Balances as a Percentage of Expenditures

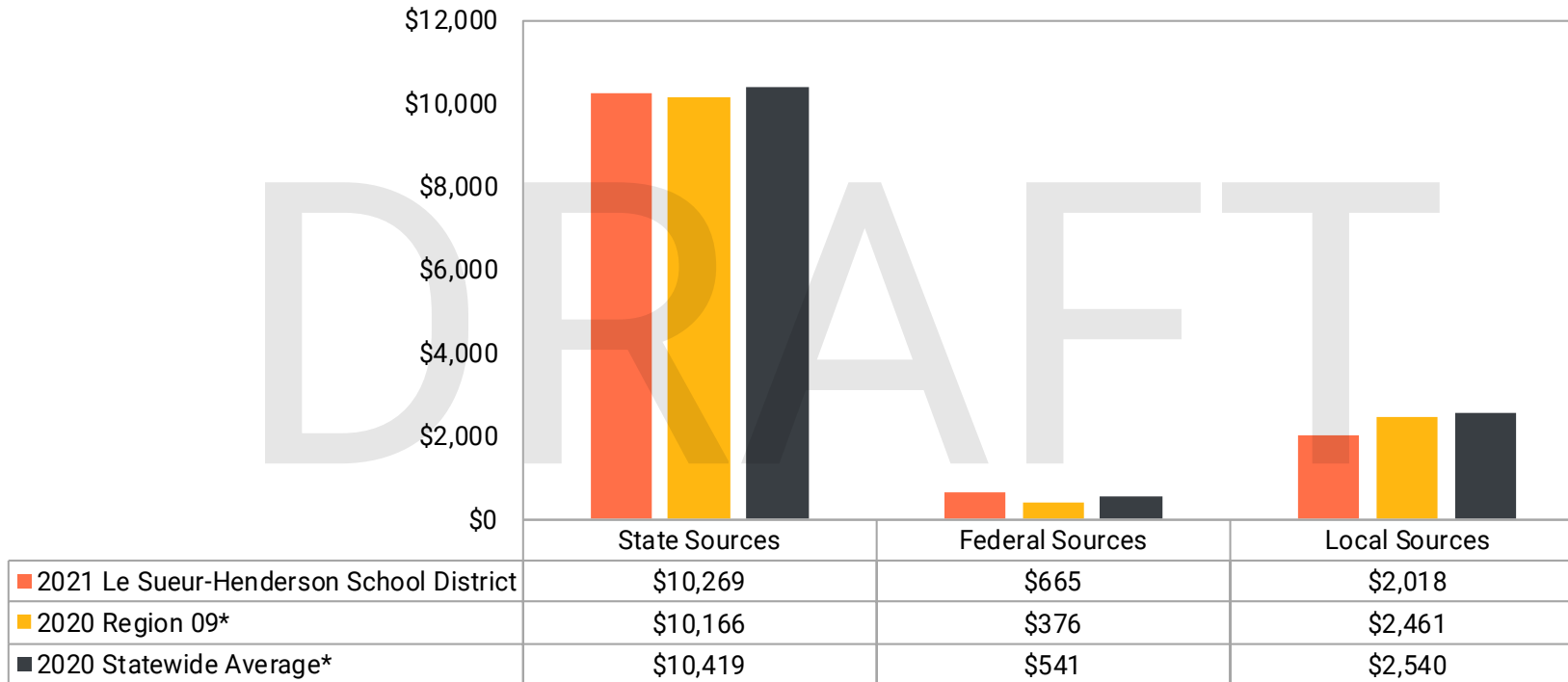
Key Performance Indicators

General Fund Budget to Actual

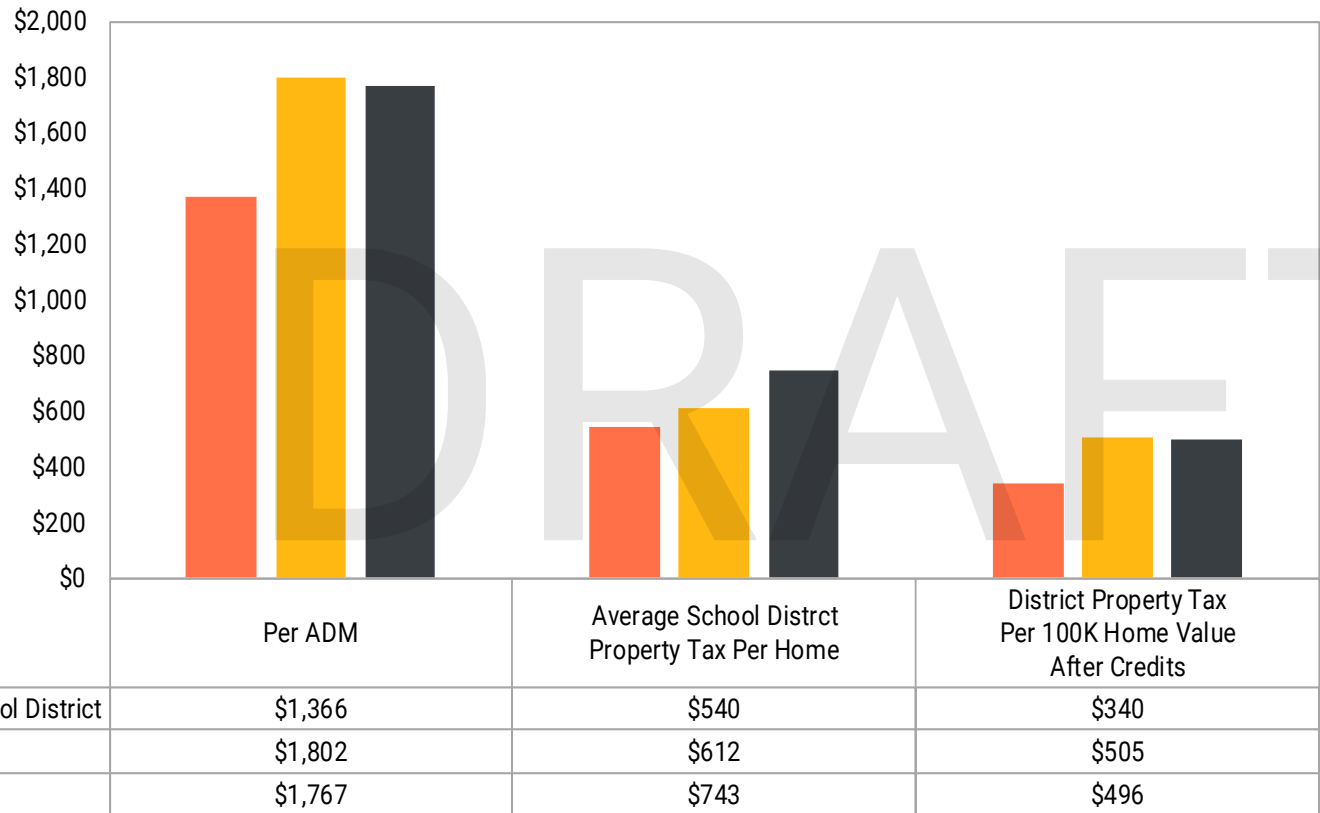
	Final Budget	Actual Amounts	Variance with Final Budget
Revenues	\$ 11,855,872	\$ 11,852,612	\$ (3,260)
Expenditures	12,053,545	11,773,018	280,527
Net Change in Fund Balances	(197,673)	79,594	277,267
Fund Balances, July 1	1,805,063	1,805,063	-
Fund Balances, June 30	<u>\$ 1,607,390</u>	<u>\$ 1,884,657</u>	<u>\$ 277,267</u>

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General Fund Revenues per ADM



