

Annual Financial Report

Independent School District No. 2168

New Richland, Minnesota

For the Year Ended

June 30, 2021



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 New Richland, Minnesota
 Annual Financial Report
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INTRODUCTORY SECTION
INDEPENDENT SCHOOL DISTRICT NO. 2168
NEW RICHLAND, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2021

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Independent School District No. 2168
New Richland, Minnesota
School District Officials
For the Year Ended June 30, 2021

Board of Education

<u>Name</u>	<u>Term on Board Expires</u>	<u>Position</u>
Rick Schultz	12/31/2022	Chairman
Dan Schmidt	12/31/2024	Vice-Chairman
Terri Engel	12/31/2024	Clerk
Travis Routh	12/31/2022	Treasurer
Loren Schoenrock	12/31/2024	Member
JoAnn Maloney	12/31/2022	Member
Rich Mueller	12/31/2022	Member

Administration

Dale Carlson	Superintendent
Karla Christopherson	Business Manager

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FINANCIAL SECTION
INDEPENDENT SCHOOL DISTRICT NO. 2168
NEW RICHLAND, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2021

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INDEPENDENT AUDITOR'S REPORT

Members of the School Board
Independent School District No. 2168
New Richland, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 2168, New Richland, Minnesota, (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 and the Schedules of Employer's Share of the Net Pension Liability and the Schedules of Employer's Contributions and Schedule of Changes in the District's Net OPEB Liability and Related Ratios starting on page 72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual fund financial statements and schedules and table and the statistical section are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for the purposes of additional analysis, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



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Mankato, Minnesota
October 7, 2021

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Management's Discussion and Analysis

As management of the Independent School District No. 2168, New Richland, Minnesota (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2021.

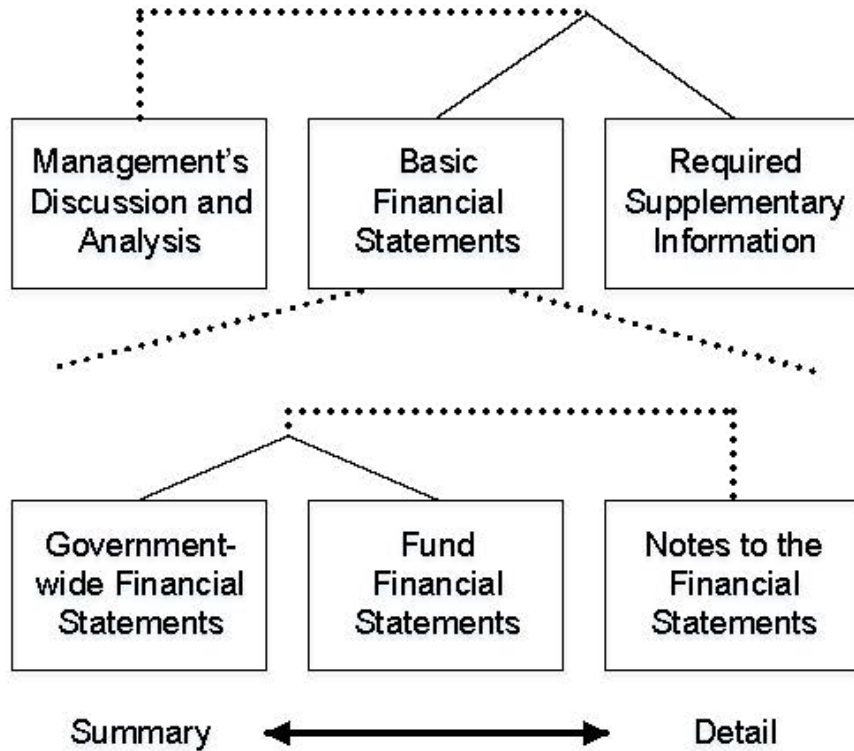
Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$3,956,787 (*net position*). Of this amount, a deficit of \$6,746,949 (*unrestricted net position*) exists due to the recognition of long-term pension liabilities in accordance with GASB Statement No. 68.
- The District's total net position increased by \$380,290, compared to the prior year's decrease of \$464,040. This change is mainly due to revenues increasing 3.6 percent and expenses decreasing 3.8 percent. The main cause of the increase in the current year is increased revenues in Operating Grants and Contributions as well as a decrease in expenditures relating to instructional support services.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$3,962,406, a decrease of \$5,814,765 in comparison with the prior year. The main reason for the decrease is the issuance of the 2019A School Building Bonds in fiscal year 2020 which were spent down in fiscal year 2021. Unassigned fund balance represents amounts that are available for spending at the District's discretion. Of the total fund balance, \$3,340,467 is unassigned.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$3,348,689 or 35.1 percent of total General fund expenditures. At the close of fiscal year 2020 there was an unassigned balance of \$3,109,604.
- The District's total debt decreased by \$324,000 or 3.2 percent during the current fiscal year. This decrease relates to retirement of debt.

Overview of the Financial Statements

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

Organization of Independent School District No. 2168 Annual Financial Report



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

Major Features of the District-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

The District maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, Debt Service fund, and Building Construction fund, all of which are considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these no major governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

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

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

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

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

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District’s share of net pension liabilities (assets) for defined benefits plans, schedules of contributions, and progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found starting on page 72 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund financial statements and schedules and table can be found starting on page 80 of this report.

District-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows of resources by \$3,956,787 at the close of the most recent fiscal year.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. These funds are to be used for the construction of school facilities. Another large portion of the District's net position reflects amounts restricted for specific purposes. These restrictions consist of \$449,674 for educational purposes, \$104,268 for building construction, and \$3,491 for food service. The remaining deficit of \$6,746,949 is mainly due to the recognition of long-term pension liabilities in accordance with GASB Statement No. 68.

Independent School District No. 2168's Net Position

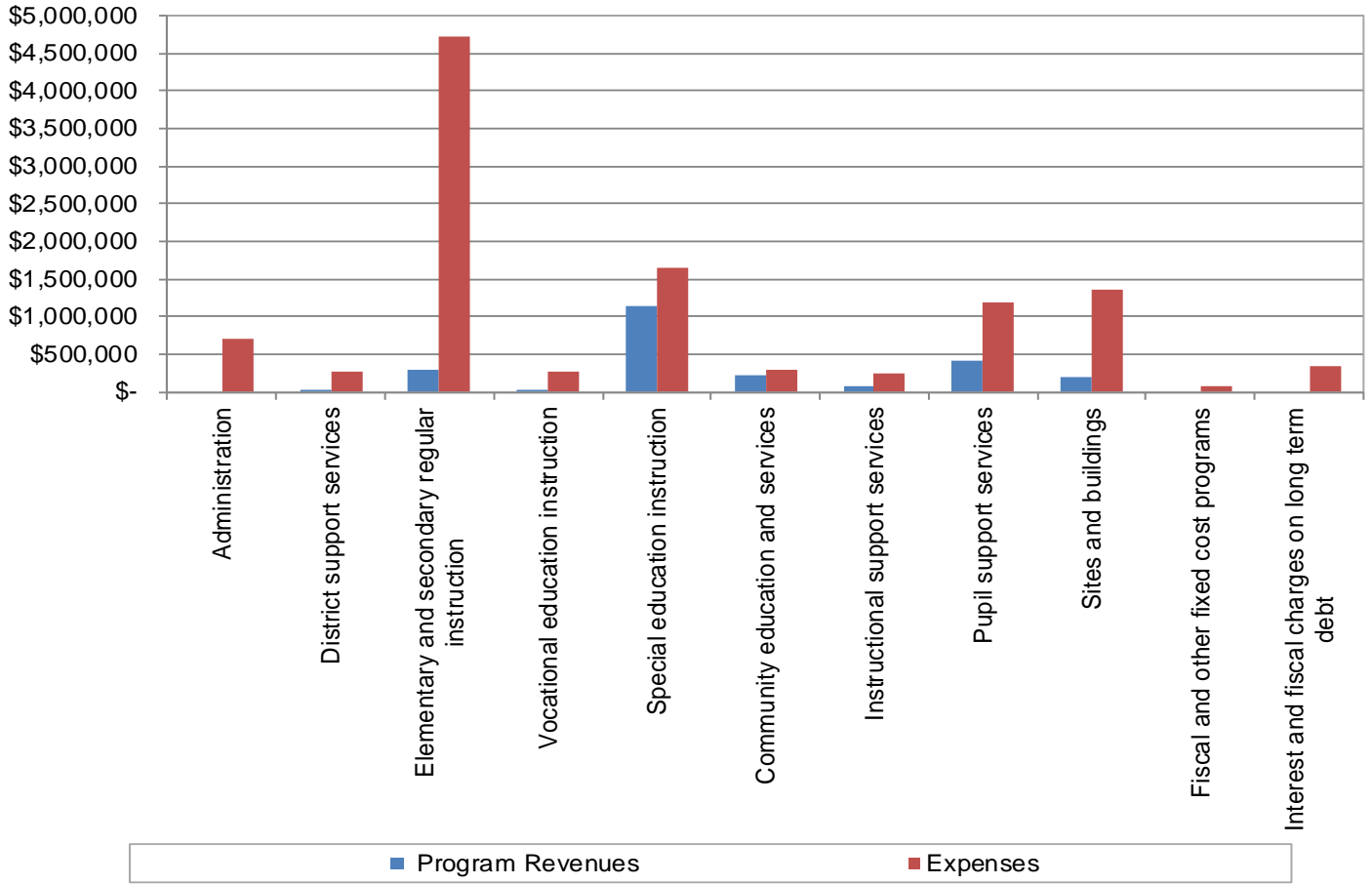
	Governmental Activities		Increase (Decrease)	
	2021	2020	Amount	Percent
Current and Other Assets	\$ 6,122,322	\$ 13,157,058	\$ (7,034,736)	(53.5) %
Capital Assets	20,893,046	15,127,744	5,765,302	38.1
Total Assets	<u>27,015,368</u>	<u>28,284,802</u>	<u>(1,269,434)</u>	(4.5)
Deferred Outflows of Resources	<u>2,896,509</u>	<u>4,894,291</u>	<u>(1,997,782)</u>	(40.8)
Long-term Liabilities Outstanding	18,239,002	18,234,142	4,860	-
Other Liabilities	646,833	2,097,069	(1,450,236)	(69.2)
Total Liabilities	<u>18,885,835</u>	<u>20,331,211</u>	<u>(1,445,376)</u>	(7.1)
Deferred Inflows of Resources	<u>7,069,255</u>	<u>9,271,385</u>	<u>(2,202,130)</u>	(23.8)
Net Position				
Net investment in capital assets	10,146,303	9,949,967	196,336	2.0
Restricted	557,433	6,551,160	(5,993,727)	(91.5)
Unrestricted	<u>(6,746,949)</u>	<u>(12,924,630)</u>	<u>6,177,681</u>	(47.8)
Total Net Position	<u>\$ 3,956,787</u>	<u>\$ 3,576,497</u>	<u>\$ 380,290</u>	10.6 %

Governmental Activities. Governmental activities increased the District's net position by \$380,290. Key elements of this increase are as follows:

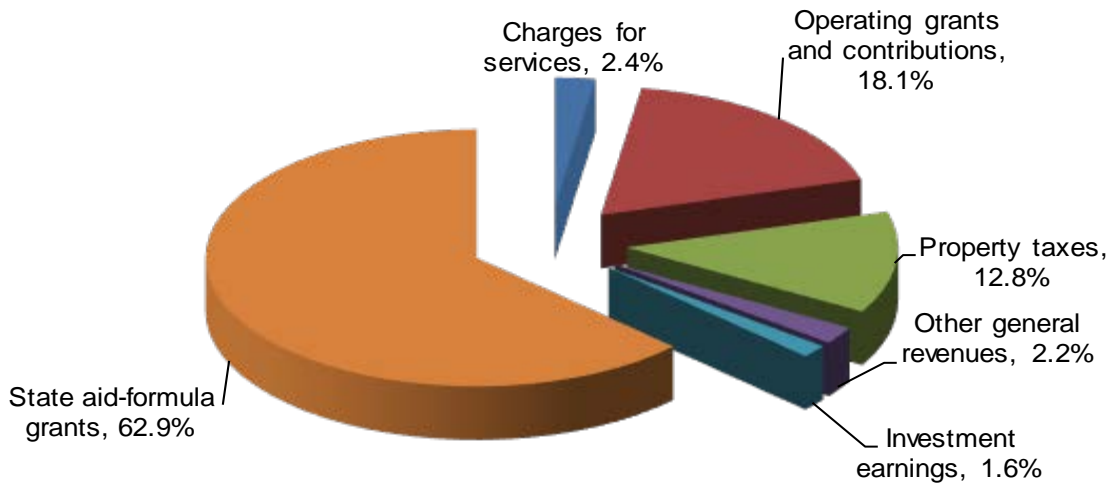
Independent School District No. 2168's Changes in Net Position

