

INDEPENDENT SCHOOL DISTRICT NO. 518

FINANCIAL STATEMENTS
AS OF JUNE 30, 2021

INDEPENDENT SCHOOL DISTRICT NO. 518

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INDEPENDENT SCHOOL DISTRICT NO. 518

SCHOOL DISTRICT OFFICIALS

JUNE 30, 2021

Ms. Lori Dudley	December 31, 2022	Chairman
Mr. Joel Lorenz	December 31, 2024	Vice-Chairman
Mr. Stephen Schneider	December 31, 2024	Clerk
Mr. Bradley Shaffer	December 31, 2024	Treasurer
Mr. Adam Blume	December 31, 2022	Director
Mr. Michael Harberts	December 31, 2022	Director
Mr. Tom Prins	December 31, 2024	Director
Mr. John Landgaard		Superintendent
Mr. David Skog		Director of Management Services

DREALAN KVILHAUG HOEFKER & CO., P.A.

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WAYNE W. DREALAN, CPA - RETIRED
ELLEN K. HOEFKER, MBA, CPA
GREG H. KVILHAUG, CPA, CFP

VICKIE L. KUIPERS, EA
CINDY M. PENNING, CPA

INDEPENDENT AUDITOR'S REPORT

To the Members of the School Board
Independent School District No. 518
Worthington, 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 Independent School District No. 518 (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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information the District, as of June 30, 2021, and the respective changes in financial position and the respective budgetary comparison for the general fund, food service fund, and the community service fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report of Summarized Comparative Information

We have previously audited the District's 2019 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and we expressed unmodified audit opinions on those audited financial statements in our report dated November 10, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of funding progress for postemployment benefits plan and the schedules of proportionate share of net pension liability and employer contributions on pages 4-18, 86-88 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 uniform financial accounting and reporting standards compliance table and combining and individual nonmajor fund financial statements, are presented for 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 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 uniform financial accounting and reporting standards compliance table, the combining and individual nonmajor fund financial statements, 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 nonmajor fund financial statements 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 and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2021, 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 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 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.

Drealar Kvilhaug Hoefker & Co., P.A.

Worthington, Minnesota
November 4, 2021

INDEPENDENT SCHOOL DISTRICT NO. 518
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2020-2021 fiscal year include the following:

- Overall actual expenses in the Statement of Activities were more than \$51,879,000 and over \$7,245,000 less than revenues.
- The District's General Fund unassigned fund balance (under the governmental fund presentation) increased \$3,223,515 from the prior year..
- The COVID-19 pandemic which began in March 2020 caused a major disruption to the District's operations.
- The District completed the \$7,000,000 renovation of the Trojan Field Athletic complex which replaces the existing grass field with a turf field, realigns the track to provide a regulation soccer field, replaces the original 1956 bleachers and fieldhouse. Long Term Facility Maintenance and general revenues funded a portion of this project.
- Construction started for the new Intermediate School building. Planning and Design began for a new Community Education building.
- The District's VIBE online education program was realigned to better serve students.

INDEPENDENT SCHOOL DISTRICT NO. 518
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts - Independent Auditor's Report, required supplementary information which includes the Management's Discussion and Analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

Government-Wide Statements

The government-wide statements, (Statement of Net Position and Statement of Activities) report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and it has changed. Net position - the difference between the District's assets and liabilities - is one way to measure the District's financial health.

- Over time, increases or decreases in the District's net position are indicators of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities need to be considered.

In the government-wide financial statements, the District's activities are shown in one category titled "governmental activities":

- Governmental activities - Most of the District's basic services are included here, such as regular and special education, transportation, administration, food services, and community education. Property taxes and state aids finance most of these activities.

INDEPENDENT SCHOOL DISTRICT NO. 518
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds - focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

For Minnesota schools, funds are established in accordance with Uniform Financial Accounting and Reporting Standards in accordance with statutory requirements and accounting principles generally accepted in the United States of America.

- Some funds are required by State law and bond covenants.
- The District establishes other funds to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show proper utilization of certain revenues (e.g., federal grants).

The District maintains two kinds of funds:

- Governmental funds - Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, we provide additional information on separate statements that explain the relationship (or differences) between them.
- Fiduciary funds - The District is the trustee, or fiduciary, for the District 518 Foundation Trust fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

INDEPENDENT SCHOOL DISTRICT NO. 518
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's combined net position was \$41,747,828 on June 30, 2021. (See Table A-1.)

Table A-1
 Independent School District No. 518
 Net Position-Governmental Activities
 As of June 30

	2021	2020	Percentage Change
Current and other assets	\$ 89,289,874	\$ 102,301,604	(12.72%)
Capital assets	72,847,780	53,011,697	37.42%
Total assets	\$ 162,137,654	\$ 155,313,301	4.39%
Deferred Outflows of Resources	\$ 13,103,450	\$ 19,668,562	(33.38%)
Long-term liabilities	\$ 96,354,870	\$ 94,861,050	1.57%
Other liabilities	8,532,904	6,785,094	25.76%
Total liabilities	\$ 104,887,774	\$ 101,646,144	3.19%
Deferred Inflows of Resources	\$ 28,605,502	\$ 38,670,267	(26.03%)
Net Position			
Net investment in capital assets	\$ 34,938,832	\$ 25,738,484	35.75%
Restricted	16,370,432	16,762,807	(2.34%)
Unrestricted	(9,561,436)	(7,835,839)	22.02%
Total net position	\$ 41,747,828	\$ 34,665,452	20.43%

The District's financial position increased during the year.

Changes in net position. The District's total revenues were \$59,257,639 for the year ended June 30, 2021. Property taxes and state formula aid accounted for 60.03% of total revenue for the year. (See Table A-2.) Another 2.13% came from other general revenues combined with investment earnings and the remainder from program revenues.

The total cost of all programs and services was \$52,042,388. The District's expenses are predominantly related to educating and caring for students (62.50%).

Total revenues exceeded expenditures, increasing net position \$7,082,376 from last year.

INDEPENDENT SCHOOL DISTRICT NO. 518
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

Changes in net position (continued)

Table A-2 is similar to the fund financial statements except it is presented on an accrual basis of accounting, and it includes all of the governmental activities of the District. It also includes depreciation expense and excludes capital asset purchase costs, debt issuance proceeds and the repayment of debt principal.

	2021	2020	Percentage Change
Revenues			
Program revenues			
Charges for services	\$ 831,741	\$ 1,360,697	(38.87%)
Operating grants and contributions	20,747,752	18,883,960	9.87%
Capital grants and contributions	1,622,657	1,904,714	(14.81%)
General revenues			
Property taxes	7,903,442	5,773,633	36.89%
State aid - formula grants	27,668,253	29,779,304	(7.09%)
Other	483,794	1,940,406	(75.07%)
Total revenues	<u>\$ 59,257,639</u>	<u>\$ 59,642,714</u>	(0.65%)
Expenses			
District and school administration	\$ 1,107,163	\$ 1,133,830	(2.35%)
District support services	1,138,549	1,152,070	(1.17%)
Regular instruction	14,296,226	22,096,963	(35.30%)
Exceptional instruction	7,436,310	7,827,106	(4.99%)
Vocational instruction	591,029	585,667	0.92%
Instructional support services	4,182,478	3,505,394	19.32%
Pupil support services	6,024,820	6,191,060	(2.69%)
Site, buildings and equipment	12,902,494	6,277,287	105.54%
Fiscal and other fixed cost programs	2,111,069	1,525,154	38.42%
Community education and services	2,252,250	1,869,387	20.48%
Total expenses	<u>\$ 52,042,388</u>	<u>\$ 52,163,918</u>	(0.23%)
Change in net position before special item	\$ 7,215,251	\$ 7,478,796	
Special items	<u>(132,875)</u>	<u>8,947</u>	
Change in net position	\$ 7,082,376	\$ 7,487,743	
Beginning net position	34,665,452	26,995,213	
Change in accounting principle (Note 17)	-	182,496	
Beginning net position, restated	<u>\$ 34,665,452</u>	<u>\$ 27,177,709</u>	
Net position - June 30	<u>\$ 41,747,828</u>	<u>\$ 34,665,452</u>	

INDEPENDENT SCHOOL DISTRICT NO. 518
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

Figure A-3 Sources of Independent School District 518's Revenues for Fiscal Year 2021

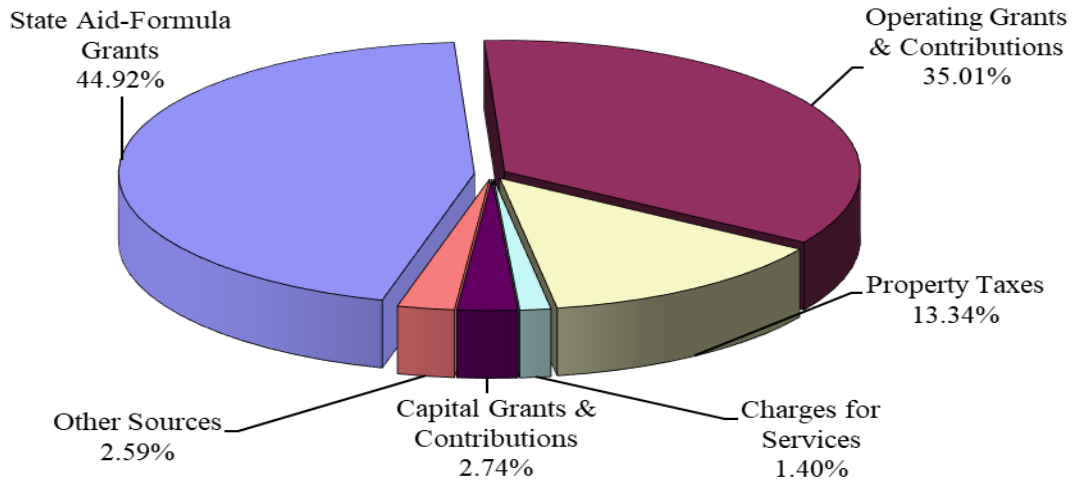
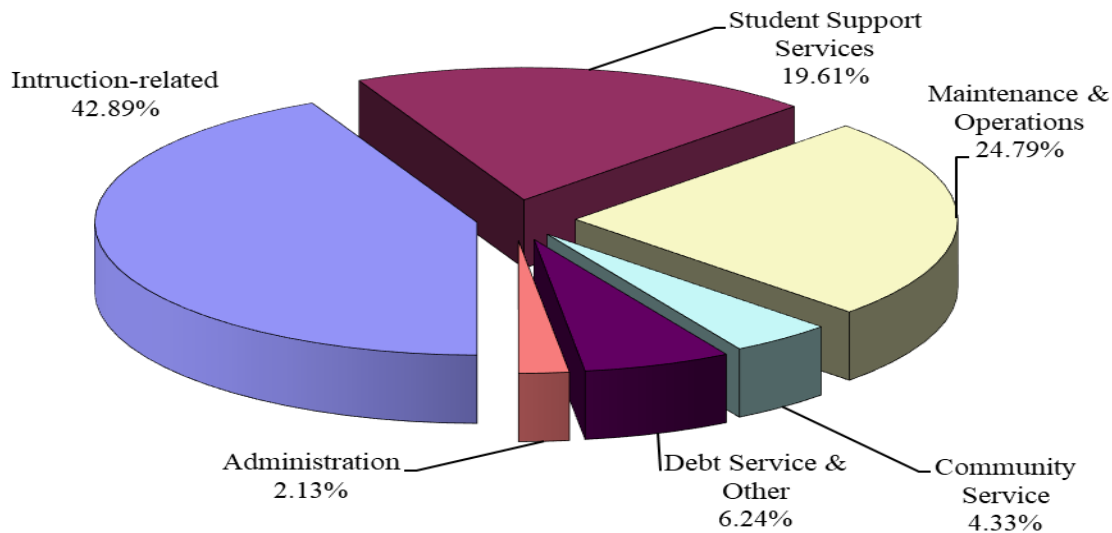


Figure A-4 Independent School District 518's Expenses for Fiscal Year 2021



- The cost of all governmental activities this year was \$52,042,388.
- Some of the cost was paid by the users of the District's programs (\$831,741).
- The federal and state governments subsidized certain programs with grants and contributions (\$20,747,752 operating, \$1,622,657 capital).
- Most of the District's costs (\$28,840,238), however, were paid for by District taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with \$7,903,442 in property taxes, \$26,616,701 of state aid based on the statewide education aid formula, and with investment earnings and other general revenues.

INDEPENDENT SCHOOL DISTRICT NO. 518
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

Table A-3
 Independent School District No. 518
 Net Cost of Governmental Activities
 For the Year Ended June 30

	2021		2020
	Total Cost of Services	Net Cost of Services	Net Cost of Services
District and school administration	\$ 1,107,163	\$ 1,080,202	\$ 1,128,412
District support services	1,138,549	1,113,315	1,090,305
Regular instruction	14,296,226	4,608,172	12,904,994
Exceptional instruction	7,436,310	2,475,180	2,587,018
Vocational instruction	591,029	552,264	529,068
Instructional support services	4,182,478	2,573,645	2,928,987
Pupil support services	6,024,820	3,191,224	2,773,656
Site, buildings and equipment	12,902,494	11,295,228	4,647,013
Fiscal and other fixed cost programs	2,111,069	1,807,033	1,235,893
Community education and services	2,252,250	143,975	189,201
Total	<u>\$ 52,042,388</u>	<u>\$ 28,840,238</u>	<u>\$ 30,014,547</u>

The total cost of district services was \$52,042,388 as compared to the prior year total cost of district services of \$53,895,769, a decrease of \$1,853,408.

When program specific revenues are considered, the net service cost was \$28,840,238, which represents a decrease of \$1,174,309 from the prior year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$75,025,868, a decrease of \$13,725,880 from the June 30, 2020 combined fund balance of \$88,751,748, or a 15.47% decrease.

Revenues for the District's governmental funds were \$59,195,619, while total expenditures were \$72,998,999.

INDEPENDENT SCHOOL DISTRICT NO. 518
MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021

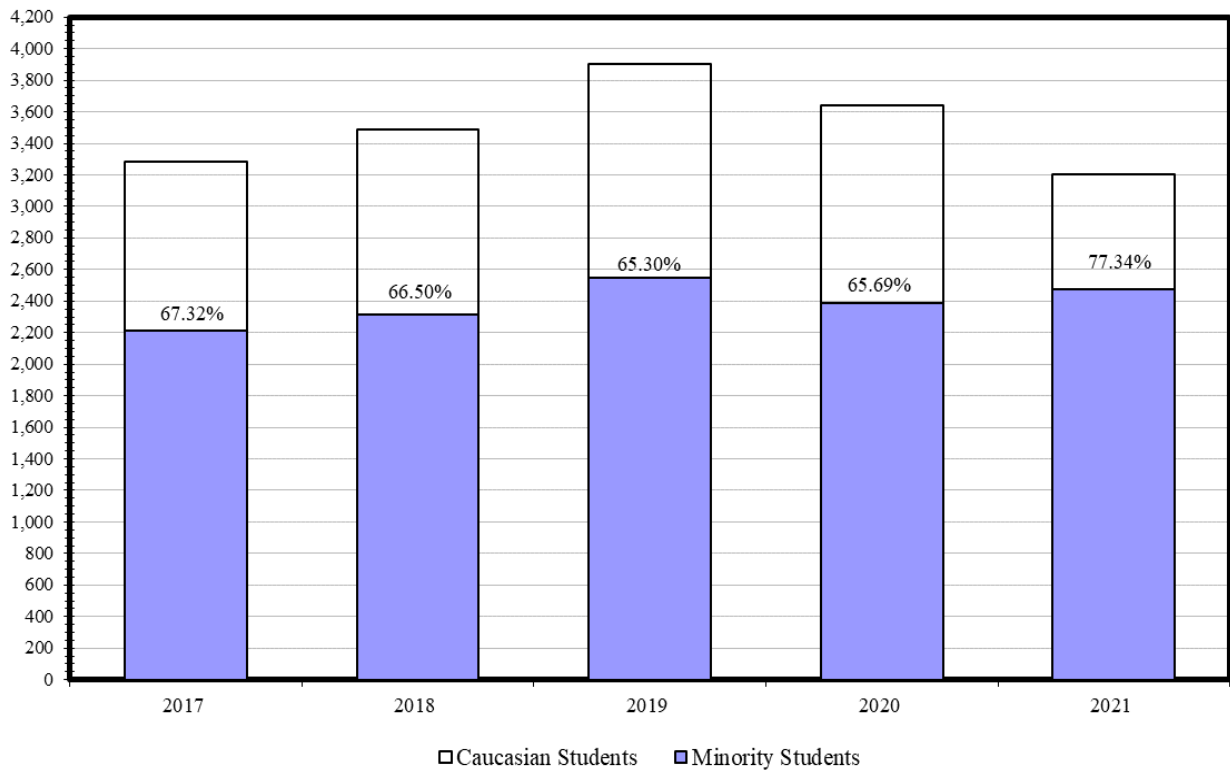
FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (Continued)

General Fund

The General Fund includes the primary operations of the District in providing educational services to students from pre-kindergarten through grade 12, including pupil transportation activities and capital outlay projects.

The following graph shows that the total number of students enrolled over the last five years.

Students (Average Daily Membership)



Over the past few years, the District has seen an increasing enrollment. Fiscal Year 2020 and 2021 decreases occurred with a restructuring of the District’s online education program and the COVID 19 Pandemic.

Based on the District’s birth to age 5 census counts and enrollment projections, we anticipate enrollment increases the next few years. New residents along with an increase in the number of students open enrolling in our District are factors in the increase.

Chart above includes the on-line program students. Without those students being represented in the calculation the minority student population increases to 80.29 percent for seat-based students.

INDEPENDENT SCHOOL DISTRICT NO. 518
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (Continued)

General Fund (continued)

The following schedule presents a summary of General Fund revenues (including operating, pupil transportation, and capital expenditure accounts).

	Year Ended June 30, 2020	Year Ended June 30, 2021	Amount of Increase (Decrease)	Percent Increase (Decrease)
Local Sources				
Property taxes	\$ 4,224,786	\$ 4,562,151	\$ 337,365	7.99%
Interest earnings	685,473	112,050	(573,423)	(83.65%)
Other	1,627,589	1,229,959	(397,630)	(24.43%)
State sources	44,297,864	41,381,299	(2,916,565)	(6.58%)
Federal sources	1,402,581	2,927,386	1,524,805	108.71%
Total revenues	\$ 52,238,293	\$ 50,212,845	\$ (2,025,448)	(3.88%)
Other financing sources				
Land and equipment sales	68,204	77,500	9,296	13.63%
Total	\$ 52,306,497	\$ 50,290,345	\$ (2,016,152)	(3.85%)

Total General Fund revenue decreased by \$2,016,152 or 3.85% from the previous year. The decrease was due to a reduction of the online VIBE program along with enrollment decreases because of the COVID 19 pandemic. Basic general education revenue is determined by a state per student funding formula. Other state-authorized revenue including excess levy referendum and the property tax shift involve an equalized mix of property tax and state aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net change on revenue.

