

INDEPENDENT SCHOOL DISTRICT NO. 518

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FINANCIAL STATEMENTS  
AS OF JUNE 30, 2020

INDEPENDENT SCHOOL DISTRICT NO. 518

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INDEPENDENT SCHOOL DISTRICT NO. 518

SCHOOL DISTRICT OFFICIALS

JUNE 30, 2020

Mr. Bradley Shaffer	December 31, 2020	Chairman
Ms. Lori Dudley	December 31, 2022	Vice-Chairman
Mr. Stephen Schneider	December 31, 2020	Clerk
Mr. Linden Olson	December 31, 2020	Treasurer
Mr. Joel Lorenz	December 31, 2020	Director
Mr. Adam Blume	December 31, 2022	Director
Mr. Michael Harberts	December 31, 2022	Director
Mr. John Landgaard		Superintendent
Mr. David Skog		Director of Management Services

# DREALAN KVILHAUG HOEFKER & Co., P.A.

## CERTIFIED PUBLIC ACCOUNTANTS



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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, 2020 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2020, 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.

## **Change of Accounting Principle**

As described in Note 17 to the financial statements, in 2020, the District adopted new accounting guidance, GASBS No. 84 *Fiduciary Activities*. Our opinion is not modified with respect to these matters.

## **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, 2019 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, 85-87 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 10, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

*Dwain Kvilhaug Huefke & Co., P.A.*

Worthington, Minnesota  
November 10, 2020

INDEPENDENT SCHOOL DISTRICT NO. 518  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020

**FINANCIAL HIGHLIGHTS**

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

- Overall actual expenses in the Statement of Activities were more than \$52,163,000 and over \$7,487,000 less than revenues.
- The District's General Fund unassigned fund balance (under the governmental fund presentation) decreased \$964,871 from the prior year. Transfers to Debt Service for refunding and Commitment for construction of the voter approved Intermediate school.
- The District held an election in November, 2019 with the voters authorizing the District to issue general obligation bonds in the amount of \$33,700,000 to construct a new intermediate school building serving grades 3-5 and \$14,000,000 to refinance existing Learning Center/Gymnastics Center Certificates of Participation and expected lease levy bonds (High School second story addition) to general obligation bonds to be able to access the Ag2School tax credits for ag land.
- The Learning Center/Gymnastics Center was substantially completed in September 2019 and students began attending classes in the building during the 2019-2020 school year.
- The COVID-19 pandemic which began in March 2020 caused a major disruption to the District's operations. Education of the District's students was provided by distance learning beginning on March 30, 2020. With the State of Minnesota's mandates for continuation of student lunch services and provision for child care for District employees and other designated essential personnel, the District re-allocated personnel and other resources to provide these services.
- The District began a \$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 will fund a portion of this project.
- Construction began on the High School Second Story addition and building design started for the new intermediate school 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, 2020

**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, 2020

**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, 2020

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

Net position. The District's combined net position was \$34,665,452 on June 30, 2020. (See Table A-1.)

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

	2020	2019	Percentage Change
Current and other assets	\$ 102,301,604	\$ 48,844,205	109.44%
Capital assets	<u>53,011,697</u>	<u>45,259,768</u>	17.13%
Total assets	<u>\$ 155,313,301</u>	<u>\$ 94,103,973</u>	65.04%
Deferred Outflows of Resources	<u>\$ 19,668,562</u>	<u>\$ 30,876,983</u>	(36.30%)
Long-term liabilities	\$ 94,861,050	\$ 47,613,060	99.23%
Other liabilities	<u>6,785,094</u>	<u>4,933,393</u>	37.53%
Total liabilities	<u>\$ 101,646,144</u>	<u>\$ 52,546,453</u>	93.44%
Deferred Inflows of Resources	<u>\$ 38,670,267</u>	<u>\$ 45,439,290</u>	(14.90%)
Net Position			
Net investment in capital assets	\$ 25,738,484	\$ 27,201,218	(5.38%)
Restricted	16,762,807	6,060,236	176.60%
Unrestricted	<u>(7,835,839)</u>	<u>(6,266,241)</u>	25.05%
Total net position	<u>\$ 34,665,452</u>	<u>\$ 26,995,213</u>	28.41%

The District's financial position increased during the year.

**Changes in net position.** The District's total revenues were \$59,642,714 for the year ended June 30, 2020. Property taxes and state formula aid accounted for 59.61% of total revenue for the year. (See Table A-2.) Another 3.25% came from other general revenues combined with investment earnings and the remainder from program revenues.

The total cost of all programs and services was \$52,163,918. The District's expenses are predominantly related to educating and caring for students (77.08%).

Total revenues exceeded expenditures, increasing net position \$7,487,743 from last year.

INDEPENDENT SCHOOL DISTRICT NO. 518  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2020

**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.

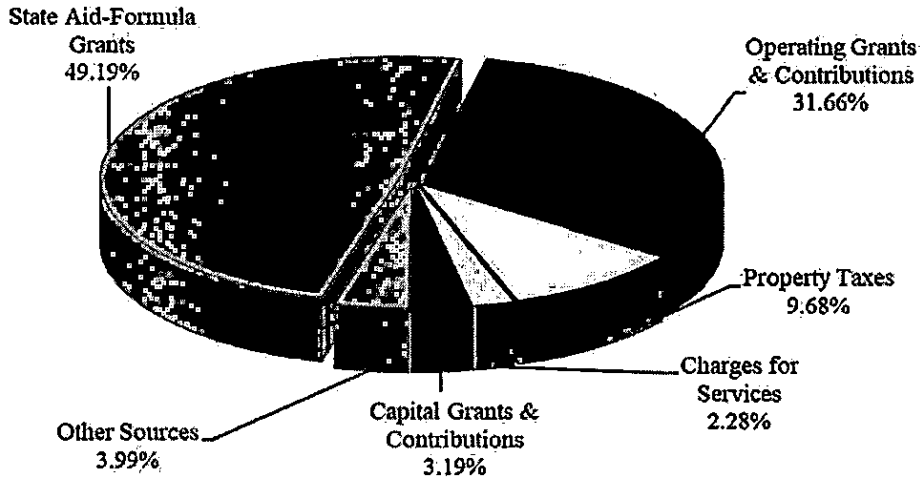
Table A-2  
 Independent School District No. 518  
 Change in Net Position  
 For the Year Ended June 30

	<u>2020</u>	<u>2019</u>	<u>Percentage Change</u>
Revenues			
Program revenues			
Charges for services	\$ 1,360,697	\$ 1,483,822	(8.30%)
Operating grants and contributions	18,883,960	19,256,503	(1.93%)
Capital grants and contributions	1,904,714	1,680,861	13.32%
General revenues			
Property taxes	5,773,633	4,894,807	17.95%
State aid - formula grants	29,779,304	30,653,151	(2.85%)
Other	1,940,406	1,087,129	78.49%
Total revenues	<u>\$ 59,642,714</u>	<u>\$ 59,056,273</u>	0.99%
Expenses			
District and school administration	\$ 1,133,830	\$ 749,589	51.26%
District support services	1,152,070	1,000,306	15.17%
Regular instruction	22,096,963	18,114,140	21.99%
Exceptional instruction	7,827,106	6,035,756	29.68%
Vocational instruction	585,667	356,656	64.21%
Instructional support services	3,505,394	2,576,346	36.06%
Pupil support services	6,191,060	5,810,463	6.55%
Site, buildings and equipment	6,277,287	4,633,779	35.47%
Fiscal and other fixed cost programs	1,525,154	960,699	58.75%
Community education and services	1,869,387	1,601,753	16.71%
Total expenses	<u>\$ 52,163,918</u>	<u>\$ 41,839,487</u>	24.68%
Change in net position before special item	\$ 7,478,796	\$ 17,216,786	
Special items	8,947	404,310	
Change in net position	\$ 7,487,743	\$ 17,621,096	
Beginning net position	26,995,213	9,374,117	
Change in accounting principle (Note 17)	182,496	-	
Beginning net position, restated	<u>\$ 27,177,709</u>	<u>\$ 9,374,117</u>	
Net position - June 30	<u>\$ 34,665,452</u>	<u>\$ 26,995,213</u>	

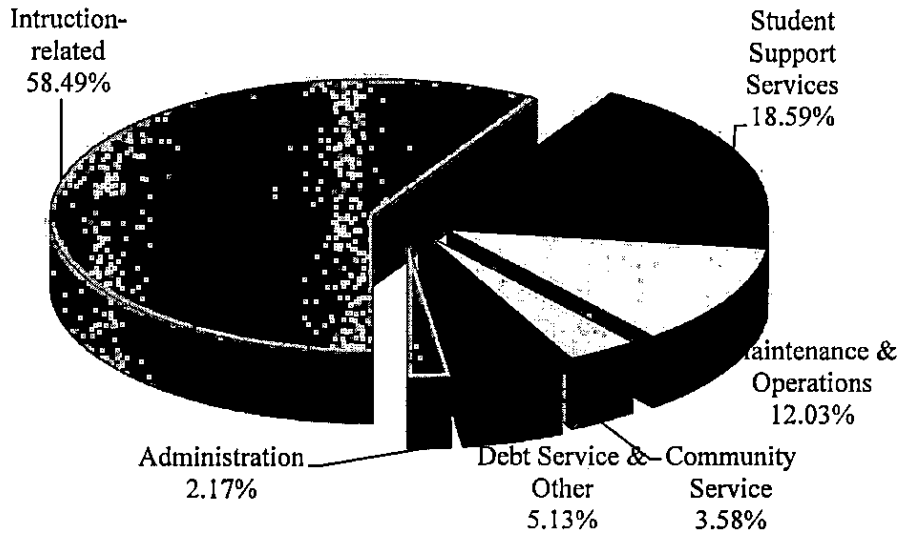
INDEPENDENT SCHOOL DISTRICT NO. 518  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2020

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)**

**Figure A-3 Sources of Independent School District 518's Revenues for Fiscal Year 2020**



**Figure A-4 Independent School District 518's Expenses for Fiscal Year 2020**



- The cost of all governmental activities this year was \$52,163,918.
- Some of the cost was paid by the users of the District's programs (\$1,360,697).
- The federal and state governments subsidized certain programs with grants and contributions (\$18,883,960 operating, \$1,904,714 capital).
- Most of the District's costs (\$17,569,496), however, were paid for by District taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with \$5,773,633 in property taxes, \$29,779,304 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, 2020

**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

	<u>2020</u>		<u>2019</u>
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Net Cost of Services</u>
District and school administration	\$ 1,133,830	\$ 1,128,412	\$ 1,375,167
District support services	1,152,070	1,090,305	1,083,469
Regular instruction	22,096,963	12,904,994	16,806,006
Exceptional instruction	7,827,106	2,587,018	3,665,268
Vocational instruction	585,667	529,068	606,566
Instructional support services	3,505,394	2,928,987	2,664,139
Pupil support services	6,191,060	2,773,656	3,305,965
Site, buildings and equipment	6,277,287	4,647,013	3,321,127
Fiscal and other fixed cost programs	1,525,154	1,235,893	983,162
Community education and services	<u>1,869,387</u>	<u>189,201</u>	<u>685,992</u>
Total	<u>\$ 52,163,918</u>	<u>\$ 30,014,547</u>	<u>\$ 34,496,861</u>

The total cost of district services was \$52,163,918 as compared to the prior year total cost of district services of \$41,839,487, an increase of \$10,324,431.

When program specific revenues are considered, the net service cost was \$30,014,457, which represents a decrease of \$4,452,314 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 \$88,751,748, an increase of \$50,170,005 from the June 30, 2019 combined fund balance of \$38,581,743, or a 130.0% increase. The increase mostly resulted from the issuance of voter approved building construction and refunding bonds.

Revenues for the District's governmental funds were \$59,635,099, while total expenditures were \$58,528,377.

INDEPENDENT SCHOOL DISTRICT NO. 518  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2020

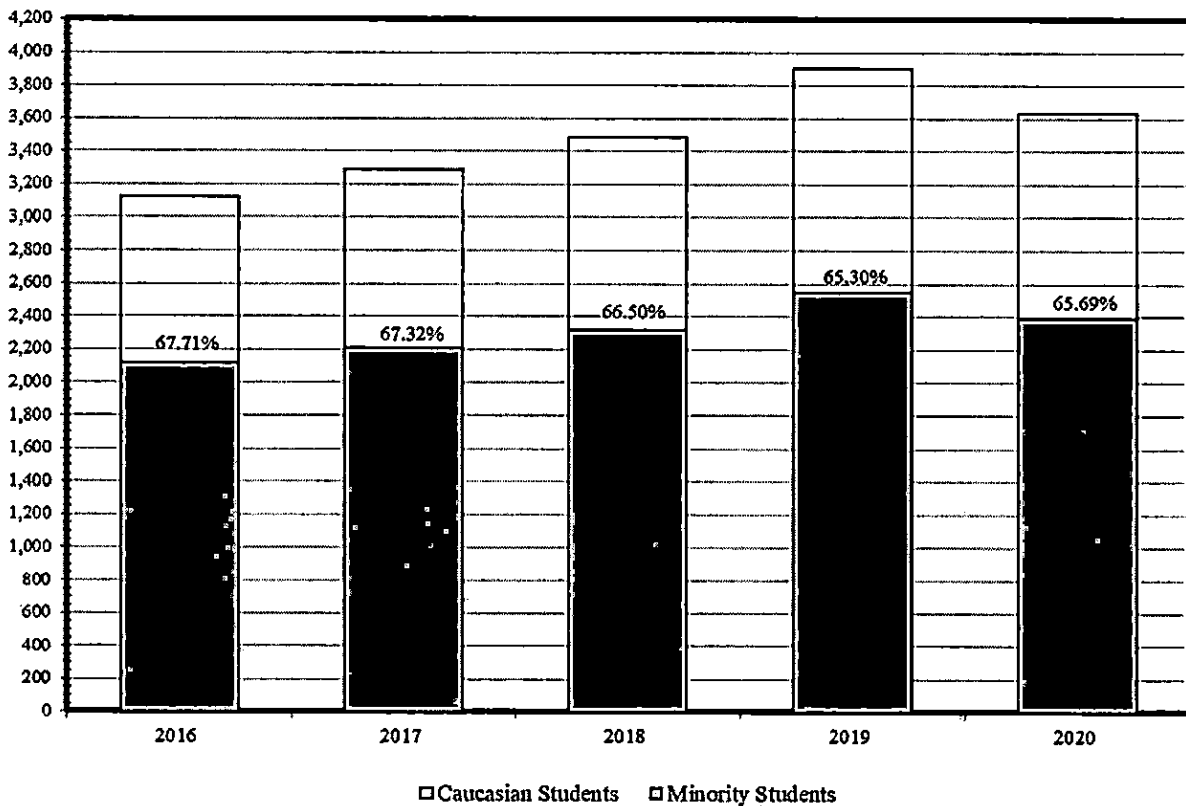
**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (Continued)**

**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. Based on the District's birth to age 5 census counts and enrollment projections, we anticipate small 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. During 2019-20 a change in our online program Virtual Instruction by Excellence (VIBE) resulted in 300 students dropping enrollment in January 2020.