	Governmental Activities		Increase (Decrease)	
	2021	2020	Amounts	Percent
Revenues				
Program revenues				
Charges for services	\$ 274,650	\$ 480,948	\$ (206,298)	(42.9) %
Operating grants and contributions	2,086,256	1,549,847	536,409	34.6
General revenues				
Property taxes	1,476,416	1,165,981	310,435	26.6
State aid-formula grants and other contributions	7,239,548	7,503,472	(263,924)	(3.5)
Other general revenues	252,363	307,698	(55,335)	(18.0)
Investment earnings	185,112	100,145	84,967	84.8
Gain on sale of assets	-	2,895	(2,895)	(100.0)
Total Revenues	<u>11,514,345</u>	<u>11,110,986</u>	<u>403,359</u>	3.6
Expenses				
Administration	716,124	684,024	32,100	4.7
District support services	278,581	277,352	1,229	0.4
Elementary and secondary regular instruction	4,727,209	4,813,047	(85,838)	(1.8)
Vocational education instruction	277,273	258,577	18,696	7.2
Special education instruction	1,651,144	1,732,259	(81,115)	(4.7)
Community education and services	285,512	286,278	(766)	(0.3)
Instructional support services	248,706	420,904	(172,198)	(40.9)
Pupil support services	1,191,940	1,336,099	(144,159)	(10.8)
Sites and buildings	1,356,658	1,304,975	51,683	4.0
Fiscal and other fixed cost programs	66,330	55,604	10,726	19.3
Interest and fiscal charges on long-term debt	334,578	405,907	(71,329)	(17.6)
Total Expenses	<u>11,134,055</u>	<u>11,575,026</u>	<u>(440,971)</u>	(3.8)
Change in Net Position	380,290	(464,040)	844,330	(182.0)
Net Position, July 1	<u>3,576,497</u>	<u>4,040,537</u>	<u>(464,040)</u>	(11.5)
Net Position, June 30	<u>\$ 3,956,787</u>	<u>\$ 3,576,497</u>	<u>\$ 380,290</u>	10.6 %

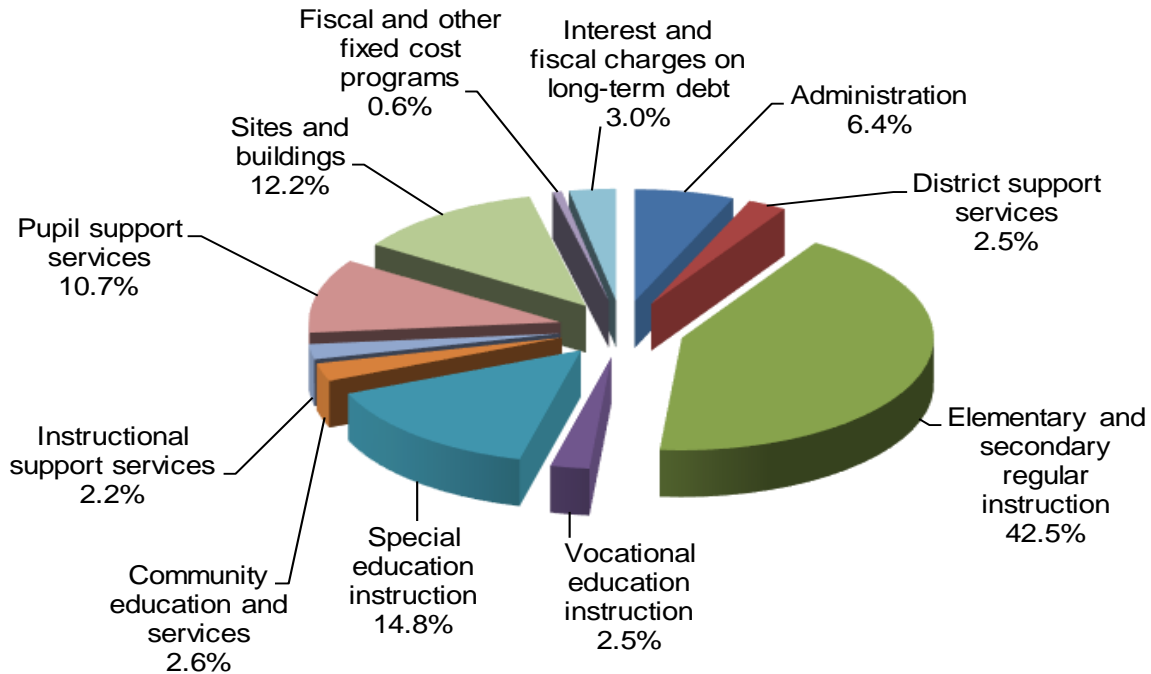
Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



Expenses by Program - Governmental Activities



Financial Analysis of the District's Funds

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

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$3,962,406, a decrease of \$5,814,765 in comparison with the prior year. Unassigned fund balance represents amounts that are available for spending at the District's discretion. Unassigned fund balance at the close of 2021 had a balance of \$3,340,467, compared to a balance of \$3,693,247 in the prior year.

The General fund is the chief operating fund of the District. At the end of the current year, unassigned fund balance of the General fund had a balance of \$3,348,689, while total fund balance reached \$3,661,309. As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 35.1 percent of total General fund expenditures, while total fund balance represents 38.4 percent of that same amount.

The fund balance of the District's General fund increased by \$382,201 during the current fiscal year. The increase in fund balance was the result of an increase in Revenue from Federal sources of \$289,294, relating to revenue from ARP and CRF federal aid and grant, along with a decrease in Capital Outlay expenditures of \$262,506.

The Debt Service fund has a total fund balance of \$49,823, all of which is restricted for the payment of debt service. The net decrease in fund balance during the current year was \$31,502. This decrease is due to property taxes and State aids being less than the regularly scheduled payment of principal and interest.

The Building Construction fund has a total fund balance of \$104,268, all of which is restricted for the payment of Building Construction. The net decrease in fund balance during the current year was \$6,154,988. This decrease is due to bonds issued for the school building but not yet spent.

General Fund Budgetary Highlights

The School had budget revisions throughout the year. The total revenue budget which was increased \$113,350 which mostly related to an increase in Federal aids and grant amounts. The expenditure budget (excluding transfers out) was decreased \$411,749 mainly due to an decrease in instructional support services. The preliminary budget was approved on May 18, 2020.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2021, amounts to \$20,893,046 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements and machinery and equipment. The total increase in the District's investment in capital assets for the current fiscal year was 38.1 percent. The total depreciation expense for the year was \$735,787. The following is a schedule of capital assets as of June 30, 2021:

Independent School District No. 2168's Capital Assets

(Net of Depreciation)

	Governmental Activities		
	2021	2020	Increase (Decrease)
Land	\$ 263,308	\$ 263,308	\$ -
Land Improvements	503,192	538,261	(35,069)
Buildings	9,415,227	9,789,496	(374,269)
Equipment	1,224,447	1,350,267	(125,820)
Construction in Progress	9,486,872	3,186,412	6,300,460
Total	\$ 20,893,046	\$ 15,127,744	\$ 5,765,302

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

Long-term Debt. At the end of the current fiscal year, the District had total general obligation bonds outstanding of \$9,726,000. Most of this amount is to finance capital projects relating to school buildings.

Independent School District No. 2168's Outstanding Debt

	Governmental Activities		
	2021	2020	Increase (Decrease)
General Obligation Bonds	\$ 9,726,000	\$ 10,050,000	\$ (324,000)

The District's total debt decreased by \$324,000 (3.2 percent) during the current fiscal year due schedule debt payments \$935,000 and the addition of 2021A Capital Facilities Refunding Bond of \$611,000.

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

Factors Bearing on the District's Future

Enrollment is an area of concern weighing on the District's financial future. Since Minnesota school districts are paid on pupil units served, any decline in enrollment results in less revenue. The District's student enrollment, which determines the pupil units for the purpose of funding, has been on a slight, but manageable decline up to this point. As we navigate through a worldwide pandemic, however, we have seen a larger than expected drop in enrollment. We have to be sensitive to the choices families are making during these unprecedented times and we have to work extremely hard to get those students back when we move into safer and more stable times.

The NRHEG School Board unanimously approved asking voters for local financial support through an operating levy request on the November 3, 2020 ballot. This request was soundly defeated and while the operating levy request was in response to a number of financial pressures that were resulting in expenses exceeding revenue, challenging the school district's ability to maintain the quality education students deserve and the community expects, we are now able to refocus on the short term as much needed federal aid has been received. That aid along with the largest education funding package from state legislators in the last 15 years, has given us the dollars we need to navigate this pandemic and the drop in student enrollment. While we believe state funding has not kept pace with inflation over the years and additional unfunded mandates have been put in place, we appreciate the efforts made in the last session and will work hard to use these dollars to continue to follow our strategic plan, with the number one goal focused on student achievement.

Labor costs account for over 80% of the District expenses. As cost of benefits continue to rise, it becomes more important during the negotiations of labor contracts that the District be cognizant to this potential unknown long-term liability. The District must continue to follow enrollment trends and maintain a responsible balance between staffing and student enrollment.

Requests for Information

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Superintendent, Independent School District No. 2168, 306 Ash Ave, New Richland, Minnesota 56072.

DISTRICT-WIDE FINANCIAL STATEMENTS
INDEPENDENT SCHOOL DISTRICT NO. 2168
NEW RICHLAND, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2021

Independent School District No. 2168

New Richland, Minnesota

Statement of Net Position

June 30, 2021

	Governmental Activities
Assets	
Cash and temporary investments	\$ 4,315,334
Receivables	
Taxes	972,586
Accounts and interest	14,048
Due from other school districts	8,667
Intergovernmental	792,905
Inventories	11,713
Prepaid items	7,069
Capital assets not being depreciated	9,750,180
Capital assets net of accumulated depreciation	11,142,866
Total Assets	<u>27,015,368</u>
Deferred Outflows of Resources	
Deferred pension resources	2,859,154
Deferred other post employment benefit resources	37,355
Total Deferred Outflows of Resources	<u>2,896,509</u>
Liabilities	
Salaries and wages payable	27,818
Accounts and other payables	272,514
Accrued interest payable	129,474
Due to other school districts	12,716
Accrued expenses	155,263
Unearned revenue	49,048
Unamortized premiums	
Noncurrent liabilities	
Due within one year	
Long-term liabilities	660,810
Due in more than one year	
Long-term liabilities	10,396,768
Net pension liability	6,765,023
Other postemployment benefits liability	416,401
Total Liabilities	<u>18,885,835</u>
Deferred Inflows of Resources	
Property taxes levied for subsequent year	1,631,631
Deferred pension resources	5,352,900
Deferred other post employment benefit resources	84,724
Total Deferred Inflows of Resources	<u>7,069,255</u>
Net Position	
Net investment in capital assets	10,146,303
Restricted for	
Building construction	104,268
Educational purposes	449,674
Food service	3,491
Unrestricted	<u>(6,746,949)</u>
Total Net Position	<u>\$ 3,956,787</u>

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

Independent School District No. 2168
New Richland, Minnesota
Statement of Activities
For the Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities					Governmental Activities
Administration	\$ 716,124	\$ -	\$ -	\$ -	\$ (716,124)
District support services	278,581	-	2,618	-	(275,963)
Elementary and secondary regular instruction	4,727,209	66,852	237,598	-	(4,422,759)
Vocational education instruction	277,273	-	3,000	-	(274,273)
Special education instruction	1,651,144	54,981	1,082,974	-	(513,189)
Community education and services	285,512	116,363	100,486	-	(68,663)
Instructional support services	248,706	-	78,899	-	(169,807)
Pupil support services	1,191,940	36,454	385,026	-	(770,460)
Sites and buildings	1,356,658	-	195,655	-	(1,161,003)
Fiscal and other fixed cost programs	66,330	-	-	-	(66,330)
Interest and fiscal charges on long term debt	334,578	-	-	-	(334,578)
Total Governmental Activities	<u>\$11,134,055</u>	<u>\$ 274,650</u>	<u>\$ 2,086,256</u>	<u>\$ -</u>	<u>(8,773,149)</u>
General revenues					
Taxes					
					920,425
					88,243
					467,748
					7,239,548
					252,363
					185,112
					<u>9,153,439</u>
Change in Net Position					
					380,290
Net Position, July 1,					
					<u>3,576,497</u>
Net Position, June 30					
					<u>\$ 3,956,787</u>

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

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FUND FINANCIAL STATEMENTS
INDEPENDENT SCHOOL DISTRICT NO. 2168
NEW RICHLAND, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2021

Independent School District No. 2168
New Richland, Minnesota
Balance Sheet
Governmental Funds
June 30, 2021