INDEPENDENT SCHOOL DISTRICT NO. 518
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (Continued)

General Fund (continued)

The following schedule presents a summary of General Fund Expenditures (including operating, pupil transportation, and capital expenditure accounts).

	<u>Year Ended</u> <u>June 30, 2020</u>	<u>Year Ended</u> <u>June 30, 2021</u>	<u>Amount of</u> <u>Increase</u> <u>(Decrease)</u>	<u>Percent</u> <u>Increase</u> <u>(Decrease)</u>
Salaries	\$ 23,718,789	\$ 24,430,136	\$ 711,347	3.00%
Benefits	7,327,286	7,664,377	337,091	4.60%
Purchased Services	8,130,021	7,326,024	(803,997)	(9.89%)
Supplies, Materials and Equipment	4,008,267	3,780,587	(227,680)	(5.68%)
Other	6,118,371	4,896,609	(1,221,762)	(19.97%)
Total	<u>\$ 49,302,734</u>	<u>\$ 48,097,733</u>	<u>\$ (1,205,001)</u>	<u>(2.44%)</u>

Total General Fund expenditures decreased \$1,205,001 or 2.44% from the previous year.

In fiscal 2021, salaries increased 3.00% with the addition of staff to meet the needs of increased enrollment. Employee benefits increased by 4.60%. The District continues to investigate cost containment measures to minimize the effect rising insurance premiums have on the costs of the District's employee compensation packages.

In 2020-2021, General Fund revenues and other financing sources exceeded expenditures by \$2,192,612. After deducting statutory restrictions, the unassigned fund balance increased from \$13,633,119 at June 30, 2020, to \$16,856,634 at June 30, 2021.

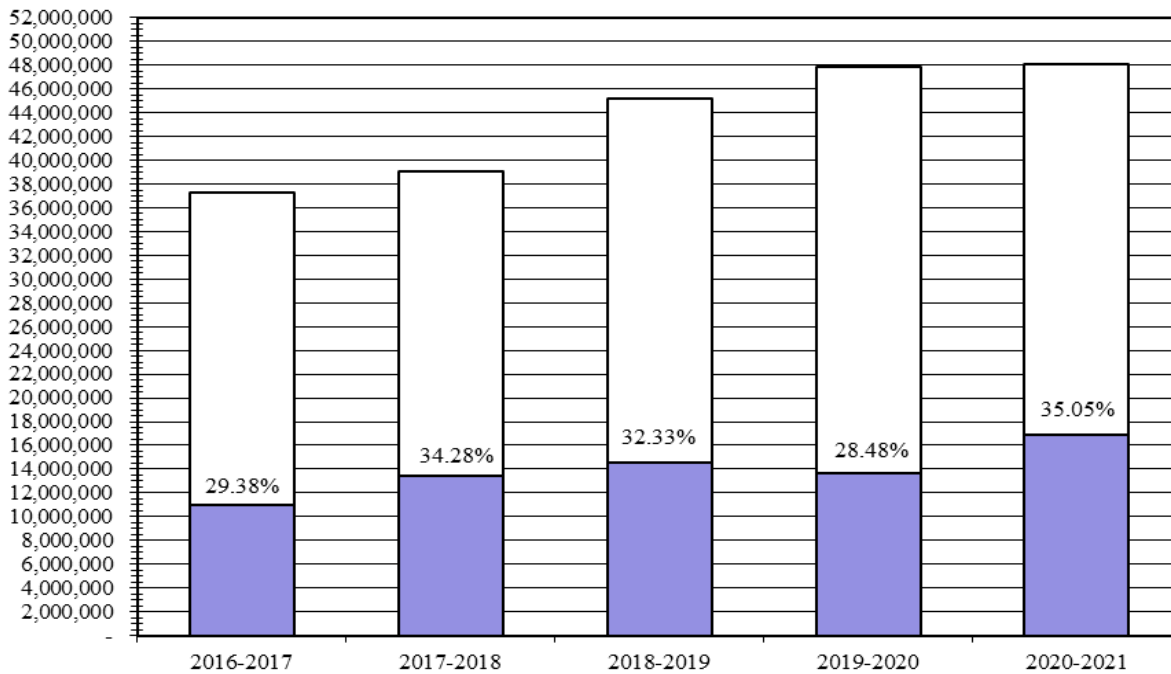
INDEPENDENT SCHOOL DISTRICT NO. 518
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (Continued)

General Fund (continued)

The following graph shows the General Fund unassigned fund balance as a percentage of expenditures.

**General Fund Unassigned Fund Balance as a
Percent of Expenditures**



The graph above is the single best measure of overall financial health. The unassigned fund balance of \$16,856,634 at June 30, 2021, represents 35.05% of annual expenditures or eighteen weeks of operations. Given the current state funding legislation and other economic conditions, the District will continue to monitor its spending and fund balances closely.

	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>	<u>2020-2021</u>
Unassigned fund balance	\$ 10,403,681	\$ 10,938,156	\$ 13,385,123	\$ 14,597,990	\$ 13,633,119	\$ 16,856,634
% Increase (decrease)	10.83%	5.14%	22.37%	9.06%	(6.61%)	23.64%
Expenditures	\$ 41,642,634	\$ 37,236,113	\$ 39,042,172	\$ 45,149,112	\$ 47,872,541	\$ 48,097,733
% Increase (decrease)	24.74%	(10.58%)	4.85%	15.64%	6.03%	6.53%

INDEPENDENT SCHOOL DISTRICT NO. 518
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (Continued)

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget. The budget amendments fall into two categories:

- Implementing budgets for specially funded projects, which include both federal and state grants, debt refunding, and budgeting for clearing, resale, and gifts.
- Increases in appropriations for significant unbudgeted costs.

	Original Budget	Final Budget	Increase (Decrease)	Percent Change
Revenue	\$ 50,515,957	\$ 49,697,500	\$ (818,457)	(1.62%)
Expenditure	\$ 54,169,000	\$ 52,655,500	\$ (1,513,500)	(2.79%)
Other financing sources (uses)	\$ 10,000	\$ 2,000	\$ (8,000)	(80.00%)

While the District's final budget for the general fund anticipated that expenditures and other financing uses would exceed revenues and other financing sources by \$2,956,000, the actual results for the year show that revenues and other financing sources exceeded expenditures and other financing uses by \$2,192,612.

- Actual revenues were \$515,345 more than expected, a variance of 1.04%, due to the State of Minnesota legislation maintaining the District revenues at pre-pandemic levels.
- The actual expenditures were \$4,557,767 under budget or a 8.66% variance. With the pandemic halting many activities savings were realized in afterschool programs and transportation.

Other Governmental Funds

The Food Service Fund expenditures and other financing uses exceeded revenues and other financing sources by \$134,365 compared to a budgeted decrease of \$63,000. The Food Service fund balance decreased to \$804,308 or 35.31% of annual operating expenditures. Student lunch and breakfast prices have seen mandated increases in the past couple of years. Increased free and reduced lunch eligibility helps the Food Service fund to continue to operate on a sound financial basis.

The Community Service Fund revenues exceeded expenditures by \$374,454 leaving a year-end fund balance of \$996,410 or 51.99% of annual expenditures. Curtailment of programs during the pandemic resulted in cost savings and in most cases did not significantly affect revenues.

The Debt Service Fund revenues and other financing sources exceeded expenditures and other financing uses by \$422,665 in 2020-2021 compared to a budgeted increase of \$457,000. The fund balance decreased to \$11,586,958 at June 30, 2021, and is available for meeting future debt service obligations.

INDEPENDENT SCHOOL DISTRICT NO. 518
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of June 2021, the District had invested \$72,847,780 in a broad range of capital assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices (See Table A-4). (More detailed information about capital assets can be found in Note 4 to the financial statements.) Total depreciation expense for the year was \$3,213,157.

Construction of the Intermediate School, Completion of the High School addition, Baseball Park parking lot and bleachers, Trojan field renovation, additional technology equipment, and custodial equipment were among the capital asset additions for the year. Disposals included equipment and vehicles no longer usable for District purposes.

Table A-4
 Independent School District No. 518
 Capital Assets

	2021	2020	Increase (Decrease)
Land	\$ 3,504,003	\$ 3,504,003	\$ -
Land Improvements	12,093,455	6,049,563	6,043,892
Buildings	57,418,605	52,831,800	4,586,805
Equipment	15,566,797	13,510,205	2,056,592
Vehicles	493,060	493,060	-
Construction in progress	15,172,217	5,497,426	9,674,791
Less accumulated depreciation	(31,400,357)	(28,874,360)	(2,525,997)
Total	\$ 72,847,780	\$ 53,011,697	\$ 19,836,083
Depreciation Expense	\$ 3,213,157	\$ 2,607,604	\$ 605,553

Construction - Next Five Years

Construction of the Intermediate School is in progress with an expected completion for the 2022-2023 school year.

Planning and Construction of the Community Education building is taking place with an expected completion date of January 2023.

An Addition to the District Office is planned with an expected completion date December 2022.

A Maintenance and Storage facility is being constructed on the Crailsheim property.

In coordination with the City of Worthington, Nobles County, Minnesota West Community and Technical College, and other partners; the District is assessing community needs for athletic facilities and grounds.

Routine maintenance such as replacement of roofs, parking lots and building repairs will be funded through the General Fund using Long-term facility maintenance revenue when appropriate.

INDEPENDENT SCHOOL DISTRICT NO. 518
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Long-Term Liabilities

At year-end, the District had \$62,755,000 in general obligation bonds and certificates of participation payable outstanding.

- The District retired \$2,575,000 of outstanding bonds and other long-term debt during 2020-2021.

The District's general obligation bonds carry a rating of Aa1.

Limitations on Debt

The state limits the amount of general obligation debt the District can issue to 15% of the market value of all taxable property within the District's corporate limits. Our outstanding debt of \$62,755,000 is significantly below this limit which is currently \$314,729,211.

FACTORS BEARING ON THE DISTRICT'S FUTURE

Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation. Requests for increased programming will need to be closely scrutinized for sustainability.

To meet these financial challenges, the District will continue to utilize the Site Based Budgeting process. This process has been successful in the past and will improve our allocation of resources according to District priorities. The District will strive to maintain its long-standing commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility.

The District continues to strive to meet Adequate Yearly Progress (AYP) as required by statute. Between 2020 and 2021, District 518 made gains in meeting AYP in some buildings and student groups while failing to meet AYP in areas such as Special Education, Free and Reduced and Limited English Proficiency in certain buildings. Areas considered to not be meeting AYP will be targeted for additional assistance in an effort to bring all groups and subgroups into compliance.

The District's Community Service fund, early childhood program was awarded a Pathways II continuation grant in the amount of \$139,117 and a School Readiness Plus grant in the amount of \$212,655 for fiscal year 2022.

In light of the continuing COVID-19 pandemic effects on in person learning, close monitoring of student enrollment and expenditures will continue.

INDEPENDENT SCHOOL DISTRICT NO. 518
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our 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. If you have questions about this report or need additional financial information, contact the District's Administration Building:

Independent School District No. 518
1117 Marine Avenue
Worthington, Minnesota 56187-1610
(507) 372-2172

INDEPENDENT SCHOOL DISTRICT NO. 518

STATEMENTS OF NET POSITION

JUNE 30, 2021

(WITH PARTIAL COMPARATIVE INFORMATION AS OF JUNE 30, 2020)

	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2020</u>
ASSETS:		
Cash and investments	\$ 42,921,121	\$ 42,044,113
Cash and investments held by trustee	10,911,399	11,533,065
Receivables-		
Current property taxes	3,154,834	3,527,272
Delinquent property taxes	108,755	46,735
Other school districts and governmental units	200,052	313,916
Department of Education	3,390,213	2,962,613
Federal government	659,107	527,990
Accounts and interest receivable	148,909	330,113
Inventory	209,484	179,718
Prepaid items	678,907	672,508
Restricted assets - temporarily restricted-		
Cash and investments for debt service	2,061,041	2,106,774
Cash and investments for construction	24,846,052	38,056,787
Capital assets (net of accumulated depreciation)-		
Land	3,504,003	3,504,003
Land improvements	10,188,656	4,503,062
Buildings	36,884,227	33,538,171
Equipment	6,934,208	5,760,660
Vehicles	164,469	208,375
Construction in progress	15,172,217	5,497,426
Total assets	<u>\$ 162,137,654</u>	<u>\$ 155,313,301</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Related to OPEB	\$ 136,210	\$ 128,488
Related to Pensions	12,967,240	19,540,074
Total deferred outflows of resources	<u>\$ 13,103,450</u>	<u>\$ 19,668,562</u>
Total assets and deferred outflows of resources	<u><u>\$ 175,241,104</u></u>	<u><u>\$ 174,981,863</u></u>

The accompanying notes are an integral part of these financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 518
STATEMENTS OF NET POSITION (CONTINUED)

JUNE 30, 2021

(WITH PARTIAL COMPARATIVE INFORMATION AS OF JUNE 30, 2020)

	Governmental Activities	
	2021	2020
LIABILITIES:		
Accounts payable	\$ 220,816	\$ 340,752
Salaries payable	1,528,651	1,395,661
Accrued payroll taxes and other payroll deductions	2,375,046	1,904,794
Construction contract payable	3,386,096	2,096,372
Accrued interest payable	845,203	933,296
Due to other school districts and governmental units	136,928	81,074
Unearned revenue	40,164	33,145
Long-term liabilities-		
Due within one year	2,967,279	2,859,327
Due in more than one year	93,387,591	92,001,723
	<u>\$ 104,887,774</u>	<u>\$ 101,646,144</u>
DEFERRED INFLOWS OF RESOURCES:		
Property taxes levied for subsequent year's expenditures	\$ 6,467,550	\$ 7,651,323
Related to OPEB	301,453	130,432
Related to pensions	21,836,499	30,888,512
	<u>\$ 28,605,502</u>	<u>\$ 38,670,267</u>
NET POSITION:		
Net investment in capital assets	\$ 34,938,832	\$ 25,738,484
Restricted for-		
Debt service	11,586,958	12,009,623
Food service	804,308	938,673
Community service	996,410	810,943
Medical Assistance	376,901	343,980
Capital projects	769,042	859,806
Area learning center	92,111	64,820
Long Term Facility Maintenance	1,536,927	1,610,548
Other purposes	207,775	313,401
Unrestricted	(9,561,436)	(7,835,839)
	<u>\$ 41,747,828</u>	<u>\$ 34,665,452</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 175,241,104</u>	<u>\$ 174,981,863</u>

The accompanying notes are an integral part of these financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 518

STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2021

(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2020)

Functions/Programs	2021			Capital Grants and Contributions	2021	2020
	Expenses	Charges for Services	Operating Grants and Contributions		Net (Expense) Total Governmental Activities	Net (Expense) Total Governmental Activities
<u>Governmental Activities</u>						
Instruction-						
Regular instruction	\$ 14,296,226	\$ 453,322	\$ 9,234,732	\$ -	\$ (4,608,172)	\$ (12,904,994)
Exceptional instruction	7,436,310	133,010	4,828,120	-	(2,475,180)	(2,587,018)
Vocational instruction	591,029	329	38,436	-	(552,264)	(529,068)
Total instruction	<u>\$ 22,323,565</u>	<u>\$ 586,661</u>	<u>\$ 14,101,288</u>	<u>-</u>	<u>\$ (7,635,616)</u>	<u>\$ (16,021,080)</u>
Support services-						
Instructional support services	\$ 4,182,478	\$ 57,908	\$ 1,550,925	\$ -	\$ (2,573,645)	\$ (2,928,987)
Pupil support services	6,023,195	54,845	2,778,751	-	(3,189,599)	(2,773,656)
District and school administration	1,107,163	-	26,961	-	(1,080,202)	(1,128,412)
District support services	1,138,549	1,750	\$ 23,484	-	(1,113,315)	(1,090,305)
Site, buildings and equipment	12,011,366	23,441	265,204	1,318,621	(10,404,100)	(3,744,593)
Community education and services	2,253,875	107,136	2,001,139	-	(145,600)	(189,201)
Fiscal and other fixed cost programs	2,111,069	-	-	304,036	(1,807,033)	(1,235,893)
Depreciation expense - unallocated	891,128	-	-	-	(891,128)	(902,420)
Total support services	<u>\$ 29,718,823</u>	<u>\$ 245,080</u>	<u>\$ 6,646,464</u>	<u>\$ 1,622,657</u>	<u>\$ (21,204,622)</u>	<u>\$ (13,993,467)</u>
Total governmental activities	<u>\$ 52,042,388</u>	<u>\$ 831,741</u>	<u>\$ 20,747,752</u>	<u>\$ 1,622,657</u>	<u>\$ (28,840,238)</u>	<u>\$ (30,014,547)</u>

The accompanying notes are an integral part of these financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 518
STATEMENTS OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021

(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2020)

<u>General Revenue</u>	<u>2021</u>	<u>2020</u>
Taxes-		
Property taxes, levied for general purposes	\$ 2,703,903	\$ 2,328,753
Property taxes, levied for debt service	3,023,161	1,298,746
Property taxes, levied for specific purpose-		
Integration collaborative	341,000	300,641
Vocational programs	101,038	82,649
Capital projects	257,722	1,359,375
Community Service	1,224,531	176,231
Safe Schools	172,800	160,947
Other local taxes	79,287	66,291
Property tax replacement aid	131,915	131,322
State aid not restricted to specific purpose-		
General Education aid	26,616,701	29,339,371
Other state aids	919,637	308,611
Interest and investment earnings	339,125	1,764,037
Other local revenue	144,669	176,369
	<u> </u>	<u> </u>
Subtotal, general revenues	\$ 36,055,489	\$ 37,493,343
Excess of revenues over expenses before special items	\$ 7,215,251	\$ 7,478,796
	<u> </u>	<u> </u>
<u>Special Items</u>		
Sale or disposal of surplus property and equipment	\$ (132,875)	\$ 8,947
	<u> </u>	<u> </u>
Subtotal, special items	\$ (132,875)	\$ 8,947
	<u> </u>	<u> </u>
Total general revenues and special items	\$ 35,922,614	\$ 37,502,290
	<u> </u>	<u> </u>
Change in net position	\$ 7,082,376	\$ 7,487,743
	<u> </u>	<u> </u>
NET POSITION, Beginning of year	\$ 34,665,452	\$ 26,995,213
Change in accounting principle (Note 17)	<u> -</u>	<u> 182,496</u>
	<u> </u>	<u> </u>
NET POSITION, Beginning of year, restated	\$ 34,665,452	\$ 27,177,709
	<u> </u>	<u> </u>
NET POSITION, End of year	\$ 41,747,828	\$ 34,665,452
	<u> </u>	<u> </u>

The accompanying notes are an integral part of these financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 518

BALANCE SHEETS

GOVERNMENTAL FUNDS

JUNE 30, 2021

(WITH PARTIAL COMPARATIVE INFORMATION AS OF JUNE 30, 2020)

