

Annual Financial Report

Independent School District No. 2895

Jackson, Minnesota

For the Year Ended
June 30, 2020

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Independent School District No. 2895
 Jackson, Minnesota
 Annual Financial Report
 Table of Contents
 For the Year Ended June 30, 2020

| | Page No. |
|---|----------|
| Introductory Section | |
| School District Officials | 9 |
| Financial Section | |
| Independent Auditor's Report | 13 |
| Management's Discussion and Analysis | 17 |
| Basic Financial Statements | |
| District-wide Financial Statements | |
| Statement of Net Position | 28 |
| Statement of Activities | 29 |
| Fund Financial Statements | |
| Governmental Funds | |
| Balance Sheet | 32 |
| Reconciliation of the Balance Sheet to the Statement of Net Position | 33 |
| Statement of Revenues, Expenditures and Changes in Fund Balances | 34 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities | 35 |
| General Fund | |
| Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual | 36 |
| Notes to the Financial Statements | 37 |
| Required Supplementary Information | |
| Schedule of Employer's Share of Teachers Retirement Association Net Pension Liability | 70 |
| Schedule of Employer's Teachers Retirement Association Contributions | 70 |
| Notes to the Required Supplementary Information - Teachers Retirement Association | 71 |
| Schedule of Employer's Share of Public Employees Retirement Association Net Pension Liability | 73 |
| Schedule of Employer's Public Employees Retirement Association Contributions | 73 |
| Notes to the Required Supplementary Information - Public Employees Retirement Association | 74 |
| Schedule of Changes in the School's OPEB Liability and Related Ratios | 75 |
| Notes to the Required Supplementary Information - OPEB | 75 |
| Combining and Individual Fund Financial Statements and Schedules and Table | |
| Nonmajor Governmental Funds | |
| Combining Balance Sheet | 78 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances | 79 |
| General Fund | |
| Comparative Balance Sheets | 81 |
| Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual | 82 |
| Food Service Fund | |
| Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual | 84 |
| Community Service Fund | |
| Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual | 85 |
| Debt Service Fund | |
| Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual | 86 |
| Schedules of Tax Capacity, Tax Levy and Tax Rates | 87 |
| Uniform Financial Accounting and Reporting Standards Compliance Table | 88 |

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Independent School District No. 2895
Jackson, Minnesota
Annual Financial Report
Table of Contents (Continued)
For the Year Ended June 30, 2020

| | <u>Page No.</u> |
|---|-----------------|
| Other Reports | |
| Independent Auditor's Report on Minnesota Legal Compliance | 93 |
| 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 <i>Government Auditing Standards</i> | 94 |
| Federal Financial Award Programs | |
| Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by <i>Uniform Guidance</i> | 98 |
| Schedule of Expenditures of Federal Awards | 100 |
| Notes to the Schedule of Expenditures of Federal Awards | 101 |
| Schedule of Findings, Responses and Questioned Costs | 103 |

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INTRODUCTORY SECTION
INDEPENDENT SCHOOL DISTRICT NO. 2895
JACKSON, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2020

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Independent School District No. 2895
Jackson, Minnesota
School District Officials
For the Year Ended June 30, 2020

Board of Education

| <u>Name</u> | <u>Term on Board Expires</u> | <u>Position</u> |
|-----------------|----------------------------------|------------------|
| Rhonda Moore | 12/31/2022 | Chairperson |
| Brad Anderson | 12/31/2022 | Vice-Chairperson |
| Melonie Vancura | 12/31/2020 | Clerk |
| Jeff Johnson | 12/31/2020 | Treasurer |
| Jody Thrush | 12/31/2020 | Director |
| Amy Voss | 12/31/2020 | Director |
| Eric Kruger | 12/31/2022 | Director |

Administration

| | |
|----------------|------------------|
| Barry Schmidt | Superintendent |
| James Hoffbeck | Business Manager |

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FINANCIAL SECTION
INDEPENDENT SCHOOL DISTRICT NO. 2895
JACKSON, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT

Members of the School Board
Independent School District No. 2895
Jackson, 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. 2895, Jackson, Minnesota, (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

As described in Note 7 to the financial statements, the District adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 84, Fiduciary Activities, for the year ended June 30, 2020. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements. Our opinion is not modified with respect to this matter.

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 OPEB Liability and Related Ratios starting on page 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

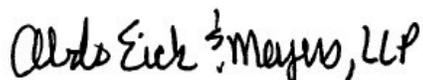
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual fund financial statements and schedules and table and the statistical section are presented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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.



ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
October 28, 2020

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Management's Discussion and Analysis

As management of the Independent School District No. 2895, Jackson, 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, 2020.

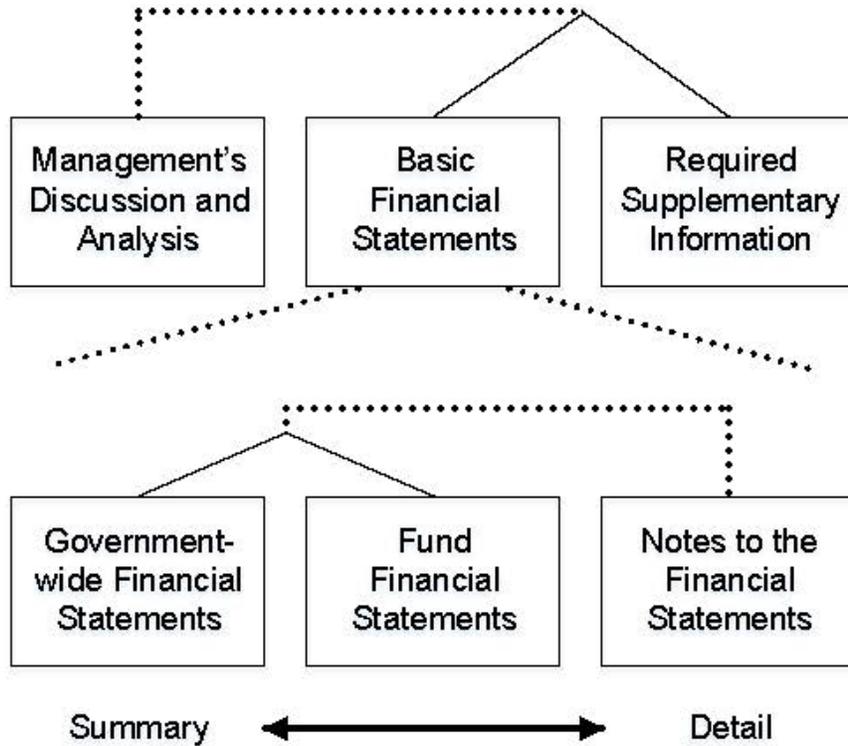
Financial Highlights

- 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 \$5,747,125 (*net position*). Of this amount, a deficit of \$12,498,147 (*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 \$23,837, compared to the prior year's increase of \$4,281,400. This change is mainly due to revenues increasing 9.3 percent and expenses increasing 47.5 percent. The main cause of the increase is due to the District recognized pension expense of \$1,618,701 in the current year compared to negative pension expense of \$3,471,350 in the prior year.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$38,249,297, an increase of \$35,533,651 in comparison with the prior year. The main reason for the increase is due to unspent bond proceeds issued in the Building Construction fund. Unassigned fund balance represents amounts that are available for spending at the District's discretion. Of the total fund balance, \$1,861,683 is *available for spending* at the District's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$1,895,747 or 13.3 percent of total General fund expenditures. At the close of 2019 we had an unassigned balance of \$1,572,905.
- The District's total debt increased by \$32,770,000 or 828.6 percent during the current fiscal year. This increase relates to the District's debt issuance during the year.