Chart above includes the on-line program students. Without those students being represented in the calculation results in a minority student population of 77.24 percent for seat-based students.

INDEPENDENT SCHOOL DISTRICT NO. 518  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2020

**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).

	<u>Year Ended</u> <u>June 30, 2019</u>	<u>Year Ended</u> <u>June 30, 2020</u>	<u>Amount of</u> <u>Increase</u> <u>(Decrease)</u>	<u>Percent</u> <u>Increase</u> <u>(Decrease)</u>
Local Sources				
Property taxes	\$ 3,133,403	\$ 4,224,786	\$ 1,091,383	34.83%
Interest earnings	739,397	685,473	(53,924)	(7.29%)
Other	1,272,540	1,627,589	355,049	27.90%
State sources	45,799,344	44,297,864	(1,501,480)	(3.28%)
Federal sources	<u>1,433,105</u>	<u>1,402,581</u>	<u>(30,524)</u>	(2.13%)
Total revenues	\$ 52,377,789	\$ 52,238,293	\$ (139,496)	(0.27%)
Other financing sources				
Land and equipment sales	<u>-</u>	<u>68,204</u>	<u>68,204</u>	NA
Total	<u>\$ 52,377,789</u>	<u>\$ 52,306,497</u>	<u>\$ (71,292)</u>	(0.14%)

Total General Fund revenue decreased by \$71,292 or 0.14% from the previous year. The decrease was due to a reduction of the online VIBE program. 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, 2020

**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).

	Year Ended June 30, 2019	Year Ended June 30, 2020	Amount of Increase (Decrease)	Percent Increase (Decrease)
Salaries	\$ 22,835,760	\$ 23,718,789	\$ 883,029	3.87%
Benefits	6,900,083	7,327,286	427,203	6.19%
Purchased Services	8,387,447	8,130,021	(257,426)	(3.07%)
Supplies, Materials and Equipment	2,590,812	4,008,267	1,417,455	54.71%
Other	4,865,010	6,118,371	1,253,361	25.76%
Total	<u>\$ 45,579,112</u>	<u>\$ 49,302,734</u>	<u>\$ 3,723,622</u>	8.17%

Total General Fund expenditures increased \$3,723,622 or 8.17% from the previous year.

In fiscal 2020, salaries increased 3.87% with the addition of staff to meet the needs of increased enrollment. Employee benefits increased by 6.19%. 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. The increase in purchased supplies, materials and equipment and other were a result of payments for portions of Trojan Field, the High School addition, additional learning devices, and supplies for cleaning buildings as a result of the COVID-19 pandemic.

In 2019-2020, General Fund revenues and other financing sources exceeded expenditures by \$3,003,781. With the recognition of the Student Activity funds in the general fund, total fund balance increased to \$37,662,248 at June 30, 2020. After deducting statutory restrictions, the unassigned fund balance decreased from \$14,597,990 at June 30, 2019, to \$13,633,119 at June 30, 2020.

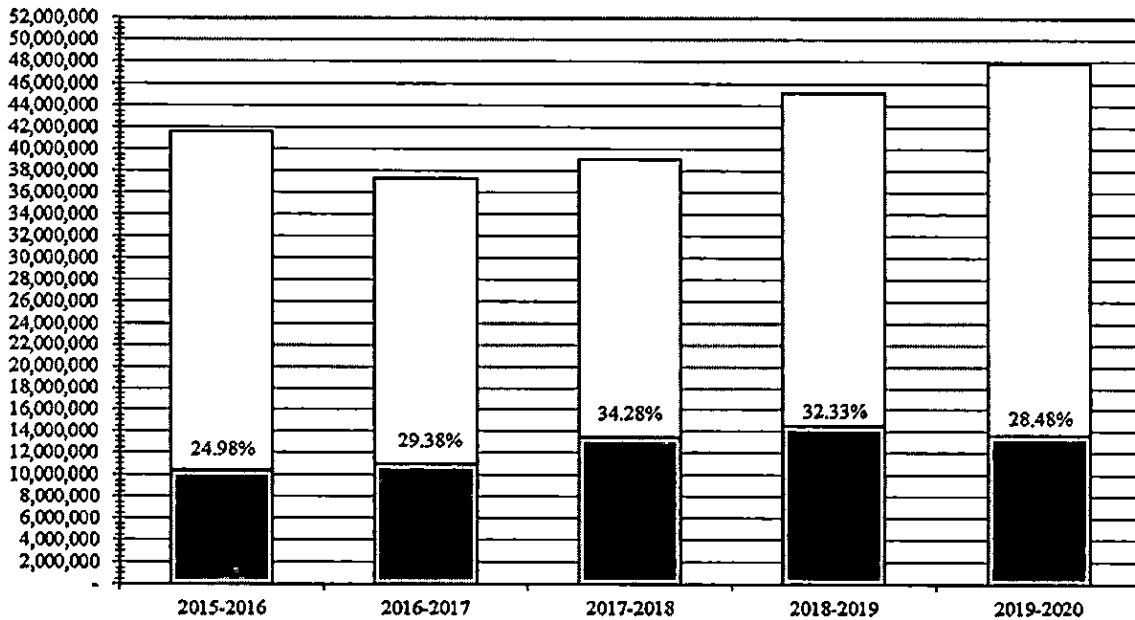
INDEPENDENT SCHOOL DISTRICT NO. 518  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2020

**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 \$13,633,119 at June 30, 2020, represents 28.48% of annual expenditures or fifteen 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>
Unassigned fund balance	\$ 10,403,681	\$ 10,938,156	\$ 13,385,123	\$ 14,597,990	\$ 13,633,119
% Increase (decrease)	10.83%	5.14%	22.37%	9.06%	(6.61%)
Expenditures	\$ 41,642,634	\$ 37,236,113	\$ 39,042,172	\$ 45,149,112	\$ 47,872,559
% Increase (decrease)	24.74%	(10.58%)	4.85%	15.64%	6.03%

INDEPENDENT SCHOOL DISTRICT NO. 518  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2020

**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.

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Revenue	\$ 52,004,000	\$ 50,446,689	\$ (1,557,311)	(2.99%)
Expenditure	\$ 51,814,177	\$ 50,379,257	\$ (1,434,920)	(2.77%)
Other financing sources (uses)	\$ 2,000	\$ (1,391,675)	\$ (1,393,675)	(69,683.75%)

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 \$1,324,243, the actual results for the year show that revenues and other financing sources exceeded expenditures and other financing uses by \$3,003,781.

- Actual revenues were \$1,791,604 more than expected, a variance of 3.55%, due to the State of Minnesota legislation maintaining the District revenues at pre-pandemic levels
- The actual expenditures were \$2,506,716 under budget or a 4.97% variance. With the pandemic halting many activities savings were realized in afterschool programs and transportation.

**Other Governmental Funds**

The Debt Service Fund revenues and other financing sources exceeded expenditures and other financing uses by \$11,642,570 in 2019-2020 compared to a budgeted increase of \$10,622,139. The fund balance increased to \$12,009,623 at June 30, 2020, and is available for meeting future debt service obligations.

The Food Service Fund expenditures and other financing uses exceeded revenues and other financing sources by \$39,719 compared to a budgeted decrease of \$270,055. The Food Service fund balance decreased to \$938,673 or 36.52% 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 \$188,987 leaving a year-end fund balance of \$621,956 or 37.01% of annual expenditures. Curtailment of programs during the pandemic resulted in cost savings and in most cases did not significantly affect revenues.

INDEPENDENT SCHOOL DISTRICT NO. 518  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2020

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of June 2020, the District had invested \$81,886,057 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 \$2,607,604.

Construction of the Learning Center Gymnastic Center, High School addition, Trojan field renovation and additional technology equipment, kitchen 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

	2020	2019	Increase (Decrease)
Land	\$ 3,504,003	\$ 3,504,003	\$ -
Land Improvements	6,049,563	3,713,763	2,335,800
Buildings	52,831,800	43,207,517	9,624,283
Equipment	13,510,205	12,365,117	1,145,088
Vehicles	493,060	415,260	77,800
Construction in progress	5,497,426	1,621,172	3,876,254
Less accumulated depreciation	(28,874,360)	(26,090,827)	(2,783,533)
Total	\$ 53,011,697	\$ 38,736,005	\$ 14,275,692
Depreciation Expense	\$ 2,607,604	\$ 2,552,177	\$ 55,427

**Construction - Next Five Years**

Renovation of the Trojan Field athletic complex is expected to be completed in spring 2021.

Construction of the Intermediate School has begun with an expected completion in time for the 2022-2023 school year.

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, 2020

**CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)**

**Long-Term Liabilities**

At year-end, the District had \$65,330,000 in general obligation bonds and certificates of participation payable outstanding.

- The District retired \$1,815,000 of outstanding bonds and other long-term debt during 2019-2020.

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 \$65,330,000 is significantly below this limit which is currently \$312,109,606.

**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 2019 and 2020, 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 2021.

In light of the continuing COVID-19 pandemic restrictions 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, 2020

**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, 2020

(WITH PARTIAL COMPARATIVE INFORMATION AS OF JUNE 30, 2019)

	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
<b>ASSETS:</b>		
Cash and investments	\$ 42,044,113	\$ 35,095,928
Cash and investments held by trustee	11,533,065	-
Receivables-		
Current property taxes	3,527,272	2,694,785
Delinquent property taxes	46,735	39,120
Other school districts and governmental units	313,916	491,581
Department of Education	2,962,613	5,379,066
Federal government	527,990	283,943
Accounts and interest receivable	330,113	289,918
Inventory	179,718	151,825
Prepaid items	672,508	405,365
Restricted assets - temporarily restricted-		
Cash and investments for debt service	2,106,774	996,224
Cash and investments for construction	38,056,787	3,016,450
Capital assets (net of accumulated depreciation)-		
Land	3,504,003	3,504,003
Land improvements	4,503,062	2,375,678
Buildings	33,538,171	25,136,221
Equipment	5,760,660	4,244,081
Vehicles	208,375	173,030
Construction in progress	5,497,426	9,826,755
Total assets	<u>\$ 155,313,301</u>	<u>\$ 94,103,973</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Related to OPEB	\$ 128,488	\$ 24,370
Related to Pensions	19,540,074	30,852,613
Total deferred outflows of resources	<u>\$ 19,668,562</u>	<u>\$ 30,876,983</u>
Total assets and deferred outflows of resources	<u>\$ 174,981,863</u>	<u>\$ 124,980,956</u>

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

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

JUNE 30, 2020

(WITH PARTIAL COMPARATIVE INFORMATION AS OF JUNE 30, 2019)

	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
<b>LIABILITIES:</b>		
Accounts payable	\$ 340,752	\$ 404,989
Salaries payable	1,395,661	1,479,363
Accrued payroll taxes and other payroll deductions	1,904,794	1,927,163
Construction contract payable	2,096,372	689,093
Accrued interest payable	933,296	274,056
Due to other school districts and governmental units	81,074	110,035
Unearned revenue	33,145	48,694
Long-term liabilities-		
Due within one year	2,859,327	1,958,022
Due in more than one year	<u>92,001,723</u>	<u>45,655,038</u>
Total liabilities	<u>\$ 101,646,144</u>	<u>\$ 52,546,453</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Property taxes levied for subsequent year's expenditures	\$ 7,651,323	\$ 5,564,005
Related to OPEB	130,432	78,955
Related to pensions	<u>30,888,512</u>	<u>39,796,330</u>
Total deferred inflows of resources	<u>\$ 38,670,267</u>	<u>\$ 45,439,290</u>
<b>NET POSITION:</b>		
Net investment in capital assets	\$ 25,738,484	\$ 27,201,218
Restricted for-		
Debt service	12,009,623	367,053
Food service	938,673	978,393
Community service	621,956	432,969
Medical Assistance	343,980	348,691
Capital projects	859,806	1,316,829
Area learning center	64,820	32,597
Long Term Facility Maintenance	1,610,548	2,085,219
Other purposes	313,401	498,485
Unrestricted	<u>(7,835,839)</u>	<u>(6,266,241)</u>
Total net position	<u>\$ 34,665,452</u>	<u>\$ 26,995,213</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 174,981,863</u>	<u>\$ 124,980,956</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, 2020

(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)

<u>Functions/Programs</u>	<u>2020</u>		
	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
<u>Governmental Activities</u>			
Instruction-			
Regular instruction	\$ 22,096,963	\$ 643,711	\$ 8,548,258
Exceptional instruction	7,827,106	178,463	5,061,625
Vocational instruction	585,667	-	56,599
Total instruction	<u>\$ 30,509,736</u>	<u>\$ 822,174</u>	<u>\$ 13,666,482</u>
Support services-			
Instructional support services	\$ 3,505,394	\$ 59,597	\$ 516,810
Pupil support services	6,191,060	342,680	3,074,724
District and school administration	1,133,830	357	5,061
District support services	1,152,070	6,500	55,265
Site, buildings and equipment	5,374,867	5,435	9,386
Community education and services	1,869,387	123,954	1,556,232
Fiscal and other fixed cost programs	1,525,154	-	-
Depreciation expense - unallocated	902,420	-	-
Total support services	<u>\$ 21,654,182</u>	<u>\$ 538,523</u>	<u>\$ 5,217,478</u>
Total governmental activities	<u>\$ 52,163,918</u>	<u>\$ 1,360,697</u>	<u>\$ 18,883,960</u>