	General	Food Service	Community Service	Capital Projects- Building Construction	Debt Service	Total Governmental Funds	
						2021	2020
ASSETS:							
Cash and investments	\$ 41,417,717	\$ 589,289	\$ 914,115	\$ 24,846,052	\$ 2,061,041	\$ 69,828,214	\$ 82,207,674
Cash and investments held by trustee	-	-	-	-	10,911,399	10,911,399	11,533,065
Receivables-							
Current property taxes	1,722,624	-	85,694	-	1,346,516	3,154,834	3,527,272
Delinquent property taxes	74,478	-	2,294	-	31,983	108,755	46,735
Accounts and interest receivable	31,306	4,956	412	110,937	1,298	148,909	330,113
Due from Other school districts and governmental units	84,213	-	115,839	-	-	200,052	313,916
Due from Department of Education-							
General education aid	2,434,532	-	-	-	-	2,434,532	2,122,043
Special education aid	581,927	-	-	-	-	581,927	512,340
Other education aid	192,505	-	45,019	-	122,311	359,835	271,435
State school lunch aid	-	919	-	-	-	919	44,130
Market value credit aid	1,773	-	167	-	3,739	5,679	5,344
Disparity aid	2,285	-	216	-	4,820	7,321	7,321
Due from Federal government-							
Federal title programs	570,670	-	-	-	-	570,670	187,643
School lunch program	-	88,437	-	-	-	88,437	340,347
Inventory	52,220	157,264	-	-	-	209,484	179,718
Prepaid items	627,558	8,849	42,500	-	-	678,907	672,508
Total assets	\$ 47,793,808	\$ 849,714	\$ 1,206,256	\$ 24,956,989	\$ 14,483,107	\$ 89,289,874	\$ 102,301,604
LIABILITIES:							
Salaries payable	\$ 1,528,651	\$ -	\$ -	\$ -	\$ -	\$ 1,528,651	\$ 1,395,661
Accrued payroll taxes and other payroll deductions	2,375,046	-	-	-	-	2,375,046	1,904,794
Accounts payable	204,092	5,242	9,282	-	2,200	220,816	340,752
Construction contract payable	212,439	-	-	3,173,657	-	3,386,096	2,096,372
Due to other school districts and governmental units	119,402	-	17,526	-	-	136,928	81,074
Unearned revenue	-	40,164	-	-	-	40,164	33,145
Total liabilities	\$ 4,439,630	\$ 45,406	\$ 26,808	\$ 3,173,657	\$ 2,200	\$ 7,687,701	\$ 5,851,798
DEFERRED INFLOWS OF RESOURCES:							
Property taxes levied for subsequent year's expenditures	\$ 3,424,840	\$ -	\$ 180,744	\$ -	\$ 2,861,966	\$ 6,467,550	\$ 7,651,323
Unavailable revenue - Delinquent taxes	74,478	-	2,294	-	31,983	108,755	46,735
Total deferred inflows of resources	\$ 3,499,318	\$ -	\$ 183,038	\$ -	\$ 2,893,949	\$ 6,576,305	\$ 7,698,058

The accompanying notes are an integral part of these financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 518

BALANCE SHEETS (CONTINUED)

GOVERNMENTAL FUNDS

JUNE 30, 2021

(WITH PARTIAL COMPARATIVE INFORMATION AS OF JUNE 30, 2020)

	General	Food Service	Community Service	Capital Projects- Building Construction	Debt Service	Total Governmental Funds	
						2021	2020
FUND BALANCES:							
Nonspendable for-							
Nonspendable amounts	\$ 679,778	\$ 166,113	\$ 42,500	\$ -	\$ -	\$ 888,391	\$ 852,226
Restricted for-							
Operating capital	\$ 769,042	\$ -	\$ -	\$ -	\$ -	\$ 769,042	\$ 859,806
Medical assistance	376,901	-	-	-	-	376,901	343,980
Long term facility maintenance	1,536,927	-	-	-	-	1,536,927	1,610,548
Gifted and talented	5,228	-	-	-	-	5,228	11,062
Area learning center	92,111	-	-	-	-	92,111	64,820
Safe schools	32,615	-	-	-	-	32,615	26,697
Staff development	3,003	-	-	-	-	3,003	-
Student activities	169,932	-	-	-	-	169,932	175,987
Achievement and integration	-	-	-	-	-	-	99,655
Food service	-	638,195	-	-	-	638,195	795,605
Community education	-	-	78,081	-	-	78,081	65,472
Adult basic education	-	-	495,077	-	-	495,077	306,087
School readiness	-	-	130,557	-	-	130,557	132,584
Early childhood family education	-	-	243,186	-	-	243,186	113,066
Refunding	-	-	-	-	10,917,128	10,917,128	11,538,794
Debt service	-	-	-	-	669,830	669,830	470,829
Restricted for other purposes	-	-	7,009	21,783,332	-	21,790,341	37,523,995
Total restricted fund balances	\$ 2,985,759	\$ 638,195	\$ 953,910	\$ 21,783,332	\$ 11,586,958	\$ 37,948,154	\$ 54,138,987
Committed for-							
Separation	\$ 39,300	\$ -	\$ -	\$ -	\$ -	\$ 39,300	\$ 127,416
Building Construction	5,000,000	-	-	-	-	5,000,000	5,000,000
Total committed fund balances	\$ 5,039,300	\$ -	\$ -	\$ -	\$ -	\$ 5,039,300	\$ 5,127,416
Assigned for-							
Projects	\$ 14,293,389	\$ -	\$ -	\$ -	\$ -	\$ 14,293,389	\$ 15,000,000
Total assigned fund balances	\$ 14,293,389	\$ -	\$ -	\$ -	\$ -	\$ 14,293,389	\$ 15,000,000
Unassigned	\$ 16,856,634	\$ -	\$ -	\$ -	\$ -	\$ 16,856,634	\$ 13,633,119
Total fund balances	\$ 39,854,860	\$ 804,308	\$ 996,410	\$ 21,783,332	\$ 11,586,958	\$ 75,025,868	\$ 88,751,748
Total liabilities, deferred inflows of resources and fund balances	\$ 47,793,808	\$ 849,714	\$ 1,206,256	\$ 24,956,989	\$ 14,483,107	\$ 89,289,874	\$ 102,301,604

The accompanying notes are an integral part of these financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 518

RECONCILIATION OF THE BALANCE SHEET GOVERNMENTAL FUNDS

TO THE STATEMENT OF NET POSITION

JUNE 30, 2021

(WITH PARTIAL COMPARATIVE INFORMATION AS OF JUNE 30, 2020)

	<u>2021</u>	<u>2020</u>
Total fund balances - governmental funds	\$ 75,025,868	\$ 88,751,748
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental funds are not financial resources and therefore are not reported as assets in the funds.		
Land	3,504,003	3,504,003
Construction in progress	15,172,217	5,330,818
Land improvements, net of accumulated depreciation	10,188,656	4,503,062
Buildings, net of accumulated depreciation	36,884,227	33,704,779
Equipment and vehicles, net of accumulated depreciation	7,098,677	5,969,035
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred Outflows of Resources Related to Pensions	12,967,240	19,540,074
Deferred Inflows of Resources Related to Pensions	(21,836,499)	(30,888,512)
Deferred Outflows of Resources Related to OPEB	136,210	128,488
Deferred Inflows of Resources Related to OPEB	(301,453)	(130,432)
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.		
Bonds principal payable	(65,495,984)	(68,258,946)
Pension Benefits Payable	(29,708,227)	(25,372,655)
Net OPEB Liability	(1,071,342)	(1,133,084)
Accrued compensated absences payable	(79,317)	(96,365)
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 deferred in the funds.		
	108,755	46,735
Governmental funds do not report a liability for accrued interest until due and payable.		
	<u>(845,203)</u>	<u>(933,296)</u>
Total net position - governmental activities	<u>\$ 41,747,828</u>	<u>\$ 34,665,452</u>

The accompanying notes are an integral part of these financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 518

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2021

(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2020)

	General	Food Service	Community Service	Capital Projects- Building Construction	Debt Service	Total Governmental Funds	
						2021	2020
REVENUES:							
Local property tax levies	\$ 4,562,151	\$ -	\$ 176,823	\$ -	\$ 3,023,477	\$ 7,762,451	\$ 5,699,920
Other local and county revenues	936,330	3,734	343,509	212,306	3,944	1,499,823	3,256,498
Revenues from state sources	41,381,299	2,543	1,351,790	-	1,308,732	44,044,364	46,367,232
Revenues from federal sources	2,927,386	2,116,999	418,825	-	-	5,463,210	3,523,943
Sales and other conversion of assets	16,082	19,954	138	-	-	36,174	351,592
Interdistrict revenues	389,597	-	-	-	-	389,597	435,914
Total revenues	\$ 50,212,845	\$ 2,143,230	\$ 2,291,085	\$ 212,306	\$ 4,336,153	\$ 59,195,619	\$ 59,635,099
EXPENDITURES:							
Current expenditures-							
District and school administration	\$ 1,131,896	\$ -	\$ -	\$ -	\$ -	\$ 1,131,896	\$ 1,069,973
District support services	1,086,666	-	-	-	-	1,086,666	1,076,894
Regular instruction	20,680,071	-	-	-	-	20,680,071	21,169,505
Vocational instruction	540,716	-	-	-	-	540,716	530,261
Exceptional instruction	7,096,273	-	-	-	-	7,096,273	7,328,160
Community education and services	310,532	-	1,899,457	-	-	2,209,989	1,767,858
Instructional support services	3,894,770	-	-	-	-	3,894,770	2,889,098
Pupil support services	3,614,284	2,277,595	17,174	-	-	5,909,053	6,055,908
Site and building services	2,642,721	-	-	-	-	2,642,721	2,598,662
Fiscal and other fixed cost programs	197,444	-	-	-	-	197,444	360,957
Capital outlay	6,902,360	-	-	15,948,222	-	22,850,582	11,252,399
Debt service-							
Principal	-	-	-	-	2,575,000	2,575,000	1,815,000
Interest and other financing costs	-	-	-	-	2,183,818	2,183,818	613,702
Total expenditures	\$ 48,097,733	\$ 2,277,595	\$ 1,916,631	\$ 15,948,222	\$ 4,758,818	\$ 72,998,999	\$ 58,528,377
Excess (deficiency) of revenues over (under) expenditures	\$ 2,115,112	\$ (134,365)	\$ 374,454	\$ (15,735,916)	\$ (422,665)	\$ (13,803,380)	\$ 1,106,722
OTHER FINANCING SOURCES (USES):							
Sale of capital assets	\$ 77,500	\$ -	\$ -	\$ -	\$ -	\$ 77,500	\$ 68,204
Sale of general obligation bonds	-	-	-	-	-	-	48,812,584
Total other financing sources (uses)	\$ 77,500	\$ -	\$ -	\$ -	\$ -	\$ 77,500	\$ 48,880,788
Net change in fund balances	\$ 2,192,612	\$ (134,365)	\$ 374,454	\$ (15,735,916)	\$ (422,665)	\$ (13,725,880)	\$ 49,987,510
FUND BALANCE, Beginning of year	37,662,248	938,673	621,956	37,519,248	12,009,623	88,751,748	38,581,742
Change in accounting principle (Note 17)	-	-	-	-	-	-	182,496
FUND BALANCE, Beginning of year (restated)	\$ 37,662,248	\$ -	\$ -	\$ -	\$ -	\$ 88,751,748	\$ 38,764,238
FUND BALANCE, End of year	\$ 39,854,860	\$ 804,308	\$ 996,410	\$ 21,783,332	\$ 11,586,958	\$ 75,025,868	\$ 88,751,748

The accompanying notes are an integral part of these financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 518
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2021

(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2020)

	<u>2021</u>	<u>2020</u>
Total net changes in fund balances - governmental funds	\$ (13,725,880)	\$ 49,987,510
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets are allocated over the estimated useful lives as depreciation expense.		
Capital outlays	23,259,615	10,418,790
Depreciation expense	(3,213,157)	(2,607,604)
The amount of bond proceeds used to finance school building projects is reported in the governmental funds as an other financing source. Bond proceeds are not revenues in the statements of activities, but rather constitute long-term liabilities. Issuing debt increases long-term liabilities and does not affect the statement of activities.		
	-	(48,812,584)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces the long term liabilities in the statement of net assets.		
	2,575,000	1,815,000
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure 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.		
	82,231	(659,240)

The accompanying notes are an integral part of these financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 518
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

TO THE STATEMENT OF ACTIVITIES (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2021

(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2020)

	<u>2021</u>	<u>2020</u>
In the Statement of Activities, certain operating expenses - pension, other post-employment benefits and compensated absences-are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).		
Pensions	\$ (1,753,917)	\$ (2,759,660)
Compensated absences	17,048	(4,213)
Other post employment benefits	(198,171)	52,641
In the statement of activities, only the loss on disposal of capital assets is reported. However, in the governmental funds, proceeds from the disposal increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the disposed assets.	(210,375)	(59,257)
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 deferred in the funds.	62,020	7,615
Governmental funds report debt premiums and discounts as an other financing source or use at the time of issuance. Premiums and discounts are reported net of debt in the Government-wide financial statements.	187,962	108,745
Change in net position - governmental activities	\$ <u>7,082,376</u>	\$ <u>7,487,743</u>

The accompanying notes are an integral part of these financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 518

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL

GENERAL AND SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED JUNE 30, 2021

	General Fund				Food Service Fund				Community Service Fund			
	Budgeted Amounts		Actual	Variance with Final Budget	Budgeted Amounts		Actual	Variance with Final Budget	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final			Original	Final			Original	Final		
REVENUE:												
Local property tax levies	\$ 4,485,004	\$ 4,564,207	\$ 4,562,151	\$ (2,056)	\$ -	\$ -	\$ -	\$ -	\$ 174,101	\$ 174,101	\$ 176,823	\$ 2,722
Other local and county revenues	1,045,430	811,015	936,330	125,315	12,510	6,750	3,734	(3,016)	325,528	283,104	343,509	60,405
Revenues from state sources	43,116,703	41,224,685	41,381,299	156,614	100,640	81,406	2,543	(78,863)	1,227,816	1,239,185	1,351,790	112,605
Revenues from federal sources	1,417,500	2,712,828	2,927,386	214,558	2,135,650	2,165,594	2,116,999	(48,595)	58,555	438,610	418,825	(19,785)
Sales and other conversion of assets	21,320	9,765	16,082	6,317	326,200	64,250	19,954	(44,296)	-	-	138	138
Interdistrict revenues	430,000	375,000	389,597	14,597	-	-	-	-	-	-	-	-
Total revenues	\$ 50,515,957	\$ 49,697,500	\$ 50,212,845	\$ 515,345	\$ 2,575,000	\$ 2,318,000	\$ 2,143,230	\$ (174,770)	\$ 1,786,000	\$ 2,135,000	\$ 2,291,085	\$ 156,085
EXPENDITURES:												
Current expenditures-												
District and school administration	\$ 1,298,885	\$ 1,325,530	\$ 1,131,896	\$ 193,634	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District support services	1,594,000	1,912,859	1,086,666	826,193	-	-	-	-	-	-	-	-
Regular instruction	22,344,110	21,427,581	20,680,071	747,510	-	-	-	-	-	-	-	-
Vocational instruction	540,060	526,737	540,716	(13,979)	-	-	-	-	-	-	-	-
Exceptional instruction	7,741,140	7,754,070	7,096,273	657,797	-	-	-	-	-	-	-	-
Community education and services	104,820	230,100	310,532	(80,432)	-	-	-	-	1,794,580	2,187,030	1,899,457	287,573
Instructional support services	3,128,390	4,033,167	3,894,770	138,397	-	-	-	-	-	-	-	-
Pupil support services	4,168,019	3,960,641	3,614,284	346,357	2,675,000	2,381,000	2,277,595	103,405	25,420	17,970	17,174	796
Site and building services	3,071,006	3,156,965	2,642,721	514,244	-	-	-	-	-	-	-	-
Fiscal and other fixed cost programs	724,210	225,000	197,444	27,556	-	-	-	-	-	-	-	-
Capital outlay	9,454,360	8,102,850	6,902,360	1,200,490	-	-	-	-	-	-	-	-
Total expenditures	\$ 54,169,000	\$ 52,655,500	\$ 48,097,733	\$ 4,557,767	\$ 2,675,000	\$ 2,381,000	\$ 2,277,595	\$ 103,405	\$ 1,820,000	\$ 2,205,000	\$ 1,916,631	\$ 288,369
Excess (deficit) of revenues over (under) expenditures	\$ (3,653,043)	\$ (2,958,000)	\$ 2,115,112	\$ 5,073,112	\$ (100,000)	\$ (63,000)	\$ (134,365)	\$ (71,365)	\$ (34,000)	\$ (70,000)	\$ 374,454	\$ 444,454
OTHER FINANCING SOURCES (USES):												
Sale of capital assets	\$ 10,000	\$ 2,000	\$ 77,500	\$ 75,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total other financing sources (uses)	\$ 10,000	\$ 2,000	\$ 77,500	\$ 75,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ (3,643,043)	\$ (2,956,000)	\$ 2,192,612	\$ 5,148,612	\$ (100,000)	\$ (63,000)	\$ (134,365)	\$ (71,365)	\$ (34,000)	\$ (70,000)	\$ 374,454	\$ 444,454
FUND BALANCE, Beginning of year	37,662,248	37,662,248	37,662,248	-	938,673	938,673	938,673	-	621,956	621,956	621,956	-
FUND BALANCE, End of year	\$ 34,019,205	\$ 34,706,248	\$ 39,854,860	\$ 5,148,612	\$ 838,673	\$ 875,673	\$ 804,308	\$ (71,365)	\$ 587,956	\$ 551,956	\$ 996,410	\$ 444,454

The accompanying notes are an integral part of these financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 518
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2021

ASSETS

	<u>Private Purpose Trust Funds</u>
ASSETS:	
Cash and investments	\$ <u>173,831</u>
Total assets	\$ <u>173,831</u>

LIABILITIES AND NET POSITION

LIABILITIES:	
Accounts payable	\$ <u>1,240</u>
Total liabilities	\$ <u>1,240</u>
NET POSITION:	
Held in trust	\$ <u><u>172,591</u></u>

The accompanying notes are an integral part of these financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 518
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Private Purpose Trust Funds</u>
ADDITIONS:	
Other local and county revenues-	
Interest income	\$ 156
Other local revenues	<u>20,196</u>
Total additions	<u>\$ 20,352</u>
DEDUCTIONS:	
Pupil support services	<u>\$ 175,483</u>
Total deductions	<u>\$ 175,483</u>
Change in net position	\$ (155,131)
NET POSITION, Beginning of year	<u>327,722</u>
NET POSITION, End of year	<u><u>\$ 172,591</u></u>

The accompanying notes are an integral part of these financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 518

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Basis of Presentation-

Independent School District No. 518 (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a seven-member school board elected by voters of the District to serve four year terms. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

b. Financial Reporting Entity-

Independent School District No. 518 is an instrumentality of the State of Minnesota established to function as an educational institution. The elected School Board (Board) is responsible for legislative and fiscal control of the District. A Superintendent is appointed by the Board and is responsible for administrative control of the district.