	General	Debt Service	Building Construction	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and temporary investments	\$ 3,502,553	\$ 259,077	\$ 328,445	\$ 225,259	\$ 4,315,334
Receivables					
Taxes					
Current	482,557	437,268	-	41,835	961,660
Delinquent	7,870	2,448	-	608	10,926
Accounts and interest	10,145	-	-	3,903	14,048
Due from other school districts	8,667	-	-	-	8,667
Intergovernmental	756,992	31,275	-	4,638	792,905
Inventories	-	-	-	11,713	11,713
Prepaid items	-	-	-	7,069	7,069
Total Assets	<u>\$ 4,768,784</u>	<u>\$ 730,068</u>	<u>\$ 328,445</u>	<u>\$ 295,025</u>	<u>\$ 6,122,322</u>
Liabilities					
Salaries and wages payable	\$ 21,713	\$ -	\$ -	\$ 6,105	\$ 27,818
Accounts and other payables	27,716	-	224,177	20,621	272,514
Due to other school districts	12,716	-	-	-	12,716
Accrued expenses	155,263	-	-	-	155,263
Unearned revenue	16,200	-	-	32,848	49,048
Total Liabilities	<u>233,608</u>	<u>-</u>	<u>224,177</u>	<u>59,574</u>	<u>517,359</u>
Deferred Inflows of Resources					
Property taxes levied for subsequent year	865,997	677,797	-	87,837	1,631,631
Unavailable revenue - delinquent property taxes	7,870	2,448	-	608	10,926
Total Deferred Inflows of Resources	<u>873,867</u>	<u>680,245</u>	<u>-</u>	<u>88,445</u>	<u>1,642,557</u>
Fund Balances					
Nonspendable	-	-	-	18,782	18,782
Restricted	312,620	49,823	104,268	136,446	603,157
Unassigned	3,348,689	-	-	(8,222)	3,340,467
Total Fund Balances	<u>3,661,309</u>	<u>49,823</u>	<u>104,268</u>	<u>147,006</u>	<u>3,962,406</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 4,768,784</u>	<u>\$ 730,068</u>	<u>\$ 328,445</u>	<u>\$ 295,025</u>	<u>\$ 6,122,322</u>

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

Independent School District No. 2168

New Richland, Minnesota

Reconciliation of the Balance Sheet

to the Statement of Net Position

Governmental Funds

June 30, 2021

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

Total Fund Balances - Governmental Funds	\$ 3,962,406
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	20,893,046
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.	
Bonds payable	(9,726,000)
Severance payable	(206,567)
Capital Lease	(462,402)
Unamortized premiums	(662,609)
Other postemployment benefits liability	(416,401)
Net pension liability	(6,765,023)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes receivable	10,926
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	2,859,154
Deferred inflows of pension resources	(5,352,900)
Governmental funds do not report long-term amounts related to other post employment benefits.	
Deferred outflows of other post employment benefit resources	37,355
Deferred inflows of other post employment benefit resources	(84,724)
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(129,474)</u>
Total Net Position - Governmental Activities	<u><u>\$ 3,956,787</u></u>

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

Independent School District No. 2168
New Richland, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

	General	Debt Service	Building Construction	Other Governmental Funds	Total
Revenues					
Local property tax levies	\$ 913,948	\$ 467,164	\$ -	\$ 88,156	\$ 1,469,268
Other local and county revenue	316,595	-	-	116,083	432,678
Interest earned on investments	38,513	-	145,472	1,127	185,112
Revenue from state sources	8,005,882	312,747	-	66,929	8,385,558
Revenue from federal sources	628,851	-	-	342,201	971,052
Sales and other conversion of assets	18,573	-	-	6,420	24,993
Total Revenues	<u>9,922,362</u>	<u>779,911</u>	<u>145,472</u>	<u>620,916</u>	<u>11,468,661</u>
Expenditures					
Current					
Administration	675,725	-	-	-	675,725
District support services	283,841	-	-	-	283,841
Elementary and secondary regular instruction	4,220,436	-	-	-	4,220,436
Vocational education instruction	258,724	-	-	-	258,724
Special education instruction	1,630,473	-	-	-	1,630,473
Community education and services	-	-	-	276,395	276,395
Instructional support services	239,791	-	-	-	239,791
Pupil support services	769,123	-	-	354,454	1,123,577
Sites and buildings	894,447	-	103,429	-	997,876
Fiscal and other fixed cost programs	66,330	-	-	-	66,330
Capital outlay	246,603	-	6,197,031	543	6,444,177
Debt service					
Principal	227,148	340,000	-	-	567,148
Interest and other charges	27,520	473,331	-	-	500,851
Bond issuance costs	-	14,082	-	-	14,082
Total Expenditures	<u>9,540,161</u>	<u>827,413</u>	<u>6,300,460</u>	<u>631,392</u>	<u>17,299,426</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	382,201	(47,502)	(6,154,988)	(10,476)	(5,830,765)
Other Financing Sources (Uses)					
Debt Issued	-	611,000	-	-	611,000
Principal paid by escrow agent	-	(595,000)	-	-	(595,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>16,000</u>	<u>-</u>	<u>-</u>	<u>16,000</u>
Net Change In Fund Balances	382,201	(31,502)	(6,154,988)	(10,476)	(5,814,765)
Fund Balances, July 1	<u>3,279,108</u>	<u>81,325</u>	<u>6,259,256</u>	<u>157,482</u>	<u>9,777,171</u>
Fund Balances, June 30	<u>\$ 3,661,309</u>	<u>\$ 49,823</u>	<u>\$ 104,268</u>	<u>\$ 147,006</u>	<u>\$ 3,962,406</u>

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

Independent School District No. 2168
 New Richland, Minnesota
 Reconciliation of the Statement of
 Revenues, Expenditures and Changes in Fund Balances
 to Statement of Activities
 Governmental Funds
 For the Year Ended June 30, 2021

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

Total Net Change in Fund Balances - Governmental Funds \$ (5,814,765)

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

Capital outlay	6,533,856
Depreciation expense	(735,787)

The net effect of various miscellaneous transactions involving capital assets.

Book value on disposal of capital assets	(32,767)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.

Issuance of long-term debt	(611,000)
Principal repayments	1,162,148
Amortization of bond premiums, net of premium on bonds issued	34,874

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

145,481

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

Pension expense	(394,592)
Direct aid contributions	45,509

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

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

Severance costs	40,506
Other postemployment benefits costs	6,652

Change in Net Position - Governmental Activities	\$ 380,290
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Independent School District No. 2168
New Richland, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
General Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Local property tax levies	\$ 894,800	\$ 895,443	\$ 913,948	\$ 18,505
Other local and county revenue	401,343	360,158	316,595	(43,563)
Interest earned on investments	35,000	39,500	38,513	(987)
Revenue from state sources	8,316,390	8,164,358	8,005,882	(158,476)
Revenue from federal sources	340,200	648,804	628,851	(19,953)
Sales and other conversion of assets	25,300	18,120	18,573	453
Total Revenues	<u>10,013,033</u>	<u>10,126,383</u>	<u>9,922,362</u>	<u>(204,021)</u>
Expenditures				
Current				
Administration	674,304	683,394	675,725	7,669
District support services	297,187	298,527	283,841	14,686
Elementary and secondary regular instruction	4,496,148	4,343,003	4,220,436	122,567
Vocational education instruction	188,981	192,200	258,724	(66,524)
Special education instruction	1,775,791	1,705,062	1,630,473	74,589
Instructional support services	375,666	249,259	239,791	9,468
Pupil support services	882,985	797,093	769,123	27,970
Sites and buildings	1,066,355	916,033	894,447	21,586
Fiscal and other fixed cost programs	58,000	66,400	66,330	70
Capital outlay				
Administration	1,310	-	-	-
District support services	1,800	525	520	5
Elementary and secondary regular instruction	97,900	118,507	120,941	(2,434)
Vocational education instruction	2,000	-	-	-
Special education instruction	1,000	250	-	250
Instructional support services	1,000	11,500	6,380	5,120
Pupil support services	26,375	36,957	36,719	238
Sites and buildings	26,400	94,980	82,043	12,937
Debt service				
Principal	206,745	252,088	227,148	24,940
Interest and other charges	27,973	30,393	27,520	2,873
Total Expenditures	<u>10,207,920</u>	<u>9,796,171</u>	<u>9,540,161</u>	<u>256,010</u>
Net Change In Fund Balances	(194,887)	330,212	382,201	51,989
Fund Balances, July 1	<u>3,279,108</u>	<u>3,279,108</u>	<u>3,279,108</u>	<u>-</u>
Fund Balances, June 30	<u>\$ 3,084,221</u>	<u>\$ 3,609,320</u>	<u>\$ 3,661,309</u>	<u>\$ 51,989</u>

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

Independent School District No. 2168
New Richland, Minnesota
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2021

	<u>Private Purpose Trust</u>
Assets	
Cash and temporary investments	\$ 112,657
Interest receivable	<u>330</u>
 Total Assets	 <u>\$ 112,987</u>
 Net Position	
Held in Trust for Scholarships	 <u>\$ 112,987</u>

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

Independent School District No. 2168
 New Richland, Minnesota
 Statement of Changes in Fiduciary Net Position
 Fiduciary Funds
 For the Year Ended June 30, 2021

	<u>Private Purpose Trust</u>
Revenues	
Interest earned on investments	<u>\$ 664</u>
Expenditures	
Other expenditures	<u>500</u>
Change in Net Position	164
Net Position, July 1	<u>112,823</u>
Net Position, June 30	<u><u>\$ 112,987</u></u>

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

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2021

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

Independent School District No. 2168, (the District) was incorporated under the laws of the State of Minnesota, (the State). The District operates under a School Board form of government for the purpose of providing educational services to individuals within the area. The District is governed by an elected School Board of seven members. The District has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The District has no component units that meet the GASB criteria.

B. District-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

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

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

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

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

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

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

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

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

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

Description of Funds

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

Major Governmental Funds

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

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

The *Building Construction capital project fund* accounts for capital costs related to building construction.

Non-Major Governmental Funds

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

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

Fiduciary Funds

The *Private-Purpose Trust fund* is used to account for resources legally held in trust by agreements where the School Board has accepted the responsibility to serve as trustee.

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

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

Deposits and Investments

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

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

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

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

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

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

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

Property Taxes

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

Statutory funding formulas determine the majority of the District revenue in the General and special revenue funds. This revenue is divided between property taxes and State aids by the legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift." The remaining portion of taxes collectible in 2021 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

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

Current property taxes receivable is the uncollected portion of the taxes levied in 2020 and collectible in 2021. This levy is offset with a deferred inflow of resources, property taxes levied for subsequent year.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year end in the fund financial statements.

Accounts Receivable

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

Inventories

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

Capital Assets

Capital assets include property, plant and equipment. Capital assets are defined by the District as assets with an initial, individual cost of more than \$2,500 (amount not rounded). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

Independent School District No. 2168
 New Richland, Minnesota
 Notes to the Financial Statements
 June 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

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

<u>Assets</u>	<u>Years</u>
Buildings	50
Plumbing and electrical	30
Building improvements interior, portable classroom, and fire system	25
Heating and ventilation system, long-term admin software, furniture and fixtures, outdoor equipment, roofing, and site improvements	20
Custodial equipment, grounds equipment, kitchen equipment, and machinery and tools	15
All other equipment, short-term admin software and long-term instructional software	10
Vehicles and buses	8
Carpet replacement	7
Computer hardware, copiers, short-term instructional software, and library books	5

Deferred Outflows of Resources

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

Compensated Absences

Vacation Pay - Vacations taken or estimated to be taken within 60 days after year end are expensed and included in salaries payable as of June 30. Since teachers are not eligible for vacation pay and amounts accrued to other employees are insignificant, no long-term portion of vacation liabilities is recorded in the financial statements.

Sick Pay - Substantially all District employees are entitled to sick leave at various rates. Employees are not compensated for unused sick leave upon termination of employment.

Severance Pay - The District maintains a severance pay plan for its staff. The plan contains benefit formulas based on years of service and minimum age requirements. If severance benefits are paid within the first 60 days after year end, an accrual is made in the governmental fund incurring the liability. Otherwise, vested severance pay, if any, is recorded in the statement of net position and severance pay expenses are recognized when earned. As of June 30, 2021, the District has a severance liability of \$206,567 of which \$18,670 is considered current. The General fund is typically used to liquidate governmental severance benefits payable.

Postemployment Benefits Other Than Pensions

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

Independent School District No. 2168
 New Richland, Minnesota
 Notes to the Financial Statements
 June 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

Long-term Obligations

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

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

Pensions

Teachers Retirement Association (TRA)

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

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015. Additional information can be found in in Note 4.

Public Employees Retirement Association (PERA)

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The General fund is typically used to liquidate the governmental net pension liability.

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

	Public Employees Retirement Association of Minnesota (PERA)	Teacher's Retirement Association (TRA)	Total All Plans
Pension Expense	\$ 42,891	\$ 800,258	\$ 843,149

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item, which arises only under a modified accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: delinquent property taxes and property taxes levied for subsequent year. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Furthermore, the District has additional items which qualify for reporting in this category on the statement of net position. The items, deferred pension resources and deferred other postemployment benefit resources, are reported only in the statement of net position and results from actuarial calculations involving net differences between projected and actual earnings on plan investments and changes in proportions.

Fund Balance

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

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

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

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

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

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

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

The District has formally adopted a fund balance policy for the General fund. The District's policy is to maintain a minimum unassigned fund balance of 22% to 28% of the general fund annual operating budget.

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

Net Position

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

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

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

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

- 1. Prior to July 1, the budget is prepared by the Superintendent to be adopted by the School Board.
- 2. Budgets for General, Special Revenue and Debt Service funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).
- 3. Budgeted amounts are as originally adopted, or as amended.
- 4. Budget appropriations lapse at year end.
- 5. The legal level of budgetary control is the department level.
- 6. The District does not use encumbrance accounting.