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

	2020	2019
	Net (Expense)	Net (Expense)
Capital Grants and Contributions	Total Governmental Activities	Total Governmental Activities
\$ -	\$ (12,904,994)	\$ (8,418,898)
-	(2,587,018)	(596,279)
-	(529,068)	(280,619)
<u>\$ -</u>	<u>\$ (16,021,080)</u>	<u>\$ (9,295,796)</u>
\$ -	\$ (2,928,987)	\$ (1,918,139)
-	(2,773,656)	(2,738,382)
-	(1,128,412)	(700,787)
-	(1,090,305)	(980,100)
1,615,453	(3,744,593)	(2,282,193)
-	(189,201)	117,148
289,261	(1,235,893)	(717,632)
-	(902,420)	(902,420)
<u>\$ 1,904,714</u>	<u>\$ (13,993,467)</u>	<u>\$ (10,122,505)</u>
<u>\$ 1,904,714</u>	<u>\$ (30,014,547)</u>	<u>\$ (19,418,301)</u>

INDEPENDENT SCHOOL DISTRICT NO. 518  
STATEMENTS OF ACTIVITIES (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2020

(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)

<u>General Revenue</u>	<u>2020</u>	<u>2019</u>
Taxes-		
Property taxes, levied for general purposes	\$ 2,328,753	\$ 1,909,557
Property taxes, levied for debt service	1,298,746	1,508,419
Property taxes, levied for specific purpose-		
Integration collaborative	300,641	-
Vocational programs	82,649	82,417
Health and Safety projects	-	(161,617)
Capital projects	1,359,375	202,286
Community Service	176,231	1,144,838
Safe Schools	160,947	145,097
Other local taxes	66,291	63,810
Property tax replacement aid	131,322	124,919
State aid not restricted to specific purpose-		
General Education aid	29,339,371	30,148,923
Other state aids	308,611	379,309
Interest and investment earnings	1,764,037	952,711
Other local revenue	<u>176,369</u>	<u>134,418</u>
Subtotal, general revenues	<u>\$ 37,493,343</u>	<u>\$ 36,635,087</u>
Excess of revenues over expenses before special items	<u>\$ 7,478,796</u>	<u>\$ 17,216,786</u>
<u>Special Items</u>		
Sale or disposal of surplus property and equipment	<u>\$ 8,947</u>	<u>\$ 404,310</u>
Subtotal, special items	<u>\$ 8,947</u>	<u>\$ 404,310</u>
Total general revenues and special items	<u>\$ 37,502,290</u>	<u>\$ 37,039,397</u>
Change in net position	<u>\$ 7,487,743</u>	<u>\$ 17,621,096</u>
NET POSITION, Beginning of year	\$ 26,995,213	\$ 9,374,117
Change in accounting principle (Note 17)	<u>182,496</u>	<u>-</u>
NET POSITION, Beginning of year, restated	<u>\$ 27,177,709</u>	<u>\$ 9,374,117</u>
NET POSITION, End of year	<u>\$ 34,665,452</u>	<u>\$ 26,995,213</u>

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

INDEPENDENT SCHOOL DISTRICT NO. 518

BALANCE SHEETS

GOVERNMENTAL FUNDS

JUNE 30, 2020

(WITH PARTIAL COMPARATIVE INFORMATION AS OF JUNE 30, 2019)

	<u>General</u>	<u>Food Service</u>
<b>ASSETS:</b>		
Cash and investments	\$ 41,085,271	\$ 443,203
Cash and investments held by trustee	-	-
Receivables-		
Current property taxes	2,087,184	-
Delinquent property taxes	36,645	-
Accounts and interest receivable	127,322	5,172
Due from Other school districts and governmental units	178,957	-
Due from Department of Education-		
General education aid	2,122,043	-
Special education aid	512,340	-
Other education aid	164,309	-
State school lunch aid	-	44,130
Market value credit aid	2,722	-
Disparity aid	3,729	-
Due from Federal government-		
Federal title programs	187,643	-
School lunch program	-	340,347
Inventory	46,118	133,600
Prepaid items	663,040	9,468
	<u>\$ 47,217,323</u>	<u>\$ 975,920</u>
<b>LIABILITIES:</b>		
Salaries payable	\$ 1,395,661	\$ -
Accrued payroll taxes and other payroll deductions	1,904,794	-
Accounts payable	334,300	4,102
Construction contract payable	1,385,337	-
Due to other school districts and governmental units	80,491	-
Unearned revenue	-	33,145
	<u>\$ 5,100,583</u>	<u>\$ 37,247</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Property taxes levied for subsequent year's expenditures	\$ 4,417,847	\$ -
Unavailable revenue - Delinquent taxes	36,645	-
	<u>\$ 4,454,492</u>	<u>\$ -</u>

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

Community Service	Capital Projects- Building Construction	Debt Service	Total Governmental Funds	
			2020	2019
\$ 515,639	\$ 38,056,787	\$ 2,106,774	\$ 82,207,674	\$ 39,108,602
-	-	11,533,065	11,533,065	-
79,246	-	1,360,842	3,527,272	2,694,785
1,124	-	8,966	46,735	39,120
22,825	173,496	1,298	330,113	289,918
134,959	-	-	313,916	491,581
-	-	-	2,122,043	4,119,580
-	-	-	512,340	913,503
47,339	-	59,787	271,435	333,490
-	-	-	44,130	-
259	-	2,363	5,344	5,172
355	-	3,237	7,321	7,321
-	-	-	187,643	220,466
-	-	-	340,347	63,477
-	-	-	179,718	151,825
-	-	-	672,508	405,365
<u>\$ 801,746</u>	<u>\$ 38,230,283</u>	<u>\$ 15,076,332</u>	<u>\$ 102,301,604</u>	<u>\$ 48,844,205</u>
\$ -	\$ -	\$ -	\$ 1,395,661	\$ 1,479,363
-	-	-	1,904,794	1,927,163
150	-	2,200	340,752	404,989
-	711,035	-	2,096,372	689,093
583	-	-	81,074	110,035
-	-	-	33,145	48,694
<u>\$ 733</u>	<u>\$ 711,035</u>	<u>\$ 2,200</u>	<u>\$ 5,851,798</u>	<u>\$ 4,659,337</u>
\$ 177,933	\$ -	\$ 3,055,543	\$ 7,651,323	\$ 5,564,005
1,124	-	8,966	46,735	39,120
<u>\$ 179,057</u>	<u>\$ -</u>	<u>\$ 3,064,509</u>	<u>\$ 7,698,058</u>	<u>\$ 5,603,125</u>

INDEPENDENT SCHOOL DISTRICT NO. 518

BALANCE SHEETS (CONTINUED)

GOVERNMENTAL FUNDS

JUNE 30, 2020

(WITH PARTIAL COMPARATIVE INFORMATION AS OF JUNE 30, 2019)

	<u>General</u>	<u>Food Service</u>
<b>FUND BALANCES:</b>		
Nonspendable for-		
Nonspendable amounts	\$ 709,158	\$ 143,068
Restricted for-		
Operating capital	\$ 859,806	\$ -
Medical assistance	343,980	-
Long term facility maintenance	1,610,548	-
Gifted and talented	11,062	-
Area learning center	64,820	-
Safe schools	26,697	-
Staff development	-	-
Basic skills extended time	-	-
Student activities	175,987	-
Achievement and integration	99,655	-
Food service	-	795,605
Community education	-	-
Adult basic education	-	-
School readiness	-	-
Early childhood family education	-	-
Refunding	-	-
Debt service	-	-
Restricted for other purposes	-	-
Total restricted fund balances	<u>\$ 3,192,555</u>	<u>\$ 795,605</u>
Committed for-		
Separation	\$ 127,416	\$ -
Building Construction	5,000,000	-
Total committed fund balances	<u>\$ 5,127,416</u>	<u>\$ -</u>
Assigned for-		
Projects	\$ 15,000,000	\$ -
Total assigned fund balances	<u>\$ 15,000,000</u>	<u>\$ -</u>
Unassigned	<u>\$ 13,633,119</u>	<u>\$ -</u>
Total fund balances	<u>\$ 37,662,248</u>	<u>\$ 938,673</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 47,217,323</u>	<u>\$ 975,920</u>

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

Community Service	Capital Projects- Building Construction	Debt Service	Total Governmental Funds	
			2020	2019
\$ -	\$ -	\$ -	\$ 852,226	\$ 557,190
\$ -	\$ -	\$ -	\$ 859,806	\$ 1,316,829
-	-	-	343,980	348,691
-	-	-	1,610,548	2,085,219
-	-	-	11,062	111,569
-	-	-	64,820	32,597
-	-	-	26,697	100,935
-	-	-	-	142,337
-	-	-	-	143,534
-	-	-	175,987	-
-	-	-	99,655	-
-	-	-	795,605	867,848
65,472	-	-	65,472	56,869
306,087	-	-	306,087	194,853
132,584	-	-	132,584	104,044
113,066	-	-	113,066	75,709
-	-	11,538,794	11,538,794	-
-	-	470,829	470,829	367,053
4,747	37,519,248	-	37,523,995	2,328,611
<u>\$ 621,956</u>	<u>\$ 37,519,248</u>	<u>\$ 12,009,623</u>	<u>\$ 54,138,987</u>	<u>\$ 8,276,698</u>
\$ -	\$ -	\$ -	\$ 127,416	\$ 149,865
-	-	-	5,000,000	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,127,416</u>	<u>\$ 149,865</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,000,000</u>	<u>\$ 15,000,000</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,000,000</u>	<u>\$ 15,000,000</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,633,119</u>	<u>\$ 14,597,990</u>
<u>\$ 621,956</u>	<u>\$ 37,519,248</u>	<u>\$ 12,009,623</u>	<u>\$ 88,751,748</u>	<u>\$ 38,581,743</u>
<u>\$ 801,746</u>	<u>\$ 38,230,283</u>	<u>\$ 15,076,332</u>	<u>\$ 102,301,604</u>	<u>\$ 48,844,205</u>

INDEPENDENT SCHOOL DISTRICT NO. 518  
RECONCILIATION OF THE BALANCE SHEET GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2020  
(WITH PARTIAL COMPARATIVE INFORMATION AS OF JUNE 30, 2019)

	2020	2019
Total fund balances - governmental funds	\$ 88,751,748	\$ 38,581,743
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	5,330,818	8,205,583
Land improvements, net of accumulated depreciation	4,503,062	2,375,678
Buildings, net of accumulated depreciation	33,704,779	26,757,393
Equipment and vehicles, net of accumulated depreciation	5,969,035	4,417,111
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	19,540,074	30,852,613
Deferred Inflows of Resources Related to Pensions	(30,888,512)	(39,796,330)
Deferred Outflows of Resources Related to OPEB	128,488	24,370
Deferred Inflows of Resources Related to OPEB	(130,432)	(78,955)
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	(68,258,946)	(21,370,107)
Pension Benefits Payable	(25,372,655)	(25,164,006)
Net OPEB Liability	(1,133,084)	(986,795)
Accrued compensated absences payable	(96,365)	(92,152)
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.		
	46,735	39,120
Governmental funds do not report a liability for accrued interest until due and payable.		
	(933,296)	(274,056)
Total net position - governmental activities	\$ 34,665,452	\$ 26,995,213

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, 2020

(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)

	<u>General</u>	<u>Food Service</u>
<b>REVENUES:</b>		
Local property tax levies	\$ 4,224,786	\$ -
Other local and county revenues	1,840,603	12,076
Revenues from state sources	44,297,864	141,321
Revenues from federal sources	1,402,581	2,062,311
Sales and other conversion of assets	36,545	314,983
Interdistrict revenues	435,914	-
Total revenues	<u>\$ 52,238,293</u>	<u>\$ 2,530,691</u>
<b>EXPENDITURES:</b>		
Current expenditures-		
District and school administration	\$ 1,069,973	\$ -
District support services	1,076,894	-
Regular instruction	21,169,505	-
Vocational instruction	530,261	-
Exceptional instruction	7,328,160	-
Community education and services	102,721	-
Instructional support services	2,889,098	-
Pupil support services	3,470,011	2,570,410
Site and building services	2,598,662	-
Fiscal and other fixed cost programs	360,957	-
Capital outlay	7,276,299	-
Debt service-		
Principal	-	-
Interest and other financing costs	-	-
Total expenditures	<u>\$ 47,872,541</u>	<u>\$ 2,570,410</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 4,365,752</u>	<u>\$ (39,719)</u>
<b>OTHER FINANCING SOURCES (USES):</b>		
Sale of capital assets	\$ 68,204	\$ -
Sale of general obligation bonds	-	-
Transfer from General fund to Debt Service fund	<u>(1,430,175)</u>	<u>-</u>
Total other financing sources (uses)	<u>\$ (1,361,971)</u>	<u>\$ -</u>
Net change in fund balances	\$ 3,003,781	\$ (39,719)
FUND BALANCE, Beginning of year	34,475,971	978,392
Change in accounting principle (Note 17)	182,496	-
FUND BALANCE, Beginning of year (restated)	<u>\$ 34,658,467</u>	<u>\$ -</u>
FUND BALANCE, End of year	<u>\$ 37,662,248</u>	<u>\$ 938,673</u>

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

Community Service	Capital Projects- Building Construction	Debt Service	Total Governmental Funds	
			2020	2019
\$ 176,230	\$ -	\$ 1,298,904	\$ 5,699,920	\$ 4,845,947
360,354	420,407	623,058	3,256,498	2,165,609
1,273,912	-	654,135	46,367,232	47,911,141
59,051	-	-	3,523,943	3,282,841
64	-	-	351,592	437,244
-	-	-	435,914	406,213
<u>\$ 1,869,611</u>	<u>\$ 420,407</u>	<u>\$ 2,576,097</u>	<u>\$ 59,635,099</u>	<u>\$ 59,048,995</u>
\$ -	\$ -	\$ -	\$ 1,069,973	\$ 1,112,494
-	-	-	1,076,894	960,920
-	-	-	21,169,505	21,567,675
-	-	-	530,261	540,658
-	-	-	7,328,160	7,234,744
1,665,137	-	-	1,767,858	1,862,812
-	-	-	2,889,098	2,679,466
15,487	-	-	6,055,908	5,800,334
-	-	-	2,598,662	2,441,527
-	-	-	360,957	3,137,722
-	3,976,100	-	11,252,399	9,551,273
-	-	1,815,000	1,815,000	7,270,000
-	-	613,702	613,702	551,562
<u>\$ 1,680,624</u>	<u>\$ 3,976,100</u>	<u>\$ 2,428,702</u>	<u>\$ 58,528,377</u>	<u>\$ 64,711,187</u>
<u>\$ 188,987</u>	<u>\$ (3,555,693)</u>	<u>\$ 147,395</u>	<u>\$ 1,106,722</u>	<u>\$ (5,662,192)</u>
\$ -	\$ -	\$ -	\$ 68,204	\$ -
-	38,747,584	10,065,000	48,812,584	-
-	-	1,430,175	-	-
<u>\$ -</u>	<u>\$ 38,747,584</u>	<u>\$ 11,495,175</u>	<u>\$ 48,880,788</u>	<u>\$ -</u>
\$ 188,987	\$ 35,191,891	\$ 11,642,570	\$ 49,987,510	\$ (5,662,192)
432,969	2,327,357	367,053	38,581,742	44,243,934
-	-	-	182,496	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,764,238</u>	<u>\$ 44,243,934</u>
<u>\$ 621,956</u>	<u>\$ 37,519,248</u>	<u>\$ 12,009,623</u>	<u>\$ 88,751,748</u>	<u>\$ 38,581,742</u>