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

Financial accountability includes such aspects as appointing a voting majority of the organization's governing body, significantly influencing the programs, projects, activities or level of services performed or provided by the organization or receiving specific financial benefits from, or imposing specific financial burden on, the organization. There are no other entities for which the District is financially accountable.

Student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside school hours. The School Board does have a fiduciary responsibility in establishing broad policies and ensuring that appropriate financial records are maintained for student activities.

c. Basic Financial Statement Presentation-

The Government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. The Fiduciary Funds are only reported in the Statements of Fiduciary Net Position at the Fund Financial Statement level.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c. Basic Financial Statement Presentation (continued)-

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

The District applies restricted resources first when an expense is incurred for purpose for which both restricted and unrestricted net position are available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. Generally, the effect of material interfund activity has been removed from the Government-wide financial statements.

Separate fund financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Fiduciary funds are presented in the fiduciary fund financial statements by type: pension (or other benefit) trust, investment trust, private-purpose trust, and agency. Since by definition, fiduciary fund assets are being held for the benefit of a third-party and cannot be used for activities or obligations of the District, these funds are excluded from the district-wide statements.

d. Measurement Focus and Basis of Accounting-

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is 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 advance recognized in accordance with a statutory "tax shift" described later in these notes. Grants and similar items are recognized when 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. Under this basis of accounting transactions are recorded in the following manner:

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d. Measurement Focus and Basis of Accounting (continued)-

1. **Revenue Recognition** – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered as available if collected within 60 days after year end. State revenue is recognized in the year to which it applies according to Minnesota Statutes and accounting principles generally accepted in the United States of America. Minnesota Statutes include state aid funding formulas for specific years. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within one year. Food service sales, community education tuition, and other miscellaneous revenue (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. A six-month period of availability is generally used for other fund revenue.
2. **Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used. Principal and interest on long-term debt issues are recognized on their due dates.

The District reports unearned revenue on its statement of net position and balance sheet. Unearned revenues arise when a potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues also arise when resources are received by the District before it has legal claim to them, as when grant monies are received prior to incurring the qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the District has legal claim to the resources, the liability for unearned revenue is removed from the statement of net position and balance sheet and revenue is recognized.

Private Purpose Trust Funds are reported using the economic resources measurement focus. All fiduciary funds use the accrual basis of accounting as described earlier in these notes.

Description of Funds-

The existence of the various District funds has been established by the State of Minnesota, Department of Education. The accounts of the district are organized on the basis of funds, each of which is considered a separate accounting entity. A description of the funds included in this report are as follows:

Major Governmental Funds-

General Fund - The General Fund is used to account for all financial resources except those required to be accounted for in another fund. It includes the general operations, student activities and pupil transportation activities of the district, as well as the capital related activities such as maintenance of facilities equipment purchases, health and safety projects, and disabled accessibility projects.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d. Measurement Focus and Basis of Accounting (continued)-

Description of Funds (continued)-

Major Governmental Funds (continued)-

Food Service Special Revenue Fund – The Food Service Fund is used to account for food service revenues and expenditures. Revenues recorded in this fund include meal sales to pupils along with state and federal reimbursements for meals.

Community Service Special Revenue Fund – The Community Service Fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs, or other similar services. Revenues recorded in this fund include property taxes restricted for Community Service purposes and tuition and fees charged for Community Education.

Capital Projects – Building Construction Fund – The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition or construction of major capital facilities. The Fund was established for building construction activity authorized by specific bond issues.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and payment of general long-term obligation bond principal, interest, and related costs. The regular debt service account is used for all general obligation bond debt service, except for refunding bond issues, for which a separate refunding bond trust account has been established.

Fiduciary Fund Types-

Private Purpose Trust Fund – The Foundation Private Purpose Trust Fund is used to account for resources held in trust to be used by various other third parties.

e. Deferred Outflows/Inflows of Resources-

In addition to assets, the statement of financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources(expense/expenditure) until that time. The District has two items that qualify for reporting in this category. Deferred outflows related to pension activity reported in the government-wide statement of net position. A deferred outflow relating to pension activity results from the difference between actual and expected economic experience, changes in actuarial assumptions and employer contributions subsequent to the measurement date. Deferred outflows of resources related to OPEB is recorded for various estimate differences that will be amortized and recognized over future years.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

e. Deferred Outflows/Inflows of Resources (continued)-

In addition to liabilities, the statement of financial position and fund financial statements report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Unavailable revenue from property taxes, arises under a modified accrual basis of accounting and is reported only in the governmental funds balance sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available. Property taxes levied for subsequent years, which represent property taxes received or reported as a receivable before the period for which the taxes are levied, and is reported as a deferred inflow of resources in both the government-wide statement of net position and the governmental funds balance sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in both the government-wide financial statements and governmental fund financial statements in the year for which they are levied. Deferred inflows related to pension and OPEB activity as a result of the net difference between projected and actual earnings on plan investments and changes in proportionate share.

f. Budgeting-

Budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America. Each June, the School Board adopts an annual budget for the following fiscal year for the General, Food Service, Community Service, Capital Projects – Building Construction, and Debt Service Funds. The approved budget is published in summary form in the District’s legal newspaper. Reported budget amounts represent the amended budget as adopted by the school board. Legal budgetary control is at the fund level.

Procedurally, in establishing the budgetary data reflected in these financial statements, the Superintendent submits to the School Board prior to July 1, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means to finance them. The budget is legally enacted by School Board action. Revisions to the budgeted amounts must be approved by the School Board. Individual amendments were not material in relation to the original appropriations.

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

Budget provisions for the Debt Service Fund are set by state law governing required debt service levels.

At the end of each fiscal year, if the General Fund has a net unassigned deficit balance, calculated in accordance with the uniform financial accounting and reporting standards for Minnesota school districts which includes certain restrictions specified in Minnesota statutes, exceeding 2.5% of expenditures, a condition referred to as “statutory operating debt” exists. That debt requires retirement through the accumulation of subsequent operating surpluses in accordance with a “special operating plan” approved by the Commissioner of Education.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

g. Cash and Investments-

Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund. Earnings from the investments of the Private Purpose Trust Funds are allocated directly to those funds/accounts.

Investments are stated at their fair value as determined by quoted market prices, except for money market investments and participating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less which are recorded at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Money market investments are short-term, highly liquid debt instruments including commercial paper, banker's acceptances, and U.S. Treasury and agency obligations. Investments in external investment pools operated in a manner consistent with the SEC's Rule 2a7 of the Investment Act of 1940 are valued at the pool's share price.

h. Accounts Receivable-

Accounts receivable represents amounts receivable from individuals, firms, and corporations for goods and services furnished by the District. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary. The only receivables not expected to be collected within one year are delinquent property taxes receivable.

i. Inventories-

Inventories are recorded using the purchase method of accounting and consist of purchased food, supplies, and surplus commodities received from the federal government. Food and supply purchases are recorded at invoice cost, computed on a first-in, first-out method, and surplus commodities are stated at standardized costs, as determined by the U.S. Department of Agriculture.

j. Prepaid Items-

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

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

k. Property Taxes-

Property tax levies are established by the School Board in December each year and are certified to the County by December 28, for collection the following calendar year. Those taxes become a lien against properties on January 1. In Minnesota, counties act as collection agents for all property taxes and are responsible for spreading all levies over taxable property. Such taxes become a lien on January 1. Taxes are generally due on May 15 and October 15 and counties generally remit taxes to the Districts at periodic intervals as they are collected. A portion of property taxes levied is paid through the state credits which are included in revenue from state sources in the financial statements.

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

Taxes which remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year end is deferred because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes is considered necessary. Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the State which will be recognized as revenue in the next fiscal year beginning July 1, 2021 are included in the Property Taxes Levied for Subsequent Year account to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

l. Capital Assets-

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

Capital assets are recorded in the Government-wide financial statements, but are not reported in the Fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are generally sold for an immaterial amount or scrapped when declared as no longer fit or needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 20 years for equipment.

Capital assets not being depreciated include land and any construction in progress.

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

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

m. Long-Term Obligations-

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

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

n. 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.

o. Sick Pay-

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

p. Other Postemployment Health Care Benefits-

In addition to retirement benefits, the District provides post-retirement medical insurance benefits to teachers, administrators, principals, food service workers, custodians and clerical employees, in accordance with their respective master employment agreements. The eligibility for, amount of, duration of, and District's contribution to the cost of the benefits provided varies by contract and date of retirement.

q. Restricted Assets-

Restricted assets are cash and cash equivalents whose use is limited by legal requirements such as a bond indenture. Restricted assets are reported only in the government-wide financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

r. Fund Balance-

In the fund financial statements, governmental funds report fund balances in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

Nonspendable – resources that are not in spendable form or have legal or contractual requirements to maintain the balance intact.

Restricted – resources that have purpose constraints placed upon them by laws, regulations, creditors, grantors, or other external parties and are considered available only for the purpose for which they were received.

Committed – resources that are constrained for specific purposes that are internally imposed by the District at its highest level of decision making authority, the Board of Education. With an affirmative vote of its members, the Board of Education may create, modify, or rescind funds for which resources are committed to the established purpose of that fund.

Assigned – resources that are intended to be used for specific purposes as approved through the District’s formal purchasing procedure by the Treasurer. Through the District’s purchasing policy, the Board of Education has given the Treasurer the authority to constrain monies for the intended purpose.

Unassigned – residual fund balance within the general fund that is in spendable form and is not restricted, committed, or assigned.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the District’s policy to use restricted first, then unrestricted fund balance.

When an expenditure is incurred for purposes for which committed, assigned, and unassigned amounts are available, it is the District’s policy to use committed first, then assigned, and finally unassigned amounts.

The school district will strive to maintain a minimum unassigned general fund balance of 10% percent of the annual budget at the end of the fiscal year.

s. Risk Management-

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers’ compensation for which it carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District’s insurance coverage in fiscal year 2021.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

t. Net Position-

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

u. Comparative Financial Information-

The basic financial statements include certain prior-year partial comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

v. Use of Estimates-

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

w. Functional Allocation of Expenses-

The costs of various programs and supporting services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

x. Pensions-

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

y. Subsequent events-

On March 11, 2020 the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. As a result, economic uncertainties have arisen which may negatively impact revenues. Other financial impact could occur though such potential impact is unknown at this time. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

a. Excess of Expenditures Over Budget-

	<u>Budget</u>	<u>Expenditures</u>	<u>Amount</u>
Trust Fund	\$ 109,000	\$ 175,483	\$ (66,483)

No remedial action is deemed necessary for the Trust Fund as the expenditures were planned to draw down the expendable fund balance.

b. Revenues Under Budget-

	<u>Budget</u>	<u>Revenues</u>	<u>Amount</u>
Food Service Fund	\$ 2,318,000	\$ 2,143,230	\$ (174,770)

No remedial action is deemed necessary as the expenditures were also under budget.

3. DEPOSITS AND INVESTMENTS:

a. Deposits-

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

Minnesota Statutes require that all District deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. Government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the 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.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2021, none of the District's bank balance of \$81,466,680 was exposed to custodial credit risk. No amounts were uninsured or under collateralized.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. DEPOSITS AND INVESTMENTS (Continued):

b. Investments-

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 that receive the highest credit rating, are 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.

The District has no internal policies that limit deposits on investment choices or address these potential risks beyond the statutory limitations described above.

- **Concentration risk** – Investing 5 percent or more of the District’s portfolio in the securities of a single issuer.
- **Interest rate risk** – The risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk).

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. DEPOSITS AND INVESTMENTS (Continued):

b. Investments (continued)-

The following table presents the District's investment balances at June 30, 2021 and information relating to potential investment risks:

	Credit Risk		Concentration	Interest	Carrying
	Credit Rating	Rating Agency	Risk Over 5% of Portfolio	Rate Risk Maturity Date	
Governmental Agencies	N/A	N/A	57.7%	N/A	\$ 19,663,743
Investment pools/mutual funds					
Minnesota School District					
Liquid Asset Fund Plus	AAAm	S & P	7.7%	N/A	2,634,552
Minnesota School District					
Liquid Asset Fund Plus					
MAX Series	AAAm	S & P	34.6%	N/A	11,772,516
Total investments					\$ 34,070,811
Nonparticipating certificates of deposits and MSDLAF term investments					47,138,390
Deposits					(295,757)
Total cash and investments					\$ 80,913,444

N/A - Not applicable

Cash and investments are included on the basic financial statements as follows:

Cash and temporary investments-statements of net position	\$ 42,921,121
Cash and investments for debt service-restricted-statements of net position	2,061,041
Cash and investments held by trustee-statements of net position	10,911,399
Cash and investments for construction-restricted-statements of net position	24,846,052
Cash and temporary investments-statement of fiduciary net position	173,831
	\$ 80,913,444

The Minnesota School District Liquid Asset Fund is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The fair value of the position in the pool is the same as the value of the pool shares.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. DEPOSITS AND INVESTMENTS (Continued):

c. Fair Value Measurements-

The District uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The District follows an accounting standard which defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with the standard, the District has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded of the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in the active markets accessible at the measurement date of identical financial assets and liabilities.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets or inputs that are observable, either directly or indirectly, for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset.

Assets of the District measured at fair value on a recurring basis:

<u>Investment</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Municipal Bonds	\$ -	\$ 19,663,743	\$ -	\$ 19,663,743
Mutual Funds	14,407,068	-	-	14,407,068
Equities	46,842,633	-	-	46,842,633
Total	<u>\$ 61,249,701</u>	<u>\$ 19,663,743</u>	<u>\$ -</u>	<u>\$ 80,913,444</u>

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. CAPITAL ASSETS:

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

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	\$ 3,504,003	\$ -	\$ -	\$ 3,504,003
Construction in progress	5,497,426	21,363,743	(11,688,952)	15,172,217
Total capital assets, not depreciated	\$ 9,001,429	\$ 21,363,743	\$ (11,688,952)	\$ 18,676,220
Capital Assets, depreciated:				
Land improvements	\$ 6,049,563	\$ 6,129,123	\$ (85,231)	\$ 12,093,455
Buildings	52,831,800	4,890,224	(303,419)	57,418,605
Equipment and vehicles	14,003,265	2,565,477	(508,885)	16,059,857
Total capital assets, depreciated	\$ 72,884,628	\$ 13,584,824	\$ (897,535)	\$ 85,571,917
Less accumulated depreciation for:				
Land improvements	\$ (1,546,501)	\$ (438,928)	\$ 80,630	\$ (1,904,799)
Buildings	(19,293,629)	(1,429,906)	189,157	(20,534,378)
Equipment and vehicles	(8,034,230)	(1,344,323)	417,373	(8,961,180)
Total accumulated depreciation	\$ (28,874,360)	\$ (3,213,157)	\$ 687,160	\$ (31,400,357)
Net capital assets, depreciated	44,010,268	10,371,667	(210,375)	54,171,560
Total capital assets, net	\$ 53,011,697	\$ 31,735,410	\$ (11,899,327)	\$ 72,847,780

Depreciation expense of \$3,213,157 for the year ended June 30, 2021, was charged to the following governmental functions:

Governmental Activities:

Administration	\$ 10,343
District support services	26,354
Regular instruction	1,039,901
Vocational instruction	16,470
Exceptional instruction	23,219
Community Service	14,701
Instructional support services	132,521
Pupil support services	35,563
Food service	34,539
Site, buildings and equipment	988,418
Unallocated	891,128
	\$ 3,213,157

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. LONG-TERM LIABILITIES:

a. General Obligation School Building Bonds and Certificates of Participation-

The District currently has the following General Obligation School Building Bonds and Certificates of Participation outstanding:

Issue	Issue Date	Interest	Final Maturity	Principal Outstanding
General Obligation Refunding School Building Bonds	11/14/2013	3.00%	2/1/2024	\$ 3,890,000
General Obligation Refunding Alternative Facilities Bonds	6/2/2016	2.00%-2.25%	2/1/2030	3,890,000
General Obligation School Building Bonds	12/20/2019	2.00%-4.00%	2/1/2040	10,000,000
General Obligation Refunding School Building Bonds	12/20/2019	1.92%-3.45%	2/1/2041	9,805,000
General Obligation School Building Bonds	1/31/2020	1.75%-5.00%	2/1/2040	25,555,000
Certificates of Participation	8/30/2017	3.00%-4.00%	2/1/2045	<u>9,615,000</u>
Total general obligation bonds				<u>\$ 62,755,000</u>

Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies are dedicated for the retirement of these bonds. The annual future debt service levies authorized are equal to 105% of the principal and interest due each year. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

The General Obligation School Building Bonds and Certificates of Participation require semiannual payments of principal and/or interest from the date the bonds were issued.

In August 2017, the District issued \$10,340,000 of Certificates of Participation, Series 2017A. The proceeds of this issue and interest earned thereon will be used to construct a new building housing the Area Learning Center and provide a permanent facility for Gymnastics participation. These Certificates of Participation are under an advance refunding that converts them to a voter approved school building issue with the semiannual payments being made from the escrow funds to their call date of February 1, 2026.

In November 2019, the voters of the District approved the issuance of three bond issues. The first was to refund the 2017A Certificates of Participation in the amount of \$10,065,000. The second was to construct a new two grade intermediate school in the amount of \$26,005,000. The third was to expand the new intermediate school to three grades in the amount of \$10,000,000.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. LONG-TERM LIABILITIES (Continued):

b. Bond Premiums-

Bond premiums are amortized using the straight line method over the life of the bonds.