* Information obtained from School District Profile reports published by the MDE

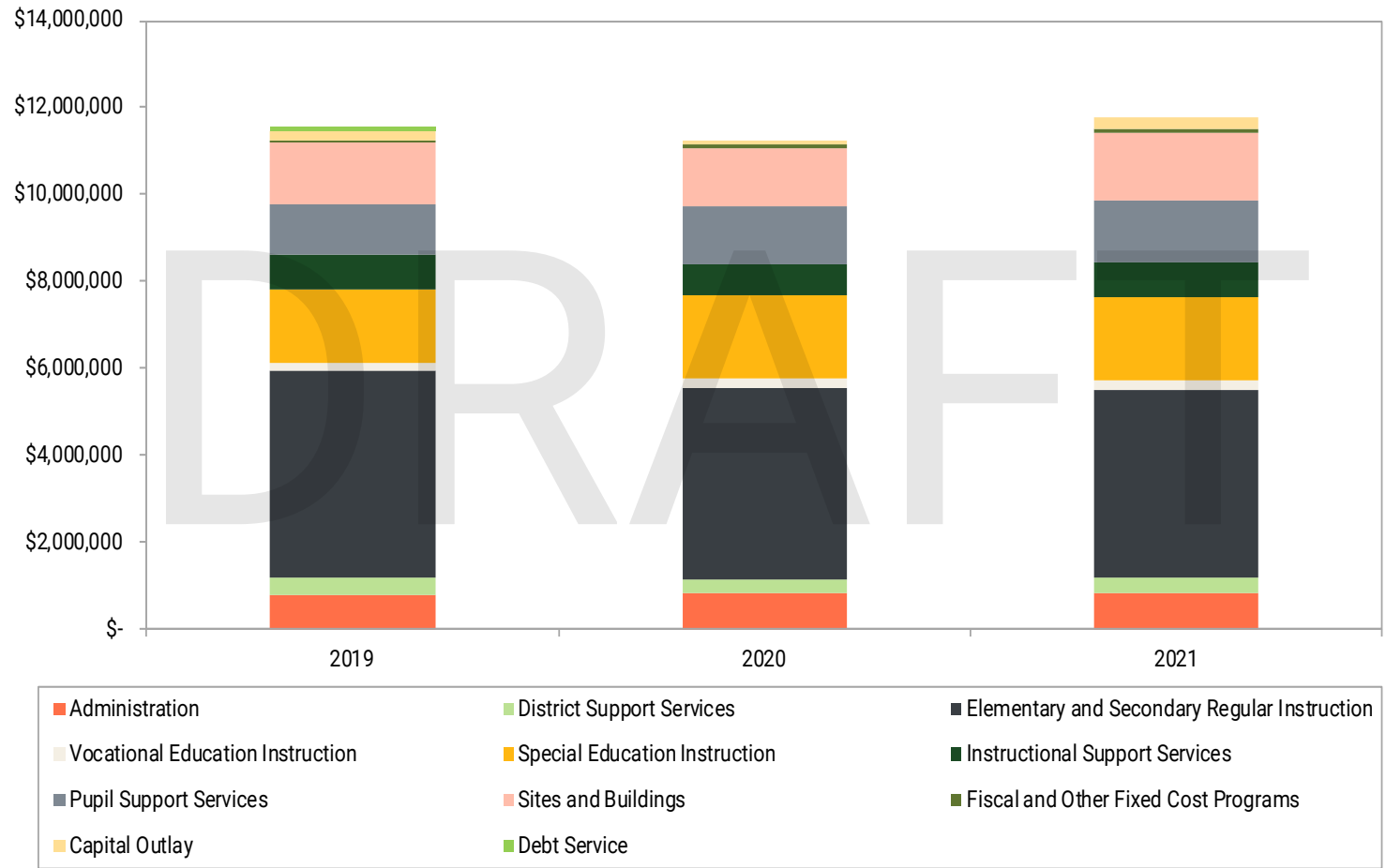


* Information obtained from School District Profile reports published by the MDE

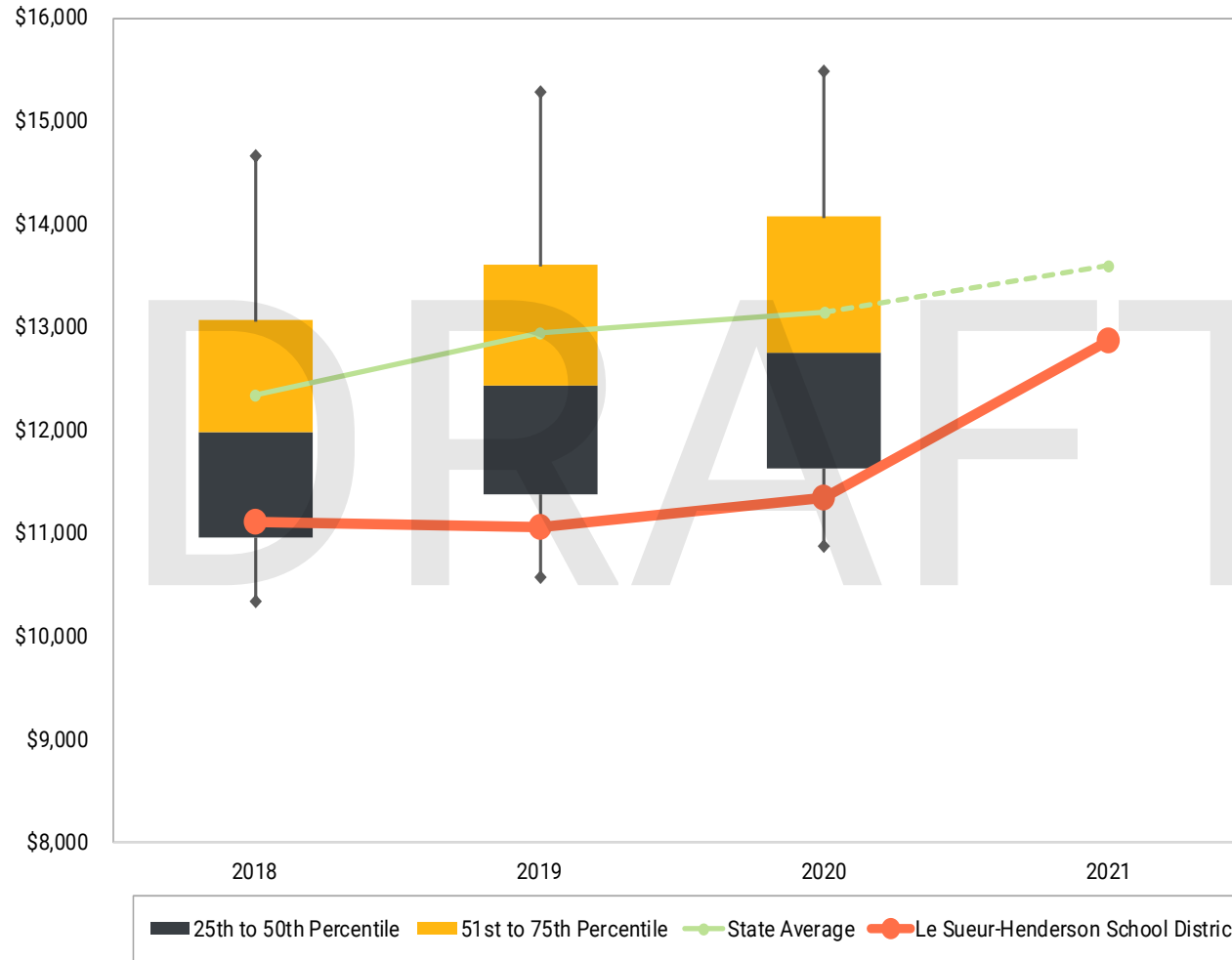
Property Taxes

Key Performance Indicators

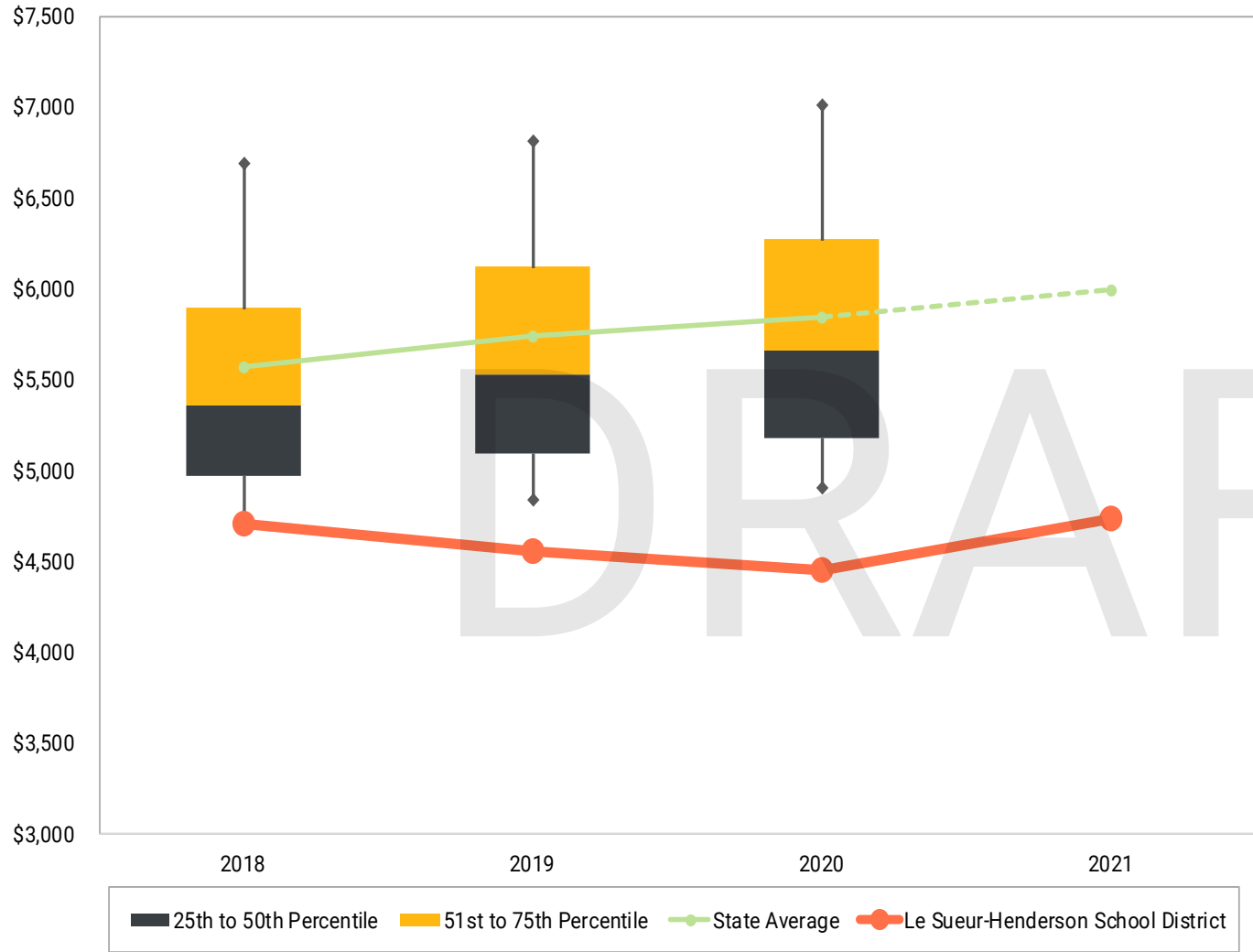
General Fund - Expenditures



General Fund Expenditures per ADM



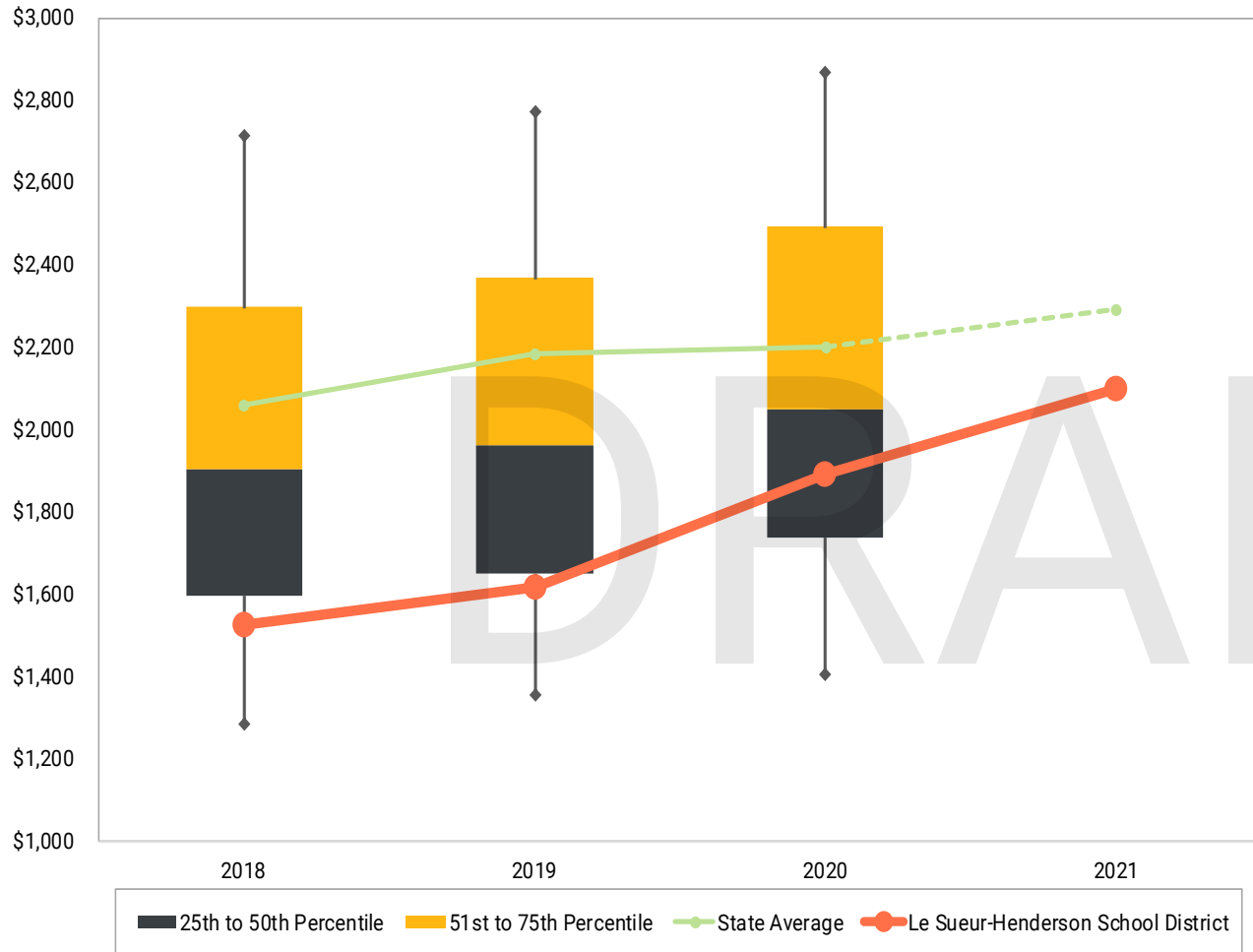
* Percentile data and state average obtained from School District Profile reports published by the MDE



* Percentile data and state average obtained from School District Profile reports published by the MDE

Elementary and Secondary Regular Instruction per ADM

Key Performance Indicators



Special Education Expenditures per ADM

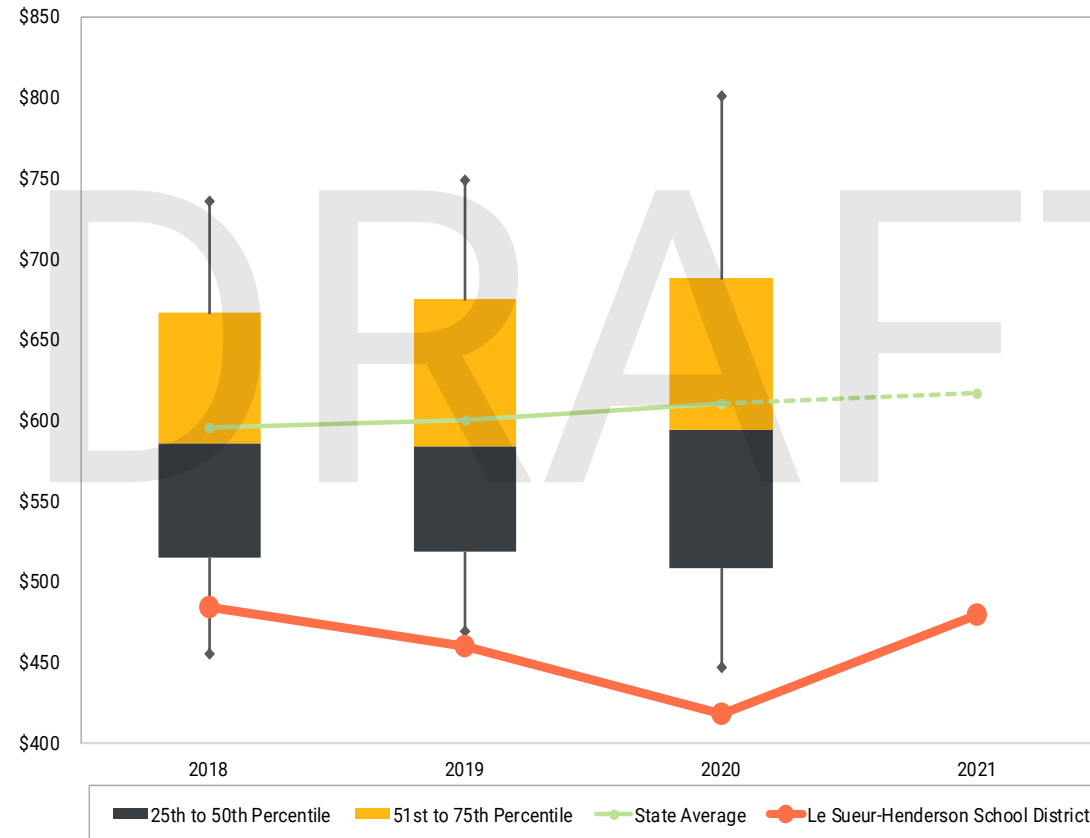
Key Performance Indicators

* Percentile data and state average obtained from School District Profile reports published by the MDE

Food Service – Budget to Actual

	Final Budget	Actual Amounts	Variance with Final Budget
Revenues	\$ 437,989	\$ 496,105	\$ 58,116
Expenditures	432,523	438,624	(6,101)
Net Change in Fund Balances	5,466	57,481	52,015
Fund Balances, July 1	115,956	115,956	-
Fund Balances, June 30	\$ 121,422	\$ 173,437	\$ 52,015

Food Service Expenditures per ADM Comparison

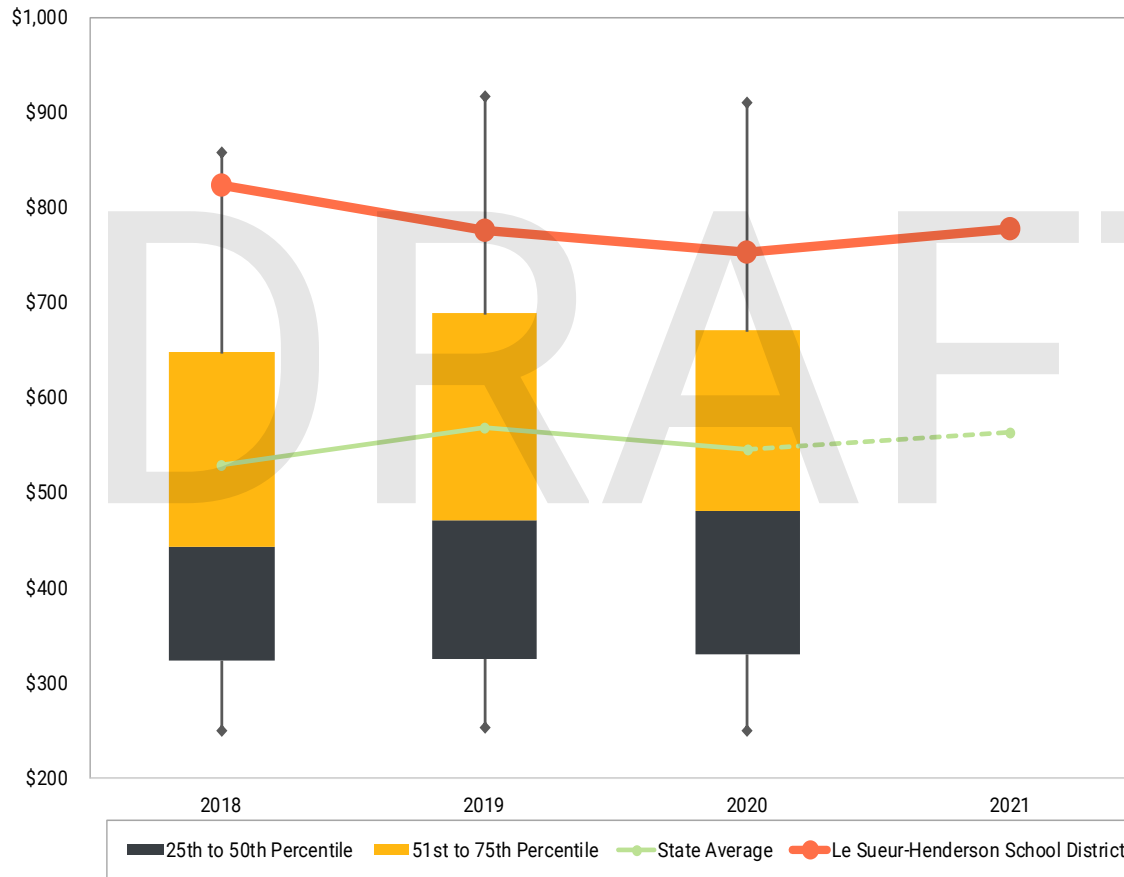


* Percentile data and state average obtained from School District Profile reports published by the MDE

Community Service – Budget to Actual

	Final Budget	Actual Amounts	Variance with Final Budget
Revenues	\$ 779,059	\$ 802,371	\$ 23,312
Expenditures	735,233	711,060	24,173
Net Change in Fund Balances	43,826	91,311	47,485
Fund Balances, July 1	84,406	84,406	-
Fund Balances, June 30	<u>\$ 128,232</u>	<u>\$ 175,717</u>	<u>\$ 47,485</u>

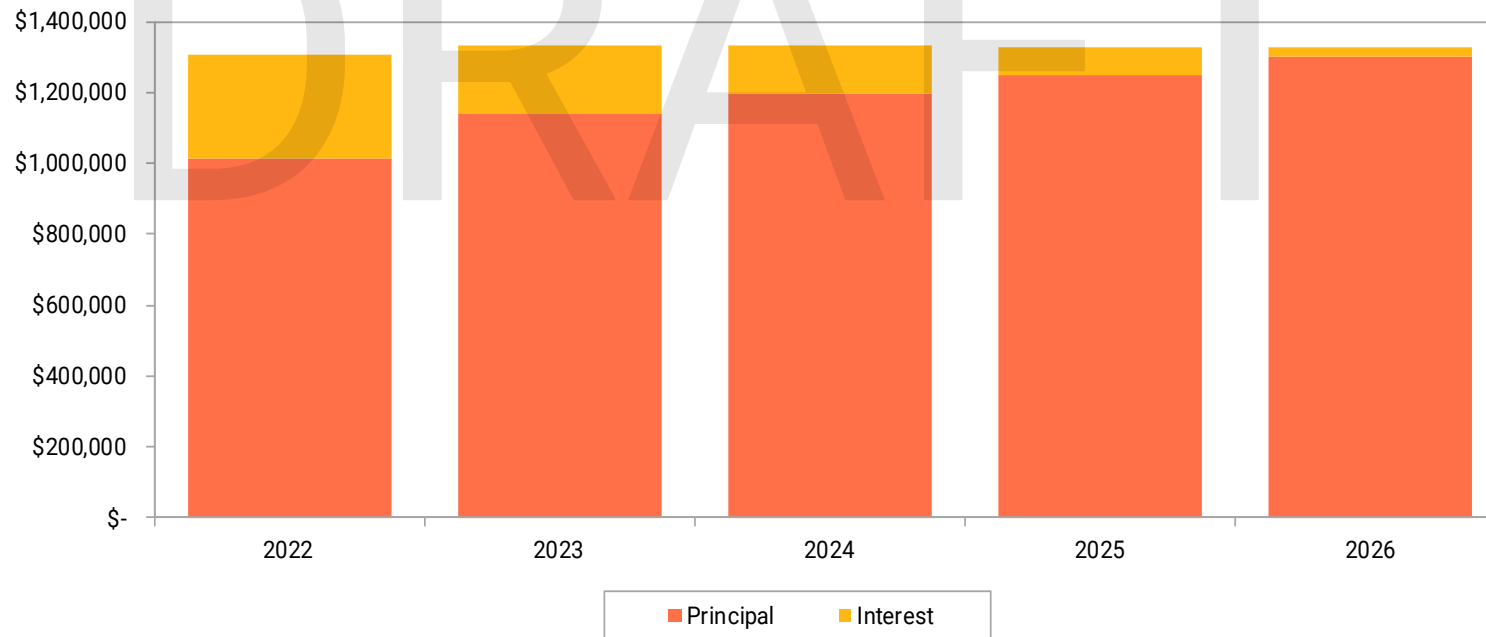
Community Service Expenditures per ADM Comparison



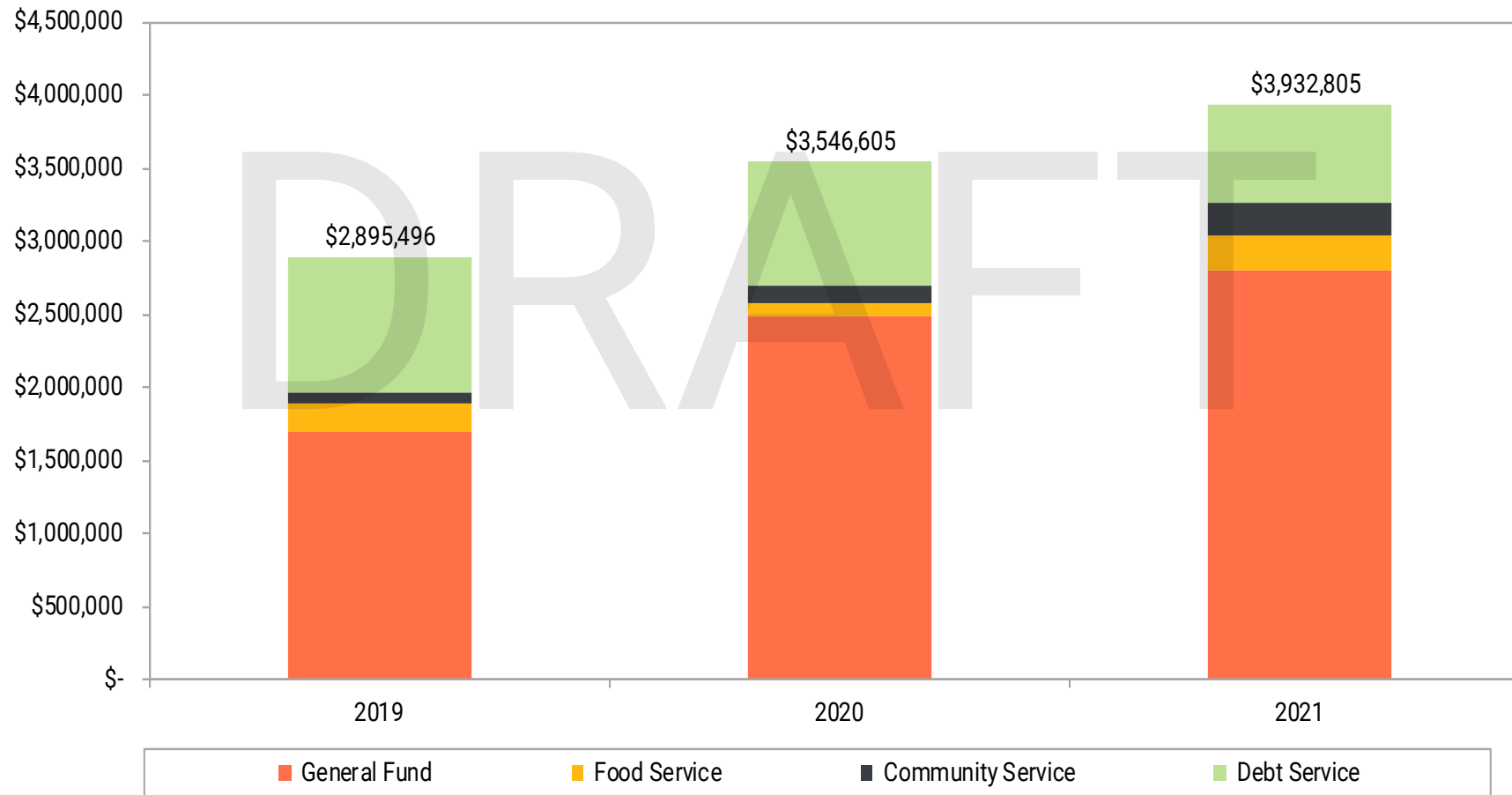
* Percentile data and state average obtained from School District Profile reports published by the MDE