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. 2895 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.

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 37 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 70 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 78 of this report.

District-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows of resources by \$5,747,125 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 \$866,537 for educational purposes and \$283,845 for food service. The remaining deficit of \$12,498,147 is mainly due to the recognition of long-term pension liabilities in accordance with GASB Statement No. 68.

Independent School District No. 2895's Net Position

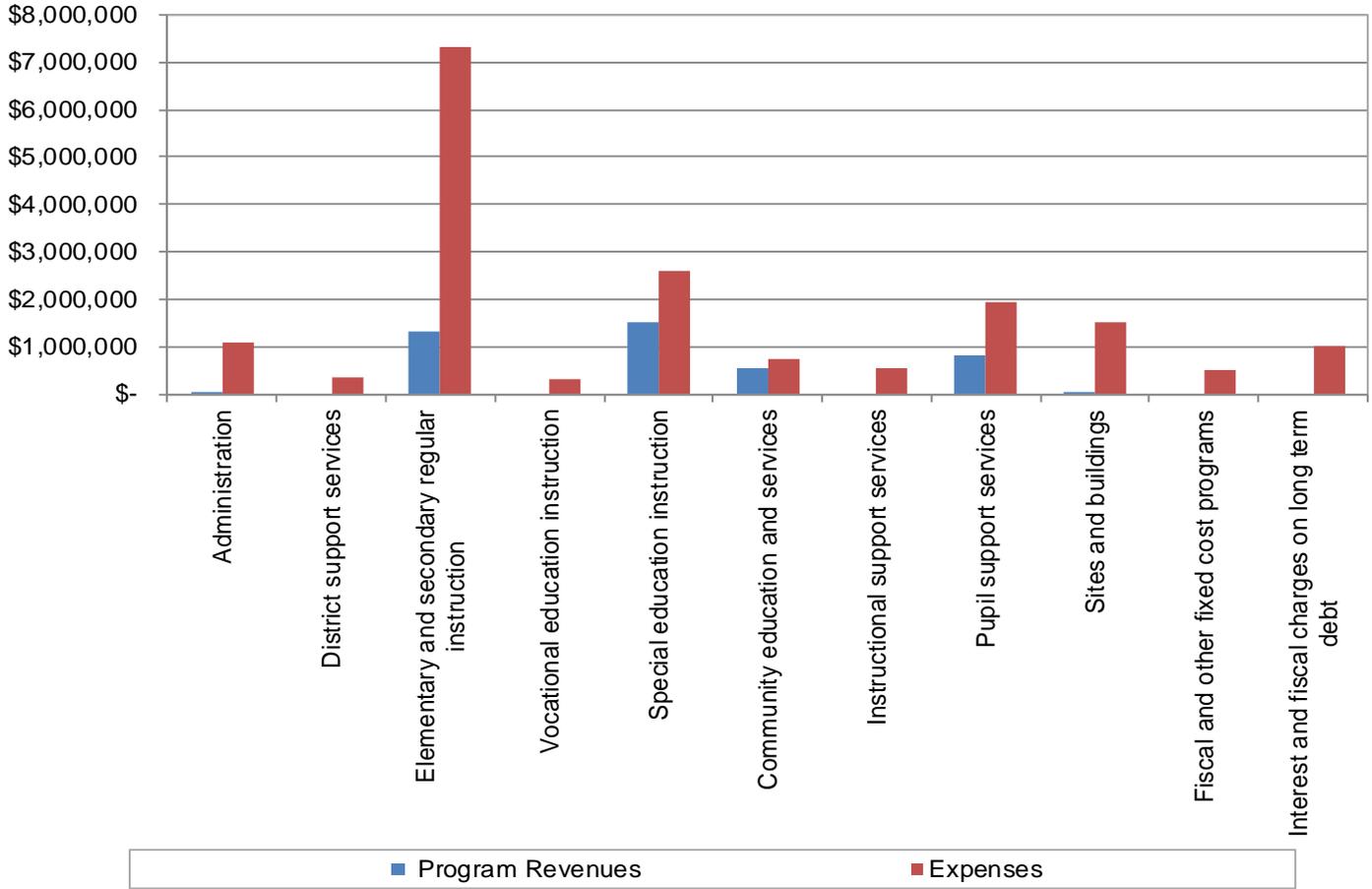
| | Governmental Activities | | Increase (Decrease) | |
|-----------------------------------|-------------------------|---------------------|---------------------|---------|
| | 2020 | 2019 | Amount | Percent |
| Current and Other Assets | \$ 44,295,943 | \$ 7,464,667 | \$ 36,831,276 | 493.4 % |
| Capital Assets | 20,910,846 | 20,759,051 | 151,795 | 0.7 |
| Total Assets | <u>65,206,789</u> | <u>28,223,718</u> | <u>36,983,071</u> | 131.0 |
| Deferred Outflows of Resources | <u>7,866,651</u> | <u>10,878,169</u> | <u>(3,011,518)</u> | (27.7) |
| Long-term Liabilities Outstanding | 48,552,222 | 13,985,633 | 34,566,589 | 247.2 |
| Other Liabilities | 1,936,328 | 1,314,704 | 621,624 | 47.3 |
| Total Liabilities | <u>50,488,550</u> | <u>15,300,337</u> | <u>35,188,213</u> | 230.0 |
| Deferred Inflows of Resources | <u>16,837,765</u> | <u>18,145,925</u> | <u>(1,308,160)</u> | (7.2) |
| Net Position | | | | |
| Net investment in capital assets | 17,094,890 | 16,544,744 | 550,146 | 3.3 |
| Restricted | 1,150,382 | 976,502 | 173,880 | 17.8 |
| Unrestricted | <u>(12,498,147)</u> | <u>(11,865,621)</u> | <u>(632,526)</u> | 5.3 |
| Total Net Position | <u>\$ 5,747,125</u> | <u>\$ 5,655,625</u> | <u>\$ 91,500</u> | 1.6 % |

Governmental Activities. Governmental activities increased the District's net position by \$23,837. Key elements of this increase are as follows:

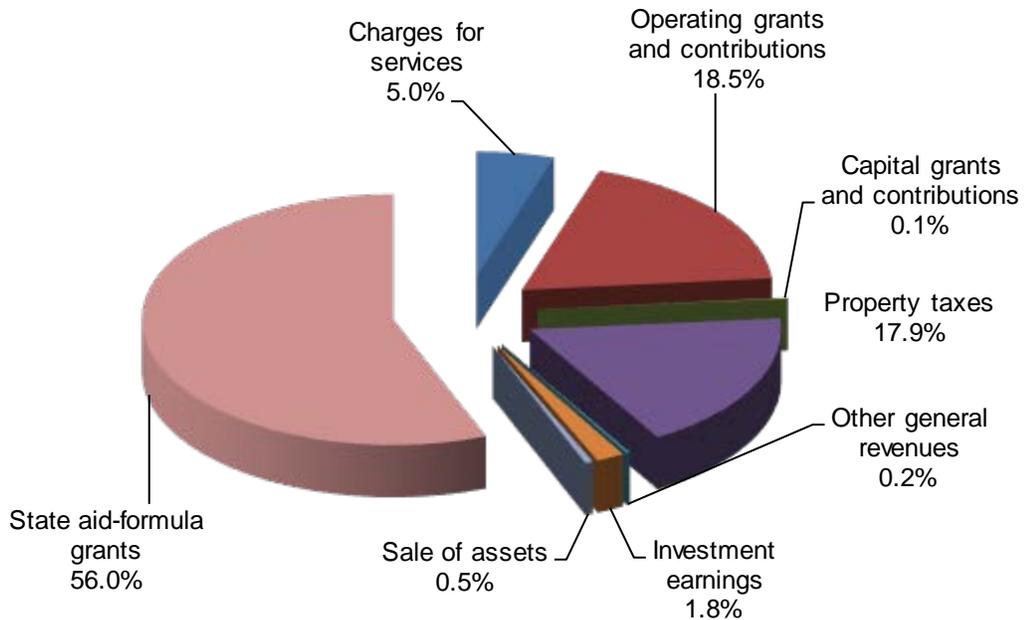
Independent School District No. 2895's Changes in Net Position

| | Governmental Activities | | Increase (Decrease) | | |
|--|-------------------------|---------------------|---------------------|---------|---|
| | 2020 | 2019 | Amounts | Percent | |
| Revenues | | | | | |
| Program revenues | | | | | |
| Charges for services | \$ 890,136 | \$ 884,308 | \$ 5,828 | 0.7 | % |
| Operating grants and contributions | 3,318,683 | 2,448,714 | 869,969 | 35.5 | |
| Capital grants and contributions | 12,475 | 3,763 | 8,712 | 231.5 | |
| General revenues | | | | | |
| Property taxes | 3,226,774 | 3,057,038 | 169,736 | 5.6 | |
| State aid-formula grants and other contributions | 10,090,882 | 9,908,183 | 182,699 | 1.8 | |
| Other general revenues | 35,798 | 85,207 | (49,409) | (58.0) | |
| Investment earnings | 319,312 | 56,786 | 262,526 | 462.3 | |
| Gain on sale of capital assets | 85,460 | 9,367 | 76,093 | 812.4 | |
| Total Revenues | <u>17,979,520</u> | <u>16,453,366</u> | <u>1,526,154</u> | 9.3 | |
| Expenses | | | | | |
| Administration | 1,092,452 | 826,968 | 265,484 | 32.1 | |
| District support services | 334,454 | 277,460 | 56,994 | 20.5 | |
| Elementary and secondary regular instruction | 7,341,030 | 4,194,528 | 3,146,502 | 75.0 | |
| Vocational education instruction | 326,532 | 193,817 | 132,715 | 68.5 | |
| Special education instruction | 2,592,079 | 1,756,327 | 835,752 | 47.6 | |
| Community education and services | 726,869 | 620,572 | 106,297 | 17.1 | |
| Instructional support services | 558,877 | 630,507 | (71,630) | (11.4) | |
| Pupil support services | 1,932,446 | 1,575,112 | 357,334 | 22.7 | |
| Sites and buildings | 1,523,449 | 1,448,626 | 74,823 | 5.2 | |
| Fiscal and other fixed cost programs | 509,048 | 504,024 | 5,024 | 1.0 | |
| Interest and fiscal charges on long-term debt | 1,018,447 | 144,025 | 874,422 | 607.1 | |
| Total Expenses | <u>17,955,683</u> | <u>12,171,966</u> | <u>5,783,717</u> | 47.5 | |
| Change in Net Position | 23,837 | 4,281,400 | (4,257,563) | (99.4) | |
| Net Position, July 1 | 5,655,625 | 1,374,225 | 4,281,400 | 311.6 | |
| Prior Period Restatement (Note 7) | <u>67,663</u> | <u>-</u> | <u>67,663</u> | 100.0 | |
| Net Position, June 30 | <u>\$ 5,747,125</u> | <u>\$ 5,655,625</u> | <u>\$ 91,500</u> | 1.6 | % |

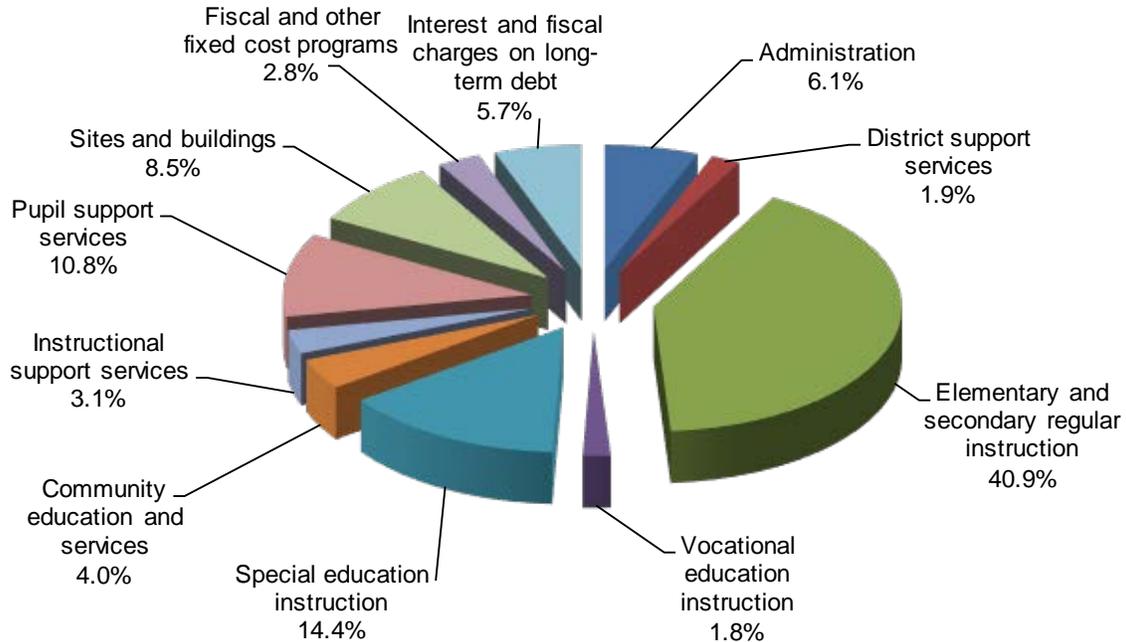
Expenses and Program Revenues - Governmental Activities



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 \$38,249,297, an increase of \$35,533,651 in comparison with the prior year due to unspent bond proceeds. Unassigned fund balance represents amounts that are available for spending at the District's discretion. Unassigned fund balance at the close of 2020 had a balance of \$1,861,683, compared to a balance of \$1,527,231 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 \$1,895,747, while total fund balance reached \$2,767,471. As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 13.3 percent of total General fund expenditures, while total fund balance represents 19.4 percent of that same amount.

The fund balance of the District's General fund increased by \$590,441 during the current fiscal year. The increase in fund balance was mainly due to other county and local revenues coming in over budget and total expenditures coming in under budget.