Issue	Issue Date	Bond Premium	Final Maturity	2021 Amortization
General Obligation Refunding				
School Building Bonds	11/1/2013	\$ 424,863	2/1/2024	\$ 41,116
General Obligation Refunding				
Alternative Facilities Bonds	6/2/2016	133,309	2/1/2030	9,754
General Obligation				
School Building Bonds	12/20/2019	181,644	2/1/2040	9,045
General Obligation				
School Building Bonds	1/31/2020	2,560,939	2/1/2040	128,047
Total current year amortization		\$ <u>3,300,755</u>		\$ <u>187,962</u>

c. Minimum Debt Payments-

Minimum annual principal and interest payments to maturity for general obligation school building bonds, capital leases and special assessments payable are as follows:

Year Ending June 30 ,	General Obligation School Building Bonds		Certificates of Participation	
	Principal	Interest	Principal	Interest
2022	\$ 2,445,000	\$ 1,685,373	\$ 255,000	\$ 365,650
2023	2,515,000	1,609,260	265,000	358,000
2024	2,600,000	1,530,649	275,000	350,050
2025	2,665,000	1,466,421	280,000	341,800
2026	2,770,000	1,359,840	290,000	330,600
2027-2031	14,325,000	5,249,896	1,660,000	1,467,200
2032-2036	12,110,000	3,141,098	1,960,000	1,155,350
2037-2041	13,710,000	1,276,735	2,370,000	743,400
2042-2045	-	-	2,260,000	230,600
	\$ <u>53,140,000</u>	\$ <u>17,319,272</u>	\$ <u>9,615,000</u>	\$ <u>5,342,650</u>

d. Special Assessments Payable-

Special Assessments payable represents the outstanding liability relating to various improvements made to district property financed through municipalities. The annual assessment levies consisting of principal and interest at various rates will be paid for by the General Fund. As of June 30, 2021, there were no assessments payable.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. LONG-TERM LIABILITIES (Continued):

e. Changes in Long-Term Liabilities-

	June 30, 2020	Additions	Retirements	June 30, 2021	Due Within One Year
General obligation school building bonds	\$ 55,465,000	\$ -	\$ 2,325,000	\$ 53,140,000	\$ 2,445,000
Bond premium	2,928,945	-	187,962	2,740,983	187,962
Certificates of Participation	9,865,000	-	250,000	9,615,000	255,000
Compensated Absences	96,365	79,317	96,365	79,317	79,317
	<u>\$ 68,355,310</u>	<u>\$ 79,317</u>	<u>\$ 2,859,327</u>	<u>\$ 65,575,300</u>	<u>\$ 2,967,279</u>

6. OPERATING LEASES:

The District leases the facilities of the Worthington Hockey Arena, Memorial Auditorium, and Minnesota West Community and Technical College office space to house the Nobles County Integration Collaborative as fiscal agent for the Collaborative. The lease for the Worthington Hockey Arena was renewed with a remaining term of six year through June 30, 2024. The lease for the Memorial Auditorium was renewed for a term of three years, expiring on June 30, 2023. Rental expense for the year ended June 30, 2021, was \$57,527. The lease for the Collaborative offices is passed thru to the Collaborative and is not an expense of the District with an expiration date of June 30, 2023. The District has leased the operations of the baseball field to the City of Worthington for the Calendar 2021 summer operations. The District leases farmland to A&T farms through February 2024.

Future minimum lease payments at June 30, 2021, are as follows:

Future lease payments	
2022	\$ 58,122
2023	58,784
2024	25,000
	<u>\$ 141,906</u>

7. INTERFUND BALANCES AND OPERATING TRANSFERS:

The District had no interfund balances at June 30, 2021.

The District had no interfund transfers for the year ended June 30, 2021.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. RESTRICTED FUND BALANCES:

Certain portions of fund balance are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities, or as required by other outside parties. A description of deficit balance restrictions is included herein since the District has specific statutory authority to levy taxes for such deficits.

Restricted, Committed, and Assigned fund balances at June 30, 2021, are as follows:

Restricted for Staff Development-

Represents available resources to be used for future staff development activities. The fund balance as of June 30, 2021, is \$3,003.

Restricted for Area Learning Center-

Represents available resources to be used for students attending the area learning center. The fund balance as of June 30, 2021, is \$92,111.

Restricted for Operating Capital-

The District levies taxes and receives state aid to be used for the purchase of equipment, books and vehicles and to purchase, rent, improve and repair school facilities as allowed by state statute. The cumulative excess of such revenues over equipment and facilities expenditures is reported as a restriction of fund balance in the General Fund. The fund balance as of June 30, 2021, is \$769,042.

Restricted for Gifted and Talented-

Represents available resources from state aid to be used for gifted and talented programming in accordance with funding made available for that purpose. The fund balance as of June 30, 2021, is \$5,228.

Restricted for Safe Schools-

Represents available resources from the levy to be used for safe schools. The fund balance as of June 30, 2021, is \$32,615.

Restricted for Long-Term Facility Maintenance-

Represents available resources from the levy or aid to be used for future long-term facility maintenance projects. The fund balance as of June 30, 2021, is \$1,536,927.

Restricted for Student Activities-

Represents available resources from local revenues to be used for student led activity groups. The fund balance as of June 30, 2021, is \$169,932.

Restricted for Medical Assistance-

Represents available resources from medical assistance funding to be used for programming in accordance with that funding. The fund balance as of June 30, 2021, is \$376,901.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. RESTRICTED FUND BALANCES (Continued):

Restricted for Food Service-

Represents available resources to be used in providing food services to students. The fund balance as of June 30, 2021, is \$638,195.

Restricted for Community Education-

Represents accumulated resources available to provide general community education programming. The fund balance as of June 30, 2021, is \$78,081.

Restricted for Adult Basic Education-

Represents accumulated resources available to provide adult basic education services. The fund balance as of June 30, 2021, is \$495,077.

Restricted for School Readiness-

Represents accumulated resources available to provide school readiness programming in accordance with funding made available for that purpose. The fund balance as of June 30, 2021, is \$130,557.

Restricted for Early Childhood Family Education-

Represents accumulated resources available to provide early childhood family education programming in accordance with funding made available for that purpose. The fund balance as of June 30, 2021, is \$243,186.

Restricted for Other Programs-

Represents that amount that can be spent only for specific purposes stipulated by constitutional, external resource providers, or through enabling legislation. The fund balance as of June 30, 2021, is \$21,790,341.

Restricted for Debt Service-

Represents available resources from the debt service levy available only for payment of outstanding debt and related expenses. The fund balance as of June 30, 2021, is \$669,830.

Restricted for Bond Refunding-

Represents available resources to be used for bond refunding. The fund balance as of June 30, 2021, is \$10,917,128.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. RESTRICTED FUND BALANCES (Continued):

Committed for Separation-

Represents amounts committed for severance, but not restricted. The fund balance as of June 30, 2021, is \$39,300.

Committed for Building Construction-

Represents amounts committed for building construction, but not restricted. The fund balance as of June 30, 2021, is \$5,000,000.

Assigned for Projects-

Represents amounts assigned for projects, but are not restricted or committed. The fund balance as of June 30, 2021, is \$14,293,389.

9. EARLY RETIREMENT INCENTIVE:

a. Teachers-

Full-time teachers who have not less than 30 years of full time teaching service or who are at least fifty-five years of age and have 15 total years of full time teaching service are eligible for severance pay pursuant to the provisions of the master contract upon submission of a written resignation accepted by the Board.

Each full-time teacher will be paid up to a maximum of 100 days of any unused and accrued sick leave earned by that teacher while an employee of the District. The daily rate of pay is the basic daily rate at the time of retirement, as provided in the basic salary schedule (including career increment) for the basic school year, and does not include any additional compensation for extracurricular activities, extended employment or other extra compensation.

Payment will be contributed to a post-retirement health care savings plan sponsored by the District with half of the amount paid prior to September 1 of the year of separation and the remaining half will be paid prior to September 1 of the year following separation.

As of June 30, 2021, one teacher meets the requirements representing a potential commitment of approximately \$14,300 in severance pay if the teacher would resign pursuant to the provisions of the master contract.

Severance pay is recorded as an expenditure when eligible employees retire. There were three retirements with an expenditure of \$42,551 in the year ended June 30, 2021.

b. Superintendent-

The superintendent is eligible for severance pay after the board receives a resignation. The amount of severance will be equal to the dollar amount per day of the existing contract times the number of accumulated sick leave days. The severance pay will be paid to the superintendent according to timelines set by the Board.

As of June 30, 2021, there is a potential commitment of \$25,000 in severance pay if the superintendent would resign pursuant to the provisions in the contract.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. POST-EMPLOYMENT HEALTHCARE BENEFIT PLAN:

a. Plan Description-

The District provides a single-employer defined benefit healthcare plan which allows retirees and their spouses to participate in that plan through contractual arrangement. The plan offers medical coverage that is administered through the Minnesota Public Employees insurance Plan. (PEIP) It is the District's policy to periodically review those medical coverages and obtain requests for proposals in order to provide the most favorable benefits and premiums for the District employees and retirees. No assets are accumulated in a trust.

Post-Employment Medical Plan – All eligible retirees of the District have the option to continue their medical coverage into retirement. Retirees pay the full district premium rate for the coverage and dependent coverage if elected. When the retiree is eligible for coverage under Medicare, the District plan allows continued participation as a healthcare plan secondary to that Medicare coverage.

There are 547 active participants and no retired participants. The plan does not issue a publicly available financial report.

b. Contributions-

Retirees and their spouses contribute to the health care plan at the same rate as active District employees. This results in the retirees receiving an implicit rate subsidy. The required contributions are based on projected pay-as-you-go financing requirements. For the year ended June 30, 2021 the District contributed \$17,436 to the plan.

c. Actuarial Methods and Assumptions-

The total OPEB liability was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

Salary increases	3.25%
Inflation	2.75%
Healthcare cost trend increases	7.50% As of July 1, 2021, decreasing to an ultimate rate of 4.50% over 7 years.
Mortality Assumptions	General Employees: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2019 Teachers: SOA Pub-2010 Teachers Headcount Weighted Mortality Table fully generational using Scale MP-2019

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. POST-EMPLOYMENT HEALTHCARE BENEFIT PLAN (Continued):

d. Total OPEB Liability-

As of June 30, 2021, the actuarial valuation date, the District's unfunded actuarial accrued liability (UAAL) was \$1,071,342.

	<u>Total OPEB Liability</u>
Balance at July 1, 2020	\$ 1,133,084
Changes for the year	
Service cost	\$ 105,906
Interest cost	32,727
Changes of assumptions	24,916
Employer contributions	(17,436)
Differences between expected and actual experience	<u>(207,855)</u>
Net changes	\$ <u>(61,742)</u>
Balance at July 1, 2021	\$ <u><u>1,071,342</u></u>

e. OPEB Liability Sensitivity--

The following presents the District's total OPEB liability calculated using the discount rate of 2.19% as well as the liability measured using 1% higher and 1% lower than the current discount rate.

<u>Net OPEB Liability (Asset)</u>		
<u>1% decrease (1.19%)</u>	<u>Current (2.19%)</u>	<u>1% increase (3.19%)</u>
\$ 1,123,545	\$ 1,071,342	\$ 1,018,169

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. POST-EMPLOYMENT HEALTHCARE BENEFIT PLAN (Continued):

e. OPEB Liability Sensitivity (continued)–

The following presents the District’s total OPEB liability, as well as what the District’s total OPEB liability would be if it were calculated using healthcare trend rates that are 1% lower and 1% higher than the current healthcare trend rates.

	Net OPEB Liability (Asset)		
	1% decrease (6.50%)	Current (7.50%)	1% increase (8.50%)
	decreasing to (3.50%)	decreasing to (4.50%)	decreasing to (5.50%)
Total OPEB Liability (Asset) \$	945,066	\$ 1,071,342	\$ 1,220,636

f. OPEB expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB-

For the year ended June 30, 2020, the District recognized OPEB expense of \$104,550. At June 30, 2021, the district reported deferred outflows 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 economic experience	\$ -	\$ (301,453)
Changes in actuarial assumptions	136,210	-
	\$ 136,210	\$ (301,453)

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

Year Ended June 30:	
2022	\$ (19,640)
2023	(19,640)
2024	(19,640)
2025	(19,640)
2026	(19,640)
Thereafter	(67,043)

11. DEFINED BENEFIT PENSION PLANS:

Substantially all employees of the District are required by state law to belong to cost sharing, multiple employer, defined benefit pension plans administered by Teachers Retirement Association (TRA) and Public Employees Retirement Association (PERA), all of which are established and administered in accordance with Minnesota Statutes. TRA’s and PERA’s defined benefit pension plans are tax qualified plans under section 401(a) of the Internal Revenue Code.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. DEFINED BENEFIT PENSION PLANS (Continued):

a. Summary of Significant Accounting Policies-

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

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. This 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 in 2015.

b. Plan Descriptions-

1. Teachers Retirement Association (TRA)-

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 administered by a Board of Trustees. The Board consist of four active members, one retired member, and three statutory officials.

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

2. Public Employees Retirement Association (PERA)-

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

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

c. Benefits Provided-

TRA and PERA provide retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. DEFINED BENEFIT PENSION PLANS Continued):

c. Benefits Provided (continued)-

TRA: Post-retirement benefit increases are provided to eligible benefit recipients each January. The TRA increase is currently 1.0%. This rate will increase by 0.1% each year starting July 1, 2024, through July 1, 2028, when the rate increase be capped at 1.5%.

PERA: 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.

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

1. TRA benefits-

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

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

Tier I	Step Rate Formula	Percentage
Basic	First ten years	2.2 percent per year
	All years after	2.7 percent per year
Coordinated	First ten years if service years are prior to July 1, 2006	1.2 percent per year
	First ten years if service years are July 1, 2006, or after	1.4 percent per year
	All other years of service if service years are 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. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. DEFINED BENEFIT PENSION PLANS (Continued):

c. Benefits Provided (continued)-

1. TRA benefits (continued)-

With these provisions-

- a. Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- b. 3.0 percent per year early retirement reduction factors for all years under normal retirement age.
- c. Unreduced benefits for early retirement under a Rule of 90 provision (age plus allowable service equals 90 or more).

or

Tier II	Step Rate Formula	Percentage
Basic	Service years prior to July 1, 2006	2.7 percent per year
	All years after July 1, 2006	2.7 percent per year
Coordinated	Service years prior to July 1, 2006	1.7 percent per year
	All years after July 1, 2006	1.9 percent per year

Actuarially equivalent early retirement reduction factors with augmentation are used for early retirement before the normal age of 65. 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 the individuals who reach age 62 and have 30 or more years of service credit.

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

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. DEFINED BENEFIT PENSION PLANS (Continued):

c. Benefits Provided (continued)-

2. PERA 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 for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 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. 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.

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. Disability benefits are available for vested members, and are based upon years of service and average high-five salary.

d. Contributions-

1. TRA contributions-

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

	Ending June 30, 2020		Ending June 30, 2021	
	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>
Basic	11.00%	11.92%	11.00%	12.13%
Coordinated	7.50%	7.92%	7.50%	8.13%

The District contributions for the plan’s year ended June 30, 2021, were \$1,484,522, equal to the required contributions as set by State Statute.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. DEFINED BENEFIT PENSION PLANS (Continued):

d. Contributions (continued)-

2. PERA contributions-

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

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2020. In fiscal year 2020, the District was required to contribute 7.5 percent for Coordinated Plan members. The District's contributions to the PERA for the plan's fiscal year ended June 30, 2020, were \$561,696. The District's contributions were equal to the required contributions for each year as set by state statute.

e. Pension Costs-

1. TRA pension costs-

At June 30, 2021, the District reported a liability of \$23,412,997 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to the total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The District's proportionate share was 0.3169% at the end of the measurement period and 0.3141% 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 the total portion of the net pension liability that was associated with the district were as follows:

District's proportionate share of the net pension liability	\$ 23,412,997
State's proportionate share of the net pension liability associated with the district	1,962,322

There was a change in actuarial assumptions that affected the measurement of the total pension liability since the prior measurement date. Postretirement benefit adjustments are now assumed to be 1.0% for January 1, 2021, through January 1, 2023, then increasing by 0.1% each year up to 1.5% on January 1, 2028. The employer contribution rate is increased each July 1 over the next 3 years, (8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

For the year ended June 30, 2021, the District recognized pension expense of \$2,347,773. It also recognized \$179,762 as pension expense for the support provided by direct aid.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. DEFINED BENEFIT PENSION PLANS (Continued):

e. Pension Costs (continued)-

1. TRA pension costs (continued)-

At June 30, 2021, the District reported its proportionate share of TRA's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 469,525	\$ -
Difference between projected and actual investment earnings	1,867,245	-
Changes in actuarial assumptions	17,623	-
Changes in proportion and differences between contributions made and the District's proportionate share of contributions	148,727	-
Prior year Contributions	(1,380,385)	-
Current Year Amortization of prior year amount	(9,665,795)	(8,364,941)
Contributions paid to TRA subsequent to the measurement date	1,484,522	-
Change in Deferred Outflows and Inflows for the year ended June 30, 2021	\$ (7,058,538)	\$ (8,364,941)
Balance at June 30, 2020	18,998,545	29,659,618
Balance at June 30, 2021	\$ 11,940,007	\$ 21,294,677

The \$1,484,522 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to TRA pensions will be recognized in pension expense as follows:

Year ended June 30:	Pension Expense Amount
2022	\$ 824,087
2023	(\$6,342,043)
2024	(\$4,530,182)
2025	\$ 566,293
2026	\$ 127,175

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. DEFINED BENEFIT PENSION PLANS (Continued):

e. Pension Costs (continued)-

2. PERA pension costs-

At June 30, 2021, the District reported a liability of \$6,295,230 for its proportionate share of the PERA's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million in 2009. 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 \$194,234. 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. At June 30, 2020, the District's proportion share was 0.1050 percent which was an increase of 0.0082 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$672,375 for its proportionate share of PERA's pension expense. In addition, the District recognized an additional \$16,904 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the PERA General Employees Fund.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. DEFINED BENEFIT PENSION PLANS (Continued):

e. Pension Costs (continued)-

2. PERA pension costs (continued)-

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 23,818
Changes in actuarial assumptions	-	101,469
Difference between projected and actual investment earnings	608,379	-
Changes in proportion and differences between contributions made and the District's proportionate share of contributions	340,020	-
Prior year Contributions	(563,710)	-
Current Year Amortization of prior year amount	(466,289)	(812,359)
Contributions paid to PERA subsequent to the measurement date	567,304	-
Change in Deferred Outflows and Inflows for the year ended June 30, 2021	\$ 485,704	\$ (687,072)
Balance at June 30, 2020	541,529	1,228,894
Balance at June 30, 2021	\$ 1,027,233	\$ 541,822

The \$567,304 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Pension Expense Amount
2022	\$ 17,548
2023	\$ 83,474
2024	\$ 232,295
2025	\$ 152,094

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. DEFINED BENEFIT PENSION PLANS (Continued):

f. Actuarial Assumptions-

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

<u>Assumptions</u>	<u>General Employees Fund</u>	<u>TRA</u>
Inflation	2.25% per year	2.50%
Active Member Payroll Growth	3.00% per year	2.85%
Investment Rate of Return	7.50%	7.50%

Actuarial Salary increases were based on a service –related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2014 (TRA) Pub-2010 General Employees Mortality tables (PERA) for males and females, as appropriate, with slight adjustment for PERAS’s experience.

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 PERA was completed in 2019.

The following are changes in actuarial assumptions for TRA. Postretirement benefit cost of living adjustments are now assumed to be 1.0% for January, 2019 through January, 2023, then increasing by 0.1% each year up to a maximum of 1.5% annually on January 1, 2028. Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt. The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated. Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt. Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018. The employer contribution rate is increased each July 1 over the next 2 years, (8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. DEFINED BENEFIT PENSION PLANS (Continued):

f. Actuarial Assumptions (continued)-

The following changes in actuarial assumptions for PERA occurred in 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.