Debt Service Fund

	Issue Date	Interest Rate	Original Issue	Final Maturity	Principal Outstanding	
					Due Within One Year	Total
G.O. Capital Facilities Bonds, Series 2011A	08/24/11	2.25 - 3.60 %	\$ 790,000	02/01/26	\$ 60,000	\$ 320,000
G.O. School Building Refunding Bonds, Series 2021A	01/14/21	2.00 - 5.00	5,580,000	04/01/26	955,000	5,580,000
Total G.O. Bonds Payable					<u>\$ 1,015,000</u>	<u>\$ 5,900,000</u>
				Total Remaining Interest Payments		<u>\$ 721,568</u>

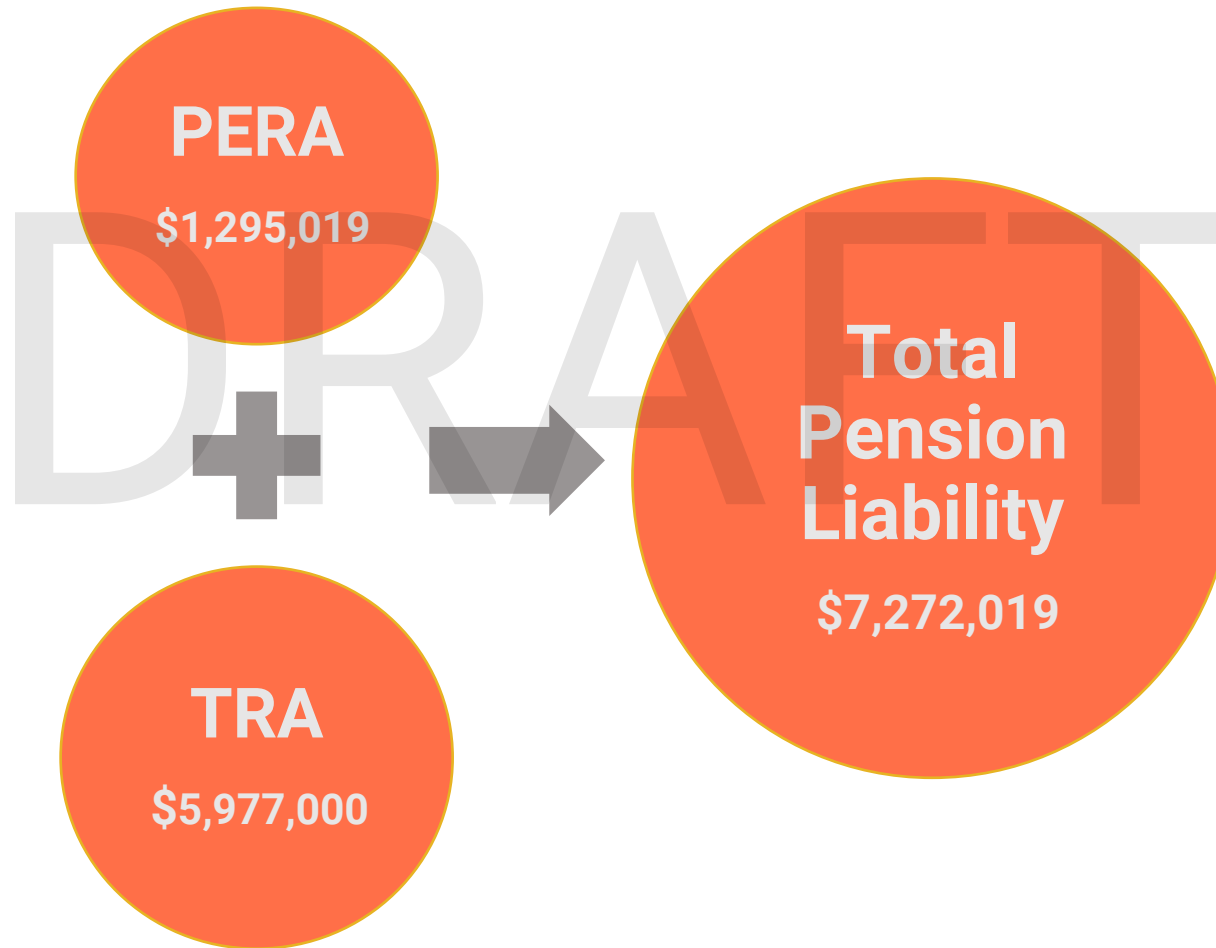


Cash and Investments Balances by Fund



Pension Liability

GASB Statement No. 68



Your Abdo Team



Tom Olinger, CPA
Partner



Layne Kockelman, CPA
Manager



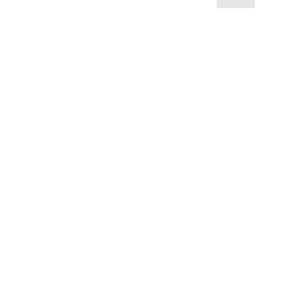
Jason Rasmussen
Senior Associate



Kelsey Larson
Associate



Natasha Haugen
Associate



Megan Rinehart
Intern



Annual Financial Report

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Independent School District No. 2397

Le Sueur, Minnesota

For the year ended June 30, 2021



Edina Office

5201 Eden Avenue, Ste 250
Edina, MN 55436
P 952.835.9090
F 952.835.3261

Mankato Office

100 Warren Street, Ste 600
Mankato, MN 56001
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F 507.388.9139

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INTRODUCTORY SECTION

INDEPENDENT SCHOOL DISTRICT NO. 2397
LE SUEUR, MINNESOTA

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FOR THE YEAR ENDED
JUNE 30, 2021

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Independent School District No. 2397
Le Sueur, Minnesota
School District Officials
For the Year Ended June 30, 2021

Board of Education

<u>Name</u>	<u>Term on Board Expires</u>	<u>Position</u>
Brigid Tuck	12/31/2022	Chairman
Matt Hathaway	12/31/2022	Vice-Chairman
Joe Roby	12/31/2022	Treasurer
Kelsey Schwarts	12/31/2024	Clerk
Steve Cross	12/31/2024	Director
Brian Sorenson	12/31/2024	Director
Gretchen Rehm	12/31/2022	Director

Administration

Jim Wagner
Ky Battern

Superintendent
Business Manager

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FINANCIAL SECTION

INDEPENDENT SCHOOL DISTRICT NO. 2397
LE SUEUR, MINNESOTA

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FOR THE YEAR ENDED
JUNE 30, 2021

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INDEPENDENT AUDITOR'S REPORT

Members of the School Board
Independent School District No. 2397
Le Sueur, 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. 2397, Le Sueur, 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 comparisons for the General fund for the year then ended in conformity 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, the Schedules of Employer's Contributions and the Schedule of Changes in the District's Net OPEB Liability and Related Ratios starting on page 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual fund financial statements 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, 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 to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, schedules and table and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated 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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Mankato, Minnesota
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Management's Discussion and Analysis

As management of the Independent School District No. 2397, Le Sueur, 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.

Fund Financial Highlights

- Overall General fund revenues were \$11,852,612 in comparison to expenditures of \$11,773,018 resulting in an increase of the General fund balance of \$79,594. The District's final budget anticipated a decrease of \$197,673 in the General fund balance, \$277,267 lower than actual.
- The General fund's unassigned fund balance as of June 30, 2021 was \$1,620,353; an increase of \$352,933 from the prior year. Unassigned fund balance represents amounts that are available for spending at the District's discretion.
- The District's Food Service fund balance increased by \$57,481 to an ending fund balance of \$173,437.
- The District's Community Service fund balance increased by \$91,311 to an ending fund balance of \$175,717.
- The District's Debt Service fund balance decreased by \$836 to an ending fund balance of \$315,958.

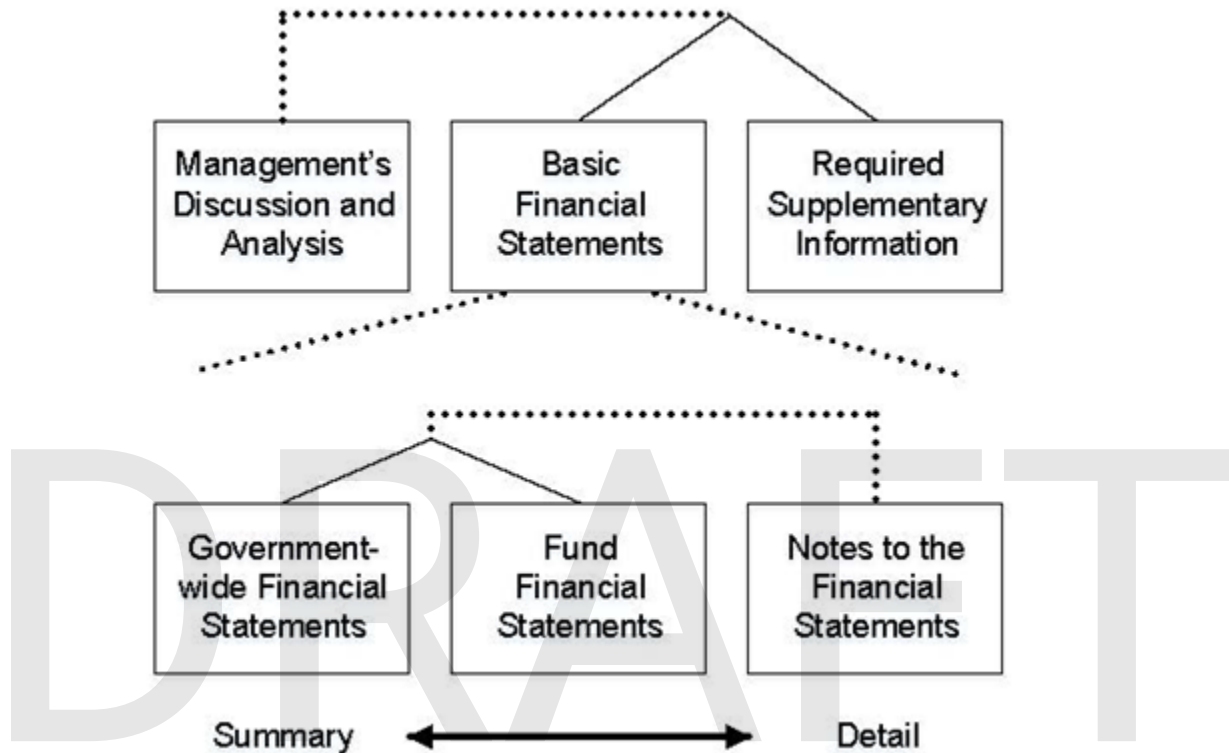
Government Wide Financial Highlights

- The assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$1,037,251 (*net position*). Of this amount, there is a deficit unrestricted net position of \$9,540,468 due to the recognition of long-term pension liabilities in accordance with GASB Statement No. 68 and the recognition of the OPEB liability in accordance with GASB Statement No. 75.
- The District's total net position increased by \$645,638, compared to the prior year's increase of \$124,993. **The increase can be attributed to an increase in operating grants and contributions.**

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. 2397 Annual Financial Report



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

Major Features of the District-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

The District maintains four 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 the Debt Service fund, which are considered to be major funds.

The District adopts an annual appropriated budget for its General, Food Service and Community Service funds. Budgetary comparison statements have been provided for the General fund to demonstrate compliance with this budget.

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

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

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

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

Required supplementary information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Independent School District No. 2397’s share of net pension liabilities (assets) for defined benefits plans, schedules of contributions, and progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found starting on page 70 of this report.

Other information. The combining and individual fund financial statements, schedules and table are presented immediately following the notes to the financial statements. Individual fund schedules and table can be found starting on page 78 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, assets and deferred outflows of exceeded resources liabilities and deferred inflows of resources by \$1,037,251 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. Another large portion of the District's net position reflects amounts restricted for specific purposes. These restrictions consist of \$358,426 for educational purposes, \$188,582 for debt service, and \$167,740 for food service. The remaining balance of unrestricted net position deficit of \$9,540,468 now exists due to recognition of long-term liabilities in accordance with GASB Statement No. 68 and GASB Statement No 75.

Independent School District No. 2397's Net Position

	Governmental Activities		Increase (Decrease)	
	2021	2020	Amount	Percent
Current and Other Assets	\$ 6,987,733	\$ 6,565,701	\$ 422,032	6.4 %
Capital Assets	16,382,239	17,180,117	(797,878)	(4.6)
Total Assets	<u>23,369,972</u>	<u>23,745,818</u>	<u>(375,846)</u>	(1.6)
Deferred Outflows of Resources	3,249,879	5,297,950	(2,048,071)	(38.7)
Long-term Liabilities Outstanding	6,569,355	7,982,140	(1,412,785)	(17.7)
Other Liabilities	10,115,003	9,201,833	913,170	9.9
Total Liabilities	<u>16,684,358</u>	<u>17,183,973</u>	<u>(499,615)</u>	(2.9)
Deferred Inflows of Resources	8,898,242	11,468,182	(2,569,940)	(22.4)
Net Position				
Net investment in capital assets	9,862,971	9,254,809	608,162	6.6
Restricted	714,748	959,521	(244,773)	(25.5)
Unrestricted	<u>(9,540,468)</u>	<u>(9,822,717)</u>	<u>282,249</u>	(2.9)
Total Net Position	<u>\$ 1,037,251</u>	<u>\$ 391,613</u>	<u>\$ 645,638</u>	164.9

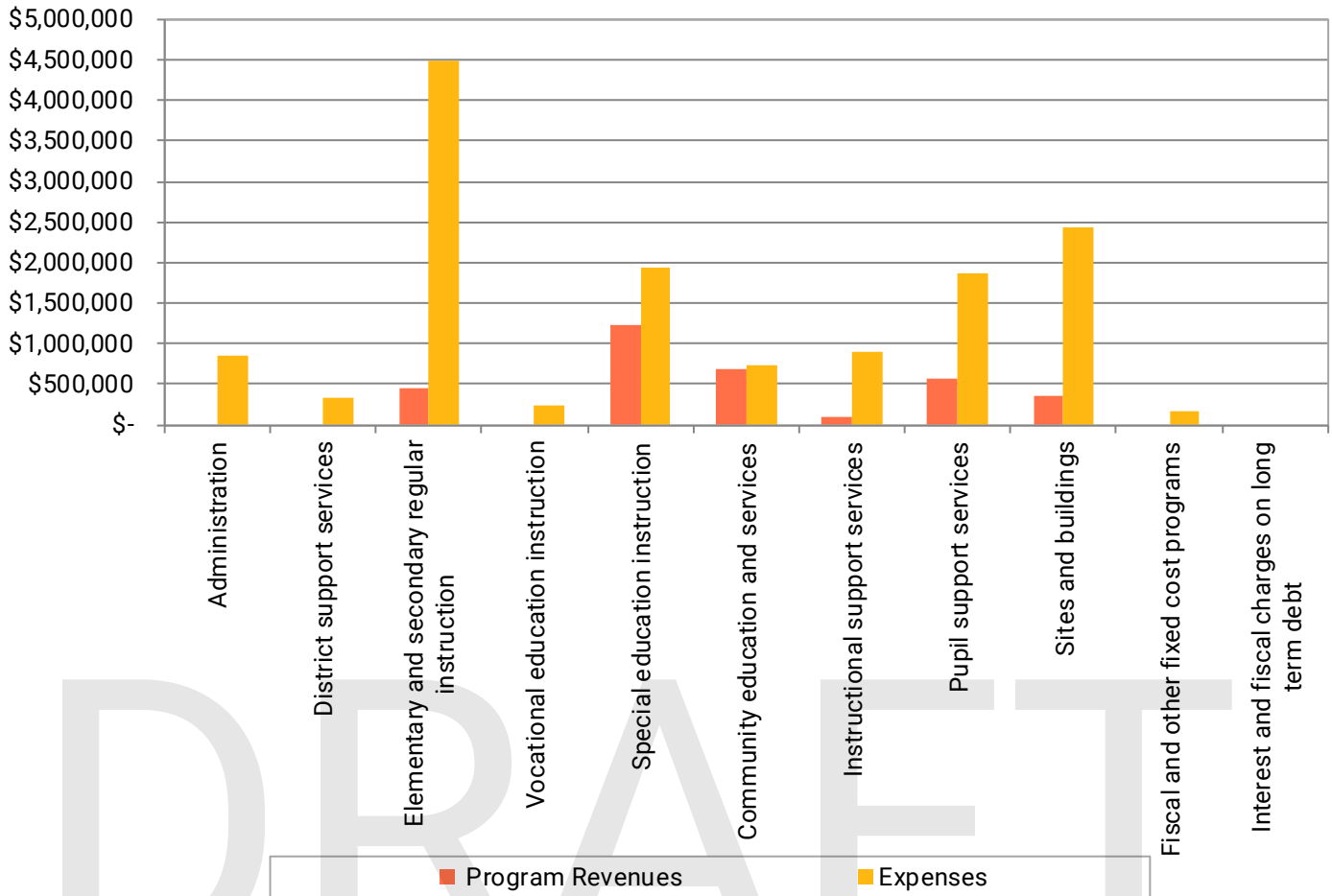
The District's net position increased by \$645,638 during the current fiscal year, compared to the prior year's increase of \$124,993. The reason for the change is mainly attributed to an increase in operating grants and contributions of \$809,447 in the current year.