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, 2020  
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)

	<u>2020</u>	<u>2019</u>
Total net changes in fund balances - governmental funds	\$ 49,987,510	\$ (5,662,192)
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	10,418,790	8,998,894
Depreciation expense	(2,607,604)	(2,449,441)
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.		
	1,815,000	9,790,000
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.		
	(659,240)	137,460

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, 2020  
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)

	<u>2020</u>	<u>2019</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	\$ (2,759,660)	\$ 6,802,068
Compensated absences	(4,213)	(26,959)
Other post employment benefits	52,641	(21,447)
 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.	 (59,257)	 (25,690)
 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.	 7,615	 7,278
 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.	 <u>108,745</u>	 <u>71,125</u>
Change in net position - governmental activities	<u>\$ 7,487,743</u>	<u>\$ 17,621,096</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, 2020

	General Fund			
	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUE:</b>				
Local property tax levies	\$ 4,271,623	\$ 3,926,833	\$ 4,224,786	\$ 297,953
Other local and county revenues	1,273,050	1,550,086	1,840,603	290,517
Revenues from state sources	44,924,627	43,010,975	44,297,864	1,286,889
Revenues from federal sources	1,180,300	1,490,985	1,402,581	(88,404)
Sales and other conversion of assets	14,400	32,810	36,545	3,735
Interdistrict revenues	340,000	435,000	435,914	914
Total revenues	<u>\$ 52,004,000</u>	<u>\$ 50,446,689</u>	<u>\$ 52,238,293</u>	<u>\$ 1,791,604</u>
<b>EXPENDITURES:</b>				
Current expenditures-				
District and school administration	\$ 1,209,001	\$ 1,144,055	\$ 1,069,973	\$ 74,082
District support services	1,149,807	1,266,994	1,076,894	190,100
Regular instruction	24,036,170	21,750,014	21,169,505	580,509
Vocational instruction	523,353	524,065	530,261	(6,196)
Exceptional instruction	7,299,668	7,576,322	7,328,160	248,162
Community education and services	-	101,270	102,721	(1,451)
Instructional support services	2,931,341	3,023,059	2,889,098	133,961
Pupil support services	4,041,580	3,797,106	3,470,011	327,095
Site and building services	2,968,258	2,968,438	2,598,662	369,776
Fiscal and other fixed cost programs	773,650	363,475	360,957	2,518
Capital outlay	6,881,349	7,864,459	7,276,299	588,160
Total expenditures	<u>\$ 51,814,177</u>	<u>\$ 50,379,257</u>	<u>\$ 47,872,541</u>	<u>\$ 2,506,716</u>
Excess (deficit) of revenues over (under) expenditures	<u>\$ 189,823</u>	<u>\$ 67,432</u>	<u>\$ 4,365,752</u>	<u>\$ 4,298,320</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer to debt service fund	\$ -	\$ (1,430,175)	\$ (1,430,175)	\$ -
Sale of capital assets	2,000	38,500	68,204	29,704
Total other financing sources (uses)	<u>\$ 2,000</u>	<u>\$ (1,391,675)</u>	<u>\$ (1,361,971)</u>	<u>\$ 29,704</u>
Net change in fund balances	\$ 191,823	\$ (1,324,243)	\$ 3,003,781	\$ 4,328,024
FUND BALANCE, Beginning of year	34,475,971	34,475,971	34,475,971	-
Change in accounting principle (Note 17)	182,496	182,496	182,496	-
FUND BALANCE, Beginning of year (restated)	<u>\$ 34,658,467</u>	<u>\$ 34,658,467</u>	<u>\$ 34,658,467</u>	<u>\$ -</u>
FUND BALANCE, End of year	<u>\$ 34,850,290</u>	<u>\$ 33,334,224</u>	<u>\$ 37,662,248</u>	<u>\$ 4,328,024</u>

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

Food Service Fund				Community Service Fund			
Budgeted Amounts		Actual	Variance with Final Budget	Budgeted Amounts		Actual	Variance with Final Budget
Original	Final			Original	Final		
\$ -	\$ -	\$ -	\$ -	\$ 174,354	\$ 174,354	\$ 176,230	\$ 1,876
12,000	12,000	12,076	76	303,685	335,525	360,354	24,829
136,800	96,250	141,321	45,071	1,214,522	1,219,216	1,273,912	54,696
1,944,300	1,867,480	2,062,311	194,831	42,700	54,275	59,051	4,776
486,300	354,900	314,983	(39,917)	-	-	64	64
-	-	-	-	-	-	-	-
<u>\$ 2,579,400</u>	<u>\$ 2,330,630</u>	<u>\$ 2,530,691</u>	<u>\$ 200,061</u>	<u>\$ 1,735,261</u>	<u>\$ 1,783,370</u>	<u>\$ 1,869,611</u>	<u>\$ 86,241</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	1,724,161	1,802,601	1,665,137	137,464
-	-	-	-	-	-	-	-
2,579,400	2,600,685	2,570,410	30,275	22,025	15,000	15,487	(487)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 2,579,400</u>	<u>\$ 2,600,685</u>	<u>\$ 2,570,410</u>	<u>\$ 30,275</u>	<u>\$ 1,746,186</u>	<u>\$ 1,817,601</u>	<u>\$ 1,680,624</u>	<u>\$ 136,977</u>
\$ -	\$ (270,055)	\$ (39,719)	\$ 230,336	\$ (10,925)	\$ (34,231)	\$ 188,987	\$ 223,218
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ (270,055)	\$ (39,719)	\$ 230,336	\$ (10,925)	\$ (34,231)	\$ 188,987	\$ 223,218
978,392	978,392	978,392	-	432,969	432,969	432,969	-
-	-	-	-	-	-	-	-
<u>\$ 978,392</u>	<u>\$ 978,392</u>	<u>\$ 978,392</u>	<u>\$ -</u>	<u>\$ 432,969</u>	<u>\$ 432,969</u>	<u>\$ 432,969</u>	<u>\$ -</u>
<u>\$ 978,392</u>	<u>\$ 708,337</u>	<u>\$ 938,673</u>	<u>\$ 230,336</u>	<u>\$ 422,044</u>	<u>\$ 398,738</u>	<u>\$ 621,956</u>	<u>\$ 223,218</u>

INDEPENDENT SCHOOL DISTRICT NO. 518  
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2020

ASSETS

	<u>Private Purpose Trust Funds</u>
ASSETS:	
Cash and investments	\$ <u>327,722</u>
Total assets	\$ <u>327,722</u>

LIABILITIES AND NET POSITION

LIABILITIES:	
Accounts payable	\$ <u>-</u>
Total liabilities	\$ <u>-</u>
NET POSITION:	
Held in trust	\$ <u><u>327,722</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, 2020

	<u>Private Purpose Trust Funds</u>
ADDITIONS:	
Other local and county revenues-	
Interest income	\$ 3,246
Other local revenues	<u>24,882</u>
Total additions	<u>\$ 28,128</u>
DEDUCTIONS:	
Pupil support services	<u>\$ 60,497</u>
Total deductions	<u>\$ 60,497</u>
Change in net position	\$ (32,369)
NET POSITION, Beginning of year	<u>360,091</u>
NET POSITION, End of year	<u><u>\$ 327,722</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 may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. Deferred outflows of resources from pensions on the government wide statement of net position result from the differences between expected and actual economic experience, changes in actuarial assumptions, differences between projected and actual investment earnings, changes in proportion, and contributions paid to the pension subsequent to the measurement date.

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 may report deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources consists of property taxes and pensions. Property taxes represent amounts for which there was an enforceable legal claim as of June 30, 2020, but which were levied to finance fiscal year 2021 operations. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund balance sheet and represents receivables which will not be collected within the available period. Pensions deferred inflows on the government wide statement of net position result from the differences between expected and actual economic experience, changes in actuarial assumptions, differences between projected and actual investment earnings, and changes in proportion. For the District, unavailable revenue includes delinquent property taxes. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available.

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-

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.

k. Property Taxes-

Property tax levies are established by the School Board in December each year and are certified to the County for collection the following calendar year. 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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

k. Property Taxes (continued)-

Generally, tax revenue is recognized in the fiscal year ending June 30, following the calendar year in which the tax levy is collectible, while the current calendar tax levy is recorded as deferred revenue (property taxes levied for subsequent year). The majority of the District revenue in the General and Special Revenue Funds is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between taxes and state aids by the Legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift".

During the 2015 fiscal year, the State of Minnesota enacted legislation reducing the tax shift to 31% of the Pay 2001 operating referendum (frozen at \$75,873) plus 100% of the levies for vocational programs and unemployment costs.

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, 2020 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 2020.

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 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, 2019, 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	\$ 60,000	\$ 60,498	\$ (498)

No remedial action is deemed necessary for the Trust Fund as the expenditures over budget were in relation to revenues over budget as well

	<u>Budget</u>	<u>Expenditures</u>	<u>Amount</u>
Construction Fund	\$ 3,800,000	\$ 3,976,099	\$ (176,099)

No remedial action is deemed necessary for the Construction Fund as the projects funded are multiple year projects

b. Revenues Under Budget-

No Funds had revenues that were under budgets at June 30, 2020.

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, 2020, none of the District's bank balance of \$94,242,060 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, 2020 and information relating to potential investment risks:

	<u>Credit Risk</u>		<u>Concentration</u>	<u>Interest</u>	<u>Carrying</u>
	<u>Credit</u>	<u>Rating</u>	<u>Risk</u>	<u>Rate Risk</u>	
	<u>Rating</u>	<u>Agency</u>	<u>Over 5%</u>	<u>Maturity</u>	<u>Value</u>
			<u>of Portfolio</u>	<u>Date</u>	
Governmental Agencies	N/A	N/A	37.5%	N/A	\$ 20,820,024
Investment pools/mutual funds					
Minnesota School District					
Liquid Asset Fund Plus	AAAm	S & P	0.2%	N/A	100,875
Minnesota School District					
Liquid Asset Fund Plus					
MAX Series	AAAm	S & P	58.2%	N/A	32,340,304
Commercial Paper	A1-P1	S&P/Moody	4.1%	11/2020	2,307,398
Total investments					\$ 55,568,601
Nonparticipating certificates of deposits and MSDLAF term investments					38,551,000
Deposits					(51,140)
Total cash and investments					\$ 94,068,461

N/A - Not applicable

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

Cash and temporary investments-statements of net position	\$ 42,044,113
Cash and investments for debt service-restricted-statements of net position	2,106,774
Cash and investments held by trustee-statements of net position	11,533,065
Cash and investments for construction-restricted-statements of net position	38,056,787
Cash and temporary investments-statement of fiduciary net position	327,722
	\$ 94,068,461

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 follow 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 quotes 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	\$ -	\$ 20,820,024	\$ -	\$ 20,820,024
Mutual Funds	32,441,179	-	-	32,441,179
Equities	38,499,860	2,307,398	-	40,807,258
Total	<u>\$ 70,941,039</u>	<u>\$ 23,127,422</u>	<u>\$ -</u>	<u>\$ 94,068,461</u>

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

4. CAPITAL ASSETS:

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

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Capital assets, not depreciated:				
Land	\$ 3,504,003	\$ -	\$ -	\$ 3,504,003
Construction in progress	<u>9,826,755</u>	<u>5,330,818</u>	<u>(9,660,147)</u>	<u>5,497,426</u>
Total capital assets, not depreciated	<u>\$ 13,330,758</u>	<u>\$ 5,330,818</u>	<u>\$ (9,660,147)</u>	<u>\$ 9,001,429</u>
Capital Assets, depreciated:				
Land improvements	\$ 3,713,763	\$ 2,364,449	\$ (28,649)	\$ 6,049,563
Buildings	43,301,909	9,672,960	-	52,974,869
Equipment and vehicles	<u>11,949,006</u>	<u>2,710,710</u>	<u>(656,451)</u>	<u>14,003,265</u>
Total capital assets, depreciated	<u>\$ 58,964,678</u>	<u>\$ 14,748,119</u>	<u>\$ (685,100)</u>	<u>\$ 73,027,697</u>
Less accumulated depreciation for:				
Land improvements	\$ (1,338,085)	\$ (228,689)	\$ 20,273	\$ (1,546,501)
Buildings	(18,165,688)	(1,241,880)	113,939	(19,293,629)
Equipment and vehicles	<u>(7,531,895)</u>	<u>(1,137,035)</u>	<u>634,700</u>	<u>(8,034,230)</u>
Total accumulated depreciation	<u>\$ (27,035,668)</u>	<u>\$ (2,607,604)</u>	<u>\$ 768,912</u>	<u>\$ (28,874,360)</u>
Net capital assets, depreciated	<u>31,929,010</u>	<u>12,140,515</u>	<u>83,812</u>	<u>44,153,337</u>
Total capital assets, net	<u>\$ 45,259,768</u>	<u>\$ 17,471,333</u>	<u>\$ (9,576,335)</u>	<u>\$ 53,154,766</u>

Depreciation expense of \$2,607,604 for the year ended June 30, 2020, was charged to the following governmental functions:

Governmental Activities:

Administration	\$ 6,011
District support services	25,528
Regular instruction	739,082
Vocational instruction	12,721
Exceptional instruction	21,614
Community Service	11,260
Instructional support services	132,122
Pupil support services	44,279
Food service	25,557
Site, buildings and equipment	687,010
Unallocated	<u>902,420</u>
	<u>\$ 2,607,604</u>

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:

<u>Issue</u>	<u>Issue Date</u>	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
General Obligation Refunding School Building Bonds	11/14/2013	2.50%-3.00%	2/1/2024	\$ 5,115,000
General Obligation Refunding Alternative Facilities Bonds	6/2/2016	2.00%-2.25%	2/1/2030	4,280,000
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	1.90%-3.45%	2/1/2041	10,065,000
General Obligation School Building Bonds	1/31/2020	1.75%-5.00%	2/1/2040	26,005,000
Certificates of Participation	8/30/2017	3.00%-4.00%	2/1/2045	<u>9,865,000</u>
Total general obligation bonds				<u>\$ 65,330,000</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.