The Debt Service fund has a total fund balance of \$378,093, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year was \$97,429. This increase is due to property taxes and State aids being greater than the regularly scheduled payment of principal and interest and the issuance of debt.

The Building Construction fund has a total fund balance of \$34,836,971 of unspent bond proceeds. This fund was new during the year in which total fund balance is restricted for future building construction costs.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operation budget in December of 2019 and again in March 2020.

- We did revise the budget in numerous areas. The original preliminary budget was approved in January 2019 when the student numbers were very soft.
- COVID-19- response impacted the budget amendment in March 2020.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2020, amounts to \$20,910,846 (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 0.7 percent. The total depreciation expense for the year was \$1,010,656. The following is a schedule of capital assets as of June 30, 2020:

Independent School District No. 2895's Capital Assets (Net of Depreciation)

| | Governmental Activities | | |
|--------------------------|-------------------------|----------------------|------------------------|
| | 2020 | 2019 | Increase (Decrease) |
| Land | \$ 143,618 | \$ 143,618 | \$ - |
| Buildings | 18,780,592 | 19,120,200 | (339,608) |
| Equipment | 1,363,596 | 1,434,083 | (70,487) |
| Construction in Progress | 623,040 | 61,150 | 561,890 |
| Total | <u>\$ 20,910,846</u> | <u>\$ 20,759,051</u> | <u>\$ 151,795</u> |

Additional information on the District's capital assets can be found in Note 3C on page 49 of this report.

Long-term Debt. At the end of the current fiscal year, the District had total general obligation bonds outstanding of \$36,725,000. Most of this amount is to finance capital projects relating to school buildings.

Independent School District No. 2895's Outstanding Debt

| | Governmental Activities | | |
|--------------------------|-------------------------|---------------------|------------------------|
| | 2020 | 2019 | Increase (Decrease) |
| General Obligation Bonds | <u>\$ 36,725,000</u> | <u>\$ 3,955,000</u> | <u>\$ 32,770,000</u> |

The District's total debt increased by \$32,770,000 (828.6 percent) during the current fiscal year due to a bond issuance.

Additional information on the District's long-term debt can be found in Note 3D on page 50 of this report.

Factors Bearing on the District's Future

The District has a healthy General fund unassigned fund balance. The referendum that was renewed and the additional referendum that passed will help to make the School District financially stable. The Board is increasing the choices of classes for our students. We have been updating the facilities as many of our assets are over 30 years old. The Board and Administration are dedicated to making Jackson County Central Schools the best it can be. We do need to keep working towards a balanced budget in the future.

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. 2895, PO Box 119, Jackson, Minnesota 56143-1075.

DISTRICT-WIDE FINANCIAL STATEMENTS
INDEPENDENT SCHOOL DISTRICT NO. 2895
JACKSON, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2020

Independent School District No. 2895

Jackson, Minnesota
 Statement of Net Position
 June 30, 2020

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets | |
| Cash and temporary investments | \$ 40,407,714 |
| Receivables | |
| Taxes | 2,393,461 |
| Accounts and interest | 12,954 |
| Intergovernmental | 1,452,832 |
| Inventories | 28,982 |
| Capital assets not being depreciated | 766,658 |
| Capital assets net of accumulated depreciation | <u>20,144,188</u> |
| Total Assets | <u>65,206,789</u> |
| Deferred Outflows of Resources | |
| Deferred pension resources | 7,821,306 |
| Deferred other post employment benefit resources | <u>45,345</u> |
| Total Deferred Outflows of Resources | <u>7,866,651</u> |
| Liabilities | |
| Salaries and wages payable | 620,608 |
| Accounts and other payables | 223,022 |
| Accrued interest payable | 401,411 |
| Due to other school districts | 60,803 |
| Due to other governments | 12,479 |
| Accrued expenses | 580,684 |
| Unearned revenue | 37,321 |
| Noncurrent liabilities | |
| Due within one year | 1,398,616 |
| Due in more than one year | 37,396,143 |
| Net pension liability | 9,194,874 |
| Other postemployment benefits liability | <u>562,589</u> |
| Total Liabilities | <u>50,488,550</u> |
| Deferred Inflows of Resources | |
| Property taxes levied for subsequent year | 4,489,717 |
| Deferred pension resources | 12,330,473 |
| Deferred other post employment benefit resources | <u>17,575</u> |
| Total Deferred Inflows of Resources | <u>16,837,765</u> |
| Net Position | |
| Net investment in capital assets | 17,094,890 |
| Restricted | |
| Educational purposes | 866,537 |
| Food service | 283,845 |
| Unrestricted | <u>(12,498,147)</u> |
| Total Net Position | <u>\$ 5,747,125</u> |

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

Independent School District No. 2895

Jackson, Minnesota

Statement of Activities

For the Year Ended June 30, 2020

| 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 | \$ 1,092,452 | \$ - | \$ 54,431 | \$ - | \$ (1,038,021) |
| District support services | 334,454 | - | - | - | (334,454) |
| Elementary and secondary regular instruction | 7,341,030 | 466,905 | 822,050 | 12,475 | (6,039,600) |
| Vocational education instruction | 326,532 | - | - | - | (326,532) |
| Special education instruction | 2,592,079 | - | 1,507,158 | - | (1,084,921) |
| Community education and services | 726,869 | 165,881 | 392,134 | - | (168,854) |
| Instructional support services | 558,877 | - | - | - | (558,877) |
| Pupil support services | 1,932,446 | 257,310 | 542,910 | - | (1,132,226) |
| Sites and buildings | 1,523,449 | 40 | - | - | (1,523,409) |
| Fiscal and other fixed cost programs | 509,048 | - | - | - | (509,048) |
| Interest and fiscal charges on long term debt | 1,018,447 | - | - | - | (1,018,447) |
| Total Governmental Activities | <u>\$ 17,955,683</u> | <u>\$ 890,136</u> | <u>\$ 3,318,683</u> | <u>\$ 12,475</u> | <u>(13,734,389)</u> |
| General revenues | | | | | |
| Taxes | | | | | |
| Property taxes, levied for general purposes | | | | | 2,134,376 |
| Property taxes, levied for community service | | | | | 123,363 |
| Property taxes, levied for debt service | | | | | 969,035 |
| State aid-formula grants and other contributions | | | | | 10,090,882 |
| Other general revenues | | | | | 35,798 |
| Investment earnings | | | | | 319,312 |
| Gain on sale of capital assets | | | | | 85,460 |
| Total General Revenues | | | | | <u>13,758,226</u> |
| Change in Net Position | | | | | 23,837 |
| Net Position, July 1 | | | | | 5,655,625 |
| Prior Period Restatement (Note 7) | | | | | <u>67,663</u> |
| Net Position, June 30 | | | | | <u>\$ 5,747,125</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. 2895
JACKSON, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2020