The long-term expected rate of return on pension plan investments is 7.5% for both PERA and TRA. The State Board of Investment, which manages the investments of PERA and TRA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis 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 arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Stocks	35.5%	5.10%
International Stocks	17.5%	5.30%
Bonds	20%	0.75%
Alternative Assets	25%	5.90%
Cash	<u>2%</u>	0.00%
Total	<u>100%</u>	

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11 DEFINED BENEFIT PENSION PLANS (Continued):

g. Discount Rate-

The discount rate used to measure the total pension liability was 7.50% for both TRA and PERA. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

h. Pension Liability Sensitivity-

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

	<u>1% Decrease in</u> <u>Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in</u> <u>Discount Rate</u>
TRA Discount Rate	6.50%	7.50%	8.50%
District's proportionate share of the TRA net pension liability	\$ 35,845,050	\$ 23,412,997	\$ 13,169,613
PERA Discount Rate	6.50%	7.50%	8.50%
District's proportionate share of the PERA's net pension liability	\$ 10,089,070	\$ 6,295,230	\$ 2,957,590

i. Pension Plan Fiduciary Net Position-

Detailed information about TRA's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at www.MinnesotaTRA.org. Alternatively, a copy of the report may be obtained by writing or calling TRA:

Teachers Retirement Association
60 Empire Drive, Suite 400
St. Paul, MN 55103-4000
(651) 296-2409 or (800) 657-3669

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. The report may be obtained on the internet at www.mnpera.org.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

12. DEFINED CONTRIBUTION PENSION PLAN:

School board members of the District are covered by the Defined Contribution Plan, a multiple-employer deferred compensation plan administered by (PERA). The Defined Contribution Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. *Minnesota Statutes*, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary which is matched by the elected official’s employer. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2 percent of employer contributions and twenty-five hundredths of one percent (0.25 percent) of the assets in each member’s account annually.

Total contributions made by the District during fiscal year 2021 were:

Contribution Amount		Percentage of Covered Payroll		Required
Employee	Employer	Employee	Employer	Rates
\$1,170	\$1,170	5.0%	5.0%	5.0%

13. JOINT VENTURES:

a. Cable Channel 3 Television-

The District and the City of Worthington, Minnesota, entered into a joint powers agreement for the purposes of operating Worthington Cable 3 Television Public Access Channel on January 1, 1998, updated in October 2016. The agreement provides that the District shall provide the Board with studio space for the operation of Cable Channel 3, shall contribute equipment that was located in the studio at the time of the agreement and an annual sum of no less than \$8,800. The City of Worthington, Minnesota, shall remit to the Board all franchise fees and subscriber payments which are collected by two local cable companies pursuant to the Franchise Agreement between the City, and the respective cable companies, except that the City will retain an amount equal to the amount expended by the City during the prior calendar year for cable franchise expenses, including attorney fees. In addition, the City will contribute to the Board all of the equipment owned by the City and currently located at the Senior High School television studio. The fiscal year of Cable Channel 3 is January 1st to December 31st. Audited financial statements were not available for the year ended December 31, 2020. However, internal statements were issued and reflected a positive financial position at year end. There were no related party transactions during the year.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

13. JOINT VENTURES (Continued):

b. Nobles County Integration Collaborative (NCIC)-

Independent School District No. 518-Worthington, Independent School District No. 511-Adrian, Independent School District No. 514-Ellsworth, Independent School District No. 505-Fulda, Independent School District No. 330 Heron Lake-Okabena and Independent School District No. 2907-Round Lake-Brewster, entered into a joint powers agreement for the purpose of implementing the Nobles County Multi-District Integration Plan which was drafted by the Nobles County Multi-District Integration Council and submitted to the State of Minnesota in January, 2001. The member districts shall transfer to the Board the initial and subsequent integration and achievement funds as established at the conception of the agreement. Grants received from private foundations, corporate donations, regional, state and federal grants relating to the implementation of the plan will be used in addition to the member districts' transfers to finance the program. Any surplus is returned to member districts at the end of the fiscal year; therefore, no material surplus or deficit exists or is anticipated. Independent School District No. 518-Worthington was named the fiscal agent for the Collaborative.

14. RELATED PARTY TRANSACTIONS:

During the normal course of business, the District purchases goods and services from employees of the District and sells goods and services to employees of the District. The amounts of such transactions are not material to the financial statements.

A Lease of farmland to a partnership with a board member as a partner for fiscal years 2021 through 2024 was awarded through an open request for proposals process.

15. COMMITMENTS AND CONTINGENCIES:

a. Grants and Aids-

The District receives significant financial assistance from numerous federal, state and local government agencies in the form of grants and aid. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

b. Legal Claims-

The District has the usual and customary types of miscellaneous legal claims pending at year end, mostly of a minor nature and usually covered by insurance carried for that purpose.

c. Construction-

With the passage of the General Obligation School Building Bond levy question, construction has begun for the new grade 3-5 intermediate school on the District's property on Crailsheim Drive. Completion estimated in time for the 2022-23 school year.

The District has commenced construction of a new Community Education building on the District's property on Crailsheim Drive. Construction will begin in the 2021-22 fiscal year with completion estimated in January 2023.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

16. TAX ABATEMENTS:

The District has entered into tax abatement agreements which meet the criteria for disclosure under Governmental Accounting Standards Board Statement No. 77 Tax Abatement Disclosures. The District’s authority to enter into these agreements comes from Minnesota Statute 469.1813 Subd.2.b.2 that limits the abatement amount to the amount of tax increase resulting from valuation increases. The District entered into these agreements for the purpose of economic development.

Under each agreement, the District and developer agree on an amount of the development cost to be reimbursed to the developer by the District through tax revenues levied as a result of the additional taxable value of the property generated by the development (tax abatement). A “pay-as-you-go” note is established for this amount, on which the District makes payments for a fixed period of time from the tax revenues generated.

One agreement coordinated by the City of Worthington was awarded by the City of Worthington on May 24, 2010, for a property located at 511 10th Street in compliance with the guidelines. The abatement of all combined governmental units is \$80,000 or 15 years, whichever occurs first. As of June 30, 2021, the District had rebated \$7,091 of which \$3,900 was paid during the fiscal year then ended.

The District has entered into a tax abatement agreement titled the Nobles Home Initiative (NHI), with the City of Worthington and Nobles County under Minnesota State Statute 469.1813 Subdivision 8. This program is intended to encourage the construction of new owner occupied and rental residential housing units. Eligible projects may receive up to 100% tax abatement of the District’s share of increased real estate taxes resulting from the newly constructed housing unit, for a period of five years. During the fiscal year ended June 30, 2021, taxes were abated for forty-six eligible properties within the District’s corporate limits in the amount of \$19,192.

17. CHANGE IN ACCOUNTING PRINCIPLE:

For the year ended June 30, 2020, the District implemented GASB Statement No. 84, *Fiduciary Activities*. The statement establishes criteria for identifying and reporting fiduciary activities. Implementation of the statement resulted in the recognition of Student Activity Accounts, which were not reported previously, within the District general fund. Beginning net position and fund balance were restated to reflect this change.

	Governmental Activities		General Fund
Net Position July 1, 2019, as previously reported	\$ 26,995,213	Fund Balance July 1, 2019, as previously reported	\$ 34,475,971
Change in accounting principle	182,496	Change in accounting principle	182,496
Net Position July 1, 2019 as restated	\$ 27,177,709	Fund Balance July 1, 2019 as restated	\$ 34,658,467

18. GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED:

GASB Statement No. 87, Leases establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. This statement will be effective for the year ended June 30, 2022.

INDEPENDENT SCHOOL DISTRICT NO. 518

SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2021

(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020)

	2021		Variance with Final Budget	2020
	Final Budget	Actual		Actual
REVENUES:				
Local property tax levies-				
Current levy	\$ 4,564,207	\$ 4,562,151	\$ (2,056)	\$ 4,224,786
Total local property tax levies	\$ 4,564,207	\$ 4,562,151	\$ (2,056)	\$ 4,224,786
Other local and county revenues-				
County apportionment	\$ 19,000	\$ 15,461	\$ (3,539)	\$ 24,051
Tuition and fees from patrons	95,920	97,144	1,224	173,051
Interest income	105,000	112,050	7,050	685,473
Litigation & insurance settlements	4,900	5,464	564	52,795
Other local revenue	586,195	706,211	120,016	905,233
Total other local and county revenues	\$ 811,015	\$ 936,330	\$ 125,315	\$ 1,840,603
Revenues from state sources-				
Endowment fund apportionment	\$ 142,000	\$ 153,314	\$ 11,314	\$ 175,741
Department of Education aids-				
General education aid	35,540,404	35,254,334	(286,070)	37,757,834
Special education	4,100,000	4,558,991	458,991	4,538,422
Vocational and other education	1,274,925	1,183,462	(91,463)	1,615,525
Other appropriations by the state for replacement of local taxes-				
Market value aid	17,728	17,761	33	27,518
Disparity reduction aid and other	24,628	24,628	-	41,203
State special funding for pensions	125,000	188,809	63,809	141,621
Total revenues from state sources	\$ 41,224,685	\$ 41,381,299	\$ 156,614	\$ 44,297,864
Revenues from federal sources-				
Federal aids through Minnesota				
Department of Education	\$ 2,406,288	\$ 2,641,390	\$ 235,102	\$ 904,910
Federal aids through SWWC cooperative	306,540	285,996	(20,544)	497,671
Total revenues from federal sources	\$ 2,712,828	\$ 2,927,386	\$ 214,558	\$ 1,402,581
Sales and other conversion of assets-				
Sales of materials and supplies	\$ 9,765	\$ 16,082	\$ 6,317	\$ 36,545
Tuition revenue from other school districts	\$ 375,000	\$ 389,597	\$ 14,597	\$ 435,914
Total revenues	\$ 49,697,500	\$ 50,212,845	\$ 515,345	\$ 52,238,293

INDEPENDENT SCHOOL DISTRICT NO. 518

SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL (CONTINUED)

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2021

(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020)

	2021		Variance with Final Budget	2020
	Final Budget	Actual		Actual
EXPENDITURES:				
District and school administration-				
School board expenses-				
Per diem	\$ 36,340	\$ 36,630	\$ (290)	\$ 36,565
Employee benefits	7,300	8,454	(1,154)	7,420
Travel	8,000	2,170	5,830	6,569
Other	21,360	20,298	1,062	21,003
General administration-				
Superintendent salary	177,470	186,866	(9,396)	167,500
Administrative support salaries	46,000	45,826	174	44,168
Employee benefits	90,080	89,654	426	55,833
Travel and other	6,755	1,755	5,000	2,740
Building administration-				
Salaries	504,502	503,311	1,191	494,680
Employee benefits	193,603	191,194	2,409	180,417
Travel	2,010	-	2,010	107
Purchased services	78,230	17,486	60,744	25,688
Supplies and materials	24,710	13,243	11,467	14,212
Other	129,170	15,009	114,161	13,071
Total district and school administration	\$ 1,325,530	\$ 1,131,896	\$ 193,634	\$ 1,069,973
District support services-				
District business services-				
Director of finance and personnel salary	\$ 90,000	\$ 91,779	\$ (1,779)	\$ 92,650
Administrative support salaries	154,810	153,173	1,637	147,362
Employee benefits	841,040	80,323	760,717	91,336
Travel	6,500	222	6,278	5,322
Purchased services	107,838	101,589	6,249	94,259
Supplies and materials	5,418	4,759	659	3,720
Other	9,000	3,105	5,895	5,359

INDEPENDENT SCHOOL DISTRICT NO. 518

SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL (CONTINUED)

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2021

(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020)

	2021		Variance with Final Budget	2020
	Final Budget	Actual		Actual
EXPENDITURES (Continued):				
District support services (continued)-				
Other support services-				
Salaries	\$ 362,096	\$ 360,012	\$ 2,084	\$ 339,731
Employee benefits	119,560	118,461	1,099	108,964
Travel	1,470	69	1,401	938
Contracted services-				
Printing and publishing	28,880	16,183	12,697	55,819
Legal	15,000	15,682	(682)	8,596
Data processing	164,597	135,721	28,876	119,111
Other	5,050	4,270	780	3,023
Supplies and materials	1,600	1,318	282	704
Total district support services	<u>\$ 1,912,859</u>	<u>\$ 1,086,666</u>	<u>\$ 826,193</u>	<u>\$ 1,076,894</u>
Regular instruction-				
Salaries-				
Secondary teachers	\$ 6,902,136	\$ 6,798,583	\$ 103,553	\$ 6,385,217
Elementary teachers	4,183,865	4,318,953	(135,088)	4,258,108
Kindergarten teachers	936,275	905,750	30,525	851,540
Education aides	1,170,324	1,146,215	24,109	1,095,641
Other	281,761	278,246	3,515	292,297
Employee benefits	4,249,867	4,098,023	151,844	3,882,607
Contracted Substitutes	361,520	219,141	142,379	441,686
Contracted Education	501,500	386,725	114,775	1,281,900
Travel	46,592	19,739	26,853	22,339
Tuition to other schools	15,000	41,239	(26,239)	21,171
Pupil transportation	67,560	46,428	21,132	31,065
Purchased services	571,380	477,841	93,539	389,501
General supplies and materials	166,890	132,576	34,314	112,462
Instructional software	330,935	435,983	(105,048)	182,895
Instructional supplies and materials	306,613	164,244	142,369	175,432
Textbooks	29,370	178,933	(149,563)	20,112
Other	144,953	177,943	(32,990)	668,420
Capital outlay	307,476	250,168	57,308	254,295

INDEPENDENT SCHOOL DISTRICT NO. 518SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCEBUDGET AND ACTUAL (CONTINUED)GENERAL FUNDFOR THE YEAR ENDED JUNE 30, 2021(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020)

	2021		Variance with Final Budget	2020
	Final Budget	Actual		Actual
EXPENDITURES (Continued):				
Regular instruction (continued)-				
Student activities				
Salaries	\$ 604,665	\$ 491,177	\$ 113,488	\$ 512,189
Employee benefits	112,270	97,329	14,941	98,455
Purchased services	153,560	65,375	88,185	127,201
Travel	10,210	825	9,385	7,058
Utilities	8,280	10,592	(2,312)	6,059
Pupil transportation	130,780	85,249	45,531	118,760
General supplies and materials	119,545	83,382	36,163	141,345
Equipment purchased	15,020	12,170	2,850	35,567
Other	6,710	7,410	(700)	10,478
Capital outlay	74,249	108,169	(33,920)	72,904
Total regular instruction	<u>\$ 21,809,306</u>	<u>\$ 21,038,408</u>	<u>\$ 770,898</u>	<u>\$ 21,496,704</u>
Vocational instruction-				
Salaries	\$ 380,625	\$ 396,131	\$ (15,506)	\$ 377,736
Employee benefits	116,832	119,657	(2,825)	114,941
Travel	1,760	-	1,760	500
Purchased services	830	354	476	162
Pupil transportation	8,080	303	7,777	9,414
General supplies and materials	1,450	271	1,179	136
Instructional supplies and materials	17,160	20,316	(3,156)	24,611
Other	-	3,684	(3,684)	2,761
Capital outlay	3,594	3,594	-	1,453
Total vocational instruction	<u>\$ 530,331</u>	<u>\$ 544,310</u>	<u>\$ (13,979)</u>	<u>\$ 531,714</u>
Exceptional instruction-				
Salaries-				
Teachers	\$ 3,105,823	\$ 3,016,017	\$ 89,806	\$ 2,903,641
Psychologists	127,950	128,304	(354)	153,661
Aides	1,795,820	1,570,674	225,146	1,751,673
Office	173,190	161,870	11,320	156,824
Employee benefits	1,657,487	1,622,245	35,242	1,639,028
Travel	36,490	27,533	8,957	23,078
Professional services	137,900	79,822	58,078	17,559

INDEPENDENT SCHOOL DISTRICT NO. 518

SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL (CONTINUED)

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2021

(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020)

	2021		Variance with Final Budget	2020
	Final Budget	Actual		Actual
EXPENDITURES (Continued):				
Exceptional instruction (continued)-				
Tuition to other schools	\$ 567,350	\$ 323,630	\$ 243,720	\$ 316,317
Other purchased services	15,050	15,834	(784)	145,468
General supplies and materials	57,900	38,577	19,323	37,620
Instructional supplies and materials	73,800	72,566	1,234	75,464
Other	5,310	39,201	(33,891)	107,827
Total exceptional instruction	<u>\$ 7,754,070</u>	<u>\$ 7,096,273</u>	<u>\$ 657,797</u>	<u>\$ 7,328,160</u>
Community education and services-				
Salaries	\$ 160,800	\$ 193,463	\$ (32,663)	\$ 56,219
Employee benefits	54,110	66,942	(12,832)	20,819
Pupil transportation	-	3,781	(3,781)	24,739
General supplies and materials	930	2,720	(1,790)	480
Instructional supplies and materials	-	634	(634)	219
Other	14,260	42,992	(28,732)	245
Capital outlay	-	-	-	5,199
Total community education and service	<u>\$ 230,100</u>	<u>\$ 310,532</u>	<u>\$ (80,432)</u>	<u>\$ 107,920</u>
Instructional support services-				
Salaries-				
Assistant principal	\$ 351,120	\$ 352,853	\$ (1,733)	\$ 345,856
Media	241,321	227,188	14,133	252,066
Technology	282,500	280,229	2,271	260,366
Curriculum development	218,780	236,167	(17,387)	256,250
Staff development	262,715	254,438	8,277	216,034
Secretarial and other	527,290	481,507	45,783	487,113
Employee benefits	611,784	597,281	14,503	583,975
Travel	54,140	24,720	29,420	30,662
Professional services	51,535	22,755	28,780	76,708
Other purchased services	171,073	157,226	13,847	116,901
General supplies and materials	514,137	519,812	(5,675)	84,503
Instructional supplies and materials	715,012	723,454	(8,442)	12,063
Other	31,760	17,140	14,620	166,601
Capital outlay	132,975	92,466	40,509	372,495
Total instructional support services	<u>\$ 4,166,142</u>	<u>\$ 3,987,236</u>	<u>\$ 178,906</u>	<u>\$ 3,261,593</u>

INDEPENDENT SCHOOL DISTRICT NO. 518

SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL (CONTINUED)

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2021

(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020)