Governmental activities. Governmental activities increased the District's net position by \$645,638. Key elements of this increase are as follows:

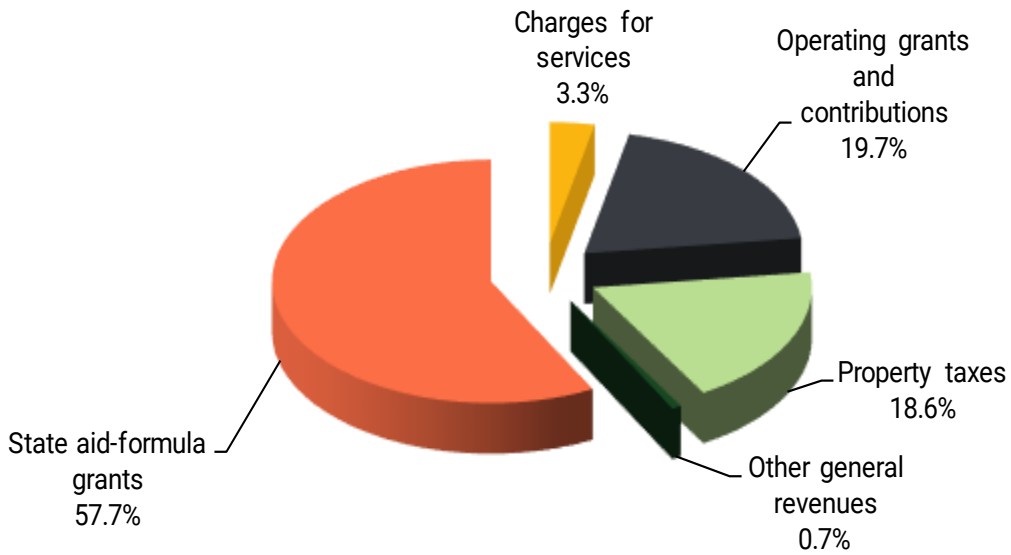
Independent School District No. 2397's Changes in Net Position

	Governmental Activities		Increase (Decrease)	
	2021	2020	Amounts	Percent
Revenues				
Program revenues				
Charges for services	\$ 487,238	\$ 722,138	\$ (234,900)	(32.5) %
Operating grants and contributions	2,868,144	2,058,697	809,447	39.3
General revenues				
Property taxes	2,714,202	2,480,445	233,757	9.4
State aid-formula grants and other contributions	8,399,895	8,575,633	(175,738)	(2.0)
Other general revenues	96,568	106,593	(10,025)	(9.4)
Investment earnings	3,740	43,432	(39,692)	(91.4)
Total Revenues	<u>14,569,787</u>	<u>13,986,938</u>	<u>582,849</u>	4.2
Expenses				
Administration	848,667	840,020	8,647	1.0
District support services	332,585	348,687	(16,102)	(4.6)
Elementary and secondary regular instruction	4,482,421	4,680,782	(198,361)	(4.2)
Vocational education instruction	238,816	219,441	19,375	8.8
Special education instruction	1,937,581	1,967,015	(29,434)	(1.5)
Community education and services	728,374	774,115	(45,741)	(5.9)
Instructional support services	892,706	823,139	69,567	8.5
Pupil support services	1,863,027	1,754,667	108,360	6.2
Sites and buildings	2,433,057	2,247,493	185,564	8.3
Fiscal and other fixed cost programs	166,915	206,586	(39,671)	(19.2)
Total Expenses	<u>13,924,149</u>	<u>13,861,945</u>	<u>62,204</u>	0.4
Change in Net Position	645,638	124,993	520,645	416.5
Net Position, July 1	<u>391,613</u>	<u>266,620</u>	<u>124,993</u>	46.9
Net Position, June 30	<u>\$ 1,037,251</u>	<u>\$ 391,613</u>	<u>\$ 645,638</u>	164.9 %

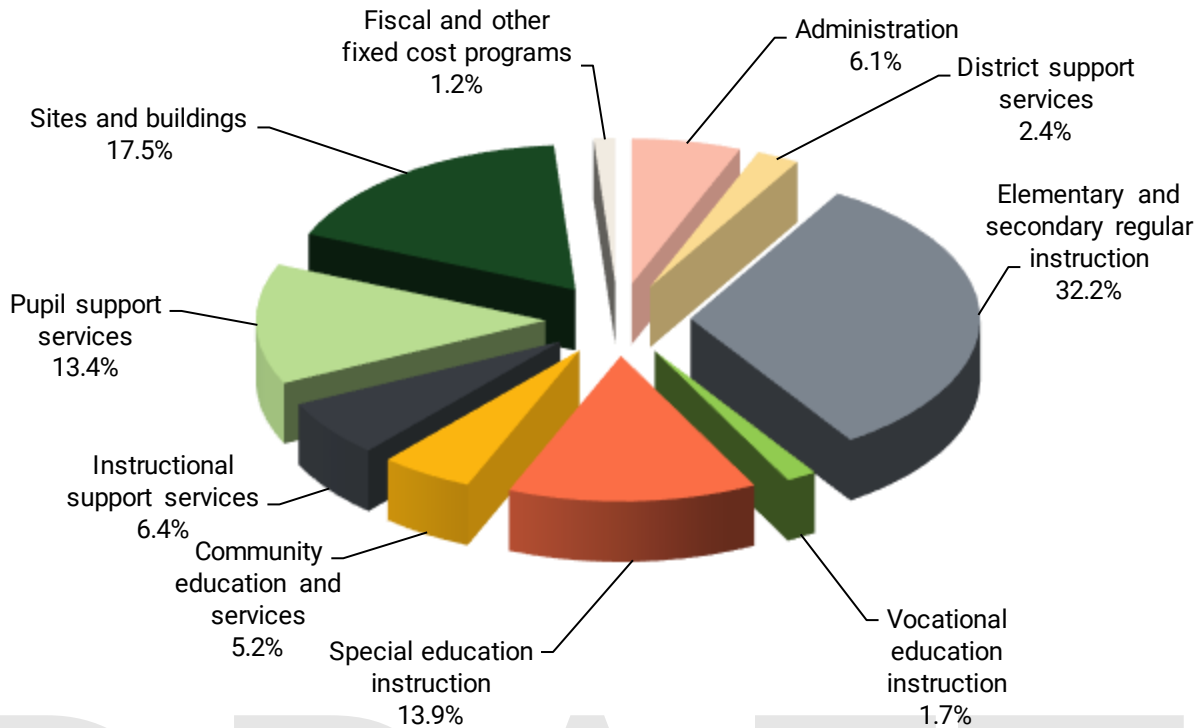
Expenses and Program Revenues - Governmental Activities



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, *unreserved 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 \$2,549,769, an increase of \$227,550 in comparison with the prior year.

The General fund is the chief operating fund of the District. Unassigned fund balance represents amounts that are available for spending at the District's discretion. At the end of the current year, unassigned fund balance of the General fund had a balance of \$1,620,353, while total fund balance reached \$1,884,657. 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 13.8 percent of total General fund expenditures, while total fund balance represents 16.0 percent of that same amount. In terms of the amount of operational days within the fund balance, the District's ending unassigned fund balance represents 51 days of total General fund Expenditures.

The fund balance of the District's General fund increased by \$79,594 during the current fiscal year. **This increase is mostly attributable to an increase in revenue from state and federal sources.**

The Food Service fund has a total fund balance of \$173,437, all of which is restricted for food service operations or in nonspendable form. The net increase in fund balance during the current year was \$57,481. **This increase is due to an increase in revenue from federal sources.**

The Community Service fund has a total fund balance of \$175,717, all of which is restricted for community service operations. The net increase in fund balance during the current year was \$91,311. Community Education’s School Readiness, Early Childhood Family Education (ECFE), and Adult Basic Education (ABE) saw a total increase of \$23,829 to their combined restricted year end fund balances. General Community Education, the largest component, saw an increase of \$63,454 to its fund balance.

The Debt Service fund has a total fund balance of \$315,958, all of which is restricted for the payment of debt service. The net decrease in fund balance during the current year was \$836 due to principal and interest payments exceeding tax collections. This balance will continue to decrease as the District makes principal and interest payments to its bonds.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget for fiscal year 2021 on August 3rd, 2021.

- The District revised the budget in numerous areas from the original adopted budget approved on May 20, 2019. The largest budget adjustments occurred within special education and employee costs. Budgetary increases were added in order to account for anticipated cost increases within special education relating to transportation, speech language services, non-public day treatment programs, and other general cooperative costs. The District also settled all personnel master agreements during the year and those increases as well as other personnel adjustments were reflected within the revised budget. An increase in its state aid revenue was added as a one-time Safe Schools allocation was issued by state legislature. Additional expenses related to this one-time funding were also added to the budget. Other adjustments were made as necessary in order to provide a more accurate estimation for the District’s financial outlook. This budget was created and approved prior to the COVID19 related closure or knowledge of its impact.
- The District uses average daily membership (ADM) in assessing it’s enrollment. ADM for the 2019-2020 came in at 983 compared to 2018-2019 of 1,023. The anticipated decrease was due to graduating a larger 12th grade class size in 18-19 than the incoming kindergarten class for 19-20. The District’s funding is directly related to enrollment which led to decreased state aid revenues for this fiscal year.

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 \$16,382,239 (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 4.6 percent. The total depreciation expense for the year was \$905,285. There were no significant capital asset additions in the current year. The following is a schedule of capital assets as of June 30, 2021.

**Independent School District No. 2397’s Capital Assets
(net of depreciation)**

	Governmental Activities		
	2021	2020	Increase (Decrease)
Land	\$ 90,500	\$ 90,500	\$ -
Land Improvements	84,574	95,867	(11,293)
Buildings	15,008,161	15,659,302	(651,141)
Equipment	1,199,004	1,334,448	(135,444)
Total	\$ 16,382,239	\$ 17,180,117	\$ (797,878)

Additional information on the District’s capital assets can be found in Note 3C on page 51 of this report.

Long-term debt. At the end of the current fiscal year, the District had total general obligation bonds outstanding of \$5,900,000 to finance capital projects relating to school buildings.

Independent School District No. 2397's Outstanding Debt

	Governmental Activities		
	2021	2020	Increase (Decrease)
General Obligation Bonds	\$ 5,900,000	\$ 7,640,000	\$ (1,740,000)

The District's total debt decreased by \$1,740,000 (22.8 percent) during the current fiscal year. Additional information on the District's long-term debt can be found in Note 3D on page 52 of this report.

Factors Bearing on the District's Future

The impacts from COVID19 will continue to effect the District in the short term. As of the start of the 20-21 school year enrollment is down from that of our projections. Parents are either choosing to home school, hold their incoming kindergartners back a year, or find other education providers in response to COVID19 concerns and the District moving to a hybrid learning model. The District has received federal funding in order to pay for the additional COVID19 related costs, but there is uncertainty regarding any such funding beyond the 20-21 school year.

The state of Minnesota paid \$6,438 per adjusted marginal pupil unit to fund general education for fiscal year 2020 and no increase is currently approved by legislature. Given the budgetary deficit the State of Minnesota is experiencing the District is moving forward under the assumption that no increase will be given to the general education revenue formula.

Declining enrollment continues to be a serious concern for the District as our graduating classes are significantly larger than those kindergartners entering our district.

The District is progressing through a review of its facilities. A facility task force consisting of various board members, school administration, consultants, and community members has been assembled to review the needs of the facility needs of the District. The District currently plans to ask its community to vote on a potential building bond in 2021.

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 Superintendent, Independent School District No. 2397, 115 ½ North Fifth Street Suite 200, Le Sueur, Minnesota 56058-1849.

DISTRICT-WIDE FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 2397
LE SUEUR, MINNESOTA

DRAFT

FOR THE YEAR ENDED
JUNE 30, 2021

Independent School District No. 2397

Le Sueur, Minnesota
 Statement of Net Position
 June 30, 2021

	<u>Governmental Activities</u>
Assets	
Cash and temporary investments	\$ 3,932,805
Receivables	
Taxes	1,639,568
Accounts and interest	21,396
Due from other school districts	127,546
Intergovernmental	1,256,106
Inventories	5,697
Prepaid items	4,615
Capital assets not being depreciated	90,500
Capital assets net of accumulated depreciation	<u>16,291,739</u>
Total Assets	<u>23,369,972</u>
Deferred Outflows of Resources	
Deferred pension resources	2,992,013
Deferred other postemployment benefit resources	<u>257,866</u>
Total Deferred Outflows of Resources	<u>3,249,879</u>
Liabilities	
Salaries and wages payable	481,672
Accounts payables	314,469
Accrued interest payable	144,035
Due to other school districts	92,203
Due to other governments	29,869
Accrued expenses	586,032
Unearned revenue	24,449
Noncurrent liabilities	
Due within one year	
Long-term liabilities	1,043,960
Due in more than one year	
Long-term liabilities	5,525,395
Other postemployment benefits liability	1,170,255
Net pension liability	<u>7,272,019</u>
Total Liabilities	<u>16,684,358</u>
Deferred Inflows of Resources	
Property taxes levied for subsequent year	2,876,378
Deferred pension resources	5,647,884
Deferred other postemployment benefit resources	<u>373,980</u>
Total Deferred Inflows of Resources	<u>8,898,242</u>
Net Position	
Net investment in capital assets	9,862,971
Restricted	
Debt service	188,582
Food service	167,740
Educational purposes	358,426
Unrestricted	<u>(9,540,468)</u>
Total Net Position	<u>\$ 1,037,251</u>

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

Independent School District No. 2397

Le Sueur, Minnesota

Statement of Activities

For the Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Governmental activities					Governmental Activities
Administration	\$ 848,667	\$ -	\$ -	\$ -	\$ (848,667)
District support services	332,585	-	-	-	(332,585)
Elementary and secondary regular instruction	4,482,421	125,478	328,215	-	(4,028,728)
Vocational education instruction	238,816	-	-	-	(238,816)
Special education instruction	1,937,581	21,270	1,208,620	-	(707,691)
Community education and services	728,374	267,752	407,346	-	(53,276)
Instructional support services	892,706	-	91,531	-	(801,175)
Pupil support services	1,863,027	37,328	519,875	-	(1,305,824)
Sites and buildings	2,433,057	35,410	312,557	-	(2,085,090)
Fiscal and other fixed cost programs	166,915	-	-	-	(166,915)
Total Governmental Activities	\$ 13,924,149	\$ 487,238	\$ 2,868,144	\$ -	(10,568,767)
General revenues					
Taxes					
Property taxes, levied for general purposes					1,545,120
Property taxes, levied for community service					90,218
Property taxes, levied for debt service					1,078,864
State aid-formula grants and other contributions					8,399,895
Other general revenues					96,568
Investment earnings					3,740
Total General Revenues					11,214,405
Change in Net Position					645,638
Net Position, July 1					391,613
Net Position, June 30					\$ 1,037,251

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

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FUND FINANCIAL STATEMENTS
INDEPENDENT SCHOOL DISTRICT NO. 2397
LE SUEUR, MINNESOTA

DRAFT

FOR THE YEAR ENDED
JUNE 30, 2021

Independent School District No. 2397

Le Sueur, Minnesota

Balance Sheet

Governmental Funds

June 30, 2021

	General	Debt Service	Other Governmental Funds	Total
Assets				
Cash and temporary investments	\$ 2,799,304	\$ 666,738	\$ 466,763	\$ 3,932,805
Receivables				
Taxes				
Current	654,402	904,960	47,314	1,606,676
Delinquent	14,358	16,659	1,875	32,892
Accounts and interest	14,082	-	7,314	21,396
Due from other school districts	127,546	-	-	127,546
Intergovernmental	1,055,700	29,462	170,944	1,256,106
Inventories	-	-	5,697	5,697
Prepaid items	4,615	-	-	4,615
Total Assets	\$ 4,670,007	\$ 1,617,819	\$ 699,907	\$ 6,987,733
Liabilities				
Salaries and wages payable	\$ 439,091	\$ -	\$ 42,581	\$ 481,672
Accounts payable	130,007	-	184,462	314,469
Due to other school districts	92,203	-	-	92,203
Due to other governments	29,228	-	641	29,869
Accrued expenses	586,032	-	-	586,032
Unearned revenue	-	-	24,449	24,449
Total Liabilities	1,276,561	-	252,133	1,528,694
Deferred Inflows of Resources				
Property taxes levied for subsequent year	1,494,431	1,285,202	96,745	2,876,378
Unavailable revenue				
Delinquent property taxes	14,358	16,659	1,875	32,892
Total Deferred Inflows of Resources	1,508,789	1,301,861	98,620	2,909,270
Fund Balances				
Nonspendable	4,615	-	5,697	10,312
Restricted	182,709	315,958	343,457	842,124
Assigned	76,980	-	-	76,980
Unassigned	1,620,353	-	-	1,620,353
Total Fund Balances	1,884,657	315,958	349,154	2,549,769
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 4,670,007	\$ 1,617,819	\$ 699,907	\$ 6,987,733