<u>Issue</u>	<u>Issue Date</u>	<u>Bond Premium</u>	<u>Final Maturity</u>	<u>2020 Amortization</u>
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	4,522
General Obligation School Building Bonds	1/31/2020	2,560,939	2/1/2040	<u>53,353</u>
Total current year amortization				<u>\$ 108,745</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:

<u>Year Ending June 30 ,</u>	<u>General Obligation School Building Bonds</u>		<u>Certificates of Participation</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 2,325,000	\$ 1,807,174	\$ 250,000	\$ 373,150
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
2026-2030	14,895,000	5,761,558	1,595,000	1,531,000
2031-2035	11,745,000	3,504,103	1,895,000	1,220,150
2036-2040	13,590,000	1,669,275	2,280,000	834,600
2041-2045	<u>2,685,000</u>	<u>92,632.50</u>	<u>2,770,000</u>	<u>341,400</u>
	<u>\$ 55,465,000</u>	<u>\$ 19,126,445</u>	<u>\$ 9,865,000</u>	<u>\$ 5,715,800</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, 2020 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, 2019	Additions	Retirements	June 30, 2020	Due Within One Year
General obligation school building bonds	\$ 10,970,000	\$ 46,070,000	\$ 1,575,000	\$ 55,465,000	\$ 2,325,000
Bond premium	295,107	2,742,583	108,745	2,928,945	187,962
Certificates of Participation	10,105,000	-	240,000	9,865,000	250,000
Compensated Absences	92,152	96,365	92,152	96,365	96,365
	<u>\$ 21,462,259</u>	<u>\$ 48,908,948</u>	<u>\$ 2,015,897</u>	<u>\$ 68,355,310</u>	<u>\$ 2,859,327</u>

6. OPERATING LEASES:

The District leases the facilities of the Armory Business Center, Worthington Hockey Arena, and Memorial Auditorium. 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, 2020, was \$59,379.

Future minimum lease payments at June 30, 2020, are as follows:

2021	\$ 57,473
2022	58,122
2023	58,784
2024	25,000
	<u>\$ 199,379</u>

7. INTERFUND BALANCES AND OPERATING TRANSFERS:

The District had no interfund balances at June 30, 2020.

The District had the following interfund transfer for the year ended June 30, 2020.

	Transfer in	Transfer out
Debt Service Fund	\$ 1,430,175	\$ -
General Fund	-	1,430,175
Total	<u>\$ 1,430,175</u>	<u>\$ 1,430,175</u>

The transfer was related to provisions in the issuance of the 2019B refunding bonds.

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, 2020 are as follows:

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, 2020 is \$64,820.

Restricted for Achievement and Integration-

Represents available resources from the levy and state aid to be used for Achievement and Integration programs operated through the Nobles County Integration Collaborative. The fund balance as of June 30, 2020 is \$99,655.

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, 2020 is \$859,806.

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, 2020 is \$11,062.

Restricted for Safe Schools-

Represents available resources from the levy to be used for safe schools. The fund balance as of June 30, 2020 is \$26,697.

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, 2020 is \$1,610,548.

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, 2020 is \$175,987.

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

8. RESTRICTED FUND BALANCES (Continued):

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, 2020 is \$343,980.

Restricted for Food Service-

Represents available resources to be used in providing food services to students. The fund balance as of June 30, 2020 is \$795,605.

Restricted for Community Education-

Represents accumulated resources available to provide general community education programming. The fund balance as of June 30, 2020 is \$65,472.

Restricted for Adult Basic Education-

Represents accumulated resources available to provide adult basic education services. The fund balance as of June 30, 2020 is \$306,087.

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, 2020 is \$132,584.

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, 2020 is \$113,066.

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, 2020 is \$37,523,995.

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, 2020 is \$470,829.

Restricted for Bond Refunding-

Represents available resources to be used for bond refunding. The fund balance as of June 30, 2020 is \$11,538,794.

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, 2020 is \$127,416.

Committed for Building Construction-

Represents amounts committed for building construction, but not restricted. The fund balance as of June 30, 2020 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, 2020, is \$15,000,000.

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, 20, four teachers met the requirements representing a potential commitment of approximately \$57,416 in severance pay if all would resign pursuant to the provisions of the master contract.

Severance pay is recorded as an expenditure when eligible employees retire. There was one retirement and expenditure of \$18,441 in the year ended June 30, 2020.

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, 2020, there is a potential commitment of \$70,000 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, 2020 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, 2019, 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	8.00% As of July 1, 2017, 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, 2020, the actuarial valuation date, the District's unfunded actuarial accrued liability (UAAL) was \$1,133,084.

	Total OPEB Liability
Balance at July 1, 2019	\$ 986,795
Changes for the year	
Service cost	\$ 75,449
Interest cost	36,981
Changes of assumptions	118,820
Employer contributions	(17,436)
Differences between expected and actual experience	(67,525)
Net changes	\$ 146,289
Balance at July 1, 2019	\$ 1,133,084

e. OPEB Liability Sensitivity-

The following presents the District's total OPEB liability calculated using the discount rate of 2.66% as well as the liability measured using 1% higher and 1% lower than the current discount rate.

Net OPEB Liability (Asset)		
1% decrease (1.66%)	Current (2.66%)	1% increase (3.66%)
\$ 1,191,477	\$ 1,133,084	\$ 1,073,813

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.

<u>Net OPEB Liability (Asset)</u>			
	<u>1% decrease</u>	<u>Current</u>	<u>1% increase</u>
	<u>(7.00%)</u>	<u>(8.00%)</u>	<u>(9.00%)</u>
	<u>decreasing to</u>	<u>decreasing to</u>	<u>decreasing to</u>
	<u>(3.50%)</u>	<u>(4.50%)</u>	<u>(5.50%)</u>
Total OPEB Liability (Asset)	\$ 1,008,102	\$ 1,133,084	\$ 1,279,535

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$104,550. At June 30, 2020, the district reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred</u>	<u>Deferred</u>
	<u>Outflows of</u>	<u>Inflows of</u>
	<u>Resources</u>	<u>Resources</u>
Differences between expected and actual economic experience	\$ -	\$ (130,432)
Changes in actuarial assumptions	<u>128,488</u>	<u>-</u>
	<u>\$ 128,488</u>	<u>\$ (130,432)</u>

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:	
2021	\$ (1,346)
2022	(1,346)
2023	(1,346)
2024	(1,346)
2025	(1,346)
Thereafter	4,876

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. General Employees Retirement Fund (GERF)-

GERF's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapter 353 and 356.

All full time and certain part-time employees of the District other than teachers are covered by the General Employees Retirement Fund (GERF) Coordinated Plan. Coordinated Plan members are covered by Social Security.

c. Benefits Provided-

TRA and GERF 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%.

GERF: Benefit increases are provided to benefit recipients each January. Recipients will receive a future annual increase equal to 50 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent, beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age (not applicable to Rule of 90 retirees, disability benefit recipients, or survivors). A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase.

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 n 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
<b>Basic</b>	First ten years	2.2 percent per year
	All years after	2.7 percent per year
<b>Coordinated</b>	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

<b>Tier II</b>	<b>Step Rate Formula</b>	<b>Percentage</b>
<b>Basic</b>	Service years prior to July 1, 2006	2.7 percent per year
	All years after July 1, 2006	2.7 percent per year
<b>Coordinated</b>	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.

2. GERS benefits-

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. Only method 2 is available for members hired after June 30, 1989. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2).

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

11. DEFINED BENEFIT PENSION PLANS STATEWIDE (Continued):

c. Benefits Provided (continued)-

2. GERF benefits (continued)-

<b>Method 1</b>	<b>Step Rate Formula</b>	<b>Percentage</b>
<b>Coordinated</b>	First ten years of service	1.2 percent per year
	All service years over ten	1.7 percent per year
<b>Method 2</b>	<b>Step Rate Formula</b>	<b>Percentage</b>
<b>Coordinated</b>	All years of service	1.7 percent per year

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

The District contributions for the plan's year ended June 30, 2020 were \$1,374,872, equal to the required contributions as set by State Statute.

2. GERF 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 6.5% of their annual covered salary in calendar year 2019 and 2020. In calendar year 2018 and 2019, the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the GERF for the plan's fiscal year ended June 30, 2020, were \$513,699. The District's contributions were equal to the required contributions for each year as set by state statute.

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

11. DEFINED BENEFIT PENSION PLANS STATEWIDE (Continued):

e. Pension Costs-

1. TRA pension costs-

At June 30, 2020 the District reported a liability of \$20,020,802 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 0.3141% at the end of the measurement period and 0.3132% 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	\$ 20,020,800
State's proportionate share of the net pension liability associated with the district	1,771,796

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, 2019 through January, 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 6 years, (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

For the year ended June 30, 2020, the District recognized pension expense of \$1,716,796. It also recognized \$134,678 as pension expense for the support provided by direct aid.

At June 30, 2020, the District reported its proportionate share of TRA's deferred outflows of resources and deferred inflows of resources from the following sources:

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

11. DEFINED BENEFIT PENSION PLANS STATEWIDE (Continued):

e. Pension Costs (continued)-

1. TRA pension costs (continued)-

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 185,577
Difference between projected and actual investment earnings	147,847	-
Changes in proportion and differences between contributions made and the District's proportionate share of contributions	47,107	-
Prior year Contributions	(1,308,540)	-
Current Year Amortization of prior year amount	(10,632,918)	(8,365,039)
Contributions paid to TRA subsequent to the measurement date	1,380,385	-
Change in Deferred Outflows and Inflows for the year ended June 30, 2020	\$ (10,366,119)	\$ (8,179,462)
Balance at June 30, 2019	29,364,664	37,839,080
Balance at June 30, 2020	\$ 18,998,545	\$ 29,659,618

The \$1,308,540 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
2021	\$1,196,717
2022	\$ 230,101
2023	(\$6,936,029)
2024	(\$5,124,168)
2025	(\$ 27,694)

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

11. DEFINED BENEFIT PENSION PLANS STATEWIDE (Continued):

e. Pension Costs (continued)-

2. GERP pension costs-

At June 30, 2020, the District reported a liability of \$5,351,855 for its proportionate share of the GERP'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 \$66,326. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019 the District's proportion share was 0.0968 percent which was a decrease of 0.0022 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$442,263 for its proportionate share of GERP's pension expense. In addition, the District recognized an additional \$12,456 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

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

11. DEFINED BENEFIT PENSION PLANS STATEWIDE (Continued):

e. Pension Costs (continued)-

2. GERS pension costs (continued)-

At June 30, 2020, the District reported its proportionate share of GERS'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	\$ 76,190	\$ -
Changes in actuarial assumptions	-	87,237
Difference between projected and actual investment earnings	34,498	-
Changes in proportion and differences between contributions made and the District's proportionate share of contributions	-	91,535
Prior year Contributions	(512,016)	-
Current Year Amortization of prior year amount	(1,108,802)	(907,128)
Contributions paid to GERS subsequent to the measurement date	563,710	-
Change in Deferred Outflows and Inflows for the year ended June 30, 2020	\$ (946,420)	\$ (728,356)
Balance at June 30, 2019	1,487,949	1,957,250
Balance at June 30, 2020	\$ 541,529	\$ 1,228,894

The \$541,529 reported as deferred outflows of resources related to pensions resulting from District contributions to GERS 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 GERS pensions will be recognized in pension expense as follows:

Year ended June 30:	Pension Expense Amount
2021	(\$349,664)
2022	(\$206,125)
2023	(\$140,199)
2024	\$ 8,623



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

11. DEFINED BENEFIT PENSION PLANS STATEWIDE (Continued):

f. Actuarial Assumptions-

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

<u>Assumptions</u>	<u>GERF</u>	<u>TRA</u>
Inflation	2.50% per year	2.50%
Active Member Payroll Growth	3.25% 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) MP-2018 (GERF) tables for males and females, as appropriate, with slight adjustment.

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of actuarial experience studies. The most recent four year experience study in the GERF was completed in 2019.

The following changes in actuarial assumptions for TRA that affects the measurement of total liability for TRA since the prior measurement date. Postretirement benefit 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.

The following changes in actuarial assumptions for GERF occurred in 2019: The mortality projection scale was changed from MP-2017 to MP-2018. The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

The long-term expected rate of return on pension plan investments is 7.5% for GERF and 7.5% for 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	36%	5.10%
International Stocks	17%	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 STATEWIDE (Continued):

g. Discount Rate-

The discount rate used to measure the total pension liability was 7.50% for both TRA and GERF. 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	\$ 31,219,212	\$ 19,671,892	\$ 10,145,428
GERF Discount Rate	6.50%	7.50%	8.50%
District's proportionate share of the GERF net pension liability	\$ 8,925,389	\$ 5,492,114	\$ 2,658,044

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](http://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 GERF's defined benefit pension plan's fiduciary net position is available in a separately-issued PERA financial report. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org). Alternatively, a copy of the report may be obtained by writing or calling PERA:

Public Employees Retirement Association  
60 Empire Drive #200  
St. Paul, Minnesota, 55103-2088  
(651) 296-7460 or 1-800-652-9026

INDEPENDENT SCHOOL DISTRICT NO. 518

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

12. DEFINED CONTRIBUTION PENSION PLAN STATEWIDE:

School board members of the District are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by the Public Employees Retirement Association of Minnesota (PERA). The PEDCP 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 the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 percent of salary which is matched by the elected official's employer. 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 of the assets in each member's account annually.

Total contributions made by the District during fiscal year 2020 were:

Contribution Amount		Percentage of Covered Payroll		Required
Employee	Employer	Employee	Employer	Rates
\$1,279	\$1,279	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 1<sup>st</sup> to December 31<sup>st</sup>. Audited financial statements were not available for the year ended December 31, 2019. 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.

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-

Construction of the Learning Center Gymnastics Center continues with occupancy beginning in September, 2019.

The Trojan Field renovation of football field, track, bleachers and fieldhouse began in Spring 2020 with completion expected in April, 2021.

With the passage of the General Obligation School Building Bond levy question, planning is taking place for the construction of a new grade 3-5 intermediate school on the District's property on Crailsheim Drive. Construction will begin in the 2020-21 fiscal year with completion estimated in time for the 2022-23 school year.