	2021			2020
	Final Budget	Actual	Variance with Final Budget	Actual
EXPENDITURES (Continued):				
Pupil support services-				
Guidance and counseling-				
Salaries	\$ 500,685	\$ 491,708	\$ 8,977	\$ 423,389
Employee benefits	154,002	150,698	3,304	130,213
Supplies and materials	5,565	1,240	4,325	1,942
Health services-				
Salaries	37,600	28,948	8,652	30,635
Employee benefits	5,775	4,408	1,367	4,863
Travel	210	-	210	75
Purchased services	145,880	125,374	20,506	95,198
General supplies and materials	-	-	-	150
Social & Psychological services-				
Salaries	156,037	153,865	2,172	109,734
Employee benefits	49,898	48,287	1,611	35,580
Purchased services	7,640	7,999	(359)	-
General supplies and materials	500	1,730	(1,230)	-
Violence prevention-				
Salaries	-	-	-	38,218
Employee benefits	-	-	-	10,449
Purchased services	51,500	39,174	12,326	37,503
Supplies and materials	20,040	27,666	(7,626)	7,881
Other	-	8,205	(8,205)	6,605
Transportation-				
Salaries	197,500	170,754	26,746	215,598
Employee benefits	70,620	73,150	(2,530)	75,673
Supplies and materials	510	404	106	438
Contracted services and public carriers	1,471,860	1,270,094	201,766	1,335,345
Other	32,820	29,918	2,902	40,099
Nobles County integration collaborative	1,039,309	972,157	67,152	863,600
Other support services-				
Supplies and materials	5,690	4,857	833	6,823
Other	7,000	3,648	3,352	-
Total pupil support services	\$ 3,960,641	\$ 3,614,284	\$ 346,357	\$ 3,470,011

INDEPENDENT SCHOOL DISTRICT NO. 518

SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL (CONTINUED)

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2021

(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020)

	2021		2020	
	Final Budget	Actual	Variance with Final Budget	Actual
EXPENDITURES (Continued):				
Site, buildings and equipment-				
Plant operations and maintenance-				
Salaries	\$ 1,040,630	\$ 969,497	\$ 71,133	\$ 966,130
Employee benefits	299,777	296,060	3,717	282,937
Travel	1,010	-	1,010	-
Repairs and maintenance service	297,730	184,671	113,059	269,149
Fuel for buildings	236,990	144,493	92,497	172,202
Utilities, except for fuel for buildings	783,200	639,247	143,953	608,027
Custodial supplies and materials	365,921	330,293	35,628	225,239
Other	131,707	78,460	53,247	74,978
Capital outlay-				
Operating capital	597,752	544,392	53,360	884,212
Long-term facility maintenance	1,318,954	1,612,242	(293,288)	2,112,005
Projects using committed or unrestricted funds	5,667,850	4,291,329	1,376,521	3,573,736
Total site, buildings and equipment	<u>\$ 10,741,521</u>	<u>\$ 9,090,684</u>	<u>\$ 1,650,837</u>	<u>\$ 9,168,615</u>
Fiscal and other fixed cost programs-				
Fixed charges-				
Insurance and judgments	\$ 225,000	\$ 197,444	\$ 27,556	\$ 167,482
Debt redemption-				
Certificate of participation interest	-	-	-	190,175
Certificate of participation other expense	-	-	-	3,300
Total fiscal and other fixed cost programs	<u>\$ 225,000</u>	<u>\$ 197,444</u>	<u>\$ 27,556</u>	<u>\$ 360,957</u>
Total expenditures	<u>\$ 52,655,500</u>	<u>\$ 48,097,733</u>	<u>\$ 4,557,767</u>	<u>\$ 47,872,541</u>
Excess (deficit) of revenues over expenditures	<u>\$ (2,958,000)</u>	<u>\$ 2,115,112</u>	<u>\$ 5,073,112</u>	<u>\$ 4,365,752</u>

INDEPENDENT SCHOOL DISTRICT NO. 518

SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL (CONTINUED)

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2021

(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020)

	2021			2020
	Final Budget	Actual	Variance with Final Budget	Actual
OTHER FINANCING SOURCES (USES):				
Other financing sources				
Sale of capital assets	\$ 2,000	\$ 77,500	\$ 75,500	\$ 68,204
Total other financing sources	\$ 2,000	\$ 77,500	\$ 75,500	\$ 68,204
Other financing uses				
Transfer to debt service fund	\$ -	\$ -	\$ -	\$ (1,430,175)
Total other financing sources (uses)	\$ 2,000	\$ 77,500	\$ 75,500	\$ (1,361,971)
Net change in fund balances	\$ (2,956,000)	\$ 2,192,612	\$ 5,148,612	\$ 3,003,781
FUND BALANCE, Beginning of year		37,662,248		34,475,971
Change in accounting principle (Note 17)		\$ -		\$ 182,496
FUND BALANCE, Beginning of year (restated)		\$ 37,662,248		\$ 34,658,467
FUND BALANCE, End of year		\$ 39,854,860		\$ 37,662,248

INDEPENDENT SCHOOL DISTRICT NO. 518

SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOOD SERVICE SPECIAL REVENUE FUND

FOR THE YEAR ENDED JUNE 30, 2021

(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020)

	Final Budget	2021 Actual	Variance with Final Budget	2020 Actual
REVENUES:				
Local sales and other revenues-				
Meals sold	\$ 64,250	\$ 19,954	\$ (44,296)	\$ 314,983
Other local revenues	6,750	3,734	(3,016)	12,076
Total local sales and other revenues	<u>\$ 71,000</u>	<u>\$ 23,688</u>	<u>\$ (47,312)</u>	<u>\$ 327,059</u>
State sources-				
State lunch and breakfast program aid	\$ 81,406	\$ 2,543	\$ (78,863)	\$ 141,321
Total state sources	<u>\$ 81,406</u>	<u>\$ 2,543</u>	<u>\$ (78,863)</u>	<u>\$ 141,321</u>
Federal sources-				
Regular lunch and breakfast	\$ 201,960	\$ 109,868	\$ (92,092)	\$ 500,846
Free and reduced	200,000	23,496	(176,504)	752,077
Summer food program	1,600,000	1,828,306	228,306	595,630
Commodity rebates	2,300	1,876	(424)	4,160
Commodities used	161,334	153,453	(7,881)	209,598
Total federal sources	<u>\$ 2,165,594</u>	<u>\$ 2,116,999</u>	<u>\$ (48,595)</u>	<u>\$ 2,062,311</u>
Total revenues	<u>\$ 2,318,000</u>	<u>\$ 2,143,230</u>	<u>\$ (174,770)</u>	<u>\$ 2,530,691</u>
EXPENDITURES:				
Pupil support services-				
Salaries	\$ 996,820	\$ 972,649	\$ 24,171	\$ 879,920
Employee benefits	320,279	324,367	(4,088)	314,077
Repairs and maintenance	17,840	10,887	6,953	22,658
Other purchased services	17,947	37,777	(19,830)	54,681
General supplies and materials	89,164	86,591	2,573	69,799
Food	918,600	833,095	85,505	1,130,793
Equipment purchased	7,550	279	7,271	86,835
Other	12,800	11,950	850	11,647
Total pupil support services	<u>\$ 2,381,000</u>	<u>\$ 2,277,595</u>	<u>\$ 103,405</u>	<u>\$ 2,570,410</u>
Total expenditures	<u>\$ 2,381,000</u>	<u>\$ 2,277,595</u>	<u>\$ 103,405</u>	<u>\$ 2,570,410</u>
Net change in fund balances	<u>\$ (63,000)</u>	<u>\$ (134,365)</u>	<u>\$ (71,365)</u>	<u>\$ (39,719)</u>
FUND BALANCE, Beginning of year		938,673		978,392
FUND BALANCE, End of year		<u>\$ 804,308</u>		<u>\$ 938,673</u>

INDEPENDENT SCHOOL DISTRICT NO. 518

SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

COMMUNITY SERVICES SPECIAL REVENUE FUND

FOR THE YEAR ENDED JUNE 30, 2021

(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020)

	2021		2020	
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
REVENUES:				
Local property tax levies-				
Current levy	\$ <u>174,101</u>	\$ <u>176,823</u>	\$ <u>2,722</u>	\$ <u>176,230</u>
Total local property tax levies	\$ <u>174,101</u>	\$ <u>176,823</u>	\$ <u>2,722</u>	\$ <u>176,230</u>
Other local and county revenues-				
Tuition and fees from patrons	\$ <u>169,399</u>	\$ <u>183,112</u>	\$ <u>13,713</u>	\$ <u>193,597</u>
Other local revenues	<u>113,705</u>	<u>160,397</u>	<u>46,692</u>	<u>166,757</u>
Total other local and county revenues	\$ <u>283,104</u>	\$ <u>343,509</u>	\$ <u>60,405</u>	\$ <u>360,354</u>
Revenues from state sources-				
State aids from Department of Education-				
Vocational and other education	\$ <u>1,233,280</u>	\$ <u>1,340,026</u>	\$ <u>106,746</u>	\$ <u>1,262,061</u>
Other appropriations by the state for replacement of local taxes-				
Disparity and other	<u>3,905</u>	<u>3,906</u>	<u>1</u>	<u>6,338</u>
State special funding for pensions	<u>2,000</u>	<u>7,858</u>	<u>5,858</u>	<u>5,513</u>
Total revenues from state sources	\$ <u>1,239,185</u>	\$ <u>1,351,790</u>	\$ <u>112,605</u>	\$ <u>1,273,912</u>
Revenues from federal sources-				
Federal aids through Minnesota Department of Education	\$ <u>438,610</u>	\$ <u>418,825</u>	\$ <u>(19,785)</u>	\$ <u>59,051</u>
Total revenues from federal sources	\$ <u>438,610</u>	\$ <u>418,825</u>	\$ <u>(19,785)</u>	\$ <u>59,051</u>
Sales and other conversion of assets-				
Sales of materials and supplies	\$ <u>-</u>	\$ <u>138</u>	\$ <u>138</u>	\$ <u>64</u>
Total revenues	\$ <u>2,135,000</u>	\$ <u>2,291,085</u>	\$ <u>156,085</u>	\$ <u>1,869,611</u>

INDEPENDENT SCHOOL DISTRICT NO. 518

SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL (CONTINUED)

COMMUNITY SERVICES SPECIAL REVENUE FUND

FOR THE YEAR ENDED JUNE 30, 2021

(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020)

	2021		Variance with Final Budget	2020
	Final Budget	Actual		Actual
EXPENDITURES:				
Community education and services-				
Civic activities and general	\$ 610,319	\$ 562,102	\$ 48,217	\$ 213,750
Early Childhood Family Education	225,933	130,176	95,757	204,311
Pathways Early Learning	139,859	97,671	42,188	113,999
School readiness	230,816	273,596	(42,780)	211,145
Preschool screening	19,680	13,740	5,940	12,404
Parent involvement	37,318	33,346	3,972	39,102
Youth programs	32,130	32,935	(805)	36,694
Adult education programs	874,155	738,946	135,209	821,156
Non-public school assistance-				
Textbooks and standardized tests	16,820	16,945	(125)	12,576
Total community education and services	<u>\$ 2,187,030</u>	<u>\$ 1,899,457</u>	<u>\$ 287,573</u>	<u>\$ 1,665,137</u>
Pupil support services-				
Non-public school health services-	\$ 14,970	\$ 14,970	\$ -	\$ 13,352
Non-public Counseling and career guidance	3,000	2,204	796	2,135
Total pupil support services	<u>\$ 17,970</u>	<u>\$ 17,174</u>	<u>\$ 796</u>	<u>\$ 15,487</u>
Total expenditures	<u>\$ 2,205,000</u>	<u>\$ 1,916,631</u>	<u>\$ 288,369</u>	<u>\$ 1,680,624</u>
Net change in fund balances	<u>\$ (70,000)</u>	<u>\$ 374,454</u>	<u>\$ 444,454</u>	<u>\$ 188,987</u>
FUND BALANCE, Beginning of year		621,956		432,969
FUND BALANCE, End of year		<u>\$ 996,410</u>		<u>\$ 621,956</u>

INDEPENDENT SCHOOL DISTRICT NO. 518

SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

CAPITAL PROJECTS FUND

FOR THE YEAR ENDED JUNE 30, 2021

(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020)

	2021		2020	
	Final Budget	Actual	Variance with Final Budget	Actual
REVENUES:				
Other local and county revenues-				
Interest income	\$ 200,000	\$ 212,306	\$ 12,306	\$ 420,407
Total revenues	\$ 200,000	\$ 212,306	\$ 12,306	\$ 420,407
EXPENDITURES:				
Site, buildings and equipment-				
Buildings	\$ 23,790,000	\$ 15,948,222	\$ 7,841,778	\$ 3,976,100
Total site, buildings and equipment	\$ 23,790,000	\$ 15,948,222	\$ 7,841,778	\$ 3,976,100
Total expenditures	\$ 23,790,000	\$ 15,948,222	\$ 7,841,778	\$ 3,976,100
Excess (deficit) of revenues over expenditures	\$ (23,590,000)	\$ (15,735,916)	\$ 7,854,084	\$ (3,555,693)
OTHER FINANCING SOURCES (USES):				
Sale of general obligation bonds	\$ -	\$ -	\$ -	\$ 38,747,584
Net change in fund balances	\$ (23,590,000)	\$ (15,735,916)	\$ 7,854,084	\$ 35,191,891
FUND BALANCE, Beginning of year		37,519,248		2,327,357
FUND BALANCE, End of year		\$ 21,783,332		\$ 37,519,248

INDEPENDENT SCHOOL DISTRICT NO. 518

SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

DEBT SERVICE FUND

FOR THE YEAR ENDED JUNE 30, 2021

(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020)

	2021		Variance with Final Budget	2020
	Final Budget	Actual		Actual
REVENUES:				
Local property tax levies	\$ 2,869,591	\$ 3,023,477	\$ 153,886	\$ 1,298,904
Other local and county revenues-				
Interest income	\$ 124,707	\$ 3,944	\$ (120,763)	\$ 623,058
Revenues from state sources-				
Department of Education aids-				
Long term facility maintenance aid	\$ 304,036	\$ 304,036	\$ -	\$ 289,261
Other appropriations by the state for replacement of local taxes-				
School Building Bond Ag Credit	919,075	919,076	1	308,611
Homestead and agricultural credit aid	37,392	37,421	29	23,892
Disparity and other	48,199	48,199	-	32,371
Total revenues from state sources	\$ 1,308,702	\$ 1,308,732	\$ 30	\$ 654,135
Total revenues	\$ 4,303,000	\$ 4,336,153	\$ 33,153	\$ 2,576,097
EXPENDITURES:				
Debt redemption-				
Principal payment on bonds	\$ 2,575,000	\$ 2,575,000	\$ -	\$ 1,815,000
Interest expense	2,180,323	2,180,323	-	471,213
Other expense	4,677	3,495	1,182	142,489
Total debt redemption	\$ 4,760,000	\$ 4,758,818	\$ 1,182	\$ 2,428,702
Total expenditures	\$ 4,760,000	\$ 4,758,818	\$ 1,182	\$ 2,428,702
Excess (deficit) of revenues over expenditures	\$ (457,000)	\$ (422,665)	\$ 34,335	\$ 147,395
OTHER FINANCING SOURCES (USES):				
Sale of general obligation bonds	\$ -	\$ -	\$ -	\$ 10,065,000
Transfer from general fund	-	-	-	1,430,175
Total other financing sources (uses)	\$ -	\$ -	\$ -	\$ 11,495,175
Net change in fund balances	\$ (457,000)	\$ (422,665)	\$ 34,335	\$ 11,642,570
FUND BALANCE, Beginning of year		12,009,623		367,053
FUND BALANCE, End of year		\$ 11,586,958		\$ 12,009,623

INDEPENDENT SCHOOL DISTRICT NO. 518

SCHEDULES OF FIDUCIARY NET POSITION

TRUST FUND

JUNE 30, 2021

(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2020)

	Private Purpose Trust Fund	
	<u>2021</u>	<u>2020</u>
ASSETS:		
Cash and investments	\$ <u>173,831</u>	\$ <u>327,722</u>
Total assets	\$ <u><u>173,831</u></u>	\$ <u><u>327,722</u></u>
LIABILITIES:		
Accounts payable	\$ <u>1,240</u>	\$ <u>-</u>
Total liabilities	\$ <u>1,240</u>	\$ <u>-</u>
NET POSITION:		
Held in trust	<u>172,591</u>	<u>327,722</u>
Total liabilities and net position	\$ <u><u>173,831</u></u>	\$ <u><u>327,722</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 518

SCHEDULES OF CHANGES IN FIDUCIARY NET POSITION

BUDGET AND ACTUAL

TRUST FUND

FOR THE YEAR ENDED JUNE 30, 2021

(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020)

	2021		Variance with Final Budget	2020
	Final Budget	Actual		Actual
ADDITIONS:				
Other local and county revenues-				
Interest income	\$ 180	\$ 156	\$ (24)	\$ 3,246
Other local revenues	<u>14,820</u>	<u>20,196</u>	<u>5,376</u>	<u>24,882</u>
Total other local and county revenues	<u>\$ 15,000</u>	<u>\$ 20,352</u>	<u>\$ 5,352</u>	<u>\$ 28,128</u>
Total revenues	<u>\$ 15,000</u>	<u>\$ 20,352</u>	<u>\$ 5,352</u>	<u>\$ 28,128</u>
DEDUCTIONS:				
Other pupil support	<u>\$ 109,000</u>	<u>\$ 175,483</u>	<u>\$ (66,483)</u>	<u>\$ 60,497</u>
Total expenditures	<u>\$ 109,000</u>	<u>\$ 175,483</u>	<u>\$ (66,483)</u>	<u>\$ 60,497</u>
Change in net position	<u>\$ (94,000)</u>	<u>\$ (155,131)</u>	<u>\$ (61,131)</u>	<u>\$ (32,369)</u>
NET POSITION, Beginning of year		<u>327,722</u>		<u>360,091</u>
NET POSITION, End of year		<u>\$ 172,591</u>		<u>\$ 327,722</u>

INDEPENDENT SCHOOL DISTRICT NO. 518
SCHEDULES OF CHANGES IN CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2021

	Balance June 30, 2020	Additions	Transfers	Retirements	Balance June 30, 2021
CAPITAL ASSETS:					
Land	\$ 3,504,003	\$ -	\$ -	\$ -	\$ 3,504,003
Land improvements	6,049,563	6,129,123	-	(85,231)	12,093,455
Buildings	52,831,800	4,890,224	-	(303,419)	57,418,605
Equipment	13,510,205	2,565,477	-	(508,885)	15,566,797
Vehicles	493,060	-	-	-	493,060
Construction in progress	5,497,426	21,363,743	-	(11,688,952)	15,172,217
Total capital assets	<u>\$ 81,886,057</u>	<u>\$ 34,948,567</u>	<u>\$ -</u>	<u>\$ (12,586,487)</u>	<u>\$ 104,248,137</u>
 CAPITAL ASSETS BY SOURCE:					
General and special revenue funds	\$ 28,151,280	\$ 34,948,567	\$ -	\$ (12,586,487)	\$ 50,513,360
General obligation bonds	36,330,306	-	-	-	36,330,306
Capital leases	16,692,355	-	-	-	16,692,355
Federal grants	712,116	-	-	-	712,116
Total capital assets by source	<u>\$ 81,886,057</u>	<u>\$ 34,948,567</u>	<u>\$ -</u>	<u>\$ (12,586,487)</u>	<u>\$ 104,248,137</u>
 CAPITAL ASSETS BY FUNCTION AND ACTIVITY:					
Administration	\$ 303,979	\$ 79,613	\$ -	\$ (1,681)	\$ 381,911
Instruction	9,037,916	8,957,860	-	(459,728)	17,536,048
Instructional support services	1,168,668	55,457	-	(9,359)	1,214,766
Pupil support services	499,432	53,653	-	(1,614)	551,471
Food service	698,278	-	-	-	698,278
Community education and services	163,122	54,119	-	(9,024)	208,217
Site, buildings and equipment	70,014,662	25,747,865	-	(12,105,081)	83,657,446
Total capital assets by function and activity	<u>\$ 81,886,057</u>	<u>\$ 34,948,567</u>	<u>\$ -</u>	<u>\$ (12,586,487)</u>	<u>\$ 104,248,137</u>