Independent School District No. 2895

Jackson, Minnesota
Balance Sheet
Governmental Funds
June 30, 2020

| | General | Debt Service | Building Construction | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|---------------------|-----------------------|--------------------------|--------------------------|
| Assets | | | | | |
| Cash and temporary investments | \$ 3,798,361 | \$ 1,267,961 | \$ 34,993,771 | \$ 347,621 | \$ 40,407,714 |
| Receivables | | | | | |
| Taxes | | | | | |
| Current | 858,498 | 1,460,809 | - | 52,142 | 2,371,449 |
| Delinquent | 16,812 | 4,274 | - | 926 | 22,012 |
| Accounts and interest | 1,298 | - | - | 11,656 | 12,954 |
| Intergovernmental | 1,334,845 | 44,505 | - | 73,482 | 1,452,832 |
| Inventories | 23,094 | - | - | 5,888 | 28,982 |
| Total Assets | \$ 6,032,908 | \$ 2,777,549 | \$ 34,993,771 | \$ 491,715 | \$ 44,295,943 |
| Liabilities | | | | | |
| Salaries and wages payable | \$ 582,565 | \$ - | \$ - | \$ 38,043 | \$ 620,608 |
| Accounts and other payables | 40,721 | - | 156,800 | 25,501 | 223,022 |
| Due to other school districts | 60,803 | - | - | - | 60,803 |
| Due to other governments | 11,156 | - | - | 1,323 | 12,479 |
| Accrued expenses | 580,684 | - | - | - | 580,684 |
| Unearned revenue | - | - | - | 37,321 | 37,321 |
| Total Liabilities | 1,275,929 | - | 156,800 | 102,188 | 1,534,917 |
| Deferred Inflows of Resources | | | | | |
| Property taxes levied for subsequent year | 1,972,696 | 2,395,182 | - | 121,839 | 4,489,717 |
| Unavailable revenue - delinquent property taxes | 16,812 | 4,274 | - | 926 | 22,012 |
| Total Deferred Inflows of Resources | 1,989,508 | 2,399,456 | - | 122,765 | 4,511,729 |
| Fund Balances | | | | | |
| Nonspendable | 23,094 | - | - | 5,888 | 28,982 |
| Restricted | 848,630 | 378,093 | 34,836,971 | 294,938 | 36,358,632 |
| Unassigned | 1,895,747 | - | - | (34,064) | 1,861,683 |
| Total Fund Balances | 2,767,471 | 378,093 | 34,836,971 | 266,762 | 38,249,297 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 6,032,908 | \$ 2,777,549 | \$ 34,993,771 | \$ 491,715 | \$ 44,295,943 |

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

Independent School District No. 2895
 Jackson, Minnesota
 Reconciliation of the Balance Sheet
 to the Statement of Net Position
 Governmental Funds
 June 30, 2020

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

| | |
|--|---------------------|
| Total Fund Balances - Governmental Funds | \$ 38,249,297 |
| Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore are not reported as assets in the funds. | 20,910,846 |
| 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 | (36,725,000) |
| Severance payable | (141,832) |
| Unamortized premiums | (1,927,927) |
| Other postemployment benefits liability | (562,589) |
| Net pension liability | (9,194,874) |
| Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds. | |
| Delinquent property taxes receivable | 22,012 |
| Governmental funds do not report long-term amounts related to pensions. | |
| Deferred outflows of pension resources | 7,821,306 |
| Deferred inflows of pension resources | (12,330,473) |
| Governmental funds do not report long-term amounts related to other post employment benefits. | |
| Deferred outflows of other postemployment benefit resources | 45,345 |
| Deferred inflows of other postemployment benefit resources | (17,575) |
| Governmental funds do not report a liability for accrued interest until due and payable. | <u>(401,411)</u> |
| Total Net Position - Governmental Activities | <u>\$ 5,747,125</u> |

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

Independent School District No. 2895
 Jackson, Minnesota
 Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2020

| | General | Debt Service | Building Construction | Other Governmental Funds | Total |
|--|---------------------|-------------------|--------------------------|--------------------------------|----------------------|
| Revenues | | | | | |
| Local property tax levies | \$ 2,079,450 | \$ 964,682 | \$ - | \$ 122,782 | \$ 3,166,914 |
| Other local and county revenue | 791,063 | 7,484 | - | 505,085 | 1,303,632 |
| Interest earned on investments | 33,683 | 8,875 | 272,771 | 3,983 | 319,312 |
| Revenue from state sources | 11,383,768 | 445,046 | - | 114,837 | 11,943,651 |
| Revenue from federal sources | 380,192 | - | - | 477,110 | 857,302 |
| Sales and other conversion of assets | 11,077 | - | - | 241,657 | 252,734 |
| Total Revenues | 14,679,233 | 1,426,087 | 272,771 | 1,465,454 | 17,843,545 |
| Expenditures | | | | | |
| Current | | | | | |
| Administration | 1,035,793 | - | - | - | 1,035,793 |
| District support services | 332,582 | - | - | - | 332,582 |
| Elementary and secondary regular instruction | 6,675,926 | - | - | - | 6,675,926 |
| Vocational education instruction | 297,256 | - | - | - | 297,256 |
| Special education instruction | 2,417,092 | - | - | - | 2,417,092 |
| Community education and services | - | - | - | 696,796 | 696,796 |
| Instructional support services | 417,935 | - | - | - | 417,935 |
| Pupil support services | 1,068,423 | - | - | 750,803 | 1,819,226 |
| Sites and buildings | 1,281,883 | - | - | - | 1,281,883 |
| Fiscal and other fixed cost programs | 65,117 | - | - | - | 65,117 |
| Capital outlay | 650,647 | - | 623,040 | 9,045 | 1,282,732 |
| Debt service | | | | | |
| Principal | - | 1,280,000 | - | - | 1,280,000 |
| Interest and other charges | - | 122,158 | 544,315 | - | 666,473 |
| Total Expenditures | 14,242,654 | 1,402,158 | 1,167,355 | 1,456,644 | 18,268,811 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 436,579 | 23,929 | (894,584) | 8,810 | (425,266) |
| Other Financing Sources (Uses) | | | | | |
| Sale of capital assets | 153,862 | - | - | - | 153,862 |
| Bonds issued | - | 73,500 | 33,976,500 | - | 34,050,000 |
| Premium on bonds issued | - | - | 1,755,055 | - | 1,755,055 |
| Total Other Financing Sources (Uses) | 153,862 | 73,500 | 35,731,555 | - | 35,958,917 |
| Net Change In Fund Balances | 590,441 | 97,429 | 34,836,971 | 8,810 | 35,533,651 |
| Fund Balances, July 1 | 2,109,367 | 280,664 | - | 257,952 | 2,647,983 |
| Prior Period Restatement (Note 7) | 67,663 | - | - | - | 67,663 |
| Fund Balances, June 30 | \$ 2,767,471 | \$ 378,093 | \$ 34,836,971 | \$ 266,762 | \$ 38,249,297 |

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

Independent School District No. 2895
 Jackson, 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, 2020

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

| | |
|---|---------------|
| Total Net Change in Fund Balances - Governmental Funds | \$ 35,533,651 |
| <p>Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.</p> | |
| Capital outlay | 1,230,853 |
| Depreciation expense | (1,010,656) |
| <p>The net effect of various miscellaneous transactions involving capital assets.</p> | |
| Book value on sale of capital assets | (68,402) |
| <p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.</p> | |
| Issuance of long-term debt | (34,050,000) |
| Principal repayments | 1,280,000 |
| Amortization of bond premiums, net of premium on bonds issued | (1,668,620) |
| <p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however interest expense is recognized as the interest accrues, regardless of when it is due.</p> | |
| | (351,974) |
| <p>Long-term pension activity is not reported in governmental funds.</p> | |
| Pension expense | (943,653) |
| Direct aid contributions | 54,431 |
| <p>Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.</p> | |
| | (3,916) |
| <p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p> | |
| Severance costs | 27,421 |
| Other postemployment benefits costs | (5,298) |
| | 22,123 |
| Change in Net Position - Governmental Activities | \$ 23,837 |