The District amended the originally adopted budget for the General fund in the current year to account for the increase in elementary and secondary regular instruction current, sites and buildings current expenditures and elementary and secondary regular instruction capital outlay expenditures.

B. Excess of Actual Expenditures Over Appropriations

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

Fund	Budget	Actual	Excess
Debt Service	\$ 812,128	\$ 827,413	\$ 15,285

The excess expenditures were funded by actual revenues in excess of budget and available fund balance.

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2021

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

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

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

Authorized collateral in lieu of a corporate surety bond includes:

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

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

At year end, the District's carrying amount of deposits was \$2,878,929 and the bank balance was \$3,340,582. Of the bank balance, \$750,000 was covered by federal depository insurance and \$2,590,582 was covered by bonds or collateral held by the District's agent in the District's name.

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2021

Note 3: Detailed Notes on All Funds (Continued)

Investments

The investments of the District are subject to the following risks:

- *Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes limit the District's investments to the list on page 41 of the notes.
- *Custodial Credit Risk.* The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.
- *Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.
- *Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The investment in the Minnesota School District Liquid Asset Fund is not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement No. 40.

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

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Fair Value and Carrying Amount
Pooled Investments at Amortized Costs			
Minnesota School District Liquid Asset Fund (MSDLAF)	not rated	Less than 6 months	\$ 20,534
Minnesota School District Liquid Asset Fund + MAX Class	not rated	less than 6 months	<u>1,528,528</u>
Total investments			<u>\$ 1,549,062</u>

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

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

N/A Indicates not applicable or available.

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

Independent School District No. 2168
 New Richland, Minnesota
 Notes to the Financial Statements
 June 30, 2021

Note 3: Detailed Notes on All Funds (Continued)

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

Deposits	\$ 2,878,929
Investments	1,549,062
Total	4,427,991
Less Fiduciary Fund Cash and Temporary Investments	(112,657)
 Cash and Temporary Investments	 \$ 4,315,334

B. Property Taxes

Current property taxes receivable is recorded for taxes levied in 2020 and payable in 2021. A portion of the current property taxes receivable is recognized as revenue in the fiscal year ended June 30, 2021 in accordance with Minnesota statutes and the remaining balance is recorded as a deferred inflow of resources for subsequent years' operations.

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

Taxes receivable is comprised of the following components:

	General	Debt Service	Nonmajor Governmental	Total
Current Taxes	\$ 482,557	\$ 437,268	\$ 41,835	\$ 961,660
Delinquent Taxes	7,870	2,448	608	10,926
 Total Taxes Receivable	 \$ 490,427	 \$ 439,716	 \$ 42,443	 \$ 972,586
 Property Taxes Levied for Subsequent Year	 \$ 865,997	 \$ 677,797	 \$ 87,837	 \$ 1,631,631

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2021

Note 3: Detailed Notes on All Funds (Continued)

C. Capital Assets

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

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 263,308	\$ -	\$ -	\$ 263,308
Construction In Progress	3,186,412	6,300,460	-	9,486,872
Total Capital Assets not Being Depreciated	<u>3,449,720</u>	<u>6,300,460</u>	<u>-</u>	<u>9,750,180</u>
Capital Assets Being Depreciated				
Land Improvements	1,295,494	6,921	-	1,302,415
Buildings	19,297,440	29,391	-	19,326,831
Equipment	7,293,020	197,084	(220,903)	7,269,201
Total Capital Assets Being Depreciated	<u>27,885,954</u>	<u>233,396</u>	<u>(220,903)</u>	<u>27,898,447</u>
Less Accumulated Depreciation				
Land Improvements	(757,233)	(41,990)	-	(799,223)
Buildings	(9,507,944)	(403,660)	-	(9,911,604)
Equipment	(5,942,753)	(290,137)	188,136	(6,044,754)
Total Accumulated Depreciation	<u>(16,207,930)</u>	<u>(735,787)</u>	<u>188,136</u>	<u>(16,755,581)</u>
Total Capital Assets Being Depreciated, Net	<u>11,678,024</u>	<u>(502,391)</u>	<u>(32,767)</u>	<u>11,142,866</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 15,127,744</u>	<u>\$ 5,798,069</u>	<u>\$ (32,767)</u>	<u>\$ 20,893,046</u>

Depreciation expense was charged to governmental activities as follows:

Administration	\$ -
District Support Services	107
Elementary And Secondary Regular Instruction	167,690
Vocational Education Instruction	2,626
Community Education	2,113
Instructional Support Services	3,717
Pupil Support Services	66,376
Sites and Buildings	482,106
Special Education Instruction	11,052
Total Depreciation Expense	<u>\$ 735,787</u>

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2021

Note 3: Detailed Notes on All Funds (Continued)

Construction Commitments

The District has active construction projects as of June 30, 2021. At year end the District's commitments are as follows:

Project	Spent-to-Date	Remaining Commitment
NRHEG Public Schools Improvements	<u>\$ 8,379,081</u>	<u>\$ 331,597</u>

D. Long-term Liabilities

Operating Lease Payable

The District entered into a noncancelable four year lease agreement for school buses, beginning August 2018, with a fifth year optional extension. Rent is paid in annual installments. Total cost for the lease was \$26,515 for the year ended June 30, 2021. The District entered into a second noncancelable four year lease agreement for additional school buses, beginning August 2020, with a fifth year optional extension. Rent is paid in annual installments. Total cost for the lease was \$23,180 for the year ended June 30, 2021. Lease payments are made from the general fund. The future minimum lease payments for these leases are as follows:

Year Ending June 30,	Amount
2022	\$ 49,695
2023	23,180
2024	23,180
Total	\$ 96,055

Capital Lease Payable

The District entered into a lease agreement in December 2007 as lessee for the financing of energy cost savings projects. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date. The lease is payable in monthly installments of \$12,351 over seven years through November 2023 at a 4.25% interest rate.

The District entered into a lease agreement in July 2019 as lessee for the financing of a Chromebooks. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date. The lease is payable in three annual installments of \$38,382 through July 2021 at a 3.14% interest rate.

The District entered into a lease agreement in July 2019 as lessee for the financing of a iPads. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date. The lease is payable in four annual installments of \$20,998 through July 2022 at a 3.72% interest rate.

The District entered into a lease agreement in July 2019 as lessee for Buses. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date. The lease is payable in four annual installments of \$24,575 through September 2022 at a 2.93% interest rate.

Capital leases are paid from the general fund.

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2021

Note 3: Detailed Notes on All Funds (Continued)

Assets related to above outstanding lease obligations are as follows:

Asset	
Energy savings upgrades	\$ 5,199,531
Bus 24 and 26	93,988
Providence Capital - Ipads	77,935
Providence Capital - Chromebooks	109,759
Less: accumulated depreciation	<u>(1,269,823)</u>
 Total	 <u><u>\$ 4,211,390</u></u>

Annual debt service requirement to maturity for capital lease payments are as follows:

Year Ending June 30,	Principal Payments	Interest Payments	Total
2022	\$ 215,140	\$ 17,032	\$ 232,172
2023	186,156	7,634	193,790
2024	<u>61,106</u>	<u>651</u>	<u>61,757</u>
 Total	 <u><u>\$ 462,402</u></u>	 <u><u>\$ 25,317</u></u>	 <u><u>\$ 487,719</u></u>

General Obligation Bonds

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

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

Description	Original Issue	Interest Rate	Issue Date	Final Maturity	Principal Outstanding	
					Due Within One Year	Total
G.O. Crossover Refunding						
Bonds, Series 2016A	\$ 1,300,000	2.00 %	07/15/16	02/01/23	\$ 270,000	\$ 540,000
G.O. School Building						
Bonds, Series 2019A	8,575,000	2.98 - 5.00	08/14/19	02/01/40	70,000	8,575,000
G.O. Capital Facilities Refunding						
Bonds, Series 2021A	611,000	0.59	06/08/21	02/01/28	<u>87,000</u>	<u>611,000</u>
 Total					 <u><u>\$ 427,000</u></u>	 <u><u>\$ 9,726,000</u></u>

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2021

Note 3: Detailed Notes on All Funds (Continued)

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

Year Ending June 30,	Principal Payments	Interest Payments	Total
2022	\$ 427,000	\$ 312,553	\$ 739,553
2023	430,000	304,412	734,412
2024	443,000	294,760	737,760
2025	462,000	276,491	738,491
2026	481,000	257,228	738,228
2027 - 2031	2,433,000	992,519	3,425,519
2032 - 2036	2,640,000	603,400	3,243,400
2037 - 2040	2,410,000	182,930	2,592,930
Total	\$ 9,726,000	\$ 3,224,293	\$ 12,950,293

Changes in Long-term Liabilities

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

	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds Payable					
General obligation bonds	\$ 10,050,000	\$ 611,000	\$ (935,000)	\$ 9,726,000	\$ 427,000
Bond premiums	697,483	-	(34,874)	662,609	-
Total Bonds Payable	10,747,483	611,000	(969,874)	10,388,609	427,000
Other Liabilities					
Capital Lease	689,550	-	(227,148)	462,402	215,140
Severance payable	241,010	-	(34,443)	206,567	18,670
Total Long-term Liabilities	<u>\$ 11,678,043</u>	<u>\$ 611,000</u>	<u>\$ (1,231,465)</u>	<u>\$ 11,057,578</u>	<u>\$ 660,810</u>

Current Refunding Bonds

On June 8, 2021, the District issued \$611,000 of G.O. Capital Facilities Refunding Bonds, Series 2021A. The proceeds refunded the G.O. Capital Facilities Refunding Bonds, Series 2013A on February 1, 2021. The bonds issued a net interest cost of 0.590 percent. It is estimated that the District will obtain an economic gain of \$27,462.

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2021

Note 3: Detailed Notes on All Funds (Continued)

E. Components of Fund Balance

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

	General	Debt Service	Building Construction	Nonmajor Governmental	Total	Reconciling Items	UFARS Balance
Nonspendable for							
Inventories	\$ -	\$ -	\$ -	\$ 18,782	\$ 18,782	\$ -	\$ 18,782
Total Nonspendable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,782</u>	<u>\$ 18,782</u>	<u>\$ -</u>	<u>\$ 18,782</u>
Restricted for							
Student activities	\$ 36,930	\$ -	\$ -	\$ -	\$ 36,930	\$ -	\$ 36,930
Staff development	37,338	-	-	-	37,338	-	37,338
Area learning center	5,032	-	-	-	5,032	-	5,032
Safe schools	-	-	-	-	-	(14,402)	(14,402)
Long term facility maintenance	233,320	-	-	-	233,320	-	233,320
Community education	-	-	-	63,455	63,455	-	63,455
Early childhood and family education	-	-	-	42,762	42,762	-	42,762
School readiness	-	-	-	16,372	16,372	-	16,372
Community service	-	-	-	13,857	13,857	-	13,857
Capital projects	-	-	104,268	-	104,268	-	104,268
Debt service	-	49,823	-	-	49,823	-	49,823
Total Restricted	<u>\$ 312,620</u>	<u>\$ 49,823</u>	<u>\$ 104,268</u>	<u>\$ 136,446</u>	<u>\$ 603,157</u>	<u>\$ (14,402)</u>	<u>\$ 588,755</u>
Unassigned	<u>\$ 3,348,689</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,222)</u>	<u>\$ 3,340,467</u>	<u>\$ 14,402</u>	<u>\$ 3,354,869</u>

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

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

Restricted for Area Learning Center - This amount represents resources for the Area Learning Center.

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

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

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

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

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2021

Note 3: Detailed Notes on All Funds (Continued)

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

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

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

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

Note 4: Defined Benefit Pension Plans - Statewide

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

Disclosures relating to these plans follow:

A. Teachers Retirement Association (TRA)

1. Plan Description

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

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

Independent School District No. 2168
 New Richland, Minnesota
 Notes to the Financial Statements
 June 30, 2021

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

2. Benefits Provided

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

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

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

With these provisions:

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

or

Tier II: For years of service prior to July 1, 2006, a level formula of 1.7 percent per year for coordinated members and 2.7 percent per year for basic members. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for Coordinated members and 2.7 percent per year for Basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statute. Smaller reductions, more favorable to the member, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

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

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

Independent School District No. 2168
 New Richland, Minnesota
 Notes to the Financial Statements
 June 30, 2021

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

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

3. Contribution Rate

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

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

The District's contributions to TRA for the years ending June 30, 2021, 2020 and 2019 were \$341,918, \$332,488 and \$338,986, respectively. The District's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

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

Employer Contributions Reported in TRA's CAFR Statement of Changes in Fiduciary Net Position	\$ 425,223,000
Add Employer Contributions not Related to Future Contribution Efforts	(56,000)
Deduct TRA'S Contributions not Included in Allocation	<u>(508,000)</u>
Total Employer Contributions	424,659,000
Total Non-employer Contributions	<u>35,587,000</u>
 Total Contributions Reported in Schedule of Employer and Non-employer Pension Allocations	 <u><u>\$ 460,246,000</u></u>

Amounts reported in the allocation schedules may not precisely agree with financial statement amounts or actuarial valuations due to the number of decimal places used in the allocations. TRA has rounded percentage amounts to the nearest ten thousandths.

Independent School District No. 2168
 New Richland, Minnesota
 Notes to the Financial Statements
 June 30, 2021

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

4. Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement.