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 10<sup>th</sup> 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, 2020, the District had rebated \$3,191 of which \$979 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, 2020, taxes were abated for thirty-seven eligible properties within the District’s corporate limits in the amount of \$11,094.

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	<u>182,496</u>	Change in accounting principle	<u>182,496</u>
Net Position July 1, 2019 as restated	<u>\$ 27,177,709</u>	Fund Balance July 1, 2019 as restated	<u>\$ 34,658,467</u>

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, 2020

(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019)

	2020		2019	
	Final Budget	Actual	Variance with Final Budget	Actual
<b>REVENUES:</b>				
Local property tax levies-				
Current levy	\$ 3,926,833	\$ 4,224,786	\$ 297,953	\$ 3,133,403
Total local property tax levies	\$ 3,926,833	\$ 4,224,786	\$ 297,953	\$ 3,133,403
Other local and county revenues-				
County apportionment	\$ 21,000	\$ 24,051	\$ 3,051	\$ 25,300
Tuition and fees from patrons	162,910	173,051	10,141	169,410
Interest income	650,000	685,473	35,473	739,397
Litigation & insurance settlements	2,790	52,795	50,005	78,197
Other local revenue	713,386	905,233	191,847	573,888
Total other local and county revenues	\$ 1,550,086	\$ 1,840,603	\$ 290,517	\$ 1,586,192
Revenues from state sources-				
Endowment fund apportionment	\$ 152,740	\$ 175,741	\$ 23,001	\$ 145,180
Department of Education aids-				
General education aid	37,168,392	37,757,834	589,442	38,573,762
Special education	3,850,000	4,538,422	688,422	4,423,793
Vocational and other education	1,656,443	1,615,525	(40,918)	1,331,957
Other appropriations by the state for replacement of local taxes-				
Market value aid	27,589	27,518	(71)	18,578
Disparity reduction aid and other	40,811	41,203	392	26,299
State special funding for pensions	115,000	141,621	26,621	1,279,775
Total revenues from state sources	\$ 43,010,975	\$ 44,297,864	\$ 1,286,889	\$ 45,799,344
Revenues from federal sources-				
Federal aids through Minnesota				
Department of Education	\$ 988,985	\$ 904,910	\$ (84,075)	\$ 930,965
Federal aids through SWWC cooperative	502,000	497,671	(4,329)	502,140
Total revenues from federal sources	\$ 1,490,985	\$ 1,402,581	\$ (88,404)	\$ 1,433,105
Sales and other conversion of assets-				
Sales of materials and supplies	\$ 32,810	\$ 36,545	\$ 3,735	\$ 19,532
Tuition revenue from other school districts	\$ 435,000	\$ 435,914	\$ 914	\$ 406,213
Total revenues	\$ 50,446,689	\$ 52,238,293	\$ 1,791,604	\$ 52,377,789

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, 2020

(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019)

	2020		Variance with Final Budget	2019
	Final Budget	Actual		Actual
<b>EXPENDITURES:</b>				
District and school administration-				
School board expenses-				
Per diem	\$ 36,800	\$ 36,565	\$ 235	\$ 34,695
Employee benefits	7,095	7,420	(325)	7,077
Travel	6,900	6,569	331	7,317
Other	22,900	21,003	1,897	35,378
General administration-				
Superintendent salary	168,000	167,500	500	165,858
Administrative support salaries	42,380	44,168	(1,788)	42,779
Employee benefits	55,560	55,833	(273)	68,813
Travel and other	2,830	2,740	90	4,655
Building administration-				
Salaries	497,895	494,680	3,215	484,832
Employee benefits	180,720	180,417	303	170,934
Travel	1,950	107	1,843	573
Purchased services	79,000	25,688	53,312	27,609
Supplies and materials	24,000	14,212	9,788	6,109
Other	18,025	13,071	4,954	55,865
Capital outlay	-	-	-	2,338
Total district and school administration	\$ 1,144,055	\$ 1,069,973	\$ 74,082	\$ 1,114,832
District support services-				
District business services-				
Director of finance and personnel salary	\$ 93,500	\$ 92,650	\$ 850	\$ 89,925
Administrative support salaries	148,000	147,362	638	164,356
Employee benefits	224,176	91,336	132,840	91,793
Travel	7,300	5,322	1,978	2,667
Purchased services	102,600	94,259	8,341	44,306
Supplies and materials	6,500	3,720	2,780	4,704
Other	9,700	5,359	4,341	22,104
Capital outlay	-	-	-	4,833

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, 2020

(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019)

	2020		Variance with Final Budget	2019
	Final Budget	Actual		Actual
EXPENDITURES (Continued):				
District support services (continued)-				
Other support services-				
Salaries	\$ 342,830	\$ 339,731	\$ 3,099	\$ 251,190
Employee benefits	110,138	108,964	1,174	82,057
Travel	1,500	938	562	1,408
Contracted services-				
Printing and publishing	57,650	55,819	1,831	41,244
Legal	15,000	8,596	6,404	13,849
Data processing	139,500	119,111	20,389	135,521
Other	3,300	3,023	277	6,899
Supplies and materials	4,500	704	3,796	8,897
Capital outlay	800	-	800	524
Total district support services	<u>\$ 1,266,994</u>	<u>\$ 1,076,894</u>	<u>\$ 190,100</u>	<u>\$ 966,277</u>
Regular instruction-				
Salaries-				
Secondary teachers	\$ 6,315,833	\$ 6,385,217	\$ (69,384)	\$ 5,996,053
Elementary teachers	4,335,828	4,258,108	77,720	4,402,019
Kindergarten teachers	843,755	851,540	(7,785)	783,930
Education aides	1,108,606	1,095,641	12,965	1,016,329
Other	256,155	292,297	(36,142)	223,193
Employee benefits	3,908,337	3,882,607	25,730	3,715,484
Contracted Substitutes	466,730	441,686	25,044	330,345
Contracted Education	1,355,000	1,281,900	73,100	2,228,223
Travel	48,530	22,339	26,191	36,739
Tuition to other schools	8,000	21,171	(13,171)	30,571
Pupil transportation	82,730	31,065	51,665	94,971
Purchased services	498,135	389,501	108,634	409,752
General supplies and materials	139,261	112,462	26,799	113,801
Instructional software	171,315	182,895	(11,580)	97,417
Instructional supplies and materials	262,803	175,432	87,371	149,276
Textbooks	27,020	20,112	6,908	30,456
Other	720,072	668,420	51,652	954,224
Capital outlay	214,818	254,295	(39,477)	390,648



## 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, 2020

(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019)

	2020		Variance with Final Budget	2019
	Final Budget	Actual		Actual
EXPENDITURES (Continued):				
Regular instruction (continued)-				
Student activities				
Salaries	\$ 577,955	\$ 512,189	\$ 65,766	\$ 528,491
Employee benefits	107,289	98,455	8,834	100,097
Purchased services	178,550	127,201	51,349	115,094
Travel	9,780	7,058	2,722	9,073
Utilities	8,000	6,059	1,941	5,797
Pupil transportation	145,680	118,760	26,920	121,738
General supplies and materials	153,930	141,345	12,585	63,670
Equipment purchased	11,000	35,567	(24,567)	8,747
Other	9,720	10,478	(758)	2,185
Capital outlay	71,030	72,904	(1,874)	92,414
Total regular instruction	\$ 22,035,862	\$ 21,496,704	\$ 539,158	\$ 22,050,737
Vocational instruction-				
Salaries	\$ 375,060	\$ 377,736	\$ (2,676)	\$ 367,416
Employee benefits	114,670	114,941	(271)	109,530
Travel	1,700	500	1,200	792
Purchased services	800	162	638	250
Pupil transportation	7,800	9,414	(1,614)	12,316
General supplies and materials	1,400	136	1,264	826
Instructional supplies and materials	20,350	24,611	(4,261)	23,083
Other	2,285	2,761	(476)	26,445
Capital outlay	1,198	1,453	(255)	3,773
Total vocational instruction	\$ 525,263	\$ 531,714	\$ (6,451)	\$ 544,431
Exceptional instruction-				
Salaries-				
Teachers	\$ 2,912,070	\$ 2,903,641	\$ 8,429	\$ 2,956,540
Psychologists	153,290	153,661	(371)	149,472
Aides	1,769,200	1,751,673	17,527	1,557,535
Office	160,998	156,824	4,174	152,708
Employee benefits	1,760,479	1,639,028	121,451	1,496,153
Travel	30,300	23,078	7,222	22,929
Professional services	16,550	17,559	(1,009)	170,036

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, 2020

(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019)

	2020			2019
	Final Budget	Actual	Variance with Final Budget	Actual
EXPENDITURES (Continued):				
Exceptional instruction (continued)-				
Tuition to other schools	\$ 392,650	\$ 316,317	\$ 76,333	\$ 279,449
Other purchased services	159,280	145,468	13,812	15,402
General supplies and materials	52,060	37,620	14,440	34,963
Instructional supplies and materials	71,350	75,464	(4,114)	44,418
Other	98,095	107,827	(9,732)	355,139
Total exceptional instruction	<u>\$ 7,576,322</u>	<u>\$ 7,328,160</u>	<u>\$ 248,162</u>	<u>\$ 7,234,744</u>
Community education and services-				
Salaries	\$ 51,800	\$ 56,219	\$ (4,419)	\$ 49,039
Employee benefits	20,320	20,819	(499)	12,922
Pupil transportation	28,000	24,739	3,261	24,698
General supplies and materials	900	480	420	1,885
Instructional supplies and materials	-	219	(219)	162
Other	250	245	5	379
Capital outlay	6,190	5,199	991	-
Total community education and service	<u>\$ 107,460</u>	<u>\$ 107,920</u>	<u>\$ (460)</u>	<u>\$ 89,085</u>
Instructional support services-				
Salaries-				
Assistant principal	\$ 344,153	\$ 345,856	\$ (1,703)	\$ 334,449
Media	256,120	252,066	4,054	243,946
Technology	260,000	260,366	(366)	233,807
Curriculum development	279,850	256,250	23,600	254,480
Staff development	242,253	216,034	26,219	131,294
Secretarial and other	518,098	487,113	30,985	491,880
Employee benefits	615,422	583,975	31,447	542,521
Travel	52,643	30,662	21,981	50,270
Professional services	71,715	76,708	(4,993)	23,777
Other purchased services	135,990	116,901	19,089	112,525
General supplies and materials	91,840	84,503	7,337	92,727
Instructional supplies and materials	15,700	12,063	3,637	13,235
Other	139,275	166,601	(27,326)	154,555
Capital outlay	221,925	372,495	(150,570)	30,398
Total instructional support services	<u>\$ 3,244,984</u>	<u>\$ 3,261,593</u>	<u>\$ (16,609)</u>	<u>\$ 2,709,864</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, 2020

(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019)

	2020		Variance with Final Budget	2019
	Final Budget	Actual		Actual
EXPENDITURES (Continued):				
Pupil support services				
Guidance and counseling-				
Salaries	\$ 429,580	\$ 423,389	\$ 6,191	\$ 402,107
Employee benefits	129,410	130,213	(803)	122,410
Supplies and materials	5,160	1,942	3,218	1,538
Health services-				
Salaries	31,500	30,635	865	28,887
Employee benefits	5,070	4,863	207	4,585
Travel	200	75	125	570
Purchased services	140,950	95,198	45,752	122,828
General supplies and materials	-	150	(150)	3,311
Capital outlay	-	-	-	-
Social & Psychological services-				
Salaries	109,480	109,734	(254)	103,983
Employee benefits	35,470	35,580	(110)	2,790
Violence prevention-				
Salaries	40,280	38,218	2,062	36,046
Employee benefits	10,501	10,449	52	10,016
Purchased services	50,500	37,503	12,997	47,543
Supplies and materials	8,000	7,881	119	4,336
Other	8,000	6,605	1,395	-
Transportation-				
Salaries	227,350	215,598	11,752	224,785
Employee benefits	83,860	75,673	8,187	76,101
Supplies and materials	1,000	438	562	490
Contracted services and public carriers	1,451,830	1,335,345	116,485	1,343,892
Other	37,560	40,099	(2,539)	75,569
Nobles County integration collaborative	985,905	863,600	122,305	855,990
Other support services-				
Supplies and materials	5,500	6,823	(1,323)	4,392
Other	-	-	-	977
Total pupil support services	\$ 3,797,106	\$ 3,470,011	\$ 327,095	\$ 3,473,146

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, 2020

(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019)

	2020		2019	
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
EXPENDITURES (Continued):				
Site, buildings and equipment-				
Plant operations and maintenance-				
Salaries	\$ 1,041,300	\$ 966,130	\$ 75,170	\$ 933,742
Employee benefits	297,388	282,937	14,451	254,095
Travel	1,000	-	1,000	-
Repairs and maintenance service	307,350	269,149	38,201	188,438
Fuel for buildings	231,000	172,202	58,798	195,160
Utilities, except for fuel for buildings	743,200	608,027	135,173	584,846
Custodial supplies and materials	242,000	225,239	16,761	208,965
Other	105,200	74,978	30,222	76,281
Capital outlay-				
Operating capital	838,452	884,212	(45,760)	129,057
Long-term facility maintenance	2,520,586	2,112,005	408,581	515,390
Projects using committed or unrestricted funds	3,990,260	3,573,736	416,524	742,300
Total site, buildings and equipment	<u>\$ 10,317,736</u>	<u>\$ 9,168,615</u>	<u>\$ 1,149,121</u>	<u>\$ 3,828,274</u>
Fiscal and other fixed cost programs-				
Fixed charges-				
Insurance and judgments	\$ 170,000	\$ 167,482	\$ 2,518	\$ 131,299
Debt redemption-				
Certificate of participation principal	-	-	-	2,520,000
Certificate of participation interest	190,175	190,175	-	480,710
Certificate of participation other expense	3,300	3,300	-	3,900
Tax Court refund	-	-	-	1,813
Total fiscal and other fixed cost programs	<u>\$ 363,475</u>	<u>\$ 360,957</u>	<u>\$ 2,518</u>	<u>\$ 3,137,722</u>
Total expenditures	<u>\$ 50,379,257</u>	<u>\$ 47,872,541</u>	<u>\$ 2,506,716</u>	<u>\$ 45,149,112</u>
Excess (deficit) of revenues over expenditures	<u>\$ 67,432</u>	<u>\$ 4,365,752</u>	<u>\$ 4,298,320</u>	<u>\$ 7,228,677</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, 2020

(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019)