INDEPENDENT SCHOOL DISTRICT NO. 518
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR
OTHER POSTEMPLOYMENT BENEFITS PLAN

JUNE 30, 2021, 2020, 2019, 2018, 2017, 2016, 2015, 2014, 2013, AND 2012

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
06/30/2012	\$ -	\$ 529,053	\$ (529,053)	0.0%	\$ 13,762,583	3.8%
06/30/2013	\$ -	\$ 750,522	\$ (750,522)	0.0%	\$ 14,144,577	5.3%
06/30/2014	\$ -	\$ 750,522	\$ (750,522)	0.0%	\$ 14,882,409	5.0%
06/30/2015	\$ -	\$ 818,958	\$ (818,958)	0.0%	\$ 16,785,140	4.9%
06/30/2016	\$ -	\$ 818,958	\$ (818,958)	0.0%	\$ 17,815,124	4.6%
06/30/2017	\$ -	\$ 1,039,901	\$(1,039,901)	0.0%	\$ 20,189,269	5.2%
06/30/2018	\$ -	\$ 956,941	\$ (956,941)	0.0%	\$ 21,196,900	4.5%
06/30/2019	\$ -	\$ 986,795	\$ (986,795)	0.0%	\$ 23,627,036	4.2%
06/30/2020	\$ -	\$ 1,133,084	\$ (1,133,084)	0.0%	\$ 23,371,394	4.8%
06/30/2021	\$ -	\$ 1,071,342	\$ (1,071,342)	0.0%	\$ 27,260,883	3.9%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended <u>June 30</u>	Annual Required <u>Contribution</u>	Percentage <u>Contributed</u>
2012	\$ -	0.00%
2013	-	0.00%
2014	-	0.00%
2015	-	0.00%
2016	-	0.00%
2017	-	0.00%
2018	-	0.00%
2019	-	0.00%
2020	-	0.00%
2021	-	0.00%

INDEPENDENT SCHOOL DISTRICT NO. 518

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

Actuarial Valuation Date June 30,	Plan	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	Employer's Covered- Employee Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	TRA	0.3033%	\$ 13,975,846	\$ 14,002,116	99.81%	81.50%
	PERA	0.0998%	4,688,104	5,266,617	89.02%	78.70%
2015	TRA	0.2885%	\$ 17,846,578	\$ 15,031,466	118.73%	76.80%
	PERA	0.0949%	4,918,211	5,716,654	86.03%	78.20%
2016	TRA	0.2983%	\$ 71,151,667	\$ 15,874,765	448.21%	44.88%
	PERA	0.0954%	7,746,007	6,082,483	127.35%	68.90%
2017	TRA	0.3077%	\$ 61,422,502	\$ 16,563,453	370.83%	51.57%
	PERA	0.0992%	6,332,863	6,920,561	91.51%	75.90%
2018	TRA	0.3132%	\$ 19,671,892	\$ 17,306,040	113.67%	78.07%
	PERA	0.0990%	5,492,114	6,639,046	82.72%	79.53%
2019	TRA	0.3141%	\$ 20,020,800	\$ 17,832,322	112.27%	78.21%
	PERA	0.0968%	5,351,855	7,516,133	71.20%	80.20%
2020	TRA	0.3169%	\$ 23,412,997	\$ 18,413,914	127.15%	75.48%
	PERA	0.1050%	6,295,230	7,564,053	83.23%	79.10%

INDEPENDENT SCHOOL DISTRICT NO. 518
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ending June 30,	Plan	Contributions in Relation to the			Covered- Employee Payroll (d)	Contributions as a Percentage of Covered- Employee Payroll (b/d)
		Statutorily Required Contribution (a)	Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)		
2015	TRA	\$ 1,112,088	\$ 1,112,088	\$ -	\$ 15,031,466	7.40%
	PERA	415,104	415,104	-	5,716,654	7.26%
2016	TRA	\$ 1,176,217	\$ 1,176,217	\$ -	\$ 15,874,765	7.41%
	PERA	447,914	447,914	-	6,082,483	7.36%
2017	TRA	\$ 1,251,475	\$ 1,251,475	\$ -	\$ 16,686,333	7.50%
	PERA	479,931	479,931	-	6,540,992	7.34%
2018	TRA	\$ 1,310,538	\$ 1,310,538	\$ -	\$ 17,473,840	7.50%
	PERA	503,541	503,541	-	6,920,561	7.28%
2019	TRA	\$ 1,308,540	\$ 1,308,540	\$ -	\$ 17,306,040	7.56%
	PERA	512,016	512,016	-	6,920,561	7.40%
2020	TRA	\$ 1,380,385	\$ 1,380,385	\$ -	\$ 17,832,322	7.74%
	PERA	563,710	563,710	-	7,516,133	7.50%
2021	TRA	\$ 1,484,522	\$ 1,484,522	\$ -	\$ 18,413,914	8.06%
	PERA	567,304	567,304	-	7,564,053	7.50%

INDEPENDENT SCHOOL DISTRICT NO. 518
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY
FOR PENSION PLANS NOT ADMINISTERED THROUGH A TRUST

	<u>2021</u>
TOTAL OPEB LIABILITY	
Service Cost	\$ 105,906
Interest	32,727
Differences between expected and actual experience	(207,855)
Changes in assumption or other inputs	24,916
Benefit payments	<u>(17,436)</u>
Net change in total OPEB liability	\$ (61,742)
Total OPEB Liability-beginning	<u>1,133,084</u>
Total OPEB Liability-ending	<u>\$ 1,071,342</u>
Covered-employee payroll	\$ 27,260,883
Total OPEB liability as a percentage of covered-employee payroll	3.9%

DREALAN KVILHAUG HOEFKER & Co., P.A.

CERTIFIED PUBLIC ACCOUNTANTS



AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
MINNESOTA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

WAYNE W. DREALAN, CPA - RETIRED
ELLEN K. HOEFKER, MBA, CPA
GREG H. KVILHAUG, CPA, CFP

VICKIE L. KUIPERS, EA
CINDY M. PENNING, CPA

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

To the Members of the School Board
Independent School District No. 518
Worthington, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 518 (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 November 4, 2021.

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

Purpose of this Report

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

Dorelan Krulheug Hoefker & Co., P.A.

Worthington, Minnesota
November 4, 2021

DREALAN KVILHAUG HOEFKER & Co., P.A.

CERTIFIED PUBLIC ACCOUNTANTS



Member
Division for CPA Firms AICPA

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MINNESOTA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

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

To the Members of the School Board
Independent School District No. 518
Worthington, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Independent School District No. 518's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings 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 types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

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

Dreelan Kvilhang Hoefker & Co., P.A.

Worthington, Minnesota
November 4, 2021

INDEPENDENT SCHOOL DISTRICT NO. 518
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. Department of Agriculture:		
Pass-through program from Minnesota Department of Education-		
Nutrition Cluster:		
School Breakfast	10.553	\$ 12,520
School Lunch	10.555	26,701
After School Snack	10.555	5,040
Commodities Distribution (Note B)	10.555	153,453
Special Milk Program	10.556	102
Summer Food Service program	10.559	<u>1,828,306</u>
Total Nutrition Cluster		\$ <u>2,026,122</u>
Fresh Fruits and Vegetables	10.582	\$ 76,136
Commodity Cash Rebate Program	10.S6209	<u>1,876</u>
Total U.S. Department of Agriculture		\$ <u>2,104,134</u>
U.S. Department of Education:		
Pass-through programs from Minnesota Department of Education-		
Adult Basic Education	84.002	\$ <u>41,555</u>
English Language Acquisition Includes FIN 417,442	84.365	\$ <u>148,383</u>
Teacher and Principal Training and Recruiting Includes FIN 414,433	84.367	\$ <u>73,905</u>
Education Stabilization Fund FIN 153	84.425C	\$ <u>117,603</u>
Elementary and Secondary School Emergency Relief Fund FIN 151,152,155	84.425D*	\$ <u>765,011</u>
CARES Relief Funds for Back to School FIN 154	21.019*	\$ <u>1,314,551</u>
Governors Discretionary American Rescue Plan FIN 150	21.017	\$ <u>2,791</u>
Special Education Cluster:		
Special Education	84.027	\$ 143,048
Special Education Coordinated Early Intervening Services	84.027	88,458
Special Education Preschool Grants	84.173	<u>4,490</u>
Total Special Education Cluster		\$ <u>235,996</u>
Title I:		
Title I Grants to LEA's	84.010	\$ <u>550,561</u>
Total Title I		\$ <u>550,561</u>
Total U.S. Department of Education		\$ <u>3,250,356</u>
CARES Act funding received through Nobles County and MDE FIN 174	21.019	\$ <u>54,970</u>
Total expenditures of Federal Awards		\$ <u>5,409,460</u>

*Denotes major program

The notes to the schedule of expenditures of federal awards are an integral part of this statement.

INDEPENDENT SCHOOL DISTRICT NO. 518
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A-BASIS OF PRESENTATION:

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of the Independent School District No. 518 under programs of the federal government for the year ended June 30, 2021. 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). Because the Schedule presents only a selected portion of the operations of the Independent School District No. 518, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Independent School District No. 518.

NOTE B-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Independent School District No. 518 has elected to not use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C-OTHER UNIFORM GUIDANCE INFORMATION:

For the year ended June 30, 2021, Independent School District No. 518 had no expenditures in the form of no sub-recipients, no federally provided insurance in effect, and no loans or loan guarantees outstanding.

NOTE D-COMMODITY DISTRIBUTION:

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

NOTE E-PROGRAM NUMBERS

The individual grant identification numbers assigned by the pass-through agencies are unknown.

INDEPENDENT SCHOOL DISTRICT NO. 518
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

A. SUMMARY OF AUDIT RESULTS:

1. The auditor's report expresses an unmodified opinion on the financial statements of Independent School District No. 518.
2. Significant deficiencies relating to the audit of the financial statements are reported in the Schedule of Findings and Questioned Costs.
3. There were no instances of noncompliance material to the financial statements of Independent School District No. 518, which would be required to be reported in accordance with *Government Auditing Standards*, that were disclosed during the audit.
4. Significant deficiencies relating to the audit of the major federal awards programs are reported in the Schedule of Findings and Questioned Costs.
5. The auditor's report on compliance for the major federal award programs for Independent School District No. 518 expresses an unmodified opinion on all major federal programs.
6. Audit findings relative to the major federal award programs for Independent School District No. 518 are reported in Part C of this Schedule.
7. The programs tested as major programs include:

Elementary and Secondary School Relief Fund	CFDA No. 84.425D
CARES Relief Fund	CFDA No. 21.0119

8. The threshold for distinguishing Type A and B programs was \$750,000.
9. Independent School District No. 518 was determined to be a low-risk auditee.

B. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS:

None

C. FINDINGS AND QUESTIONED COSTS – Relating to Federal Awards:

Current Year: None

Prior Year: None

DREALAN KVILHAUG HOEFKER & Co., P.A.

CERTIFIED PUBLIC ACCOUNTANTS



WAYNE W. DREALAN, CPA - RETIRED
ELLEN K. HOEFKER, MBA, CPA
GREG H. KVILHAUG, CPA, CFP

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
MINNESOTA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

VICKIE L. KUIPERS, EA
CINDY M. PENNING, CPA

INDEPENDENT AUDITOR'S REPORT ON LEGAL COMPLIANCE
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Members of the School Board
Independent School District No. 518
Worthington, 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 Independent School District No. 518, 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 November 4, 2021.

In connection with our audit, nothing came to our attention that caused us to believe that Independent School District No. 518 failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. 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 Independent School District No. 518's noncompliance with the above referenced provisions insofar as they relate to accounting matters.

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

Drealan Kvilhaug Hoefker & Co., P.A.

Worthington, Minnesota
November 4, 2021

INDEPENDENT SCHOOL DISTRICT NO. 518

LEGAL COMPLIANCE

SCHEDULE OF FINDINGS AND RESPONSES ON COMPLIANCE WITH MINNESOTA STATUTES
FOR THE YEAR ENDED JUNE 30, 2021

CURRENT AUDIT

FINDINGS:

None

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INDEPENDENT SCHOOL DISTRICT NO. 518

SUPPLEMENTARY INFORMATION

AS OF JUNE 30, 2021

INDEPENDENT SCHOOL DISTRICT NO. 518

UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE

		<u>June 30, 2021</u>							
		<u>AUDIT</u>	<u>UFARS</u>	<u>Difference</u>			<u>AUDIT</u>	<u>UFARS</u>	<u>Difference</u>
<u>01 GENERAL FUND</u>									
Total Revenue	\$	50,212,845	\$ 50,212,845	\$ -	<u>04 COMMUNITY SERVICE (Continued)</u>				
Total Expenditures		48,097,733	48,097,734	(1)	Restricted:				
Nonspendable:					464 Restricted Fund Balance \$ 7,009 \$ 7,010 \$ (1)				
460 Nonspendable Fund Balance		679,778	679,778	-	Unassigned:				
Restricted/Reserve:					463 Unassigned Fund Balance - - -				
401 Student Activities		169,932	169,932	-	<u>06 BUILDING CONSTRUCTION</u>				
402 Scholarships		-	-	-	Total Revenue 212,306 212,306 -				
403 Staff Development		3,003	3,003	-	Total Expenditures 15,948,222 15,948,222 -				
407 Capital Projects Levy		-	-	-	Nonspendable:				
408 Cooperative Revenue		-	-	-	460 Nonspendable Fund Balance - - -				
413 Project Funded by Cop		-	-	-	Restricted/Reserve:				
414 Operating Debt		-	-	-	407 Capital Projects Levy - - -				
416 Levy Reduction		-	-	-	413 Projects Funded by Cop - - -				
417 Taconite Building Maint		-	-	-	467 LTFM - - -				
424 Operating Capital		769,042	769,042	-	Restricted:				
426 \$25 Taconite		-	-	-	464 Restricted Fund Balance 21,783,332 21,783,332 -				
427 Disabled Accessibility		-	-	-	Unassigned:				
428 Learning & Development		-	-	-	463 Unassigned Fund Balance - - -				
434 Area Learning Center		92,111	92,111	-	<u>07 DEBT SERVICE</u>				
435 Contracted Alt. Programs		-	-	-	Total Revenue 4,336,153 4,336,153 -				
436 State Approved Alt. Program		-	-	-	Total Expenditures 4,758,818 4,758,818 -				
438 Gifted & Talented		5,228	5,228	-	Nonspendable:				
440 Teacher Development & Eval		-	-	-	460 Nonspendable Fund Balance - - -				
441 Basic Skills Programs		-	-	-	Restricted/Reserve:				
448 Achievement & Integration		-	-	-	425 Bond Refundings 10,917,128 10,917,128 -				
449 Safe Schools Levy		32,615	32,615	-	433 Max Effort Loan - - -				
451 QZAB Payments		-	-	-	451 QZAB Payments - - -				
452 OPEB Liab not in Trust		-	-	-	467 LTFM - - -				
453 Unfnded Sev & Retirement		-	-	-	Restricted:				
459 Basic Skills Ext Time		-	-	-	464 Restricted Fund Balance 669,830 669,830 -				
467 LTFM		1,536,927	1,536,927	-	Unassigned:				
472 Medical Assistance		376,901	376,901	-	463 Unassigned Fund Balance - - -				
473 PPP loans		-	-	-	<u>08 TRUST</u>				
474 EIDL Loans		-	-	-	Total Revenue 20,352 20,352 -				
Restricted:					Total Expenditures 175,483 175,483 -				
464 Restricted Fund Balance		-	-	-	401 Student Activities - - -				
475 Title VII - Impact Aid		-	-	-	402 Scholarships - - -				
476 PILT		-	-	-	422 Net Assets 172,591 172,591 -				
Committed:					<u>18 CUSTODIAL FUND</u>				
418 Committed For Separation		39,300	39,300	-	Total Revenue - - -				
461 Committed Fund Balance		5,000,000	5,000,000	-	Total Expenditures - - -				
Assigned:					401 Student Activities - - -				
462 Assigned Fund Balance		14,293,389	14,293,389	-	402 Scholarships - - -				
Unassigned:					448 Achievement & - - -				
422 Unassigned Fund Balance		16,856,634	16,856,635	(1)	464 Restricted Fund Balance - - -				
<u>02 FOOD SERVICE</u>									
Total Revenue		2,143,230	2,143,230	-	<u>20 INTERNAL SERVICE</u>				
Total Expenditures		2,277,595	2,277,595	-	Total Revenue - - -				
Nonspendable:					Total Expenditures - - -				
460 Nonspendable Fund Balance		166,113	166,113	-	422 Net Assets - - -				
Restricted/Reserved:					<u>25 OPEB REVOCABLE TRUST FUND</u>				
452 OPEB Liab not in Trust		-	-	-	Total Revenue - - -				
474 EIDL Loans		-	-	-	Total Expenditures - - -				
Reserve:					422 Net Assets - - -				
464 Restricted Fund Balance		638,195	638,195	-	<u>45 OPEB IRREVOCABLE TRUST FUND</u>				
Unassigned:					Total Revenue - - -				
463 Unassigned Fund Balance		-	-	-	Total Expenditures - - -				
<u>04 COMMUNITY SERVICE</u>									
Total Revenue		2,291,085	2,291,085	-	422 Net Assets - - -				
Total Expenditures		1,916,631	1,916,631	-	<u>47 OPEB DEBT SERVICE FUND</u>				
Nonspendable:					Total Revenue - - -				
460 Nonspendable Fund Balance		42,500	42,500	-	Total Expenditures - - -				
Restricted/Reserve:					422 Net Assets - - -				
426 \$25 Taconite		-	-	-	<u>47 OPEB DEBT SERVICE FUND</u>				
431 Community Education		78,081	78,081	-	Total Revenue - - -				
432 E.C.F.E.		243,186	243,186	-	Total Expenditures - - -				
440 Teacher Development & Eval		-	-	-	Nonspendable:				
444 School Readiness		130,557	130,557	-	460 Nonspendable Fund Balance - - -				
447 Adult Basic Education		495,077	495,077	-	Restricted:				
452 OPEB Liab not in Trust		-	-	-	425 Bond Refundings - - -				
473 PPP loans		-	-	-	464 Restricted Fund Balance - - -				
474 EIDL Loans		-	-	-	Unassigned:				
					463 Unassigned Fund Balance - - -				