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

Independent School District No. 2397

Le Sueur, 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	\$ 2,549,769
Net capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	16,382,239
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of	
Bonds payable	(5,900,000)
Severance payable	(50,087)
Unamortized bond premium	(619,268)
Other postemployment benefits liability	(1,170,255)
Net pension liability	(7,272,019)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes receivable	32,892
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	2,992,013
Deferred inflows of pension resources	(5,647,884)
Governmental funds do not report long-term amounts related to other postemployment benefits.	
Deferred outflows of other post employment benefit resources	257,866
Deferred inflows of other postemployment benefit resources	(373,980)
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(144,035)</u>
Total Net Position - Governmental Activities	<u><u>\$ 1,037,251</u></u>

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

Independent School District No. 2397
 Le Sueur, 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	\$ 1,550,908	\$ 1,078,864	\$ 90,218	\$ 2,719,990
Other local and county revenue	295,247	-	276,769	572,016
Interest earned on investments	1,919	1,604	217	3,740
Revenue from state sources	9,396,242	294,658	400,575	10,091,475
Revenue from federal sources	608,296	-	499,896	1,108,192
Sales and other conversion of assets	-	-	30,801	30,801
Total Revenues	<u>11,852,612</u>	<u>1,375,126</u>	<u>1,298,476</u>	<u>14,526,214</u>
Expenditures				
Current				
Administration	845,529	-	-	845,529
District support services	333,773	-	-	333,773
Elementary and secondary regular instruction	4,328,893	-	-	4,328,893
Vocational education instruction	229,035	-	-	229,035
Special education instruction	1,920,602	-	-	1,920,602
Community education and services	-	-	711,060	711,060
Instructional support services	804,253	-	-	804,253
Pupil support services	1,409,204	-	438,624	1,847,828
Sites and buildings	1,556,960	-	-	1,556,960
Fiscal and other fixed cost programs	100,653	-	-	100,653
Capital outlay	244,116	-	-	244,116
Debt service				
Principal	-	7,320,000	-	7,320,000
Interest and other charges	-	253,315	-	253,315
Total Expenditures	<u>11,773,018</u>	<u>7,573,315</u>	<u>1,149,684</u>	<u>20,496,017</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures				
	<u>79,594</u>	<u>(6,198,189)</u>	<u>148,792</u>	<u>(5,969,803)</u>
Other Financing Sources (Uses)				
Debt issued	-	5,580,000	-	5,580,000
Premium on bonds issued	-	617,353	-	617,353
Total Other Financing Sources (Uses)	<u>-</u>	<u>6,197,353</u>	<u>-</u>	<u>6,197,353</u>
Net Change in Fund Balances	79,594	(836)	148,792	227,550
Fund Balances, July 1	<u>1,805,063</u>	<u>316,794</u>	<u>200,362</u>	<u>2,322,219</u>
Fund Balances, June 30	<u>\$ 1,884,657</u>	<u>\$ 315,958</u>	<u>\$ 349,154</u>	<u>\$ 2,549,769</u>

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

Independent School District No. 2397
 Le Sueur, 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	\$ 227,550
<p>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.</p>	
Capital outlays	107,407
Depreciation expense	(905,285)
<p>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.</p>	
Issuance of long-term debt	(5,580,000)
Principal repayments	7,320,000
Amortization of bond premiums	(333,960)
<p>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.</p>	
	(96,340)
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	(373,955)
Direct aid contributions	49,361
<p>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.</p>	
	(5,788)
<p>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.</p>	
Severance costs	6,745
Other postemployment benefits costs	229,903
	229,903
Change in Net Position - Governmental Activities	\$ 645,638

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

Independent School District No. 2397
 Le Sueur, 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 Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Local property tax levies	\$ 1,512,268	\$ 1,536,784	\$ 1,550,908	\$ 14,124
Other local and county revenue	326,159	343,628	295,247	(48,381)
Interest earned on investments	30,000	30,000	1,919	(28,081)
Revenue from state sources	9,215,546	9,280,095	9,396,242	116,147
Revenue from federal sources	271,146	665,365	608,296	(57,069)
Total Revenues	<u>11,355,119</u>	<u>11,855,872</u>	<u>11,852,612</u>	<u>(3,260)</u>
Expenditures				
Current				
Administration	867,632	860,278	845,529	14,749
District support services	368,223	348,363	333,773	14,590
Elementary and secondary regular instruction	4,383,536	4,520,781	4,328,893	191,888
Vocational education instruction	235,808	235,123	229,035	6,088
Special education instruction	1,866,317	1,979,786	1,920,602	59,184
Instructional support services	783,225	845,730	804,253	41,477
Pupil support services	1,328,008	1,387,777	1,409,204	(21,427)
Sites and buildings	1,458,323	1,560,605	1,556,960	3,645
Fiscal and other fixed cost programs	54,901	82,382	100,653	(18,271)
Capital outlay				
District support services	3,000	3,000	3,603	(603)
Elementary and secondary regular instruction	10,611	41,691	37,283	4,408
Special education instruction	5,000	5,000	-	5,000
Instructional support services	12,300	35,483	24,484	10,999
Sites and buildings	62,525	147,546	178,746	(31,200)
Debt service				
Interest and other charges	4,080	-	-	-
Total Expenditures	<u>11,443,489</u>	<u>12,053,545</u>	<u>11,773,018</u>	<u>280,527</u>
Net Change in Fund Balances	(88,370)	(197,673)	79,594	277,267
Fund Balances, July 1	<u>1,805,063</u>	<u>1,805,063</u>	<u>1,805,063</u>	<u>-</u>
Fund Balances, June 30	<u>\$ 1,716,693</u>	<u>\$ 1,607,390</u>	<u>\$ 1,884,657</u>	<u>\$ 277,267</u>

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

Independent School District No. 2397
 Le Sueur, Minnesota
 Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2021

	<u>Custodial Fund</u>	<u>Private</u>
	<u>Scholarships</u>	<u>Purpose</u>
		<u>Trust</u>
Assets		
Cash and Temporary Investments	\$ 10,400	\$ 5,386
Net Position		
Restricted		
Scholarships	\$ 10,400	\$ 5,386

DRAFT

Independent School District No. 2397
 Le Sueur, Minnesota
 Statement of Changes In Fiduciary Net Position
 Fiduciary Funds
 For the Year Ended June 30, 2021

	<u>Custodial Fund Scholarships</u>	<u>Private Purpose Trust</u>
Revenues		
Other local and county revenue	\$ 6,000	\$ -
Interest earned (paid) on investments	(123)	-
Total Additions	5,877	-
Expenditures		
Scholarships	5,000	-
Change in Net Position	877	-
Net Position, July 1	9,523	5,386
Net Position, June 30	\$ 10,400	\$ 5,386

DRAFT

Independent School District No. 2397

Le Sueur, Minnesota

Notes to the Financial Statements

June 30, 2021

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

Independent School District No. 2397, (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. 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. Amounts reported as 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. Intergovernmental revenues 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*, as are the fiduciary fund financial statements. 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.

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.

Independent School District No. 2397

Le Sueur, Minnesota

Notes to the Financial Statements

June 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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.

Fiduciary Funds

The *Private-Purpose Trust fund* is used to account for resources legally held in trust to be used by various third parties devoted to awarding student scholarships. All resources of the fund, including any earnings on invested resources, may be used to support the activities.

Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds or private-purpose trust funds. The District's Custodial fund accounts for activities of awarding scholarships that are not restricted by trust agreements.

Independent School District No. 2397

Le Sueur, Minnesota

Notes to the Financial Statements

June 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

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

Deposits and Investments

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

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

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

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

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

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

Independent School District No. 2397

Le Sueur, Minnesota

Notes to the Financial Statements

June 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

Property Taxes

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

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

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 \$5,000 (amount not rounded). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Independent School District No. 2397

Le Sueur, Minnesota

Notes to the Financial Statements

June 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

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

<u>Assets</u>	<u>Years</u>
Buildings and Land Improvements	25 - 50
Equipment	5 - 15

Deferred Outflows of Resources

In addition to assets, the statement of net financial 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 postemployment benefit resources, are reported only in the statement of net position. The items results from actuarial calculations and current year pension and OPEB contributions made subsequent to the measurement date.

Compensated Absences

Vacation Pay - Under the terms of contracts, certain employees accrue vacation at varying rates, portions of which may be carried over to future years. Employees are reimbursed for any unused, accrued vacation upon termination. Vacation pay is accrued when incurred in the District-wide and all fiduciary fund financial statements. Vacation pay is accrued in governmental fund financial statements only when it has matured due to employee termination or similar circumstances.

Sick Pay - Substantially all District employees are entitled to sick leave at various rates. Unused sick leave enters in the calculation of retirement incentive payments for some employees upon termination.

Postemployment Benefits Other Than Pensions

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

Independent School District No. 2397

Le Sueur, Minnesota

Notes to the Financial Statements

June 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight line method. 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. 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. 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 total pension expense for the GERP and TRA is as follows:

	GERP	TRA	Total
Pension Expense	\$ 40,172	\$ 838,967	\$ 879,139

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 one type of item, which arises only under a modified accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the item, 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. Furthermore, the District has additional items which qualify for reporting in this category. The items, deferred pension resources and deferred OPEB resources, are reported only in the statement of net position and are the result of actuarial calculations.

Independent School District No. 2397

Le Sueur, Minnesota

Notes to the Financial Statements

June 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Balance

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

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

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

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the District 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 District Business Manager and the Superintendent.

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

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

The District has formally adopted a fund balance policy for the General fund. The District's policy is to maintain a minimum unassigned fund balance of \$1,200,000 for cash-flow timing needs.

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 - Consist of net position balances 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 balances that do not meet the definition of "restricted" or "net investment in capital assets"

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

Independent School District No. 2397

Le Sueur, Minnesota

Notes to the Financial Statements

June 30, 2021

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, Food Service and Community Service 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 fund level.
6. The District does not use encumbrance accounting.

The District amended the originally adopted budget for the General fund in the current year to account for the increase in revenue from federal sources and elementary and secondary regular instruction current expenditures.

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	\$ 432,523	\$ 438,624	\$ 6,101
Debt Service	7,562,406	7,573,315	10,909

^c
The excess expenditures were funded by actual revenues in excess of budget, available fund balance and a bond issuance.

Independent School District No. 2397

Le Sueur, 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, bonds, or irrevocable standby letters of credit from Federal Home Loan Banks.

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 \$628,346 and the bank balance was \$903,138. Of the bank balance, \$250,000 was covered by federal depository insurance and the remaining amount was covered by bonds or collateral held by the District's agent in the District's name.

Independent School District No. 2397

Le Sueur, Minnesota

Notes to the Financial Statements

June 30, 2021

Note 3: Detailed Notes on All Funds (Continued)

Investment Policy

The District may also invest idle funds as authorized by Minnesota statutes, as follows: direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 and receives 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; general obligations rated "A" or better; revenue obligations rated "AA" or better, general obligations of the Minnesota Housing Finance Agency rated "A" or better; bankers' acceptances of United States' banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States' corporations or their Canadian subsidiaries, of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase 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.

The District's investments are potentially subject to various risks including the following:

- *Custodial credit risk* - The risk that in the event of a failure of the counterparty to an investment transaction (typically a broker) the government would not be able to recover the value of the investment or collateral securities.
- *Credit risk* - The risk that an issuer or other counterparty to an investment will not fulfill its obligations.
- *Concentration risk* - Investing 5 percent or more of the District's portfolio in the securities of a single issuer.

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

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

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

Independent School District No. 2397

Le Sueur, Minnesota

Notes to the Financial Statements

June 30, 2021

Note 3: Detailed Notes on All Funds (Continued)

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

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

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

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

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount
Pooled Investments at Amortized Costs			
Minnesota School District Liquid Asset Fund Plus (MSDLAF+)	AAAm	less than 1 year	\$ 15,676
Minnesota School District Liquid Asset Fund MAX (MSDMAX)	AAAm	less than 1 year	<u>3,304,569</u>
Total Pooled Investments			<u>\$ 3,320,245</u>

- (1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.
- (2) Interest rate risk is disclosed using the segmented time distribution method.

The Minnesota School District Liquid Asset Fund Plus (MSDLAF+) is a trust organized and existing under the laws of the State of Minnesota and the Minnesota Joint Powers Act, as amended. The trust was established for the purpose of allowing Minnesota school districts to pool their investment funds to obtain a competitive investment yield, while maintaining liquidity and preserving capital. The credit rating for the MSDLAF+ is AAAm. The weighted average days to maturity are 41 days. The District's investment in the MSDLAF+ is equal to the value of pool shares.

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

Deposits	\$ 628,346
Investments	<u>3,320,245</u>
Total	3,948,591
Less Fiduciary Fund Cash and Temporary Investments	<u>(15,786)</u>
Total Cash and Temporary Investments	<u>\$ 3,932,805</u>

Independent School District No. 2397

Le Sueur, Minnesota

Notes to the Financial Statements

June 30, 2021

Note 3: Detailed Notes on All Funds (Continued)

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. 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.

Taxes receivable is comprised of the following components:

	General	Community Service	Debt Service	Total
Current Taxes	\$ 654,402	\$ 47,314	\$ 904,960	\$ 1,606,676
Delinquent Taxes	14,358	1,875	16,659	32,892
Total Taxes Receivable	<u>\$ 668,760</u>	<u>\$ 49,189</u>	<u>\$ 921,619</u>	<u>\$ 1,639,568</u>
Property Taxes Levied For Subsequent Year	<u>\$ 1,494,431</u>	<u>\$ 96,745</u>	<u>\$ 1,285,202</u>	<u>\$ 2,876,378</u>

Independent School District No. 2397

Le Sueur, 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	\$ 90,500	\$ -	\$ -	\$ 90,500
Capital Assets Being Depreciated				
Land Improvements	696,611	2,211	-	698,822
Buildings And Improvements	30,594,033	31,070	-	30,625,103
Equipment	5,458,959	74,126	-	5,533,085
Total Capital Assets Being Depreciated	<u>36,749,603</u>	<u>107,407</u>	<u>-</u>	<u>36,857,010</u>
Less Accumulated Depreciation				
Land Improvements	(600,744)	(13,504)	-	(614,248)
Buildings And Improvements	(14,934,731)	(682,211)	-	(15,616,942)
Equipment	(4,124,511)	(209,570)	-	(4,334,081)
Total Accumulated Depreciation	<u>(19,659,986)</u>	<u>(905,285)</u>	<u>-</u>	<u>(20,565,271)</u>
Total Capital Assets Being Depreciated, Net	<u>17,089,617</u>	<u>(797,878)</u>	<u>-</u>	<u>16,291,739</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 17,180,117</u>	<u>\$ (797,878)</u>	<u>\$ -</u>	<u>\$ 16,382,239</u>

Depreciation expense was charged to governmental activities as follows:

Administration	\$ 255
District Support Services	816
Elementary And Secondary Regular Instruction	23,062
Regular Instruction	3,381
Special Education Instruction	1,131
Instructional Support Services	54,367
Pupil Support Services	5,514
Sites and Buildings	814,350
Community Service	<u>2,409</u>
Total Depreciation Expense	<u>\$ 905,285</u>

Independent School District No. 2397

Le Sueur, Minnesota

Notes to the Financial Statements

June 30, 2021

Note 3: Detailed Notes on All Funds (Continued)

D. 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	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End	Due Within One Year
G.O. Capital Facilities						
Bonds, Series 2011A	\$ 790,000	2.25 - 3.60 %	08/24/11	02/01/26	\$ 320,000	\$ 60,000
G.O. School Building Refunding						
Bonds, Series 2021A	5,580,000	2.00 - 5.00	01/14/21	04/01/26	5,580,000	955,000
Total General Obligation Bonds					<u>\$ 5,900,000</u>	<u>\$ 1,015,000</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	\$ 1,015,000	\$ 290,408	\$ 1,305,408
2023	1,140,000	191,610	1,331,610
2024	1,195,000	135,570	1,330,570
2025	1,250,000	76,860	1,326,860
2026	1,300,000	27,120	1,327,120
Total	<u>\$ 5,900,000</u>	<u>\$ 721,568</u>	<u>\$ 6,621,568</u>

Changes in Long-term Liabilities

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

	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds Payable					
General obligation revenue bonds	\$ 7,640,000	\$ 5,580,000	\$ (7,320,000)	\$ 5,900,000	\$ 1,015,000
Unamortized premium	285,308	617,353	(283,393)	619,268	-
Other liabilities					
Compensated absences	56,832	36,201	(42,946)	50,087	28,960
Total Long-term Liabilities	<u>\$ 7,982,140</u>	<u>\$ 6,233,554</u>	<u>\$ (7,646,339)</u>	<u>\$ 6,569,355</u>	<u>\$ 1,043,960</u>

Current Refunding Bonds

On January 14, 2021, the District issued \$5,580,000 of G.O School Building Refunding Bonds, Series 2021A. The proceeds refunded the G.O. School Building Refunding Bonds, Series 2012A on March 22, 2021. The bonds issued a net interest cost of 0.447 percent. It is estimated that the District will obtain an economic gain of \$282,700.