	<u>2020</u>			<u>2019</u>
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
OTHER FINANCING SOURCES (USES):				
Other financing sources				
Sale of capital assets	\$ <u>38,500</u>	\$ <u>68,204</u>	\$ <u>29,704</u>	\$ <u>-</u>
Total other financing sources	\$ <u>38,500</u>	\$ <u>68,204</u>	\$ <u>29,704</u>	\$ <u>-</u>
Other financing uses				
Transfer to debt service fund	\$ <u>(1,430,175)</u>	\$ <u>(1,430,175)</u>	\$ <u>-</u>	\$ <u>(430,000)</u>
Total other financing sources (uses)	\$ <u>(1,391,675)</u>	\$ <u>(1,361,971)</u>	\$ <u>29,704</u>	\$ <u>(430,000)</u>
Net change in fund balances	\$ <u>(1,324,243)</u>	\$ <u>3,003,781</u>	\$ <u>4,328,024</u>	\$ <u>7,228,677</u>
FUND BALANCE, Beginning of year		34,475,971		<u>27,677,294</u>
Change in accounting principle (Note 17)		<u>182,496</u>		
FUND BALANCE, Beginning of year (restated)		\$ <u>34,658,467</u>		
FUND BALANCE, End of year		\$ <u>37,662,248</u>		\$ <u>34,475,971</u>

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, 2020

(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019)

	2020		2019	
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
<b>REVENUES:</b>				
Local sales and other revenues-				
Meals sold	\$ 354,900	\$ 314,983	\$ (39,917)	\$ 417,691
Other local revenues	12,000	12,076	76	17,936
Total local sales and other revenues	<u>\$ 366,900</u>	<u>\$ 327,059</u>	<u>\$ (39,841)</u>	<u>\$ 435,627</u>
State sources-				
State lunch and breakfast program aid	\$ 96,250	\$ 141,321	\$ 45,071	\$ 119,378
Total state sources	<u>\$ 96,250</u>	<u>\$ 141,321</u>	<u>\$ 45,071</u>	<u>\$ 119,378</u>
Federal sources-				
Regular lunch and breakfast	\$ 495,550	\$ 500,846	\$ 5,296	\$ 645,751
Free and reduced	752,190	752,077	(113)	957,879
Summer food program	406,000	595,630	189,630	80,085
Commodity rebates	4,150	4,160	10	1,763
Commodities used	209,590	209,598	8	102,040
Total federal sources	<u>\$ 1,867,480</u>	<u>\$ 2,062,311</u>	<u>\$ 194,831</u>	<u>\$ 1,787,518</u>
Total revenues	<u>\$ 2,330,630</u>	<u>\$ 2,530,691</u>	<u>\$ 200,061</u>	<u>\$ 2,342,523</u>
<b>EXPENDITURES:</b>				
Pupil support services-				
Salaries	\$ 896,730	\$ 879,920	\$ 16,810	\$ 799,699
Employee benefits	323,200	314,077	9,123	296,092
Repairs and maintenance	33,000	22,658	10,342	51,334
Other purchased services	70,675	54,681	15,994	64,990
General supplies and materials	75,255	69,799	5,456	60,991
Food	1,103,960	1,130,793	(26,833)	1,030,358
Equipment purchased	85,870	86,835	(965)	-
Other	11,995	11,647	348	9,823
Total pupil support services	<u>\$ 2,600,685</u>	<u>\$ 2,570,410</u>	<u>\$ 30,275</u>	<u>\$ 2,313,287</u>
Total expenditures	<u>\$ 2,600,685</u>	<u>\$ 2,570,410</u>	<u>\$ 30,275</u>	<u>\$ 2,313,287</u>
Net change in fund balances	<u>\$ (270,055)</u>	<u>\$ (39,719)</u>	<u>\$ 230,336</u>	<u>\$ 29,236</u>
FUND BALANCE, Beginning of year		978,392		949,156
FUND BALANCE, End of year		<u>\$ 938,673</u>		<u>\$ 978,392</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, 2020

(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019)

	2020		Variance with Final Budget	2019
	Final Budget	Actual		Actual
<b>REVENUES:</b>				
Local property tax levies-				
Current levy	\$ 174,354	\$ 176,230	\$ 1,876	\$ 181,896
Total local property tax levies	\$ 174,354	\$ 176,230	\$ 1,876	\$ 181,896
Other local and county revenues-				
Tuition and fees from patrons	\$ 191,117	\$ 193,597	\$ 2,480	\$ 234,648
Other local revenues	144,408	166,757	22,349	139,596
Total other local and county revenues	\$ 335,525	\$ 360,354	\$ 24,829	\$ 374,244
Revenues from state sources-				
State aids from Department of Education-				
Vocational and other education	\$ 1,210,802	\$ 1,262,061	\$ 51,259	\$ 1,240,751
Other appropriations by the state for replacement of local taxes-				
Disparity and other	8,414	6,338	(2,076)	7,046
State special funding for pensions	-	5,513	5,513	52,108
Total revenues from state sources	\$ 1,219,216	\$ 1,273,912	\$ 54,696	\$ 1,299,905
Revenues from federal sources-				
Federal aids through Minnesota Department of Education	\$ 54,275	\$ 59,051	\$ 4,776	\$ 62,218
Total revenues from federal sources	\$ 54,275	\$ 59,051	\$ 4,776	\$ 62,218
Sales and other conversion of assets-				
Sales of materials and supplies	\$ -	\$ 64	\$ 64	\$ 21
Total revenues	\$ 1,783,370	\$ 1,869,611	\$ 86,241	\$ 1,918,284

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, 2020

(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019)

	2020		Variance with Final Budget	2019
	Final Budget	Actual		Actual
<b>EXPENDITURES:</b>				
Community education and services-				
Civic activities and general	\$ 236,731	\$ 213,750	\$ 22,981	\$ 252,766
Early Childhood Family Education	223,422	204,311	19,111	217,007
Pathways Early Learning	139,117	113,999	25,118	161,617
School readiness	212,654	211,145	1,509	133,623
Preschool screening	18,065	12,404	5,661	16,006
Parent involvement	37,418	39,102	(1,684)	33,392
Youth programs	36,711	36,694	17	39,381
Adult education programs	887,236	821,156	66,080	907,763
Non-public school assistance-				
Textbooks and standardized tests	11,247	12,576	(1,329)	12,172
Total community education and services	<u>\$ 1,802,601</u>	<u>\$ 1,665,137</u>	<u>\$ 137,464</u>	<u>\$ 1,773,727</u>
Pupil support services-				
Non-public school health services-	\$ 11,300	\$ 13,352	\$ (2,052)	\$ -
Non-public Counseling and career guidance	3,700	2,135	1,565	13,901
Total pupil support services	<u>\$ 15,000</u>	<u>\$ 15,487</u>	<u>\$ (487)</u>	<u>\$ 13,901</u>
Total expenditures	<u>\$ 1,817,601</u>	<u>\$ 1,680,624</u>	<u>\$ 136,977</u>	<u>\$ 1,787,628</u>
Net change in fund balances	<u>\$ (34,231)</u>	<u>\$ 188,987</u>	<u>\$ 223,218</u>	<u>\$ 130,656</u>
FUND BALANCE, Beginning of year		432,969		302,313
FUND BALANCE, End of year		<u>\$ 621,956</u>		<u>\$ 432,969</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, 2020

(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019)

	Final Budget	2020 Actual	Variance with Final Budget	2019 Actual
<b>REVENUES:</b>				
Other local and county revenues-				
Interest income	\$ 233,000	\$ 420,407	\$ 187,407	\$ 113,816
Total revenues	\$ 233,000	\$ 420,407	\$ 187,407	\$ 113,816
<b>EXPENDITURES:</b>				
Site, buildings and equipment-				
Buildings	\$ 3,800,000	\$ 3,976,100	\$ (176,100)	\$ 7,639,598
Total site, buildings and equipment	\$ 3,800,000	\$ 3,976,100	\$ (176,100)	\$ 7,639,598
Total expenditures	\$ 3,800,000	\$ 3,976,100	\$ (176,100)	\$ 7,639,598
Excess (deficit) of revenues over expenditures	\$ (3,567,000)	\$ (3,555,693)	\$ 11,307	\$ (7,525,782)
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of general obligation bonds	\$ 38,747,585	\$ 38,747,584	\$ (1)	\$ -
Net change in fund balances	\$ 35,180,585	\$ 35,191,891	\$ 11,306	\$ (7,525,782)
FUND BALANCE, Beginning of year		2,327,357		9,853,139
FUND BALANCE, End of year		\$ 37,519,248		\$ 2,327,357

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, 2020

(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019)

	2020		Variance with Final Budget	2019
	Final Budget	Actual		Actual
REVENUES:				
Local property tax levies	\$ 1,314,908	\$ 1,298,904	\$ (16,004)	\$ 1,530,648
Other local and county revenues-				
Interest income	\$ 19,000	\$ 623,058	\$ 604,058	\$ 73,421
Revenues from state sources-				
Department of Education aids-				
Long term facility maintenance aid	\$ 289,261	\$ 289,261	\$ -	\$ 243,067
Other appropriations by the state for replacement of local taxes-				
School Building Bond Ag Credit	308,611	308,611	-	376,451
Homestead and agricultural credit aid	23,953	23,892	(61)	30,218
Disparity and other	32,371	32,371	-	42,778
Total revenues from state sources	\$ 654,196	\$ 654,135	\$ (61)	\$ 692,514
Total revenues	\$ 1,988,104	\$ 2,576,097	\$ 587,993	\$ 2,296,583
EXPENDITURES:				
Debt redemption-				
Principal payment on bonds	\$ 1,815,000	\$ 1,815,000	\$ -	\$ 7,270,000
Interest expense	471,213	471,213	-	549,112
Other expense	144,752	142,489	2,263	2,450
Total debt redemption	\$ 2,430,965	\$ 2,428,702	\$ 2,263	\$ 7,821,562
Total expenditures	\$ 2,430,965	\$ 2,428,702	\$ 2,263	\$ 7,821,562
Excess (deficit) of revenues over expenditures	\$ (442,861)	\$ 147,395	\$ 590,256	\$ (5,524,979)
OTHER FINANCING SOURCES (USES):				
Sale of general obligation bonds	\$ 10,065,000	\$ 10,065,000	\$ -	\$ -
Transfer from general fund	1,000,000	1,430,175	430,175	430,000
Total other financing sources (uses)	\$ 11,065,000	\$ 11,495,175	\$ 430,175	\$ 430,000
Net change in fund balances	\$ 10,622,139	\$ 11,642,570	\$ 1,020,431	\$ (5,094,979)
FUND BALANCE, Beginning of year		367,053		5,462,032
FUND BALANCE, End of year		\$ 12,009,623		\$ 367,053

INDEPENDENT SCHOOL DISTRICT NO. 518

SCHEDULES OF FIDUCIARY NET POSITION

TRUST FUND

JUNE 30, 2020

(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2019)

	Private Purpose Trust Fund	
	<u>2020</u>	<u>2019</u>
ASSETS:		
Cash and investments	\$ 327,722	\$ 358,702
Prepaid items	<u>-</u>	<u>1,750</u>
Total assets	<u>\$ 327,722</u>	<u>\$ 360,452</u>
LIABILITIES:		
Accounts payable	\$ <u>-</u>	\$ <u>361</u>
Total liabilities	\$ <u>-</u>	\$ <u>361</u>
NET POSITION:		
Held in trust	<u>327,722</u>	<u>360,091</u>
Total liabilities and net position	<u>\$ 327,722</u>	<u>\$ 360,452</u>

INDEPENDENT SCHOOL DISTRICT NO. 518

SCHEDULES OF CHANGES IN FIDUCIARY NET POSITION

BUDGET AND ACTUAL

TRUST FUND

FOR THE YEAR ENDED JUNE 30, 2020

(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019)

	2020		2019	
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
ADDITIONS:				
Other local and county revenues-				
Interest income	\$ 4,000	\$ 3,246	\$ (754)	\$ 4,710
Other local revenues	<u>8,700</u>	<u>24,882</u>	<u>16,182</u>	<u>86,225</u>
Total other local and county revenues	\$ <u>12,700</u>	\$ <u>28,128</u>	\$ <u>15,428</u>	\$ <u>90,935</u>
Total revenues	\$ <u>12,700</u>	\$ <u>28,128</u>	\$ <u>15,428</u>	\$ <u>90,935</u>
DEDUCTIONS:				
Other pupil support	\$ <u>60,000</u>	\$ <u>60,497</u>	\$ <u>(497)</u>	\$ <u>38,444</u>
Total expenditures	\$ <u>60,000</u>	\$ <u>60,497</u>	\$ <u>(497)</u>	\$ <u>38,444</u>
Change in net position	\$ <u>(47,300)</u>	\$ <u>(32,369)</u>	\$ <u>14,931</u>	\$ <u>52,491</u>
NET POSITION, Beginning of year		<u>360,091</u>		<u>307,600</u>
NET POSITION, End of year		\$ <u><u>327,722</u></u>		\$ <u><u>360,091</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 518  
SCHEDULES OF CHANGES IN CAPITAL ASSETS  
FOR THE YEAR ENDED JUNE 30, 2020

	Balance June 30, 2019	Additions	Transfers	Retirements	Balance June 30, 2020
<b>CAPITAL ASSETS:</b>					
Land	\$ 3,504,003	\$ -	\$ -	\$ -	\$ 3,504,003
Land improvements	3,713,763	2,364,449	-	(28,649)	6,049,563
Buildings	43,301,909	9,672,960	-	(143,069)	52,831,800
Equipment	11,533,746	2,632,910	-	(656,451)	13,510,205
Vehicles	415,260	77,800	-	-	493,060
Construction in progress	9,826,755	5,330,818	-	(9,660,147)	5,497,426
Total capital assets	<u>\$ 72,295,436</u>	<u>\$ 20,078,937</u>	<u>\$ -</u>	<u>\$ (10,488,316)</u>	<u>\$ 81,886,057</u>
<b>CAPITAL ASSETS BY SOURCE:</b>					
General and special revenue funds	\$ 26,200,257	\$ 12,439,339	\$ -	\$ (10,488,316)	\$ 28,151,280
General obligation bonds	36,330,306	-	-	-	36,330,306
Capital leases	9,052,757	7,639,598	-	-	16,692,355
Federal grants	712,116	-	-	-	712,116
Total capital assets by source	<u>\$ 72,295,436</u>	<u>\$ 20,078,937</u>	<u>\$ -</u>	<u>\$ (10,488,316)</u>	<u>\$ 81,886,057</u>
<b>CAPITAL ASSETS BY FUNCTION AND ACTIVITY:</b>					
Administration	\$ 299,318	\$ 26,719	\$ -	\$ (22,058)	\$ 303,979
Instruction	7,814,333	1,709,092	-	(485,509)	9,037,916
Instructional support services	1,165,315	63,819	-	(60,466)	1,168,668
Pupil support services	491,746	9,461	-	(1,775)	499,432
Food service	651,386	64,130	-	(17,238)	698,278
Community education and services	177,989	16,851	-	(31,718)	163,122
Site, buildings and equipment	61,695,349	18,188,865	-	(9,869,552)	70,014,662
Total capital assets by function and activity	<u>\$ 72,295,436</u>	<u>\$ 20,078,937</u>	<u>\$ -</u>	<u>\$ (10,488,316)</u>	<u>\$ 81,886,057</u>