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information

Valuation date	July 1, 2020
Experience study	June 5, 2015
	November 6, 2017 (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	7.50%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028 and 3.25% thereafter
Projected salary increase	2.85 to 8.85% before July 1, 2028 and 3.25 to 9.25% thereafter
Cost of living adjustment	1.0% for January 2020 through January 2023, then increasing by 0.1% each year up to 1.5% annually

Mortality Assumption

Pre-retirement	RP-2014 white collar employee table, male rates set back six years and female rates set back seven years. Generational projection uses the MP-2015 scale.
Post-retirement	RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
Post-disability	RP-2014 disabled retiree mortality table, without adjustment.

Independent School District No. 2168
 New Richland, Minnesota
 Notes to the Financial Statements
 June 30, 2021

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

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

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

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2020 is 6.00 years. The “Difference Between Expected and Actual Experience”, “Changes of Assumptions” and “Changes in Proportion” use the amortization period of 6.00 years in the schedule presented. The amortization period for “Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments” is 5.00 years as required by GASB 68.

Changes in actuarial assumptions since the 2019 valuation:

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

5. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. There was no change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2020 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2021

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

6. Net Pension Liability

At June 30, 2021, the District reported a liability of \$5,481,995 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The District proportionate share was 0.0742 percent at the end of the measurement period and 0.0785 percent for the beginning of the year.

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

District's Proportionate Share of Net Pension Liability	\$ 5,481,995
State's Proportionate Share of Net Pension Liability Associated with the District	459,303

For the year ended June 30, 2021, the District recognized pension expense of \$758,183. It also recognized \$42,075 as an increase to pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 111,064	\$ 88,622
Changes in Actuarial Assumptions	2,118,000	4,939,063
Net Difference Between Projected and Actual Earnings on Plan Investments	59,671	-
Changes in Proportion	53,423	260,721
Contributions to TRA Subsequent to the Measurement Date	341,918	-
 Total	 \$ 2,684,076	 \$ 5,288,406

Deferred outflows of resources totaling \$341,918 related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

2022	\$ 85,094
2023	(1,833,720)
2024	(1,288,447)
2025	68,020
2026	22,805

Independent School District No. 2168
 New Richland, Minnesota
 Notes to the Financial Statements
 June 30, 2021

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

7. Pension Liability Sensitivity

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

District Proportionate Share of NPL		
1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
\$ 8,392,877	\$ 5,481,995	\$ 3,083,576

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

8. Pension Plan Fiduciary Net Position

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

B. Public Employees Retirement Association (PERA)

1. Plan Description

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

General Employees Retirement Plan

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

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2021

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

2. Benefits Provided

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

General Employee Plan Benefits

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

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

3. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2020 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ending June 30, 2021, 2020 and 2019 were \$112,411, \$114,294 and \$110,569, respectively. The District's contributions were equal to the contractually required contributions for each year as set by state statute.

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2021

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

4. Pension Costs

General Employee Fund Pension Costs

At June 30, 2021, the District reported a liability of \$1,283,028 for its proportionate share of the General Employee Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$39,457. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021 relative to the total employer contributions received from all of PERA's participating employers. The District's proportion was 0.0214 percent which was an increase of 0.0005 percent from its proportion measured as of June 30, 2020.

District's Proportionate Share of the Net Pension Liability	\$ 1,283,028
State of Minnesota's Proportionate Share of the Net Pension Liability Associate With the District	<u>38,457</u>
Total	<u><u>\$ 1,321,485</u></u>

For the year ended June 30, 2021, the District recognized pension expense of \$39,457 for its proportionate share of GERS's pension expense. In addition, the District recognized an additional \$3,434 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 11,432	\$ 4,853
Changes in Actuarial Assumptions	(1)	47,201
Net Difference Between Projected and Actual Earnings on Plan Investments	23,140	-
Changes in Proportion	28,096	12,440
Contributions to GERS Subsequent to the Measurement Date	<u>112,411</u>	<u>-</u>
Total	<u><u>\$ 175,078</u></u>	<u><u>\$ 64,494</u></u>

Independent School District No. 2168
 New Richland, Minnesota
 Notes to the Financial Statements
 June 30, 2021

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

The \$112,411 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2022	\$ (65,357)
2023	425
2024	32,105
2025	31,000

5. Actuarial Assumptions

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

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for General Employees Plan.

Actuarial assumptions used in the June 30, 2021 valuation were based on the results of actuarial experience studies. The most recent four year experience study in the General Employee Plan was completed in 2019. The assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2021

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

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

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2021

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

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

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

6. Discount Rate

The discount rate used to measure the total pension liability in 2020 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

7. Pension Liability Sensitivity

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

District Proportionate Share of NPL		
1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
\$ 2,056,249	\$ 1,283,028	\$ 645,183

8. Pension Plan Fiduciary Net Position

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

Independent School District No. 2168
 New Richland, Minnesota
 Notes to the Financial Statements
 June 30, 2021

Note 5: Postemployment Benefits Other Than Pensions

A. Plan Description

The District administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides healthcare insurance for eligible retirees and their spouses through the District’s group health insurance plan until Medicare age, which covers both active and retired members. Benefit provisions are established through negotiations between the District and the unions representing District employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

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

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	5
Active Plan Members	98
	98
Total Plan Members	103

B. Funding Policy

The District has historically funded these liabilities on a pay-as-you-go basis. Contribution requirements are negotiated between the District and union representatives on a per contract basis. At the present time, no retiree benefits are provided except the allowance to continue health insurance that is mandated by Minnesota Law. The District does not contribute any of the cost of current-year premiums for eligible retired plan members or their spouses. For fiscal year 2021, the District contributed \$37,355 to the plan. Plan members receiving benefits contribute 100 percent of their premium costs.

C. Actuarial Methods and Assumptions

The District’s total OPEB liability of \$416,401 was measured as of July 1, 2020, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of July 1, 2019.

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

Discount Rate	3.10%
20-Year Municipal Bond Yield	3.10%
Inflation Rate	2.50%
Salary Increases	2.00%
Medical Trend Rate	6.25% as of July 1, 2020 grading to 5.00% over 5 years
Dental Trend Rate	N/A

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

Mortality rates were based on the Pub-2010 Public Retirement Plan Headcount-Weighted Mortality Tables with MP-2018 Generational Improvement Scale.

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

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2021

Note 5: Postemployment Benefits Other Than Pensions (Continued)

D. Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Balance at June 30, 2020	\$ 396,979
Changes for the Year	
Service Cost	32,901
Interest	12,920
Benefit Payments	(26,399)
Net Changes	19,422
Balances at June 30, 2021	\$ 416,401

Since the prior measurement date, there have been no changes in assumptions.

Since the prior measurement date, there have been no changes in benefits.

E. Sensitivity of the Total OPEB Liability

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

1 Percent Decrease (2.10%)	Current (3.10%)	1 Percent Increase (4.10%)
\$ 437,050	\$ 416,401	\$ 396,236

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

1 Percent Decrease (5.25% Decreasing to 4%)	Healthcare Cost Trend Rates (6.25% Decreasing to 5.00%)	1 Percent Increase (7.25% Decreasing to 6%)
\$ 379,935	\$ 416,401	\$ 458,696

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2021

Note 5: Postemployment Benefits Other Than Pensions (Continued)

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

For the year ended June 30, 2021, the District recognized OPEB expense of (\$37,355). At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 79,490
Changes in Actuarial Assumptions	-	5,234
Contributions Subsequent to the Measurement Date	37,355	-
 Total	 <u>\$ 37,355</u>	 <u>\$ 84,724</u>

Deferred outflows of resources totaling \$37,355 related to OPEB resulting from the District's contributions to the plan subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2022.

Note 6: 403(b) Plan

The District provides eligible employees future retirement benefits through the District's 403(b) Plan (the "Plan"). Employees of the District are eligible to participate in the Plan beginning their fourth year of service with the District. Some employees are eligible to receive a match of employee contributions up to the qualifying amount set forth in their contract. Contributions are invested in tax deferred annuities hosted by a vendor from whom the District has obtained. The District's contributions for the years ended June 30, 2021, 2020, and 2019 are \$62,333, \$61,705, and \$60,551 respectively. The related employee contributions were \$153,098, \$116,686, and \$122,371 for the years ended June 30, 2021, 2020, and 2019, respectively.

Note 7: Other Information

A. Risk Management

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

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

B. Federal And State Programs

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

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2021

Note 7: Other Information (Continued)

C. Affiliated Organizations

The District, in conjunction with South Central Service Cooperative (SCSC), created a joint powers agreement for group employee benefits and other financial and risk management services. The SCSC's board is defined in the Joint Powers Agreement. A member may withdraw upon written notice given to the Board. In the event of dissolution, amounts received from participants to the benefit fund reserve shall be used exclusively for the payment of benefits to or on behalf of enrolled employees, payment of reasonable expenses, and payment of taxes. Separate financial statements of the affiliated organization may be obtained from SCSC. The affiliated organization is in good financial health. It is not anticipated to be a burden on the District.

Note 8: COVID-19

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

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

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 2168
NEW RICHLAND, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2021

Independent School District No. 2168
New Richland, Minnesota
Required Supplementary Information
For the Year Ended June 30, 2021

Schedule of Employer's Share of TRA Net Pension Liability

Fiscal Year Ending	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability with the District (b)	Total (a+b)	District's Covered Payroll (c)	District's	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
						Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	
06/30/20	0.0742 %	\$ 5,481,995	\$ 459,303	\$ 5,941,298	\$ 4,198,081	130.6 %	75.5 %
06/30/19	0.0785	5,003,606	442,560	5,446,166	4,396,706	123.9	78.2
06/30/18	0.0796	5,002,273	469,844	5,472,117	4,400,760	124.3	78.1
06/30/17	0.0792	15,809,757	1,529,052	17,338,809	4,262,867	406.7	51.6
06/30/16	0.0773	18,437,894	1,851,052	20,288,946	4,022,720	504.4	44.9
06/30/15	0.0803	4,967,349	608,958	5,576,307	4,432,631	125.8	76.8
06/30/14	0.0844	3,889,091	273,479	4,162,570	3,903,735	106.6	81.1

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

Schedule of Employer's TRA Contributions

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
06/30/21	\$ 341,918	\$ 341,918	\$ -	\$ 4,205,633	8.1 %
06/30/20	332,488	332,488	-	4,198,081	7.9
06/30/19	338,986	338,986	-	4,396,706	7.7
06/30/18	330,057	330,057	-	4,400,760	7.5
06/30/17	319,715	319,715	-	4,262,867	7.5
06/30/16	301,704	301,704	-	4,022,720	7.5
06/30/15	332,447	332,447	-	4,432,627	7.5

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

Independent School District No. 2168
New Richland, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2021

Notes to the Required Supplementary Information - TRA

Changes in Actuarial Assumptions

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

2019 - No changes noted.

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

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

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

2015 - The cost of living adjustment was not assumed to increase to 2.5 percent but remain at 2.0 percent for all future years. The investment return assumption was changed from 8.25 percent to 8.00 percent.

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

Independent School District No. 2168
New Richland, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2021

Notes to the Required Supplementary Information - TRA (Continued)

Changes in Plan Provisions

2020 - No changes noted.

2019 - No changes noted.

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

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

2017 - No changes noted.

2016 - No changes noted.

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

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

Independent School District No. 2168
New Richland, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2021

Schedule of Employer's Share of PERA Net Pension Liability

Fiscal Year Ending	District's Proportion of the Net Pension Liability	District's Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	Total (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/20	0.0214 %	\$ 1,283,028	\$ 39,457	\$ 1,322,485	\$ 1,523,920	84.2 %	79.0 %
06/30/19	0.0209	1,155,514	35,998	1,191,512	1,474,253	80.8	80.2
06/30/18	0.0213	1,181,637	38,762	1,220,399	1,431,853	85.2	79.5
06/30/17	0.0210	1,340,626	16,832	1,357,458	1,350,813	100.5	75.9
06/30/16	0.0220	1,786,291	23,343	1,809,634	1,364,240	132.6	68.9
06/30/15	0.0221	1,145,337	-	1,145,337	1,278,861	89.6	78.2
06/30/14	0.0240	1,127,400	-	1,127,400	1,346,698	83.7	78.8

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

Schedule of Employer's PERA Contributions

Fiscal Year Ending	Statutorily Required Contribution (a)	Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
06/30/21	\$ 112,411	\$ 112,411	\$ -	\$ 1,498,813	7.5 %
06/30/20	114,294	114,294	-	1,523,920	7.5
06/30/19	110,569	110,569	-	1,474,253	7.5
06/30/18	107,389	107,389	-	1,431,853	7.5
06/30/17	101,311	101,311	-	1,350,813	7.5
06/30/16	102,318	102,318	-	1,364,240	7.5
06/30/15	95,915	95,915	-	1,278,867	7.5

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

Independent School District No. 2168
New Richland, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2021

Notes to the Required Supplementary Information - PERA

Changes in Actuarial Assumptions

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

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

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

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

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

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

Independent School District No. 2168
New Richland, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2021

Notes to the Required Supplementary Information - PERA (Continued)

Changes in Plan Provisions

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

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

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

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

2016 - No changes noted.