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

Independent School District No. 2895
 Jackson, Minnesota
 Statement of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual
 General Fund
 For the Year Ended June 30, 2020

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|--|---------------------|---------------------|---------------------|-------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Local property tax levies | \$ 2,043,540 | \$ 2,048,540 | \$ 2,079,450 | \$ 30,910 |
| Other local and county revenue | 262,000 | 605,300 | 791,063 | 185,763 |
| Interest earned on investments | 40,010 | 40,000 | 33,683 | (6,317) |
| Revenue from state sources | 11,381,450 | 11,356,520 | 11,383,768 | 27,248 |
| Revenue from federal sources | 348,500 | 349,600 | 380,192 | 30,592 |
| Sales and other conversion of assets | - | - | 11,077 | 11,077 |
| Total Revenues | <u>14,075,500</u> | <u>14,399,960</u> | <u>14,679,233</u> | <u>279,273</u> |
| Expenditures | | | | |
| Current | | | | |
| Administration | 1,069,980 | 1,054,980 | 1,035,793 | 19,187 |
| District support services | 314,930 | 320,930 | 332,582 | (11,652) |
| Elementary and secondary regular instruction | 6,506,170 | 6,731,090 | 6,675,926 | 55,164 |
| Vocational education instruction | 317,520 | 317,520 | 297,256 | 20,264 |
| Special education instruction | 2,480,530 | 2,477,680 | 2,417,092 | 60,588 |
| Instructional support services | 494,230 | 427,940 | 417,935 | 10,005 |
| Pupil support services | 1,051,490 | 1,052,930 | 1,068,423 | (15,493) |
| Sites and buildings | 1,281,840 | 1,268,840 | 1,281,883 | (13,043) |
| Fiscal and other fixed cost programs | 66,100 | 66,100 | 65,117 | 983 |
| Capital outlay | | | | |
| Elementary and secondary regular instruction | 131,350 | 170,340 | 146,957 | 23,383 |
| Vocational education instruction | 1,000 | - | - | - |
| Special education instruction | 3,400 | 4,400 | - | 4,400 |
| Instructional support services | 120,200 | 90,200 | 110,652 | (20,452) |
| Pupil support services | 65,000 | 55,000 | 24,304 | 30,696 |
| Sites and buildings | 311,850 | 393,950 | 368,734 | 25,216 |
| Total Expenditures | <u>14,215,590</u> | <u>14,431,900</u> | <u>14,242,654</u> | <u>189,246</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (140,090) | (31,940) | 436,579 | 468,519 |
| Other Financing Sources (Uses) | | | | |
| Sale of capital assets | <u>150,000</u> | <u>150,600</u> | <u>153,862</u> | <u>3,262</u> |
| Net Change In Fund Balances | 9,910 | 118,660 | 590,441 | 471,781 |
| Fund Balances, July 1 | 2,109,367 | 2,109,367 | 2,109,367 | - |
| Prior Period Restatement (Note 7) | <u>-</u> | <u>-</u> | <u>67,663</u> | <u>67,663</u> |
| Fund Balances, June 30 | <u>\$ 2,119,277</u> | <u>\$ 2,228,027</u> | <u>\$ 2,767,471</u> | <u>\$ 539,444</u> |

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

Independent School District No. 2895
Jackson, Minnesota
Notes to the Financial Statements
June 30, 2020

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

Independent School District No. 2895, (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. 2895
Jackson, Minnesota
Notes to the Financial Statements
June 30, 2020

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 *Building Construction fund* accounts for the resources used for the acquisition and/or construction of major capital facilities.

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.

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.

Independent School District No. 2895
Jackson, Minnesota
Notes to the Financial Statements
June 30, 2020

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.

Independent School District No. 2895
Jackson, Minnesota
Notes to the Financial Statements
June 30, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

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.

Investment Policy

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

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

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

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

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

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

Independent School District No. 2895
Jackson, Minnesota
Notes to the Financial Statements
June 30, 2020

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 2020 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 2019 and collectible in 2020. 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.

Independent School District No. 2895
 Jackson, Minnesota
 Notes to the Financial Statements
 June 30, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

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. Interest incurred during the construction phase of capital assets is expensed as incurred.

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

| Assets | Years |
|-------------------------|---------|
| Buildings | 20 - 50 |
| Equipment and Machinery | 5 - 20 |

Deferred Outflows of Resources

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

Compensated Absences

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, 2020, the District has a severance liability of \$141,832. The General fund is typically used to liquidate governmental severance benefits payable.

Independent School District No. 2895
 Jackson, Minnesota
 Notes to the Financial Statements
 June 30, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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:

| | GERP | TRA | Total Pension Expense |
|-----------------|------------|--------------|--------------------------|
| Pension Expense | \$ 191,565 | \$ 1,427,136 | \$ 1,618,701 |

Independent School District No. 2895
Jackson, Minnesota
Notes to the Financial Statements
June 30, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has three types of items, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, one of the items, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: delinquent property taxes and property taxes levied for subsequent year. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other items are the deferred pension and deferred other postemployment benefit resources reported in the statement of net position of the government-wide statements. These items result from the difference between expected and actual experience, the net difference between projected and actual investments earnings on pension and OPEB plan investments, changes in assumptions and changes in proportion and differences between entity contributions and proportionate share of contributions.

Fund Balance

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

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

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

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

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

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

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

The District has formally adopted a fund balance policy for the General fund. The District's policy is to maintain a minimum unassigned fund balance of 1.5 months of operating expenditures for cash-flow timing needs.

Independent School District No. 2895
 Jackson, Minnesota
 Notes to the Financial Statements
 June 30, 2020

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. Deficit Fund Equity

The following fund had a fund equity deficit as of June 30, 2020:

| Fund | Amount |
|-------------------|-----------|
| Community Service | \$ 17,083 |

The fund balance deficit is expected to be eliminated with future revenues related to property taxes, other local and county revenues and transfers from the General fund.

Independent School District No. 2895
Jackson, Minnesota
Notes to the Financial Statements
June 30, 2020

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 \$2,329,918 and the bank balance was \$2,369,956. Of the bank balance, \$2,353,986 was covered by federal depository insurance and \$15,970 was covered by bonds or collateral held by the District's agent in the District's name.