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

JUNE 30, 2020, 2019, 2018, 2017, 2016, 2015, 2014, 2013, 2012, AND 2011

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)
06/30/2011	\$ -	\$ 529,053	\$ ( 529,053)	0.0%	\$ 12,955,001	4.1%
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%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended <u>June 30</u>	Annual Required <u>Contribution</u>	Percentage <u>Contributed</u>
2011	\$ -	0.00%
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%

INDEPENDENT SCHOOL DISTRICT NO. 518REQUIRED SUPPLEMENTARY INFORMATIONSCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITYAND EMPLOYER CONTRIBUTIONS

## Schedule of Proportionate Share of Net Pension Liability

Actuarial Valuation Date June 30,	Plan	Employer's	Employer's	Employer's Covered- Employee Payroll (b)	Employer's	Plan
		Proportion (Percentage) of the Net Pension Liability (Asset)	Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)		Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll (a/b)	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%

## 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%

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

	<u>2020</u>
TOTAL OPEB LIABILITY	
Service Cost	\$ 75,449
Interest	36,981
Differences between expected and actual experience	(67,525)
Changes in assumption or other inputs	118,820
Benefit payments	<u>(17,436)</u>
Net change in total OPEB liability	\$ 146,289
Total OPEB Liability-beginning	<u>986,795</u>
Total OPEB Liability-ending	<u>\$ 1,133,084</u>
Covered-employee payroll	\$ 23,371,394
Total OPEB liability as a percentage of covered-employee payroll	4.8%



# DREALAN KVILHAUG HOEFKER & Co., P.A.

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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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 10, 2020.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## District's Response to Findings

Independent School District No. 518's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

*Doreen Krithaug Hoefker & Co., P.A.*

Worthington, Minnesota  
November 10, 2020

# DREALAN KVILHAUG HOFKER & Co., P.A.

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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, 2020. 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; 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, 2020.

## Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which would be described in the accompanying schedule of findings and questioned costs as items. Our opinion on each major federal program is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## Report on Internal Control Over Compliance

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

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

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

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 Knuthaug Hovfke & Co., P.A.*

Worthington, Minnesota  
November 10, 2020

INDEPENDENT SCHOOL DISTRICT NO. 518  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020

<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	\$ 298,101
School Lunch	10.555	887,639
After School Snack	10.555	11,460
Commodities Distribution (Note B)	10.555	209,598
Special Milk Program	10.556	458
Summer Food Service program	10.559	<u>595,630</u>
Total Nutrition Cluster		<u>\$ 2,002,886</u>
Fresh Fruits and Vegetables	10.582	\$ 55,264
Commodity Cash Rebate Program	10.S6209	<u>4,160</u>
Total U.S. Department of Agriculture		<u>\$ 2,062,310</u>
U.S. Department of Education:		
Pass-through programs from Minnesota Department of Education-		
Adult Basic Education	84.002	<u>\$ 42,015</u>
English Language Acquisition Includes FIN 417,442	84.365	<u>\$ 228,073</u>
Teacher and Principal Training and Recruiting Includes FIN 414,433	84.367*	<u>\$ 125,011</u>
Education Stabilization Fund	84.425C	<u>\$ 53,418</u>
Special Education Cluster:		
Special Education	84.027*	\$ 403,968
Special Education Coordinated Early Intervening Services	84.027*	87,018
Special Education Preschool Grants	84.173*	<u>6,685</u>
Total Special Education Cluster		<u>\$ 497,671</u>
Title I:		
Title I Grants to LEA's	84.010	<u>\$ 498,408</u>
Total Title I		<u>\$ 498,408</u>
Total U.S. Department of Education		<u>\$ 1,444,596</u>
Total expenditures of Federal Awards		<u>\$ 3,506,906</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, 2020

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, 2020. 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, 2020, 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, 2020

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:

Child Nutrition Cluster-	
School Breakfast	CFDA No. 10.553
National School Lunch	CFDA No. 10.555
Commodity Distribution Program	CFDA No. 10.555
Summer Food Service Program for Children	CFDA No. 10.559
Title I	CFDA No. 84.010

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.

INDEPENDENT SCHOOL DISTRICT NO. 518  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2020

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

None

C. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS:

Current year:

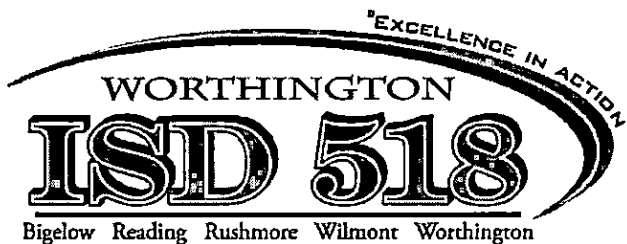
None

Prior Year:

2019-001. Special Education Cluster, CFDA No.'s 84.027

Condition:	One invoice was found that lacked proper administrator approval.
Criteria:	Internal controls should be in place that provide reasonable assurance that authorization is obtained from management prior to payment processing.
Effect:	As a result of the lack of authorization expenditures were paid prior to management review and authorization.
Cause:	It is suspected that this invoice was attached to the one in front of it.
Recommendation:	To ensure all invoices are authorized, during processing of multiple invoices from the same vendor, care needs to be taken to ensure each invoice are authorized.





## **Corrective Action Plan for the findings and questioned costs for the audit of the period ended June 30, 2019.**

A Deficiency for the Financial Statement Audit and questioned costs for major federal program awards audit was noted on page 96. Single Audit 2019-001

The programs identified for this finding were:

Department of Education:

Special Education Cluster, CFDA No. 84.027

- Condition:** One invoice was found that lacked proper administrator approval.
- Criteria:** Internal controls should be in place that provide reasonable assurance that authorization is obtained from management prior to payment processing.
- Effect:** As a result of the lack of authorization expenditures were paid prior to management review and authorization.
- Cause:** It is suspected that this invoice was attached to the one in front of it in a group of invoices from the same vendor.
- Recommendation:** To ensure all invoices are authorized, during processing of multiple invoices from the same vendor, care needs to be taken to ensure each invoice is authorized.

### District corrective action plan (CAP):

The District has no disagreement with this finding.

The District's board of directors will periodically monitor the duties of the financial department.

John Landgaard, Superintendent is the official ensuring this corrective action plan is implemented with a completion date of June 30, 2020.

The completion of this plan will be monitored by the Superintendent and Board of Directors.

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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, 2020, and the related notes to the financial statements, and have issued our report thereon dated November 10, 2020.

The *Minnesota Legal Compliance Audit Guide for School District's*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards for school districts. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for miscellaneous provisions because the district did not have any miscellaneous provisions activity during the current reporting period.

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 *Minnesota Legal Compliance Audit Guide for School Districts*. 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.

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 10, 2020

INDEPENDENT SCHOOL DISTRICT NO. 518  
LEGAL COMPLIANCE  
SCHEDULE OF FINDINGS AND RESPONSES ON COMPLIANCE WITH MINNESOTA  
STATUTES  
FOR THE YEAR ENDED JUNE 30, 2020

CURRENT AUDIT

FINDINGS:

MN2020-1 Independent School District No. 518 had one invoice that did not have administrative approval

1. Explanation of Disagreement with Audit Finding

There is no disagreement with the audit finding.

2. Action Planned in Response to Finding

The District will obtain administrative approval prior to processing payments

3. Official Responsible for Ensuring CAP

Patrick Morphew, District Accounting Supervisor, is the official responsible for ensuring corrective action of the deficiency.

4. Planned Completion Date for CAP

The planned completion date for the CAP is December 31, 2020.

5. Plan to Monitor Completion of CAP

The School Board will be monitoring this corrective action plan.

MN2020-2 Independent School District No. 518 had outstanding checks more than the time period allowed under MN Statute 345.41

1. Explanation of Disagreement with Audit Finding

There is no disagreement with the audit finding.

2. Action Planned in Response to Finding

The District will comply with MN Statute 345.41 and report unclaimed property to State of Minnesota Commerce Department

3. Official Responsible for Ensuring CAP

David Skog, Director of Management Services, is the official responsible for ensuring corrective action of the deficiency.

4. Planned Completion Date for CAP

The planned completion date for the CAP is December 31, 2020.

5. Plan to Monitor Completion of CAP

The School Board will be monitoring this corrective action plan.

INDEPENDENT SCHOOL DISTRICT NO. 518

SUPPLEMENTARY INFORMATION

AS OF JUNE 30, 2020

INDEPENDENT SCHOOL DISTRICT NO. 518

UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE

	June 30, 2020				June 30, 2020		
	AUDIT	UFARS	Difference		AUDIT	UFARS	Difference
<b>01 GENERAL FUND</b>				<b>06 BUILDING</b>			
Total Revenue	\$ 52,238,293	\$ 52,238,293	\$ -	Total Revenue	\$ 420,407	\$ 420,407	\$ -
Total Expenditures	47,872,541	47,872,541	-	Total Expenditures	3,976,100	3,976,099	1
Nonspendable:				Nonspendable:			
460 Nonspendable Fund Balance	709,158	709,158	-	460 Nonspendable Fund	-	-	-
Restricted/Reserve:				Restricted/Reserve:			
401 Student Activities	175,987	175,987	-	407 Capital Projects Levy	-	-	-
403 Staff Development	-	-	-	413 Projects Funded by Cop	-	-	-
407 Capital Projects Levy	-	-	-	467 LTFM	-	-	-
413 Project Funded by Cop	-	-	-	Restricted:			
414 Operating Debt	-	-	-	464 Restricted Fund Balance	37,519,248	37,519,248	-
416 Levy Reduction	-	-	-	Unassigned:			
417 Taconite Building Maint	-	-	-	463 Unassigned Fund Balance	-	-	-
423 Certain Teacher Programs	-	-	-				
424 Operating Capital	859,806	859,806	-	<b>07 DEBT SERVICE</b>			
426 \$25 Taconite	-	-	-	Total Revenue	2,576,097	2,576,097	-
428 Learning & Development	-	-	-	Total Expenditures	2,428,702	2,428,702	-
434 Area Learning Center	64,820	64,820	-	Nonspendable:			
435 Contracted Alt. Programs	-	-	-	460 Nonspendable Fund	-	-	-
436 State Approved Alt. Program	-	-	-	Restricted/Reserve:			
438 Gifted & Talented	11,062	11,062	-	425 Bond Refundings	11,538,794	11,538,794	-
440 Teacher Development & Eval	-	-	-	451 QZAB Payments	-	-	-
441 Basic Skills Programs	-	-	-	Restricted:			
445 Career and Tech Programs	-	-	-	464 Restricted Fund Balance	470,829	470,829	-
448 Achievement & Integration	99,655	99,655	-	Unassigned:			
449 Safe Schools Levy	26,697	26,697	-	463 Unassigned Fund Balance	-	-	-
450 Prekindergarten	-	-	-				
451 QZAB Payments	-	-	-	<b>08 TRUST</b>			
452 OPEB Liab not in Trust	-	-	-	Total Revenue	28,128	28,128	-
453 Unfnded Sev & Retirement	-	-	-	Total Expenditures	60,497	60,498	(1)
459 Basic Skills Ext Time	-	-	-	422 Net Assets	327,722	327,722	-
467 LTFM	1,610,548	1,610,548	-				
472 Medical Assistance	343,980	343,980	-	<b>20 INTERNAL SERVICE</b>			
Restricted:				Total Revenue	-	-	-
464 Restricted Fund Balance	-	-	-	Total Expenditures	-	-	-
Committed:				422 Net Assets	-	-	-
418 Committed For Separation	127,416	127,416	-				
461 Committed Fund Balance	5,000,000	5,000,000	-	<b>25 OPEB Revocable Trust</b>			
Assigned:				Total Revenue	-	-	-
462 Assigned Fund Balance	15,000,000	15,000,000	-	Total Expenditures	-	-	-
Unassigned:				422 Net Assets	-	-	-
422 Unassigned Fund Balance	13,633,119	13,633,119	-				
				<b>45 OPEB Irrevocable Trust</b>			
<b>02 FOOD SERVICE</b>				Total Revenue	-	-	-
Total Revenue	2,530,691	2,530,691	-	Total Expenditures	-	-	-
Total Expenditures	2,570,410	2,570,410	-	422 Net Assets	-	-	-
Nonspendable:							
460 Nonspendable Fund Balance	143,068	143,068	-	<b>47 OPEB Debt Service Fund</b>			
Restricted/Reserve:				Total Revenue	-	-	-
452 OPEB Liab not in Trust	-	-	-	Total Expenditures	-	-	-
Reserve:				Nonspendable:			
464 Restricted Fund Balance	795,605	795,605	-	460 Nonspendable Fund	-	-	-
Unassigned:				Restricted:			
463 Unassigned Fund Balance	-	-	-	464 Restricted Fund Balance	-	-	-
				Unassigned:			
<b>04 COMMUNITY SERVICE</b>				463 Unassigned Fund Balance	-	-	-
Total Revenue	1,869,611	1,869,611	-				
Total Expenditures	1,680,624	1,680,624	-				
Nonspendable:							
460 Nonspendable Fund Balance	-	-	-				
Restricted/Reserve:							
426 \$25 Taconite	-	-	-				
431 Community Education	65,472	65,472	-				
432 E.C.F.E.	113,066	113,066	-				
444 School Readiness	132,584	132,584	-				
447 Adult Basic Education	306,087	306,087	-				
452 OPEB Liab not in Trust	-	-	-				
Restricted:							
464 Restricted Fund Balance	4,747	4,747	-				
Unassigned:							
463 Unassigned Fund Balance	-	-	-				