Independent School District No. 2397

Le Sueur, Minnesota

Notes to the Financial Statements

June 30, 2021

Note 3: Detailed Notes on All Funds (Continued)

E. Components of Fund Balance

At June 30, 2021, portions of the District's fund balance are not available for appropriation due to not being in spendable form (nonspendable), legal restrictions (restricted), District School Board action (committed), policy and/or intent (assigned). The following is a summary of the components of fund balance:

	General	Debt Service	Other Governmental Funds	Total Governmental Funds	Reconciling Items	UFARS Balance
Nonspendable						
Inventories	\$ -	\$ -	\$ 5,697	\$ 5,697	\$ -	\$ 5,697
Prepaid items	4,615	-	-	4,615	-	4,615
Total Nonspendable	\$ 4,615	\$ -	\$ 5,697	\$ 10,312	\$ -	\$ 10,312
Restricted						
Student activities	\$ 101,402	\$ -	\$ -	\$ 101,402	\$ -	\$ 101,402
Staff development	10,495	-	-	10,495	-	10,495
Operating capital	7,612	-	-	7,612	-	7,612
Gifted and talented	11,449	-	-	11,449	-	11,449
Medical assistance	1,843	-	-	1,843	-	1,843
Safe schools - crime levy	-	-	-	-	(37,109)	(37,109)
Other purposes	5,250	-	-	5,250	-	5,250
Long term facility maintenance	44,658	-	-	44,658	-	44,658
Food service	-	-	167,740	167,740	-	167,740
Community education	-	-	66,243	66,243	21,550	87,793
Early childhood and family education	-	-	-	-	(18,810)	(18,810)
School readiness	-	-	-	-	(2,740)	(2,740)
Adult basic education	-	-	100,194	100,194	-	100,194
Imagination library	-	-	4,634	4,634	-	4,634
Non-public use	-	-	4,142	4,142	-	4,142
Community service	-	-	504	504	-	504
Debt service	-	315,958	-	315,958	-	315,958
Total Restricted	\$ 182,709	\$ 315,958	\$ 343,457	\$ 842,124	\$ (37,109)	\$ 805,015
Assigned						
Crystal Olson Memorial Fund	\$ 7,100	\$ -	\$ -	\$ 7,100	\$ -	\$ 7,100
Hilltop Donations	747	-	-	747	-	747
Youth Services	219	-	-	219	-	219
AVID Fundriasers	3,606	-	-	3,606	-	3,606
HS Drama	1,480	-	-	1,480	-	1,480
Youth Frontiers	589	-	-	589	-	589
Park Box Tops	936	-	-	936	-	936
Close Up	232	-	-	232	-	232
HS Lifesavers	1,810	-	-	1,810	-	1,810
Park Library Fines	372	-	-	372	-	372
HS Band Instruments	650	-	-	650	-	650
Fitness Center	399	-	-	399	-	399
HS Library Fines	618	-	-	618	-	618
Target	1,799	-	-	1,799	-	1,799
Park Patrol	190	-	-	190	-	190
DARE Program	663	-	-	663	-	663
National Honor Society	102	-	-	102	-	102
AD Donations	14,604	-	-	14,604	-	14,604
Concession Stand	10,625	-	-	10,625	-	10,625
Park Donations	2,882	-	-	2,882	-	2,882
MS Box Tops	5,569	-	-	5,569	-	5,569
Welter Foundation	20,635	-	-	20,635	-	20,635
Memory Book	1,153	-	-	1,153	-	1,153
Total assigned	\$ 76,980	\$ -	\$ -	\$ 76,980	\$ -	\$ 76,980
Unassigned	\$ 1,620,353	\$ -	\$ -	\$ 1,620,353	\$ 37,109	\$ 1,657,462

Independent School District No. 2397

Le Sueur, Minnesota

Notes to the Financial Statements

June 30, 2021

Note 3: Detailed Notes on All Funds (Continued)

Restricted for Student Activities - This amount represents resources dedicate to student-focused extracurricular activities offered and approved by the School Board.

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 Gifted and Talented - This amount represents accumulated resources available to provide gifted and talented programming in accordance with funding made available for that purpose.

Restricted for Other Purposes - This amount represents amounts that can be spent only for a specific purpose stipulated by constitution, external resource providers, or though enabling legislation.

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

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

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

Restricted for Imagination Library - This amount represents available resources for imagination library. Revenues are derived from local tax levies and State aids and expenditures are for salaries, benefits and supplies.

Restricted for Non-Public Use - 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 Community Service - This amount represents available resources available for Community Services. Revenues are derived from tax levies, state, federal, local and county sources along with sales and other conversion of assets and expenditures are primarily for salaries, benefits, purchased services supplies and materials.

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. 2397

Le Sueur, 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 member, one retired member and three statutory officials.

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

2. Benefits Provided

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

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

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

Independent School District No. 2397

Le Sueur, 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 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 s member may also choose to provide survivor benefits to a designated beneficiary(ies) by selecting one of the five plans that have survivorship features. Vested members may also leave their contributions in the TRA Fund upon termination of service in order to qualify for a deferred annuity at retirement age. Any member terminating service is also eligible for a refund of their employee contributions plus interest.

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

3. Contribution Rates

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

Plan	Ending June 30, 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 \$390,946, \$394,601 and \$360,746, respectively. The District's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

Independent School District No. 2397

Le Sueur, 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 ACFR "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 ACFR 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	<u>(508,000)</u>
Total Employer Contributions	424,659,000
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
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 five years. Generational projection uses the MP-2015 scale.
Post-retirement	RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
Post-disability	RP-2014 disabled retiree mortality table, without adjustment.

Independent School District No. 2397

Le Sueur, 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 6.0 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.

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).

Independent School District No. 2397

Le Sueur, Minnesota

Notes to the Financial Statements

June 30, 2021

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

6. Net Pension Liability

At June 30, 2021 the District reported a liability of \$5,977,000 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 0.0809 percent at the end of the measurement period and 0.0826 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	\$ 5,977,000
State's Proportionate Share of Net Pension Liability Associated With the District	<u>501,006</u>
Total	<u><u>\$ 6,478,006</u></u>

For the year ended June 30, 2021, the District recognized pension expense of \$787,788. It also recognized \$45,896 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 Economical Experience	\$ 120,044	\$ 93,185
Changes in Actuarial Assumptions	2,229,004	5,173,722
Net Difference Between Projected and Actual Earnings on Plan Investments	83,058	-
Changes in Proportion	14,460	117,936
Contributions to TRA Subsequent to the Measurement Date	<u>390,946</u>	<u>-</u>
Total	<u><u>\$ 2,837,512</u></u>	<u><u>\$ 5,384,843</u></u>

Deferred outflows of resources totaling \$390,946 related to pensions resulting from the District's 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	\$ 82,304
2023	(1,866,009)
2024	(1,292,063)
2025	112,611
2026	24,880

Independent School District No. 2397
Le Sueur, Minnesota
Notes to the Financial Statements
June 30, 2021

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

7. Pension Liability Sensitivity

The following presents the District’s proportionate share of 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%)
\$ 9,150,724	\$ 5,977,000	\$ 3,362,012

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.

General Employees Retirement Plan

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

2. Benefits Provided

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

Independent School District No. 2397

Le Sueur, Minnesota

Notes to the Financial Statements

June 30, 2021

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

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

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 in fiscal year 2021. The District's contributions to the General Employees Fund for the years ending June 30, 2021, 2020 and 2019 were \$109,524, \$114,539 and \$132,684, respectively. The District's contributions were equal to the contractually required contributions for each year as set by state statute.

4. Pension Costs

At June 30, 2021 the District reported a liability of \$1,295,019 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 \$39,815. 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 received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020 relative to the total employer contributions received from all of PERA's participating employers. The District's proportion was 0.0216 percent which was a decrease of 0.0034 percent from its proportion measured as of June 30, 2019.

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Notes to the Financial Statements

June 30, 2021

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

District's Proportionate Share of the Net Pension Liability	\$ 1,295,019
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the District	<u>39,815</u>
Total	<u><u>\$ 1,334,834</u></u>

For the year ended June 30, 2021, the District recognized pension expense of \$36,707 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional \$3,465 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 the General Employees Plan's deferred outflows of resources and deferred inflows of resources, related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 13,699	\$ 4,902
Changes in Actuarial Assumptions	-	53,265
Net Difference Between Projected and Actual Earnings on Plan Investments	2,294	-
Changes in Proportion	28,984	204,874
Contributions to PERA Subsequent to the Measurement Date	<u>109,524</u>	-
Total	<u><u>\$ 154,501</u></u>	<u><u>\$ 263,041</u></u>

The \$109,524 reported as deferred outflows of resources related to pensions resulting from the District's 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 deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

2022	\$ (138,767)
2023	(82,779)
2024	(27,809)
2025	31,291

5. Actuarial Assumptions

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

Inflation	2.50% 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 for retirees are assumed to be 1.25 percent per year for General Employees Plan.

Independent School District No. 2397

Le Sueur, Minnesota

Notes to the Financial Statements

June 30, 2021

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

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

The following changes in actuarial assumptions 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.

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.

Independent School District No. 2397

Le Sueur, Minnesota

Notes to the Financial Statements

June 30, 2021

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

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 Equity	36.00 %	5.10 %
International Equity	17.00	5.30
Private Markets	25.00	5.90
Fixed Income	20.00	0.75
Unallocated Cash	2.00	-
Total	<u>100.00 %</u>	

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

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%)
\$ 2,075,466	\$ 1,295,019	\$ 651,213

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. 2397

Le Sueur, Minnesota

Notes to the Financial Statements

June 30, 2021

Note 5: Postemployment Benefits Other Than Pensions

A. Plan Description

The District administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides healthcare insurance for eligible retirees and their spouses through the District’s group health insurance plan until Medicare age, which covers both active and retired members. Benefit provisions are established through negotiations between the District and the unions representing District employees and are renegotiated each bargaining period. The Retiree Health 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 Benefit Payments	13
Active Plan Members	<u>130</u>
Total Plan Members	<u><u>143</u></u>

B. Funding Policy

The District has historically funded these liabilities on a pay-as-you-go basis. Contribution requirements are negotiated between the District and union representatives on a per contract basis. At the present time, no retiree benefits are provided except the allowance to continue health insurance that is mandated by Minnesota Law. The District does not contribute any of the cost of current-year premiums for eligible retired plan members or their spouses. For fiscal year 2021, the District contributed \$92,477 to the plan. Plan members receiving benefits contribute 100 percent of their premium costs.

C. Actuarial Methods and Assumptions

The District’s total OPEB liability of \$1,170,255 was measured as of July 1, 2020, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of July 1, 2019.

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

Discount Rate	2.40%
20-Year Municipal Bond Yield	2.40%
Inflation Rate	2.50%
Salary Increases	Service graded table
Medical Trend Rate	6.25% in 2020 grading to 5.00% over 5 years

The discount rate used to measure the total OPEB liability was 2.40 percent. Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-Year Municipal Bond Yield.

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2018 Generational Improvement Scale.

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

Independent School District No. 2397
Le Sueur, Minnesota
Notes to the Financial Statements
June 30, 2021

Note 5: Postemployment Benefits Other Than Pensions (Continued)

D. Changes in the Total OPEB Liability

	<u>Total OPEB Liability (a)</u>
Balances at June 30, 2020	<u>\$ 1,178,405</u>
Changes for the Year	
Service cost	56,478
Interest	36,282
Changes in assumptions or other inputs	29,070
Benefit payments	<u>(129,980)</u>
Net Changes	<u>(8,150)</u>
 Balances at June 30, 2021	 <u><u>\$ 1,170,255</u></u>

Since the prior measurement date, the following assumptions changed:

- The discount rate was changed from 3.10% to 2.40%.

Since the prior measurement date, there were no benefit changes.

E. Sensitivity of the Total OPEB Liability

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.40 percent) or 1-percentage-point higher 3.40 percent) than the current discount rate:

<u>1 Percent Decrease (1.4%)</u>	<u>Current (2.4%)</u>	<u>1 Percent Increase (3.4%)</u>
\$ 1,219,385	\$ 1,170,255	\$ 1,120,825

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a Healthcare Cost Trend Rates that is 1-percentage point lower (5.25 percent decreasing to 4.00 percent) or 1-percentage-point higher (7.25 percent increasing to 6.00 percent) than the current trend rate:

<u>1 Percent Decrease (5.25% decreasing to 4%)</u>	<u>Healthcare Cost Trend Rates (6.25% decreasing to 5%)</u>	<u>1 Percent Increase (7.25% decreasing to 6%)</u>
\$ 1,097,887	\$ 1,170,255	\$ 1,249,224

Independent School District No. 2397

Le Sueur, Minnesota

Notes to the Financial Statements

June 30, 2021

Note 5: Postemployment Benefits Other Than Pensions (Continued)

F. 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 negative OPEB expense of \$229,903. 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 Economical Experience	\$ -	\$ 357,206
Changes in Actuarial Assumptions	24,225	16,774
Contributions to Plan Subsequent to the Measurement Date	233,641	-
	<u>233,641</u>	<u>-</u>
Total	<u>\$ 257,866</u>	<u>\$ 373,980</u>

Deferred outflows of resources totaling \$233,641 related to OPEB resulting from the District's contributions to the plan subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2022	\$ (93,569)
2023	(93,569)
2024	(93,569)
2025	(93,569)
2026	(93,569)

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. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

The South Central Service Cooperative Health Insurance Pool was formed under a joint powers agreement. The pool is not intended to function as an insurance company for the participating groups. Rather, it is a cooperative program whose purpose is rate stabilization through reduced carrier retention charges, negotiating other cost items with the carrier and softening of larger needed rate increases. Although premiums billed to participating groups are determined on an actuarial basis and on each group's claims experience, the liability for claims is limited to the amount of premiums paid. The pool is protected by an aggregate stop loss.

Independent School District No. 2397

Le Sueur, Minnesota

Notes to the Financial Statements

June 30, 2021

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 Districts’s financial condition, liquidity, and future results of its revenue collections is uncertain.

DRAFT

REQUIRED SUPPLEMENTARY
INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 2397
LE SUEUR, MINNESOTA

DRAFT

FOR THE YEAR ENDED
JUNE 30, 2021

Independent School District No. 2397

Windom, 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	0.0809 %	\$ 5,977,000	\$ 501,006	\$ 6,478,006	\$ 4,982,336	120.0 %	75.5 %
06/30/19	0.0826	5,264,941	465,880	5,730,821	4,678,941	112.5	78.2
06/30/18	0.0830	5,214,968	489,803	5,704,771	4,713,212	110.6	78.1
06/30/17	0.0827	16,508,420	1,595,916	18,104,336	4,433,881	372.3	51.6
06/30/16	0.0836	19,940,595	2,001,706	21,942,301	4,342,150	459.2	44.9
06/30/15	0.0912	5,641,622	692,090	6,333,712	4,579,552	123.2	76.8
06/30/14	0.0958	4,414,395	310,427	4,724,822	4,374,516	100.9	81.1

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

Schedule of Employer's TRA Contributions

Fiscal Year Ending	Statutorily Required Contribution (a)	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	\$ 390,946	\$ 390,946	\$ -	\$ 4,808,690	8.13 %
06/30/20	394,601	394,601	-	4,982,336	7.92
06/30/19	360,746	360,746	-	4,678,941	7.71
06/30/18	353,491	353,491	-	4,713,212	7.50
06/30/17	332,446	332,446	-	4,433,881	7.50
06/30/16	325,678	325,678	-	4,342,150	7.50
06/30/15	343,340	343,340	-	4,579,552	7.50

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

Independent School District No. 2397
Le Sueur, 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. 2397
Le Sueur, 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 percent each January 1 to 1.0 percent, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1 percent each year until reaching the ultimate rate of 1.5 percent 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 percent if the funded ratio was at least 90 percent 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 percent to 3.0 percent, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5 percent to 7.5 percent, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 6 years (7.71 percent in 2018, 7.92 percent in 2019, 8.13 percent in 2020, 8.34 percent in 2021, 8.55 percent in 2022, 8.75 percent in 2023). In addition, the employee contribution rate will increase from 7.50 percent to 7.75 percent 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 plan 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. 2397
Le Sueur, 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	0.0216 %	\$ 1,295,019	\$ 39,815	\$ 1,334,834	\$ 1,527,192	84.8 %	79.0 %
06/30/19	0.0250	1,382,194	42,998	1,425,192	1,769,114	78.1	80.2
06/30/18	0.0265	1,470,111	48,100	1,518,211	1,766,821	83.2	79.5
06/30/17	0.0247	1,576,832	19,840	1,596,672	1,608,706	98.0	75.9
06/30/16	0.0232	1,883,725	24,599	1,908,324	1,434,967	131.3	68.9
06/30/15	0.0243	1,259,352	-	1,259,352	1,432,825	87.9	78.2
06/30/14	0.0256	1,202,560	-	1,202,560	1,366,320	88.0	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	\$ 109,524	\$ 109,524	\$ -	\$ 1,460,320	7.50 %
06/30/20	114,539	114,539	-	1,527,192	7.50
06/30/19	132,684	132,684	-	1,769,114	7.50
06/30/18	132,512	132,512	-	1,766,821	7.50
06/30/17	120,654	120,654	-	1,608,706	7.50
06/30/16	107,580	107,580	-	1,434,967	7.50
06/30/15	105,794	105,794	-	1,410,587	7.50

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

Independent School District No. 2397
Le Sueur, 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. 2397
Le Sueur, 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. 2397
Le Sueur, 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	\$ 56,478	\$ 49,622	\$ 68,321	\$ 71,686
Interest	36,282	61,409	57,800	59,571
Differences between expected and actual experience	-	(535,809)	-	-
Changes in assumptions	29,070	(18,422)	(8,985)	-
Plan changes	-	-	142,816	-
Benefit payments	(129,980)	(165,237)	(207,856)	(152,547)
Net Change in Total OPEB Liability	(8,150)	(608,437)	52,096	(21,290)
Total OPEB Liability - Beginning	1,178,405	1,786,842	1,734,746	1,756,036
Total OPEB Liability - Ending	<u>\$ 1,170,255</u>	<u>\$ 1,178,405</u>	<u>\$ 1,786,842</u>	<u>\$ 1,734,746</u>
Covered - Employee Payroll	\$ 5,969,673	\$ 5,795,799	\$ 5,661,648	\$ 5,496,746
District's Total OPEB Liability as a Percentage of Covered Employee Payroll	19.60 %	20.33 %	31.56 %	31.56 %

Benefit Changes:

In 2021 there was no changes in benefits.

In 2020 there was no changes in benefits.

In 2019 the following benefit changes occurred:

Three teachers retired at the end of the 2017-2018 school year under an Early Retirement Incentive. Each received \$16,500 payable as a lump sum to a health care account on or before June 30, 2018.