Independent School District No. 2895
Jackson, Minnesota
Notes to the Financial Statements
June 30, 2020

Note 3: Detailed Notes on All Funds (Continued)

Investments

As of June 30, 2020, the District had the following investments:

| Types of Investments | Credit Quality/ Ratings (1) | Segmented Time Distribution (2) | 6/30/2020 | Fair Value Measurement Using | | |
|--|--------------------------------|---------------------------------|----------------------|------------------------------|-------------|-------------|
| | | | | Level 1 | Level 2 | Level 3 |
| Pooled Investments at Amortized Costs | | | | | | |
| Minnesota School District Liquid Asset Fund (MSDLAF) | AAA | less than 1 year | \$ 3,010,309 | | | |
| Non-Pooled Investments at Amortized Costs | | | | | | |
| Brokered cash and cash equivalents | AAA | less than 1 year | 3,973,735 | | | |
| Brokered cash and cash equivalents | N/A | less than 1 year | 37,977 | | | |
| Total Brokered Cash and Cash Equivalents | | | 4,011,712 | | | |
| Non-Pooled Investments at Fair Value | | | | | | |
| Government Agency Securities | AAA | less than 1 year | 5,252,177 | \$ 5,252,177 | \$ - | - |
| Government Agency Securities | AA+ | less than 1 year | 1,226,774 | 1,226,774 | - | - |
| Government Agency Securities | AA | less than 1 year | 1,334,619 | 1,334,619 | - | - |
| Government Agency Securities | AA- | less than 1 year | 1,836,286 | 1,836,286 | - | - |
| Government Agency Securities | A+ | less than 1 year | 2,909,735 | 2,909,735 | - | - |
| Government Agency Securities | A- | less than 1 year | 666,718 | 666,718 | - | - |
| Government Agency Securities | A-1+ | less than 1 year | 1,125,053 | 1,125,053 | - | - |
| Government Agency Securities | N/A | less than 1 year | 2,264,690 | 2,264,690 | - | - |
| Government Agency Securities | AAA | 1 to 5 years | 8,089,765 | 8,089,765 | - | - |
| Government Agency Securities | AA+ | 1 to 5 years | 499,921 | 499,921 | - | - |
| Government Agency Securities | AA | 1 to 5 years | 1,829,439 | 1,829,439 | - | - |
| Government Agency Securities | AA- | 1 to 5 years | 3,459,397 | 3,459,397 | - | - |
| Government Agency Securities | A+ | 1 to 5 years | 51,270 | 51,270 | - | - |
| Government Agency Securities | A | 1 to 5 years | 98,461 | 98,461 | - | - |
| Government Agency Securities | N/A | 1 to 5 years | 411,470 | 411,470 | - | - |
| Total Government Agency Securities | | | 31,055,775 | 31,055,775 | - | - |
| Total Investments | | | \$ 38,077,796 | \$ 31,055,775 | \$ - | \$ - |

(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.

Independent School District No. 2895
 Jackson, Minnesota
 Notes to the Financial Statements
 June 30, 2020

Note 3: Detailed Notes on All Funds (Continued)

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.

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

| | |
|-------------|---------------------------------|
| Deposits | \$ 2,329,918 |
| Investments | <u>38,077,796</u> |
| Total | <u><u>\$ 40,407,714</u></u> |

B. Property Taxes

Current property taxes receivable is recorded for taxes levied in 2019 and payable in 2020. A portion of the current property taxes receivable is recognized as revenue in the fiscal year ended June 30, 2020 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 | \$ 858,498 | \$ 1,460,809 | \$ 52,142 | \$ 2,371,449 |
| Delinquent Taxes | <u>16,812</u> | <u>4,274</u> | <u>926</u> | <u>22,012</u> |
| Total Taxes Receivable | <u><u>\$ 875,310</u></u> | <u><u>\$ 1,465,083</u></u> | <u><u>\$ 53,068</u></u> | <u><u>\$ 2,393,461</u></u> |
| Property Taxes Levied for Subsequent Year | <u><u>\$ 1,972,696</u></u> | <u><u>\$ 2,395,182</u></u> | <u><u>\$ 121,839</u></u> | <u><u>\$ 4,489,717</u></u> |

Independent School District No. 2895
 Jackson, Minnesota
 Notes to the Financial Statements
 June 30, 2020

Note 3: Detailed Notes on All Funds (Continued)

C. Capital Assets

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

| | Balance July 1, 2019 | Additions | Deletions | Balance June 30, 2020 |
|---|-------------------------|--------------------|---------------------|--------------------------|
| Governmental Activities | | | | |
| Capital Assets not Being Depreciated | | | | |
| Land | \$ 143,618 | \$ - | \$ - | \$ 143,618 |
| Construction In Progress | 61,150 | 623,040 | (61,150) | 623,040 |
| Total Capital Assets not Being Depreciated | <u>204,768</u> | <u>623,040</u> | <u>(61,150)</u> | <u>766,658</u> |
| Capital Assets Being Depreciated | | | | |
| Buildings | 32,898,482 | 385,641 | - | 33,284,123 |
| Equipment | 4,651,543 | 283,322 | (563,002) | 4,371,863 |
| Total Capital Assets Being Depreciated | <u>37,550,025</u> | <u>668,963</u> | <u>(563,002)</u> | <u>37,655,986</u> |
| Less Accumulated Depreciation | | | | |
| Buildings | (13,778,282) | (725,249) | - | (14,503,531) |
| Equipment | (3,217,460) | (285,407) | 494,600 | (3,008,267) |
| Total Accumulated Depreciation | <u>(16,995,742)</u> | <u>(1,010,656)</u> | <u>494,600</u> | <u>(17,511,798)</u> |
| Total Capital Assets Being Depreciated, Net | <u>20,554,283</u> | <u>(341,693)</u> | <u>(68,402)</u> | <u>20,144,188</u> |
| Governmental Activities | | | | |
| Capital Assets, Net | <u>\$ 20,759,051</u> | <u>\$ 281,347</u> | <u>\$ (129,552)</u> | <u>\$ 20,910,846</u> |

Depreciation expense was charged to governmental activities as follows:

| | |
|--|---------------------|
| Administration | \$ 11,266 |
| Elementary And Secondary Regular Instruction | 185,359 |
| Vocational Education Instruction | 856 |
| Instructional Support Services | 4,647 |
| Pupil Support Services | 48,701 |
| Sites and Buildings | 229,461 |
| Fiscal And Other Fixed Cost Programs | 530,366 |
| Total Depreciation Expense | <u>\$ 1,010,656</u> |

Independent School District No. 2895
 Jackson, Minnesota
 Notes to the Financial Statements
 June 30, 2020

Note 3: Detailed Notes on All Funds (Continued)

D. Long-term Debt

General Obligation Bonds

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

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

| Description | Original Issue | Interest Rate | Issue Date | Final Maturity | Principal Outstanding | |
|--|----------------|---------------|------------|----------------|-----------------------|----------------------|
| | | | | | Due Within One Year | Total |
| G.O. School Building Refunding Bonds, Series 2015A | \$ 7,515,000 | 3.00 % | 11/19/15 | 02/01/22 | \$ 1,315,000 | \$ 2,675,000 |
| G.O. School Building Bonds, Series 2020A | 34,050,000 | 2.00 - 4.00 | 02/13/20 | 02/01/42 | - | 34,050,000 |
| Total | | | | | <u>\$ 1,315,000</u> | <u>\$ 36,725,000</u> |