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

Independent School District No. 2168
New Richland, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2021

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

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 32,901	\$ 31,943	\$ 37,935	\$ 36,830
Interest	12,920	18,171	18,147	17,772
Differences between expected and actual experience	-	(119,236)	-	-
Changes in assumptions	-	(7,851)	-	-
Benefit payments	(26,399)	(56,637)	(42,241)	(47,084)
Net Change in Total OPEB Liability	19,422	(133,610)	13,841	7,518
Total OPEB Liability - Beginning	396,979	530,589	516,748	509,230
Total OPEB Liability - Ending	<u>\$ 416,401</u>	<u>\$ 396,979</u>	<u>\$ 530,589</u>	<u>\$ 516,748</u>
Covered - Employee Payroll	\$ 4,851,123	\$ 4,709,828	\$ 4,926,847	\$ 4,783,347
Districts's Total OPEB Liability as a Percentage of Covered Employee Payroll	8.58 %	8.43 %	10.77 %	10.80 %

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

Changes in Benefits

2021 - None

2020 - None

2019 - None

2018 - None

Changes in Assumptions

2021 - None

2020 - The health care trend rates were changed to better anticipate short term and long term medical increases. The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale. The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and contract group. The discount rate was changed from 3.40% to 3.10%. These changes decreased the liability \$7,851.

2019 - None

2018 - None

Changes in Method

2021 - None

2020 - None

2019 - None

2018 - None

COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES AND TABLE

INDEPENDENT SCHOOL DISTRICT NO. 2168
NEW RICHLAND, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2021

Independent School District No. 2168
New Richland, Minnesota
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2021

	Special Revenue		Totals
	Food Service	Community Service	
Assets			
Cash and temporary investments	\$ 34,887	\$ 190,372	\$ 225,259
Receivables			
Taxes			
Current	-	41,835	41,835
Delinquent	-	608	608
Accounts and interest	-	3,903	3,903
Intergovernmental	-	4,638	4,638
Inventories	11,713	-	11,713
Prepaid items	-	7,069	7,069
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 46,600</u>	<u>\$ 248,425</u>	<u>\$ 295,025</u>
Liabilities			
Salaries and wages payable	\$ -	\$ 6,105	\$ 6,105
Accounts and other payables	16,686	3,935	20,621
Unearned revenue	26,423	6,425	32,848
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>43,109</u>	<u>16,465</u>	<u>59,574</u>
Deferred Inflows of Resources			
Property taxes levied for subsequent year	-	87,837	87,837
Unavailable revenue - delinquent property taxes	-	608	608
	<u> </u>	<u> </u>	<u> </u>
Total Deferred Inflows of Resources	<u>-</u>	<u>88,445</u>	<u>88,445</u>
Fund Balances			
Nonspendable for			
Inventories	11,713	-	11,713
Prepaid items	-	7,069	7,069
Restricted for			
Community education	-	63,455	63,455
Early childhood family education	-	42,762	42,762
School readiness	-	16,372	16,372
Community service	-	13,857	13,857
Unassigned	(8,222)	-	(8,222)
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>3,491</u>	<u>143,515</u>	<u>147,006</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances			
	<u>\$ 46,600</u>	<u>\$ 248,425</u>	<u>\$ 295,025</u>

Independent School District No. 2168
New Richland, Minnesota
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2021

	Special Revenue		Totals
	Food Service	Community Service	
Revenues			
Local property tax levies	\$ -	\$ 88,156	\$ 88,156
Other local and county revenue	-	116,083	116,083
Interest earned on investments	103	1,024	1,127
Revenue from state sources	1,631	65,298	66,929
Revenue from federal sources	304,020	38,181	342,201
Sales and other conversion of assets	6,420	-	6,420
Total Revenues	<u>312,174</u>	<u>308,742</u>	<u>620,916</u>
Expenditures			
Current			
Community education and services	-	276,395	276,395
Pupil support services	354,454	-	354,454
Capital outlay	-	543	543
Total Expenditures	<u>354,454</u>	<u>276,938</u>	<u>631,392</u>
Net Change In Fund Balances	(42,280)	31,804	(10,476)
Fund Balances, July 1	<u>45,771</u>	<u>111,711</u>	<u>157,482</u>
Fund Balances, June 30	<u>\$ 3,491</u>	<u>\$ 143,515</u>	<u>\$ 147,006</u>

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Independent School District No. 2168
 New Richland, Minnesota
 General Fund
 Balance Sheets
 June 30, 2021

Assets	
Cash and temporary investments	\$ 3,502,553
Receivables	
Taxes	
Current	482,557
Delinquent	7,870
Accounts	10,145
Due from other school districts	8,667
Intergovernmental	<u>756,992</u>
Total Assets	<u><u>\$ 4,768,784</u></u>
Liabilities	
Salaries payable	\$ 21,713
Accounts and other payables	27,716
Due to other school districts	12,716
Accrued expenses	155,263
Unearned revenue	16,200
Total Liabilities	<u>233,608</u>
Deferred Inflows of Resources	
Property taxes levied for subsequent year	865,997
Unavailable revenue - delinquent property taxes	<u>7,870</u>
Total Deferred Inflows of Resources	<u>873,867</u>
Fund Balances	
Restricted for	
Student activities	36,930
Staff development	37,338
Area learning center	5,032
Long term facility maintenance	233,320
Unassigned	<u>3,348,689</u>
Total Fund Balances	<u>3,661,309</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u><u>\$ 4,768,784</u></u>

Independent School District No. 2168

New Richland, Minnesota

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual (Continued on the Following Page)

For the Year Ended June 30, 2021

(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021				2020
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Local property tax levies	\$ 894,800	\$ 895,443	\$ 913,948	\$ 18,505	\$ 887,119
Other local and county revenue	401,343	360,158	316,595	(43,563)	377,725
Interest earned on investments	35,000	39,500	38,513	(987)	66,120
Revenue from state sources	8,316,390	8,164,358	8,005,882	(158,476)	8,314,487
Revenue from federal sources	340,200	648,804	628,851	(19,953)	339,557
Sales and other conversion of assets	25,300	18,120	18,573	453	35,582
Total revenues	<u>10,013,033</u>	<u>10,126,383</u>	<u>9,922,362</u>	<u>(204,021)</u>	<u>10,020,590</u>
Expenditures					
Current					
Administration					
Salaries	457,677	455,111	470,573	(15,462)	436,362
Employee benefits	191,547	211,143	188,584	22,559	187,390
Purchased services	10,500	3,950	3,556	394	6,454
Supplies and materials	3,600	2,610	2,495	115	1,160
Other expenditures	10,980	10,580	10,517	63	10,311
Total administration	<u>674,304</u>	<u>683,394</u>	<u>675,725</u>	<u>7,669</u>	<u>641,677</u>
District support services					
Salaries	113,481	113,481	116,349	(2,868)	95,820
Employee benefits	48,996	48,996	46,479	2,517	38,593
Purchased services	98,850	99,650	92,137	7,513	100,654
Supplies and materials	7,400	9,100	10,151	(1,051)	9,516
Other expenditures	28,460	27,300	18,725	8,575	30,265
Total district support services	<u>297,187</u>	<u>298,527</u>	<u>283,841</u>	<u>14,686</u>	<u>274,848</u>
Elementary and secondary regular instruction					
Salaries	3,007,882	2,948,788	2,892,270	56,518	2,938,645
Employee benefits	1,017,956	998,482	971,595	26,887	921,318
Purchased services	272,740	215,390	197,204	18,186	192,508
Supplies and materials	183,570	159,479	139,092	20,387	164,761
Other expenditures	14,000	20,864	20,275	589	16,400
Total elementary and secondary regular instruction	<u>4,496,148</u>	<u>4,343,003</u>	<u>4,220,436</u>	<u>122,567</u>	<u>4,233,632</u>
Vocational education instruction					
Salaries	126,030	130,475	177,529	(47,054)	165,178
Employee benefits	48,691	49,565	68,447	(18,882)	60,434
Purchased services	2,100	-	-	-	-
Supplies and materials	12,160	12,160	12,748	(588)	8,393
Total vocational education instruction	<u>188,981</u>	<u>192,200</u>	<u>258,724</u>	<u>(66,524)</u>	<u>234,005</u>
Special education instruction					
Salaries	1,165,359	1,050,884	1,006,205	44,679	1,114,656
Employee benefits	310,092	276,677	264,472	12,205	282,663
Purchased services	293,700	368,071	347,888	20,183	262,662
Supplies and materials	6,415	9,205	11,908	(2,703)	7,418
Other expenditures	225	225	-	225	686
Total special education instruction	<u>1,775,791</u>	<u>1,705,062</u>	<u>1,630,473</u>	<u>74,589</u>	<u>1,668,085</u>

Independent School District No. 2168

New Richland, Minnesota

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual (Continued)

For the Year Ended June 30, 2021

(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021				2020
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Instructional support services					
Salaries	\$ 218,164	\$ 171,413	\$ 164,862	\$ 6,551	\$ 243,910
Employee benefits	39,352	37,036	34,187	2,849	51,418
Purchased services	104,100	28,060	25,905	2,155	78,946
Supplies and materials	14,050	12,750	14,837	(2,087)	8,375
Total instructional support services	<u>375,666</u>	<u>249,259</u>	<u>239,791</u>	<u>9,468</u>	<u>382,649</u>
Pupil support services					
Salaries	485,212	460,608	448,491	12,117	472,717
Employee benefits	130,828	105,968	94,105	11,863	106,977
Purchased services	162,245	125,337	124,702	635	123,837
Supplies and materials	104,700	105,180	101,825	3,355	86,372
Total pupil support services	<u>882,985</u>	<u>797,093</u>	<u>769,123</u>	<u>27,970</u>	<u>789,903</u>
Sites and buildings					
Salaries	237,688	258,951	286,984	(28,033)	243,320
Employee benefits	130,822	125,097	134,976	(9,879)	112,099
Purchased services	548,745	376,585	315,869	60,716	269,839
Supplies and materials	149,100	155,400	156,618	(1,218)	141,516
Total sites and buildings	<u>1,066,355</u>	<u>916,033</u>	<u>894,447</u>	<u>21,586</u>	<u>766,774</u>
Fiscal and other fixed cost programs					
Purchased services	58,000	66,400	66,330	70	55,604
Total current	<u>9,815,417</u>	<u>9,250,971</u>	<u>9,038,890</u>	<u>212,081</u>	<u>9,047,177</u>
Capital outlay					
Administration	1,310	-	-	-	395
District support services	1,800	525	520	5	509
Elementary and secondary regular instruction	97,900	118,507	120,941	(2,434)	266,465
Vocational education instruction	2,000	-	-	-	95
Special education instruction	1,000	250	-	250	43,047
Instructional support services	1,000	11,500	6,380	5,120	312
Pupil support services	26,375	36,957	36,719	238	93,987
Sites and buildings	26,400	94,980	82,043	12,937	87,631
Total capital outlay	<u>157,785</u>	<u>262,719</u>	<u>246,603</u>	<u>16,116</u>	<u>492,441</u>
Debt service					
Principal	206,745	252,088	227,148	24,940	229,101
Interest and other charges	27,973	30,393	27,520	2,873	25,273
Total debt service	<u>234,718</u>	<u>282,481</u>	<u>254,668</u>	<u>27,813</u>	<u>254,374</u>
Total Expenditures	<u>10,207,920</u>	<u>9,796,171</u>	<u>9,540,161</u>	<u>256,010</u>	<u>9,793,992</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(194,887)</u>	<u>330,212</u>	<u>382,201</u>	<u>51,989</u>	<u>226,598</u>
Other Financing Sources (Uses)					
Debt issued	-	-	-	-	281,681
Sale of assets	-	-	-	-	2,895
Transfers out	-	-	-	-	(329,845)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(45,269)</u>
Net Change In Fund Balances	<u>(194,887)</u>	<u>330,212</u>	<u>382,201</u>	<u>51,989</u>	<u>181,329</u>
Fund Balances, July 1	<u>3,279,108</u>	<u>3,279,108</u>	<u>3,279,108</u>	<u>-</u>	<u>3,097,779</u>
Fund Balances, June 30	<u>\$ 3,084,221</u>	<u>\$ 3,609,320</u>	<u>\$ 3,661,309</u>	<u>\$ 51,989</u>	<u>\$ 3,279,108</u>

Independent School District No. 2168
New Richland, Minnesota
Food Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021				2020
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Interest earned on investments	\$ 700	\$ 50	\$ 103	\$ 53	\$ 1,336
Revenue from state sources	32,800	1,700	1,631	(69)	28,286
Revenue from federal sources	253,100	295,310	304,020	8,710	265,463
Sales and other conversion of assets	225,100	33,150	6,420	(26,730)	159,664
Total Revenues	<u>511,700</u>	<u>330,210</u>	<u>312,174</u>	<u>(18,036)</u>	<u>454,749</u>
Expenditures					
Current					
Pupil support services					
Salaries	144,447	128,747	124,933	3,814	162,514
Employee benefits	87,072	72,798	66,704	6,094	82,484
Purchased services	18,400	9,000	7,189	1,811	14,074
Supplies and materials	257,100	155,115	155,628	(513)	203,855
Other expenditures	1,000	500	-	500	160
Total Expenditures	<u>508,019</u>	<u>366,160</u>	<u>354,454</u>	<u>11,706</u>	<u>463,087</u>
Net Change In Fund Balances	3,681	(35,950)	(42,280)	(6,330)	-
Fund Balances, July 1	<u>45,771</u>	<u>45,771</u>	<u>45,771</u>	<u>-</u>	<u>45,771</u>
Fund Balances, June 30	<u>\$ 49,452</u>	<u>\$ 9,821</u>	<u>\$ 3,491</u>	<u>\$ (6,330)</u>	<u>\$ 45,771</u>