The retirement decrements also were adjusted to reflect the actual retirement dates for those teachers.

In 2018, the following benefit changes occurred:

Custodians now must be hired by October 1, 2009 in order to receive a post-employment medical subsidy. Also, the subsidy amount changed from 100% of the single premium and 70% of the family premium for the Basic Plan to \$6,700 per year for single coverage and \$10,800 per year for family coverage.

The Principals' post-employment medical subsidy changed from the full single or family premium of the Basic Plan to the full single or family premium of any of the District's medical plans.

Changes in Assumptions:

In 2021, the following assumption changes:

The discount rate was changes from 3.10% to 2.40%.

In 2020, the following assumption changes:

The medical trend rates, mortality tables, and salary increases were updated.

The discount rate was changed from 3.50% to 3.10%.

In 2019, the following assumption changes:

The discount rate was changes from 3.40% to 3.50%.

In 2018, the following assumptions changes:

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-2000 Combined Healthy Mortality Tables projected to 2014 with Scale BB to the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale.

The discount rate was changed from 4.00% to 3.40%.

The withdrawal table for all employees and retirement table for only employees eligible to retire with Rule of 90 also were updated.

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

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS, SCHEDULES AND TABLE

INDEPENDENT SCHOOL DISTRICT NO. 2397
LE SUEUR, MINNESOTA

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FOR THE YEAR ENDED
JUNE 30, 2021

Independent School District No. 2397
 Le Sueur, Minnesota
 Nonmajor Governmental Funds
 Combining Balance Sheet
 June 30, 2021

	Special Revenue		Total
	Food Service	Community Service	
Assets			
Cash and temporary investments	\$ 248,874	\$ 217,889	\$ 466,763
Receivables			
Accounts	91	7,223	7,314
Taxes			
Current	-	47,314	47,314
Delinquent	-	1,875	1,875
Intergovernmental	125,570	45,374	170,944
Inventories	5,697	-	5,697
	<u>5,697</u>	<u>-</u>	<u>5,697</u>
Total Assets	<u><u>\$ 380,232</u></u>	<u><u>\$ 319,675</u></u>	<u><u>\$ 699,907</u></u>
Liabilities			
Salaries payable	\$ -	\$ 42,581	\$ 42,581
Accounts payable	182,346	2,116	184,462
Due to other governments	-	641	641
Unearned revenue	24,449	-	24,449
Total Liabilities	<u>206,795</u>	<u>45,338</u>	<u>252,133</u>
Deferred Inflows of Resources			
Property taxes levied for subsequent year	-	96,745	96,745
Unavailable revenue			
Delinquent property taxes	-	1,875	1,875
Total Deferred Inflows of Resources	<u>-</u>	<u>98,620</u>	<u>98,620</u>
Fund Balances			
Nonspendable			
Inventories	5,697	-	5,697
Restricted			
Food service	167,740	-	167,740
Community education	-	66,243	66,243
Adult basic education	-	100,194	100,194
Imagination library	-	4,634	4,634
Non-public use	-	4,142	4,142
Community service	-	504	504
Total Fund Balances	<u>173,437</u>	<u>175,717</u>	<u>349,154</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u><u>\$ 380,232</u></u>	<u><u>\$ 319,675</u></u>	<u><u>\$ 699,907</u></u>

Independent School District No. 2397
 Le Sueur, Minnesota
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 For the Year Ended June 30, 2021

	Special Revenue		Total
	Food Service	Community Service	
Revenue			
Local property tax levies	\$ -	\$ 90,218	\$ 90,218
Other local and county revenue	6,527	270,242	276,769
Interest earned on investments	94	123	217
Revenue from state sources	5,401	395,174	400,575
Revenue from federal sources	453,282	46,614	499,896
Sales and other conversion of assets	30,801	-	30,801
Total Revenues	<u>496,105</u>	<u>802,371</u>	<u>1,298,476</u>
Expenditure			
Current expenditures			
Community education and services	-	711,060	711,060
Pupil support services	<u>438,624</u>	-	<u>438,624</u>
Total Expenditures	<u>438,624</u>	<u>711,060</u>	<u>1,149,684</u>
Net Change In Fund Balances	57,481	91,311	148,792
Fund Balances, July 1	<u>115,956</u>	<u>84,406</u>	<u>200,362</u>
Fund Balances, June 30	<u>\$ 173,437</u>	<u>\$ 175,717</u>	<u>\$ 349,154</u>

Independent School District No. 2397

Le Sueur, 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			Variance with Final Budget	2020
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Revenues					
Local property tax levies	\$ 1,512,268	\$ 1,536,784	\$ 1,550,908	\$ 14,124	\$ 1,356,915
Other local and county revenue	326,159	343,628	295,247	(48,381)	451,658
Interest earned on investments	30,000	30,000	1,919	(28,081)	27,209
Revenue from state sources	9,215,546	9,280,095	9,396,242	116,147	9,361,999
Revenue from federal sources	271,146	665,365	608,296	(57,069)	313,034
Total Revenues	11,355,119	11,855,872	11,852,612	(3,260)	11,510,815
Expenditures					
Current					
Administration					
Salaries	620,424	613,938	617,963	(4,025)	595,775
Employee benefits	207,418	206,550	202,977	3,573	190,956
Purchased services	21,390	20,390	7,079	13,311	12,818
Supplies and materials	3,600	4,600	3,322	1,278	2,555
Other expenditures	14,800	14,800	14,188	612	13,734
Total administration	867,632	860,278	845,529	14,749	815,838
District support services					
Salaries	182,795	181,303	181,072	231	176,695
Employee benefits	58,850	58,482	46,011	12,471	54,335
Purchased services	107,328	89,328	88,019	1,309	82,065
Supplies and materials	3,440	3,440	3,814	(374)	3,060
Other expenditures	15,810	15,810	14,857	953	15,238
Total district support services	368,223	348,363	333,773	14,590	331,393
Elementary and secondary regular instruction					
Salaries	2,982,142	2,975,519	2,932,709	42,810	2,958,860
Employee benefits	1,000,580	1,062,430	1,028,595	33,835	942,841
Purchased services	221,216	237,143	178,202	58,941	231,111
Supplies and materials	169,128	232,364	177,969	54,395	271,546
Other expenditures	10,470	13,325	11,418	1,907	13,805
Total elementary and secondary regular instruction	4,383,536	4,520,781	4,328,893	191,888	4,418,163
Vocational education instruction					
Salaries	171,056	171,056	171,543	(487)	167,804
Employee benefits	49,423	49,424	45,539	3,885	43,698
Purchased services	200	200	-	200	-
Supplies and materials	15,129	14,443	11,953	2,490	11,870
Total vocational education instruction	235,808	235,123	229,035	6,088	223,372
Special education instruction					
Salaries	1,149,002	1,145,744	1,142,705	3,039	1,136,276
Employee benefits	303,489	303,231	289,034	14,197	271,376
Purchased services	390,826	507,811	468,037	39,774	451,021
Supplies and materials	10,000	10,000	9,571	429	3,969
Other expenditures	13,000	13,000	11,255	1,745	13,657
Total special education instruction	1,866,317	1,979,786	1,920,602	59,184	1,876,299

Independent School District No. 2397

Le Sueur, 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			Variance with Final Budget	2020
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Instructional support services					
Salaries	\$ 311,308	\$ 295,472	\$ 276,673	\$ 18,799	\$ 284,291
Employee benefits	85,733	75,484	72,362	3,122	79,326
Purchased services	162,691	187,551	174,922	12,629	164,339
Supplies and materials	222,768	286,498	280,196	6,302	196,172
Other expenditures	725	725	100	625	50
Total instructional support services	<u>783,225</u>	<u>845,730</u>	<u>804,253</u>	<u>41,477</u>	<u>724,178</u>
Pupil support services					
Salaries	228,238	233,938	243,878	(9,940)	222,657
Employee benefits	70,266	71,305	70,446	859	66,412
Purchased services	1,021,604	1,029,325	1,013,636	15,689	1,028,874
Supplies and materials	7,900	42,165	43,761	(1,596)	676
Other expenditures	-	11,044	37,483	(26,439)	2,625
Total pupil support services	<u>1,328,008</u>	<u>1,387,777</u>	<u>1,409,204</u>	<u>(21,427)</u>	<u>1,321,244</u>
Sites and buildings					
Salaries	465,368	488,705	465,916	22,789	438,134
Employee benefits	151,963	160,526	165,053	(4,527)	144,947
Purchased services	583,533	671,413	692,366	(20,953)	584,448
Supplies and materials	252,009	234,511	228,167	6,344	199,716
Other expenditures	5,450	5,450	5,458	(8)	5,358
Total sites, buildings and equipment	<u>1,458,323</u>	<u>1,560,605</u>	<u>1,556,960</u>	<u>3,645</u>	<u>1,372,603</u>
Fiscal and other fixed cost programs					
Purchased services	54,901	82,382	100,153	(17,771)	48,198
Other expenditures	-	-	500	(500)	2,000
Total fiscal and other fixed cost programs	<u>54,901</u>	<u>82,382</u>	<u>100,653</u>	<u>(18,271)</u>	<u>50,198</u>
Total current	<u>11,345,973</u>	<u>11,820,825</u>	<u>11,528,902</u>	<u>291,923</u>	<u>11,133,288</u>
Capital outlay					
District support services	3,000	3,000	3,603	(603)	2,999
Elementary and secondary regular instruction	10,611	41,691	37,283	4,408	8,489
Special education instruction	5,000	5,000	-	5,000	9,541
Instructional support services	12,300	35,483	24,484	10,999	8,000
Sites and buildings	62,525	147,546	178,746	(31,200)	92,571
Total capital outlay	<u>93,436</u>	<u>232,720</u>	<u>244,116</u>	<u>(11,396)</u>	<u>121,600</u>
Debt service					
Interest and other charges	4,080	-	-	-	-
Total Expenditures	<u>11,443,489</u>	<u>12,053,545</u>	<u>11,773,018</u>	<u>280,527</u>	<u>11,254,888</u>
Net Change in Fund Balances	(88,370)	(197,673)	79,594	277,267	255,927
Fund Balances, July 1	<u>1,805,063</u>	<u>1,805,063</u>	<u>1,805,063</u>	-	<u>1,549,136</u>
Fund Balances, June 30	<u>\$ 1,716,693</u>	<u>\$ 1,607,390</u>	<u>\$ 1,884,657</u>	<u>\$ 277,267</u>	<u>\$ 1,805,063</u>

Independent School District No. 2397

Le Sueur, 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					
Other local and county revenue	\$ -	\$ -	\$ 6,527	\$ 6,527	\$ -
Interest earned on investments	2,000	2,000	94	(1,906)	2,026
Revenue from state sources	32,152	2,152	5,401	3,249	21,313
Revenue from federal sources	277,787	398,787	453,282	54,495	234,711
Sales and other conversion of assets	186,050	35,050	30,801	(4,249)	145,807
Total Revenues	497,989	437,989	496,105	58,116	403,857
Expenditures					
Current					
Pupil support services					
Salaries	1,845	1,845	2,828	(983)	1,782
Employee benefits	582	583	898	(315)	570
Purchased services	247,100	226,245	236,330	(10,085)	219,947
Supplies and materials	223,000	201,250	198,568	2,682	189,583
Total current	472,527	429,923	438,624	(8,701)	411,882
Capital outlay					
Pupil support services	2,600	2,600	-	2,600	2,539
Total Expenditures	475,127	432,523	438,624	(6,101)	414,421
Net Change in Fund Balances	22,862	5,466	57,481	52,015	(10,564)
Fund Balances, July 1	115,956	115,956	115,956	-	126,520
Fund Balances, June 30	\$ 138,818	\$ 121,422	\$ 173,437	\$ 52,015	\$ 115,956

Independent School District No. 2397
 Le Sueur, 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 Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Local property tax levies	\$ 97,211	\$ 97,494	\$ 90,218	\$ (7,276)	\$ 98,594
Other local and county revenue	282,976	258,976	270,242	11,266	286,310
Interest earned on investments	200	200	123	(77)	920
Revenue from state sources	385,231	394,230	395,174	944	369,232
Revenue from federal sources	10,832	28,159	46,614	18,455	9,760
Total Revenues	776,450	779,059	802,371	23,312	764,816
Expenditures					
Current					
Community education and services					
Salaries	493,931	523,570	530,800	(7,230)	554,348
Employee benefits	102,185	107,119	97,719	9,400	103,096
Purchased services	68,365	54,175	46,822	7,353	55,384
Supplies and materials	44,172	48,744	34,793	13,951	33,986
Other expenditures	1,625	1,625	926	699	1,008
Total Expenditures	710,278	735,233	711,060	24,173	747,822
Net Change in Fund Balances	66,172	43,826	91,311	47,485	16,994
Fund Balances, July 1	84,406	84,406	84,406	-	67,412
Fund Balances, June 30	<u>\$ 150,578</u>	<u>\$ 128,232</u>	<u>\$ 175,717</u>	<u>\$ 47,485</u>	<u>\$ 84,406</u>

Independent School District No. 2397
Le Sueur, 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			Variance with Final Budget	2020
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
Revenues					
Local property tax levies	\$ 1,138,091	\$ 1,076,882	\$ 1,078,864	\$ 1,982	\$ 1,021,523
Interest earned on investments	8,500	8,500	1,604	(6,896)	13,277
Revenue from state sources	233,410	294,619	294,658	39	233,365
Total Revenues	1,380,001	1,380,001	1,375,126	(4,875)	1,268,165
Expenditures					
Debt service					
Principal	1,200,000	7,320,000	7,320,000	-	1,155,000
Interest and other costs	188,771	242,406	253,315	(10,909)	217,919
Total Expenditures	1,388,771	7,562,406	7,573,315	(10,909)	1,372,919
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,770)	(6,182,405)	(6,198,189)	(15,784)	(104,754)
Other Financing Sources (Uses)					
Bonds issued	-	6,184,004	5,580,000	(604,004)	-
Premium on bonds issued	-	-	617,353	617,353	-
Total Other Financing Sources (Uses)	-	6,184,004	6,197,353	13,349	-
Net Change in Fund Balances	(8,770)	1,599	(836)	(2,435)	(104,754)
Fund Balances, July 1	316,794	316,794	316,794	-	421,548
Fund Balances, June 30	\$ 308,024	\$ 318,393	\$ 315,958	\$ (2,435)	\$ 316,794

Independent School District No. 2397
 Le Sueur, Minnesota
 Schedules of Tax Capacity, Tax Levy and Tax Rates
 For the Years Ended June 30, 2021 and 2020

	2021	2020
Tax Capacity		
Agricultural	\$ 4,594,065	\$ 4,777,763
Nonagricultural	6,494,198	6,223,563
Total	\$ 11,088,263	\$ 11,001,326
Tax Levy		
General	\$ 1,640,333	\$ 1,534,508
Community Service	96,668	92,393
Debt Service	1,284,177	1,371,484
Total	\$ 3,021,178	\$ 2,998,385
Tax Capacity Rates		
General	5.383	5.661
Community Service	0.872	0.840
Debt Service	11.584	12.469
Total	17.839	18.970

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OTHER REPORTS

INDEPENDENT SCHOOL DISTRICT NO. 2397
LE SUEUR, MINNESOTA

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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. 2397
Le Sueur, 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. 2397, Le Sueur, 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.

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 Districts*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, except as described in the Schedule of Findings, Responses and Questioned Costs as item 2021-001. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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

Abdo
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. 2397
Le Sueur, 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 aggregate remaining fund information of the Independent School District No. 2397, Le Sueur, 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. 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, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* listed below as items 2021-001 and 2021-002.

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. 2397
LE SUEUR, 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. 2397
Le Sueur, Minnesota

Compliance

We have audited the compliance of Independent School District No. 2397, Le Sueur, Minnesota 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 programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

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



Independent School District No. 2397
Le Sueur, 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	National School Lunch Program - Commodities*	10.555	1000004100	\$ 28,957	
U.S. Department of Agriculture	Minnesota Department of Education	Special Milk Program for Children	10.556	1000004100	277	
U.S. Department of Agriculture	Minnesota Department of Education	Summer Food Service Program for Children	10.559	1000004100	<u>428,214</u>	
		Total Child Nutrition Cluster				\$ 457,448
U.S. Department of Education	Minnesota Department of Education	Special Education Grants to States	84.027	Unknown	42,623	
U.S. Department of Education	Minnesota Department of Education	Special Education Preschool Grants	84.173	Unknown	<u>12,000</u>	
		Total Special Education Cluster				54,623
U.S. Department of Education	Minnesota Department of Education	Adult Education - Basic Grants to State	84.002	Unknown	11,414	
U.S. Department of Education	Minnesota Department of Education	Title I Grants to Local Educational Agencies	84.010	S010A150023A	122,111	
U.S. Department of Education	Minnesota Department of Education	English Language Acquisition Grants	84.365	S365A150023A	4,997	
U.S. Department of Education	Minnesota Department of Education	Improving Teacher Quality State Grants	84.367	S367A150022	17,459	
U.S. Department of Education	Minnesota Department of Education	COVID-19 - Governors Emergency Relief Fund	84.425C	Unknown	22,664	
U.S. Department of Education	Minnesota Department of Education	COVID-19 - Education Stabilization Fund Under The Coronavirus Aid, Relief And Economic Security Act	84.425D	Unknown	103,322	
U.S. Department of Treasury	Nicollet County	COVID-19 - Coronavirus Relief Fund	21.019C	Unknown	7,500	
U.S. Department of Treasury	Le Sueur County	COVID-19 - Coronavirus Relief Fund	21.019C	Unknown	18,400	
U.S. Department of Education	Minnesota Department of Revenue	COVID-19 - Coronavirus Relief Fund	21.019C	Unknown	275,621	
U.S. Department of Treasury	Minnesota Department of Revenue	COVID-19 - State and Local Fiscal Recovery Fund	21.027C	Unknown	<u>11,036</u>	
		Total Other Programs				<u>594,524</u>
		Total Expended				<u>\$ 1,106,595</u>

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

Independent School District No. 2397
Le Sueur, 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. 2397, Le Sueur, 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. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, Cost Principles for Non-Profit-Organizations, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Pass-Through Entity Identifying Numbers

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

Note 4: Subrecipients

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% de minimis indirect cost rate allowed under the Uniform Guidance.

Independent School District No. 2397
 Le Sueur, 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 2CFR section 200.516(a) of the Uniform Guidance?	No

Identification of Major Programs/Clusters

	CFDA No.
Child Nutrition Cluster	
National School Lunch Program - Commodities	10.555
Special Milk Program for Children	10.556
Summer Food Service Program for Children	10.559
COVID-19 - 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?	No

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.

Other Issues

A Corrective Action Plan is not required because there were no findings required to be reported under the Federal Single Audit Act.

Independent School District No. 2397
Le Sueur, Minnesota
Schedule of Findings, Responses and Questioned Costs
For the Year Ended June 30, 2021

2021-001 Claims Approval

Condition: We conducted an audit under the provisions of the Minnesota Legal Compliance Audit Guide for School Districts. This audit for legal compliance requires a review of the District's claims and disbursements. Our study indicated an instance of non-compliance that we believe should be remedied.

Criteria: Minnesota Statute § 412.271, subd. 1 directs all claims be audited and allowed by the School Board. Meaning all claims paid by the District are required to be approved by the School Board at the District's monthly meetings. We noted instances throughout the year where there were gaps in the meetings that the School board was approving claims, thereby not approving claims timely.

Cause: The current process of claims approval is to have the Treasurer review claims before the check register is brought to the School Board resulting in untimely approval.

Effect: This does not permit a clear process to document that all disbursements have been approved by the School Board.

Recommendation: We recommend that monthly check registers are included in each School Board meeting.

Management Response:

All disbursements will be included in future check register reports.

2021-002 Student Activity Purpose Summaries

Condition: During our audit procures, it came to our attention that the District did not have Activity Purpose Summary for their student activities.

Criteria: UFARS Chapter 14 requires the District to have Activity Purpose Summaries in place for all student activity groups.

Cause: The District did not have Activity Purpose Summaries for their student activities.

Effect: The District is out of compliance with UFARS requirements.

Recommendation: We recommend that the District develops an Activity Purpose Summary for all groups to fill out at the beginning of each school year.

Management Response:

The District is aware of the situation and plans to implement procedures to ensure Activity Purpose Summaries are put in place.

2021-001 Claims Approval

Corrective Action Plan (CAP):

1. Explanation of Disagreement with Audit Finding

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding

The Business Manager continues training dealing with governmental financial/accounting practices.

3. Official Responsible for Ensuring CAP

Jim Wagner, Superintendent of Schools, is the official responsible for ensuring continued implementation of certain control measures.

4. Planned Completion Date for CAP

June 30, 2022.

5. Plan to Monitor Completion of CAP

The Le Sueur-Henderson School Board monitors this corrective action plan.

Sincerely,

Jim Wagner
Superintendent of Schools

DRAFT

2021-002 Student Activity Purpose Summaries

Corrective Action Plan (CAP):

6. Explanation of Disagreement with Audit Finding

There is no disagreement with the audit finding.

7. Actions Planned in Response to Finding

The Business Manager continues training dealing with governmental financial/accounting practices.

8. Official Responsible for Ensuring CAP

Jim Wagner, Superintendent of Schools, is the official responsible for ensuring continued implementation of certain control measures.

9. Planned Completion Date for CAP

June 30, 2022.

10. Plan to Monitor Completion of CAP

The Le Sueur-Henderson School Board monitors this corrective action plan.

Sincerely,

Jim Wagner
Superintendent of Schools

DRAFT



Management Communication

DRAFT

Independent School District No. 2397

Le Sueur, Minnesota

For the year ended June 30, 2021



Edina Office

5201 Eden Avenue, Ste 250
Edina, MN 55436
P 952.835.9090
F 952.835.3261

Mankato Office

100 Warren Street, Ste 600
Mankato, MN 56001
P 507.625.2727
F 507.388.9139

NEED DATE

To Management and the Members of the School Board
Independent School District No. 2397
Le Sueur, Minnesota

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 2397, Le Sueur, Minnesota (the District) for the year ended June 30, 2021, and have issued our report thereon dated NEED DATE. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 22, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

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. 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, 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. Also in accordance with the Uniform Guidance, we examined, on a test basis, evidence about the District's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Compliance Supplement" applicable to each of its major federal programs for the purpose of expressing an opinion on the District's compliance with those requirements and for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs. 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 two instances of noncompliance or other matters that are required to be reported in accordance with the Uniform Guidance, Government Auditing Standards or Minnesota statutes.

2021-001 Claims Approval

Condition: We conducted an audit under the provisions of the Minnesota Legal Compliance Audit Guide for School Districts. This audit for legal compliance requires a review of the District's claims and disbursements. Our study indicated an instance of non-compliance that we believe should be remedied.

Criteria: Minnesota Statute § 412.271, subd. 1 directs all claims be audited and allowed by the School Board. Meaning all claims paid by the District are required to be approved by the School Board at the District's monthly meetings. We noted instances throughout the year where there were gaps in the meetings that the School board was approving claims, thereby not approving claims timely.

Cause: The current process of claims approval is to have the Treasurer review claims before the check register is brought to the School Board resulting in untimely approval.

Effect: This does not permit a clear process to document that all disbursements have been approved by the School Board.

Recommendation: We recommend that monthly check registers are included in each School Board meeting.

Management Response:

All disbursements will be included in future check register reports.

2021-002 Student Activity Purpose Summaries

Condition: During our audit procures, it came to our attention that the District did not have Activity Purpose Summary for their student activities.

Criteria: UFARS Chapter 14 requires the District to have Activity Purpose Summaries in place for all student activity groups.

Cause: The District did not have Activity Purpose Summaries for their student activities.

Effect: The District is out of compliance with UFARS requirements.

Recommendation: We recommend that the District develops an Activity Purpose Summary for all groups to fill out at the beginning of each school year.

Management Response:

The District is aware of the situation and plans to implement procedures to ensure Activity Purpose Summaries are put in place.



Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies were not changed during the year ended June 30, 2021. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the schedules were as follows:

- Management's estimate of capital asset basis is based on estimated historical cost of the capital assets and depreciation is based on the estimated useful lives of capital assets.
- Management's estimate of amounts receivable from the Minnesota Department of Education are based on pupil unit data provided by MDE.
- Management's estimate of its OPEB liability is based on several factors including, but not limited to, anticipated retirement age for active employees, life expectancy, turnover, and healthcare cost trend rate. We evaluated the key factors and assumptions used to develop these accounting estimates in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of its pension liability is based on several factors including, but not limited to, anticipated investment return rate, retirement age for active employees, life expectancy, salary increases, and form of annuity payment upon retirement. We evaluated the key factors and assumptions used to develop this estimate in determining that it is reasonable in relation to the schedules taken as a whole.

Management's estimate of capital asset basis is based on estimated historical cost of the capital assets and depreciation is based on the estimated useful lives of capital assets. Management's estimate of amounts receivable from the Minnesota Department of Education are based on pupil unit data provided by MDE. Management's estimate of its OPEB and pension liability is based on several factors including, but not limited to, anticipated retirement age for active employees, life expectancy, turnover, and healthcare cost trend rate. We evaluated the key factors and assumptions used to develop these accounting estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.



Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated NEED DATE.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) (Management's Discussion and Analysis, the Schedules of Employer's Share of the Net Pension Liability, the Schedules of Employer's Contributions and the Schedule of Changes in the District's Net OPEB Liability and Related Ratios), which is information that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information (individual fund schedules and table and schedule of federal awards), which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory section, which accompany the financial statements but is not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.



Future Accounting Standard Changes

The following Governmental Accounting Standards Board (GASB) Statements have been issued and may have an impact on future District financial statements: ⁽¹⁾

GASB Statement No. 87 - Leases

Summary

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

Effective Date and Transition

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

How the Changes in This Statement Will Improve Financial Reporting

Leases should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation (or, if applied to earlier periods, the beginning of the earliest period restated). However, lessors should not restate the assets underlying their existing sales-type or direct financing leases. Any residual assets for those leases become the carrying values of the underlying assets.

GASB Statement No. 91 - Conduit Debt Obligations

Summary

The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.



Future Accounting Standard Changes (Continued)

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

Effective Date and Transition

The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

How the Changes in This Statement Will Improve Accounting and Financial Reporting

The requirements of this Statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The clarified definition will resolve stakeholders' uncertainty as to whether a given financing is, in fact, a conduit debt obligation. Requiring issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations also will eliminate diversity, thereby improving comparability in reporting by issuers. Revised disclosure requirements will provide financial statement users with better information regarding the commitments issuers extend and the likelihood that they will fulfill those commitments. That information will inform users of the potential impact of such commitments on the financial resources of issuers and help users assess issuers' roles in conduit debt obligations.

GASB Statement No. 92 - Omnibus 2020

Summary

The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statements No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments.



Future Accounting Standard Changes (Continued)

Effective Date and Transition

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020.

Earlier application is encouraged and is permitted by topic.

How the Changes in This Statement Will Improve Accounting and Financial Reporting

The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. More comparable reporting will improve the usefulness of information for users of state and local government financial statements.

GASB Statement No. 93 - Replacement of Interbank Offered Rates

Summary

The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended

Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend



Future Accounting Standard Changes (Continued)

Effective Date and Transition

The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Earlier application is encouraged. The exceptions to the existing provisions for hedge accounting termination and lease modifications in this Statement will reduce the cost of the accounting and financial reporting ramifications of replacing IBORs with other reference rates. The reliability and relevance of reported information will be maintained by requiring that agreements that effectively maintain an existing hedging arrangement continue to be accounted for in the same manner as before the replacement of a reference rate. As a result, this Statement will preserve the consistency and comparability of reporting hedging derivative instruments and leases after governments amend or replace agreements to replace an IBOR.

How the Changes in This Statement Will Improve Accounting and Financial Reporting

The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. More comparable reporting will improve the usefulness of information for users of state and local government financial statements.

GASB Statement No. 95 - *Postponement of the Effective Dates of Certain Authoritative Guidance*

Summary

The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, Certain Asset Retirement Obligations
- Statement No. 84, Fiduciary Activities
- Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements
- Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period
- Statement No. 90, Majority Equity Interests
- Statement No. 91, Conduit Debt Obligations
- Statement No. 92, Omnibus 2020
- Statement No. 93, Replacement of Interbank Offered Rates
- Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)
- Implementation Guide No. 2018-1, Implementation Guidance Update—2018
- Implementation Guide No. 2019-1, Implementation Guidance Update—2019
- Implementation Guide No. 2019-2, Fiduciary Activities.

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, Leases
- Implementation Guide No. 2019-3, Leases.

Effective Date and Transition

The requirements of this Statement are effective immediately.

How the Changes in This Statement Will Improve Accounting and Financial Reporting

Providing governments with sufficient time to apply the authoritative guidance addressed in this Statement will help to safeguard the reliability of their financial statements, which in turn will benefit the users of those financial statements.



Future Accounting Standard Changes (Continued)

GASB Statement No. 96 - Subscription-Based Information Technology Arrangements

Summary

This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

Under this Statement, a government generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. A government should recognize the subscription liability at the commencement of the subscription term, —which is when the subscription asset is placed into service. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments should be discounted using the interest rate the SBITA vendor charges the government, which may be implicit, or the government’s incremental borrowing rate if the interest rate is not readily determinable. A government should recognize amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods.

Future Accounting Standard Changes (Continued)

This Statement provides an exception for short-term SBITAs. Short-term SBITAs have a maximum possible term under the SBITA contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Subscription payments for short-term SBITAs should be recognized as outflows of resources.

This Statement requires a government to disclose descriptive information about its SBITAs other than short-term SBITAs, such as the amount of the subscription asset, accumulated amortization, other payments not included in the measurement of a subscription liability, principal and interest requirements for the subscription liability, and other essential information.

Effective Date and Transition

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement.

How the Changes in This Statement Will Improve Accounting and Financial Reporting

The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government’s financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government’s SBITA activities and evaluate a government’s obligations and assets resulting from SBITAs.



Future Accounting Standard Changes (Continued)

GASB Statement No. 97 - *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*

Summary

The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

This Statement requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or another employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform.

This Statement also requires that the financial burden criterion in paragraph 7 of Statement No. 84, Fiduciary Activities, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, Financial Reporting for Pension Plans, or paragraph 3 of Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, respectively.

This Statement (1) requires that a Section 457 plan be classified as either a pension plan or another employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities.

This Statement supersedes the remaining provisions of Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, as amended, regarding investment valuation requirements for Section 457 plans. As a result, investments of all Section 457 plans should be measured as of the end of the plan's reporting period in all circumstances.

Effective Date and Transition

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement.

The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance.



Future Accounting Standard Changes (Continued)

How the Changes in This Statement Will Improve Accounting and Financial Reporting

The requirements of this Statement will result in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. The requirements also will enhance the relevance, consistency, and comparability of (1) the information related to Section 457 plans that meet the definition of a pension plan and the benefits provided through those plans and (2) investment information for all Section 457 plans.

⁽¹⁾ *Note.* From GASB Pronouncements Summaries. Copyright 2021 by the Financial Accounting Foundation, 401 Merritt 7, Norwalk, CT 06856, USA, and is reproduced with permission.

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Restriction on Use

This communication is intended solely for the information and use of the members of the School Board, management and others within the administration of the District, federal awarding agencies and the Minnesota Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

The comments and recommendations in the report are purely constructive in nature, and should be read in this context. Our audit would not necessarily disclose all weaknesses in the system because it was based on selected tests of the accounting records and related data.

If you have any questions or wish to discuss any of the items contained in this letter, please feel free to contact us at your convenience. We wish to thank you for the opportunity to be of service and for the courtesy and cooperation extended to us by your staff.

Abdo
Mankato, Minnesota
NEED DATE

DRAFT



RESOLUTION ESTABLISHING COMBINED POLLING PLACES
FOR MULTIPLE PRECINCTS AND
DESIGNATING HOURS DURING WHICH THE POLLING
PLACES WILL REMAIN OPEN FOR VOTING
FOR SCHOOL DISTRICT ELECTIONS NOT HELD
ON THE DAY OF A STATEWIDE ELECTION

BE IT RESOLVED by the School Board of Independent School District No.2397, State of Minnesota, as follows:

1. Pursuant to Minnesota Statutes, Section 205A.11, the precincts and polling places for school district elections are those precincts or parts of precincts located within the boundaries of the school district which have been established by the cities or towns located in whole or in part within the school district. The board hereby confirms those precincts and polling places so established by those municipalities.

2. Pursuant to Minnesota Statutes, Section 205A.11, the board may establish a combined polling place for several precincts for school district elections not held on the day of a statewide election. **Each combined polling place must be a polling place that has been designated by a county or municipality.** The following combined polling places are established to serve the precincts specified for all school district special and general elections not held on the same day as a statewide election:

Combined Polling Place:

Precinct 1: encompasses all territory in Independent School District 2397 located in Ottawa Township; those portions of Tyrone, Sharon, Derrynane, Kasota and Kelso Townships located within the boundaries of Independent School District 2397; that portion of Nicollet County located within the boundaries of Independent School District 2397; and all of the City of Le Sueur.

The polling place for Precinct 1 is: Le Sueur City Hall
203 South 2nd Street
Le Sueur, MN 56058

Precinct 2: encompasses all territory in Independent School District 2397 located in Henderson Township; those portions of Arlington, Jessenland, Faxon and Washington Lake Townships located within the boundaries of Independent School District 2397; that portion of Scott County

located within the boundaries of Independent School District 2397; and all of the City of Henderson.

The polling place for Precinct 2 is: Henderson City Hall
600 Main Street
Henderson, MN 56044

3. Pursuant to Minnesota Statutes, Section 205A.09, the polling places will remain open for voting for school district elections not held on the same day as a statewide election between the hours of 7:00 a.m. and 8:00 p.m.

4. The clerk is directed to file a certified copy of this resolution with the county auditors of each of the counties in which the school district is located, in whole or in part, within thirty (30) days after its adoption.

5. As required by Minnesota Statutes, Section 204B.16, Subdivision 1a, the clerk is hereby authorized and directed to give written notice of new polling place locations to each affected household with at least one registered voter in the school district whose school district polling place location has been changed. The notice must be a nonforwardable notice mailed at least twenty-five (25) days before the date of the first election to which it will apply. A notice that is returned as undeliverable must be forwarded immediately to the appropriate county auditor, who shall change the registrant's status to "challenged" in the statewide registration system.

Adopted this _____ day of _____, 20____.

Signed:

School Board Chair, Brigid Tuck

Attest:

School Board Clerk, Kelsey Schwartz

FORM A

**RESOLUTION OF GOVERNING BOARD SUPPORTING
FORM A APPLICATION TO MINNESOTA
STATE HIGH SCHOOL LEAGUE FOUNDATION**

WHEREAS, the Minnesota State High School League Foundation was formed to provide support for Minnesota’s high school youth to participate in athletics and fine arts;

WHEREAS, the Governing Board of LeSueur-Henderson recognizes the value of student participation in extracurricular activities; and

WHEREAS, the MSHSL Foundation is offering grants and funding to assist schools in recognizing, promoting and funding extracurricular participation by high school students in athletic and fine arts programs.

THEREFORE, BE IT RESOLVED, that the Governing Board of LeSueur-Henderson supports the school’s application to the Minnesota State High School League Foundation for a **FORM A** grant to offset student activity fees.

Date

Board Chair/Head of School

Date

Board Clerk – Treasurer/ Finance Director