Independent School District No. 2168
 New Richland, Minnesota
 Community Service Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual
 For the Year Ended June 30, 2021
 (With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021			2020	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Local property tax levies	\$ 90,443	\$ 88,233	\$ 88,156	\$ (77)	\$ 74,316
Other local and county revenue	203,359	116,885	116,083	(802)	127,237
Interest earned on investments	-	-	1,024	1,024	2,177
Revenue from state sources	58,464	64,641	65,298	657	61,498
Revenue from Federal sources	-	40,000	38,181	(1,819)	-
Total revenues	<u>352,266</u>	<u>309,759</u>	<u>308,742</u>	<u>(1,017)</u>	<u>265,228</u>
Expenditures					
Current					
Community education and services					
Salaries	191,055	200,961	192,659	8,302	164,579
Employee benefits	40,252	33,314	37,898	(4,584)	34,041
Purchased services	51,150	20,805	18,764	2,041	39,653
Supplies and materials	41,300	30,340	25,930	4,410	32,588
Other expenditures	500	750	1,144	(394)	591
Total community education and services	<u>324,257</u>	<u>286,170</u>	<u>276,395</u>	<u>9,775</u>	<u>271,452</u>
Capital outlay					
Community education and services	4,800	4,000	543	3,457	3,917
Total Expenditures	<u>329,057</u>	<u>290,170</u>	<u>276,938</u>	<u>13,232</u>	<u>275,369</u>
Net Change in Fund Balances	23,209	19,589	31,804	12,215	11,366
Fund Balances, July 1	<u>111,711</u>	<u>111,711</u>	<u>111,711</u>	<u>-</u>	<u>100,345</u>
Fund Balances, June 30	<u>\$ 134,920</u>	<u>\$ 131,300</u>	<u>\$ 143,515</u>	<u>\$ 12,215</u>	<u>\$ 111,711</u>

Independent School District No. 2168
 New Richland, Minnesota
 Debt Service Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual
 For the Year Ended June 30, 2021
 (With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021			Variance with Final Budget	2020
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Revenues					
Local property tax levies	\$ 645,005	\$ 469,043	\$ 467,164	\$ (1,879)	\$ 177,680
Interest earned on investments	350	350	-	(350)	1,621
Revenue from state sources	122,948	312,747	312,747	-	122,945
Total Revenues	<u>768,303</u>	<u>782,140</u>	<u>779,911</u>	<u>(2,229)</u>	<u>302,246</u>
Expenditures					
Debt service					
Principal	340,000	340,000	340,000	-	335,000
Interest and other charges	468,343	468,343	473,331	(4,988)	36,975
Bond issuance costs	1,700	3,785	14,082	(10,297)	
Total Expenditures	<u>810,043</u>	<u>812,128</u>	<u>827,413</u>	<u>(15,285)</u>	<u>371,975</u>
Deficiency of Revenues Under Expenditures	<u>(41,740)</u>	<u>(29,988)</u>	<u>(47,502)</u>	<u>(17,514)</u>	<u>(69,729)</u>
Other Financing Sources (Uses)					
Debt Issued	-	-	611,000	611,000	-
Principal paid by escrow agent	-	-	(595,000)	(595,000)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>16,000</u>	<u>16,000</u>	<u>-</u>
Net Change in Fund Balances	(41,740)	(29,988)	(31,502)	(1,514)	(69,729)
Fund Balances, July 1	<u>81,325</u>	<u>81,325</u>	<u>81,325</u>	<u>-</u>	<u>151,054</u>
Fund Balances, June 30	<u>\$ 39,585</u>	<u>\$ 51,337</u>	<u>\$ 49,823</u>	<u>\$ (1,514)</u>	<u>\$ 81,325</u>

Independent School District No. 2168
 New Richland, Minnesota
 Schedules of Tax Capacity, Tax Levy and Tax Rates
 For the Years Ended June 30, 2021 and 2020

	2021	2020
Tax Capacity		
Agricultural	\$ 7,191,005	\$ 7,415,762
Nonagricultural	4,337,070	3,689,646
Total	\$ 11,528,075	\$ 11,105,408
Tax Levy		
General	\$ 1,027,530	\$ 894,802
Community Service	87,878	90,756
Debt Service	677,886	707,939
Total	\$ 1,793,294	\$ 1,693,497
Tax Capacity Rates		
General	4.156	4.021
Community Service	0.762	0.817
Debt Service	5.880	6.375
Total	10.798	11.213



Fiscal Compliance

Fiscal Compliance Report - 6/30/2021

District: N.R.H.E.G. (2168-1)

	Audit	UFARS	Audit - UFARS		Audit	UFARS	Audit - UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$9,922,362	<u>\$9,922,360</u>	<u>\$2</u>	Total Revenue	\$145,472	<u>\$145,471</u>	<u>\$1</u>
Total Expenditures	\$9,540,161	<u>\$9,540,163</u>	<u>(\$2)</u>	Total Expenditures	\$6,300,460	<u>\$6,300,460</u>	<u>\$0</u>
<i>Non Spendable:</i>				<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>				<i>Restricted / Reserved:</i>			
4.01 Student Activities	\$36,930	<u>\$36,930</u>	<u>\$0</u>	4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>
4.02 Scholarships	\$0	<u>\$0</u>	<u>\$0</u>	4.13 Project Funded by COP	\$0	<u>\$0</u>	<u>\$0</u>
4.03 Staff Development	\$37,338	<u>\$37,338</u>	<u>\$0</u>	4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>
4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted:</i>			
4.08 Cooperative Revenue	\$0	<u>\$0</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$104,268	<u>\$104,268</u>	<u>\$0</u>
4.13 Project Funded by COP	\$0	<u>\$0</u>	<u>\$0</u>	<i>Unassigned:</i>			
4.14 Operating Debt	\$0	<u>\$0</u>	<u>\$0</u>	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.16 Levy Reduction	\$0	<u>\$0</u>	<u>\$0</u>	07 DEBT SERVICE			
4.17 Taconite Building Maint	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$779,911	<u>\$779,912</u>	<u>(\$1)</u>
4.24 Operating Capital	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$1,422,413	<u>\$1,422,413</u>	<u>\$0</u>
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>	<i>Non Spendable:</i>			
4.27 Disabled Accessibility	\$0	<u>\$0</u>	<u>\$0</u>	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.28 Learning & Development	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted / Reserved:</i>			
4.34 Area Learning Center	\$5,032	<u>\$5,032</u>	<u>\$0</u>	4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.35 Contracted Alt. Programs	\$0	<u>\$0</u>	<u>\$0</u>	4.33 Maximum Effort Loan Aid	\$0	<u>\$0</u>	<u>\$0</u>
4.36 State Approved Alt. Program	\$0	<u>\$0</u>	<u>\$0</u>	4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>
4.38 Gifted & Talented	\$0	<u>\$0</u>	<u>\$0</u>	4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted:</i>			
4.41 Basic Skills Programs	\$0	<u>\$0</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$49,823	<u>\$49,822</u>	<u>\$1</u>
4.48 Achievement and Integration	\$0	<u>\$0</u>	<u>\$0</u>	<i>Unassigned:</i>			
4.49 Safe School Crime - Crime Levy	(\$14,402)	<u>(\$14,401)</u>	<u>(\$1)</u>	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>	08 TRUST			
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$664	<u>\$664</u>	<u>\$0</u>
4.53 Unfunded Sev & Retirement Levy	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$500	<u>\$500</u>	<u>\$0</u>
4.59 Basic Skills Extended Time	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted / Reserved:</i>			
4.67 LTFM	\$233,320	<u>\$233,319</u>	<u>\$1</u>	4.01 Student Activities	\$0	<u>\$0</u>	<u>\$0</u>
4.72 Medical Assistance	\$0	<u>\$0</u>	<u>\$0</u>	4.02 Scholarships	\$0	<u>\$0</u>	<u>\$0</u>
4.73 PPP Loan	\$0	<u>\$0</u>	<u>\$0</u>	4.22 Unassigned Fund Balance (Net Assets)	\$112,987	<u>\$112,987</u>	<u>\$0</u>
4.74 EIDL Loan	\$0	<u>\$0</u>	<u>\$0</u>	18 CUSTODIAL			
<i>Restricted:</i>				Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.75 Title VII Impact Aid	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted / Reserved:</i>			
4.76 Payments in Lieu of Taxes	\$0	<u>\$0</u>	<u>\$0</u>	4.01 Student Activities	\$0	<u>\$0</u>	<u>\$0</u>
<i>Committed:</i>				4.02 Scholarships	\$0	<u>\$0</u>	<u>\$0</u>
4.18 Committed for Separation	\$0	<u>\$0</u>	<u>\$0</u>	4.48 Achievement and Integration	\$0	<u>\$0</u>	<u>\$0</u>
4.61 Committed Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Assigned:</i>				20 INTERNAL SERVICE			
4.62 Assigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</i>				Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.22 Unassigned Fund Balance	\$3,363,091	<u>\$3,363,090</u>	<u>\$1</u>	4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
02 FOOD SERVICES				25 OPEB REVOCABLE TRUST			
Total Revenue	\$312,174	<u>\$312,173</u>	<u>\$1</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$354,454	<u>\$354,453</u>	<u>\$1</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Non Spendable:</i>				90			
4.60 Non Spendable Fund Balance	\$11,713	<u>\$11,713</u>	<u>\$0</u>				
<i>Restricted / Reserved:</i>							
4.52 OPEB Liab Not In Trust							

Minnesota Department of Education

	\$0	<u>\$0</u>	<u>\$0</u>
4.74 EIDL Loan	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	(\$8,222)	<u>(\$8,222)</u>	<u>\$0</u>
04 COMMUNITY SERVICE			
Total Revenue	\$308,742	<u>\$308,744</u>	<u>(\$2)</u>
Total Expenditures	\$276,938	<u>\$276,943</u>	<u>(\$5)</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$7,069	<u>\$7,069</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>
4.31 Community Education	\$63,455	<u>\$63,457</u>	<u>(\$2)</u>
4.32 E.C.F.E	\$42,762	<u>\$42,763</u>	<u>(\$1)</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>
4.44 School Readiness	\$16,372	<u>\$16,372</u>	<u>\$0</u>
4.47 Adult Basic Education	\$0	<u>\$0</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>
4.73 PPP Loan	\$0	<u>\$0</u>	<u>\$0</u>
4.74 EIDL Loan	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$13,857	<u>\$13,853</u>	<u>\$4</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

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

45 OPEB IRREVOCABLE TRUST

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

47 OPEB DEBT SERVICE

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

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OTHER REPORTS

INDEPENDENT SCHOOL DISTRICT NO. 2168
NEW RICHLAND, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2021

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INDEPENDENT AUDITOR'S REPORT ON
MINNESOTA LEGAL COMPLIANCE

Members of the School Board
Independent School District No. 2168
New Richland, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 2168, New Richland, Minnesota, (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated October 7, 2021.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65 except as described in the Schedule of Findings, Responses and Questioned Costs as item 2021-004. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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

Abdo
Mankato, Minnesota
October 7, 2021



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

Members of the School Board
Independent School District No. 2168
New Richland, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 2168, New Richland, Minnesota, (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 7, 2021.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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. We consider the deficiency described in the accompanying Schedule of Findings, Responses and Questioned Costs as item 2021-001 to be a material weakness.

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. We consider the deficiencies described in the accompanying Schedule of Findings, Responses and Questioned costs items 2021-002 and 2021-003 to be a significant deficiencies.

Compliance and Other Matters

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

Purpose of this Report

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



Abdo
Mankato, Minnesota
October 7, 2021

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FEDERAL AWARD PROGRAMS
INDEPENDENT SCHOOL DISTRICT NO. 2168
WINDOM, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2021



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

Members of the School Board
Independent School District No. 2168
New Richland, Minnesota

Compliance

We have audited the compliance of School District No. 2068, New Richland, Minnesota with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. The District's major programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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



Abdo
Mankato, Minnesota
October 7, 2021

Independent School District No. 2168
New Richland, Minnesota
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Funding Source	Administering Department	Program Name	Federal Domestic Assistance Number	Pass-Through Entity Identifying Number	Federal Program Clusters	Total Federal Expenditures
U.S. Department of Agriculture	Minnesota Department of Education	School Breakfast Program	10.553	1000004082	\$ 923	
U.S. Department of Agriculture	Minnesota Department of Education	National School Lunch Program	10.555	1000004082	\$ 4,043	
U.S. Department of Agriculture	Minnesota Department of Education	Summer Food Service Program for Children	10.559	1000004082	<u>260,883</u>	
		Total Child Nutrition cluster				\$ 265,849
U.S. Department of Agriculture	Minnesota Department of Education	Commodity Supplement Food Program	10.565	1000004082	<u>28,960</u> *	
		Total Food Distribution cluster				28,960
U.S. Department of Education	Minnesota Department of Education	Special Education Grants to States	84.027	H027A200087	175,703	
U.S. Department of Education	Minnesota Department of Education	Special Education Preschool Grants	84.173	H173A200086	<u>12,733</u>	
		Total Special Education IDEA cluster				188,436
U.S. Department of Education	Minnesota Department of Education	Title I Grants to Local Educational Agencies	84.010	S010A200023A	114,681	
U.S. Department of Education	Minnesota Department of Education	Supporting Effective Instruction State Grants	84.367	S367A200022	22,303	
U.S. Department of Education	Minnesota Department of Education	Student Support and Academic Enrichment Program	84.424	S424A200024	10,000	
U.S. Department of Education	Minnesota Department of Education	Education Stabilization Fund Under The Coronavirus Aid, Relief, and Economic Security Act	84.425	S425D200045 S425C200015	99,849	
U.S. Department of Treasury	Minnesota Department of Revenue	Coronavirus Relief Fund	21.019C	N/A	239,858	
U.S. Department of Treasury	Minnesota Department of Revenue	Coronavirus State and Local Fiscal Recovery Funds	21.027C	N/A	<u>1,116</u>	
		Total Other Programs				<u>487,807</u>
		Total Expended				<u><u>\$ 971,052</u></u>

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

Independent School District No. 2168
New Richland, Minnesota
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Independent School District No. 2168, New Richland, Minnesota (the District). The District's reporting entity is defined in Note 1A to the District's financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). All federal awards received directly from Federal agencies as well as Federal awards passed through other government agencies are included on the schedule.

Note 2: Summary of Significant Accounting Policies for Expenditures

Expenditures reported on this schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, Cost Principles for Non-Profit-Organizations, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Pass-Through Entity Identifying Numbers

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

Note 4: Subrecipients

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

Note 5: Indirect Cost Rate

During the year ended June 30, 2021, the District did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Independent School District No. 2168
 New Richland, Minnesota
 Schedules of Findings, Responses and Questioned Costs
 For the Year Ended June 30, 2021

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified?	Yes
Significant deficiencies identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported

Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	No

Identification of Major Programs/Projects

	CFDA No.
Department of Agriculture - Child Nutrition Cluster	
School Breakfast Program	10.553
National School Lunch Program	10.555
Summer Food Service Program for Children	10.559
Coronavirus Relief Fund	21.019C
Dollar threshold used to distinguish between Type A and Type B Programs	\$ 750,000
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

A material weakness relating to the audit of the financial statements is reported in the 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*. Finding 2021-001 is reported as a material weakness.

Significant deficiencies relating to the audit of the financial statements are reported in the 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*. Findings 2021-002 and 2021-003 are reported as a significant deficiencies.

Section III - Major Federal Award Findings and Questioned Costs

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

Section IV - Schedule of Prior Year Audit Findings

There were prior year audit findings that are attached.

Other Issues

Corrective Action Plans are attached as required to be reported under the Federal Single Audit Act.

Independent School District No. 2168
New Richland, Minnesota
Schedule of Findings, Responses and Questioned Costs (Continued)
For the Year Ended June 30, 2021

<u>Finding</u>	<u>Description</u>
2021-001	Material Audit Adjustments
<i>Condition:</i>	During our audit, adjustments were needed adjust Federal and State receivables, taxes receivable, severance payable and capital assets.
<i>Criteria:</i>	The financial statements are the responsibility of the District's management.
<i>Cause:</i>	District staff has not prepared a year end trial balance reflecting all necessary accounting entries.
<i>Effect:</i>	It is likely that if a misstatement were to occur, it would not be detected by the District's system of internal control. The audit firm cannot serve as a compensating control over this deficiency.
<i>Recommendation:</i>	We recommend the business manager review each journal entry, obtain an understanding of why the entry was necessary, and modify current procedures to ensure that future corrections are not needed.
<i>Management Response:</i>	
The Business and Finance Manager continues training dealing with governmental financial/accounting practices.	
2021-002	Segregation of Duties
<i>Condition:</i>	During our audit, we found that the District has a limited segregation of duties related to many aspects of its accounting systems.
<i>Criteria:</i>	There are four general categories of duties: authorization, custody, record keeping and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities.
<i>Cause:</i>	Specific situations include: cash receipts, cash disbursements and payroll. The Business and Finance Manager has responsibility over all areas of authorization, custody of assets, recording and reconciling activity. While there is some review of transactions by the Board and Superintendent, there is more than a remote likelihood that a misstatement of the District's financial statements that is more that inconsequential could go undetected.
<i>Effect:</i>	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in segregation of duties and internal controls can result in undetected errors or misappropriation of assets of the District.
<i>Recommendation:</i>	Under these circumstances the most effective controls lie in 1) managements knowledge of the District's financial operations and 2) striving to obtain as much segregation of duties as possible so that no one person has complete control of any type of financial transaction. We recommend the District evaluate its controls and make any changes considered necessary. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost and other considerations.
<i>Management Response:</i>	
The District will continue to review its procedures to determine if any improvements can be made using the limited personnel available.	

Independent School District No. 2168
New Richland, Minnesota
Schedule of Findings, Responses and Questioned Costs (Continued)
For the Year Ended June 30, 2021

Finding

Description

2021-003

Financial Report Preparation

Condition:

We were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Auditing standards require auditors to communicate this situation to the Board as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organizations of your size. However, based on auditing standards, it is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.

Criteria:

Internal controls should be in place to provide reasonable assurance over financial reporting.

Cause:

From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organization of your size.

Effect:

The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting.

Recommendation:

It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. We have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements. While the District is reviewing the financial statements we recommend a disclosure checklist is utilized to ensure all required disclosures are presented and the District should agree its financial software to the numbers reported in the financial statements.

Management Response:

The District is aware of the control deficiency, which is an unavoidable consequence of the financial restrictions of school districts. Each year, the District has a presentation from our auditor to the Board of Education after the audit is performed. Management recognizes that it is not economically feasible to fully correct this finding; it is aware of the deficiency and is relying on oversight by management and School Board to monitor the deficiency.

Independent School District No. 2168
New Richland, Minnesota
Schedule of Findings, Responses and Questioned Costs (Continued)
For the Year Ended June 30, 2021

<u>Finding</u>	<u>Description</u>
2021-004	Student Activity Purpose Summary
<i>Condition:</i>	During our audit procures, it came to our attention that the District did not have an Activity Purpose Summary for student activities.
<i>Criteria:</i>	UFARS Chapter 14 requires the District to have Activity Purpose Summaries in place for all student activity groups.
<i>Cause:</i>	The District did not have Activity Purpose Summaries for student activities.
<i>Effect:</i>	The District is out of compliance with UFARS requirements.
<i>Recommendation:</i>	We recommend that the District develops an Activity Purpose Summary for all groups to fill out at the beginning of each school year.
<i>Management Response:</i>	
	There is no disagreement with this finding. The District will take action to avoid similar occurrences in the future.

New Richland-Hartland-Ellendale-Geneva Public Schools

Independent School District No. 2168



District Office

306 Ash Avenue South
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Fax (507)465-8633

Michael Meihak, Superintendent

Secondary School

306 Ash Avenue South
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(507)465-3205

Fax (507)465-8633

David Bunn, Principal

Elementary School

600 School Street
Ellendale, MN 56026
(507)684-3181

Fax (507)684-2108

Nicholas Jurrens, Principal

Empowering students with knowledge and skills to succeed

2021-001 Material Audit Adjustments

Corrective Action Plan (CAP):

1. Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding:

The Business and Finance Manager continues training dealing with UFARS financial/accounting practices and works with the audit team to understand the adjustments made and to correct them for future years.

3. Official Responsible for Ensuring CAP:

Michael Meihak, Superintendent, is the official responsible for ensuring corrective action.

4. Planned Completion Date for CAP:

Continuous.

5. Plan to Monitor Completion of CAP:

The Board of Education will be monitoring this corrective action plan.

Michael Meihak
Superintendent

New Richland-Hartland-Ellendale-Geneva Public Schools

Independent School District No. 2168



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2021-002 Segregation of Duties

Corrective Action Plan (CAP):

1. Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding:

The District reviews and makes improvements to its internal control structure on an ongoing basis and attempts to maximize the segregation of duties in all areas with the limited staff available.

3. Official Responsible for Ensuring CAP:

Michael Meihak, Superintendent, is the official responsible for ensuring corrective action.

4. Planned Completion Date for CAP:

Continuous.

5. Plan to Monitor Completion of CAP:

The Board of Education will be monitoring this corrective action plan.

Michael Meihak
Superintendent

New Richland-Hartland-Ellendale-Geneva Public Schools

Independent School District No. 2168



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2021-003 Financial Statement Preparations

Corrective Action Plan (CAP):

1. Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding:

The District will have the auditor prepare the financial statements. The District is relying on oversight of management and Board to monitor the deficiency.

3. Official Responsible for Ensuring CAP:

Michael Meihak, Superintendent, is the official responsible for ensuring corrective action.

4. Planned Completion Date for CAP:

Continuous.

5. Plan to Monitor Completion of CAP:

The Board of Education will be monitoring this corrective action plan.

Michael Meihak
Superintendent

New Richland-Hartland-Ellendale-Geneva Public Schools

Independent School District No. 2168



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Empowering students with knowledge and skills to succeed

2021-004 Student Activity Purpose Summary

Corrective Action Plan (CAP):

1. Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding:

The District will ensure all student activities complete a student activity purpose form to comply with the MAFA manual.

3. Official Responsible for Ensuring CAP:

Michael Meihak, Superintendent, is the official responsible for ensuring corrective action.

4. Planned Completion Date for CAP:

The planned completion date is August 31, 2021.

5. Plan to Monitor Completion of CAP:

The Board of Education will be monitoring this corrective action plan.

Michael Meihak
Superintendent

Independent School District No. 2168
New Richland, Minnesota
Schedule of Prior Year Findings
For the Year Ended June 30, 2020

<u>Finding</u>	<u>Description</u>
2020-001	Material Audit Adjustments
<i>Condition:</i>	During our audit, adjustments were needed adjust Federal and State receivables, taxes receivable, severance payable and capital assets.
<i>Criteria:</i>	The financial statements are the responsibility of the District's management.
<i>Cause:</i>	District staff has not prepared a year end trial balance reflecting all necessary accounting entries.
<i>Effect:</i>	It is likely that if a misstatement were to occur, it would not be detected by the District's system of internal control. The audit firm cannot serve as a compensating control over this deficiency.
<i>Recommendation:</i>	We recommend the business manager review each journal entry, obtain an understanding of why the entry was necessary, and modify current procedures to ensure that future corrections are not needed.
<i>Management Response:</i>	
The Business and Finance Manager continues training dealing with governmental financial/accounting practices.	
2020-002	Segregation of Duties
<i>Condition:</i>	During our audit, we found that the District has a limited segregation of duties related to many aspects of its accounting systems.
<i>Criteria:</i>	There are four general categories of duties: authorization, custody, record keeping and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities.
<i>Cause:</i>	Specific situations include: cash receipts, cash disbursements and payroll. The Business and Finance Manager has responsibility over all areas of authorization, custody of assets, recording and reconciling activity. While there is some review of transactions by the Board and Superintendent, there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential could go undetected.
<i>Effect:</i>	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in segregation of duties and internal controls can result in undetected errors or misappropriation of assets of the District.
<i>Recommendation:</i>	Under these circumstances the most effective controls lie in 1) managements knowledge of the District's financial operations and 2) striving to obtain as much segregation of duties as possible so that no one person has complete control of any type of financial transaction. We recommend the District evaluate its controls and make any changes considered necessary. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost and other considerations.
<i>Management Response:</i>	
The District will continue to review its procedures to determine if any improvements can be made using the limited personnel available.	

Independent School District No. 2168
New Richland, Minnesota
Schedule of Prior Year Findings (Continued)
For the Year Ended June 30, 2020

<u>Finding</u>	<u>Description</u>
2020-003	Financial Report Preparation
<i>Condition:</i>	We were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Auditing standards require auditors to communicate this situation to the Board as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organizations of your size. However, based on auditing standards, it is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.
<i>Criteria:</i>	Internal controls should be in place to provide reasonable assurance over financial reporting.
<i>Cause:</i>	From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organization of your size.
<i>Effect:</i>	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting.
<i>Recommendation:</i>	It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. We have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements. While the District is reviewing the financial statements we recommend a disclosure checklist is utilized to ensure all required disclosures are presented and the District should agree its financial software to the numbers reported in the financial statements.
<i>Management Response:</i>	
	The District is aware of the control deficiency, which is an unavoidable consequence of the financial restrictions of school districts. Each year, the District has a presentation from our auditor to the Board of Education after the audit is performed. Management recognizes that it is not economically feasible to fully correct this finding; it is aware of the deficiency and is relying on oversight by management and School Board to monitor the deficiency.