The annual requirements to amortize all bonds outstanding at June 30, 2020 are as follows:

| Year Ending June 30, | Principal Payments | Interest Payments | Total |
|----------------------|----------------------|----------------------|----------------------|
| 2021 | \$ 1,315,000 | \$ 1,021,276 | \$ 2,336,276 |
| 2022 | 1,360,000 | 1,014,275 | 2,374,275 |
| 2023 | 1,145,000 | 973,475 | 2,118,475 |
| 2024 | 1,280,000 | 927,675 | 2,207,675 |
| 2025 | 1,330,000 | 876,475 | 2,206,475 |
| 2026 - 2030 | 7,465,000 | 3,540,175 | 11,005,175 |
| 2031 - 2035 | 8,795,000 | 2,271,444 | 11,066,444 |
| 2036 - 2040 | 9,780,000 | 1,260,106 | 11,040,106 |
| 2041 - 2042 | 4,255,000 | 133,312 | 4,388,312 |
| Total | <u>\$ 36,725,000</u> | <u>\$ 12,018,213</u> | <u>\$ 48,743,213</u> |

Independent School District No. 2895
 Jackson, Minnesota
 Notes to the Financial Statements
 June 30, 2020

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2020 was as follows:

| | Beginning Balance As Restated | Additions | Deductions | Ending Balance | Amounts Due Within One Year |
|--------------------------------|-------------------------------------|----------------------|-----------------------|----------------------|-----------------------------------|
| Governmental Activities | | | | | |
| Bonds Payable | | | | | |
| General obligation bonds | \$ 3,955,000 | \$ 34,050,000 | \$ (1,280,000) | \$ 36,725,000 | \$ 1,315,000 |
| Bond premiums | 259,307 | 1,755,055 | (86,435) | 1,927,927 | - |
| Total Bonds Payable | <u>4,214,307</u> | <u>35,805,055</u> | <u>(1,366,435)</u> | <u>38,652,927</u> | <u>1,315,000</u> |
| Other Liabilities | | | | | |
| Severance payable | <u>169,253</u> | <u>3,442</u> | <u>(30,863)</u> | <u>141,832</u> | <u>83,616</u> |
| Total Long-term Liabilities | <u>\$ 4,383,560</u> | <u>\$ 35,808,497</u> | <u>\$ (1,397,298)</u> | <u>\$ 38,794,759</u> | <u>\$ 1,398,616</u> |

Independent School District No. 2895
 Jackson, Minnesota
 Notes to the Financial Statements
 June 30, 2020

Note 3: Detailed Notes on All Funds (Continued)

E. Components of Fund Balance

At June 30, 2020, portions of the District's fund balance are not available for appropriation due to legal restrictions (Restricted) and policy and/or intent (Assigned). The following is a summary of the components of fund balance:

| | General | Debt Service | Building Construction | Nonmajor Governmental | Total | Reconciling Items | UFARS Balance |
|--------------------------------|---------------------|-------------------|--------------------------|--------------------------|---------------------|----------------------|---------------------|
| Nonspendable | | | | | | | |
| Inventories | \$ 23,094 | \$ - | \$ - | \$ 5,888 | \$ 28,982 | \$ - | \$ 28,982 |
| Restricted for | | | | | | | |
| Staff development | \$ 69,044 | \$ - | \$ - | \$ - | \$ 69,044 | \$ - | \$ 69,044 |
| Operating capital | 359,340 | - | - | - | 359,340 | - | 359,340 |
| Lakefield Fields project | 1,702 | - | - | - | 1,702 | - | 1,702 |
| Strength | | | | | | | |
| and conditioning | 9,340 | - | - | - | 9,340 | - | 9,340 |
| Basic skills extended time | 32,811 | - | - | - | 32,811 | - | 32,811 |
| Learning and development | 9,450 | - | - | - | 9,450 | - | 9,450 |
| Safe schools | 18,446 | - | - | - | 18,446 | - | 18,446 |
| Long term facility maintenance | 198,946 | - | - | - | 198,946 | - | 198,946 |
| Medical assistance | - | - | - | - | - | (15,637) | (15,637) |
| Husky wrestling | | | | | | | |
| capital improvement project | 183 | - | - | - | 183 | - | 183 |
| Student activities | 79,444 | - | - | - | 79,444 | - | 79,444 |
| Scholarships | 2,122 | - | - | - | 2,122 | - | 2,122 |
| Career pathways | 67,802 | - | - | - | 67,802 | - | 67,802 |
| Community education | - | - | - | - | - | (34,064) | (34,064) |
| Early childhood and | | | | | | | |
| family education | - | - | - | 2,864 | 2,864 | - | 2,864 |
| School readiness | - | - | - | 633 | 633 | - | 633 |
| Food service | - | - | - | 277,957 | 277,957 | - | 277,957 |
| Community service | - | - | - | 3,406 | 3,406 | - | 3,406 |
| Swimming pool | - | - | - | 10,078 | 10,078 | - | 10,078 |
| Building project | - | - | 34,836,971 | - | 34,836,971 | - | 34,836,971 |
| Debt service | - | 378,093 | - | - | 378,093 | - | 378,093 |
| Total Restricted | \$ 848,630 | \$ 378,093 | \$ 34,836,971 | \$ 294,938 | \$36,358,632 | \$ (49,701) | \$36,308,931 |
| Unassigned | \$ 1,895,747 | \$ - | \$ - | \$ (34,064) | \$ 1,861,683 | \$ 49,701 | \$ 1,911,384 |

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

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

Independent School District No. 2895

Jackson, Minnesota

Notes to the Financial Statements

June 30, 2020

Note 3: Detailed Notes on All Funds (Continued)

Restricted for Lakefield Fields Project - This amount represents available resources for the Lakefield Fields project. Revenues are derived from contributions and donations.

Restricted for Strength and Conditioning Project - This amount represents available resources for strength and conditioning opportunities for students. Revenues are derived from donations.

Restricted for Basic Skills Extended Time - This amount represents resources dedicated to meeting the educational needs of pupils who enroll in extended day programs, extended week programs, summer school, vacation break academies, and other programming authorized under the learning year program.

Restricted for Learning and Development - This amount represents available general education revenues for learning and development, which is mainly for reducing the pupil-to-staff ratio.

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 Medical Assistance - This amount represents available resources for medical assistance expenditures. Revenues are derived from State aids.

Restricted for Strength and Conditioning Project - This amount represents available resources for strength and conditioning opportunities for students. Revenues are derived from donations.

Restricted for Husky Wrestling Capital Improvement Project - This amount represents available resources for capital improvements related to the wrestling program. Revenues are derived from donations.

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

Restricted for Scholarships - This amount represents available resources for scholarships. Revenues are derived from contributions and donations.

Restricted for GTCUW - This amount represents available resources as set forth by the Greater Twin Cities United Way. Revenues are derived from grant allocations.

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

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

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

Restricted for Food Service - This amount represents available resources available for food service. Revenues are derived from sales to pupils and State aid.

Restricted for 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 Swimming Pool - This amount represents available resources dedicated exclusively for operating the swimming pool. Revenues are derived from tax levies and local and county sources and expenditures are primarily for salaries, benefits, purchased services supplies and materials.

Independent School District No. 2895

Jackson, Minnesota

Notes to the Financial Statements

June 30, 2020

Note 3: Detailed Notes on All Funds (Continued)

Restricted for Building Project - This amount represents resources available for future capital project expenditures identified by bond proceeds.

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 (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 Defined Contribution Plan (DCR) administered by the State of Minnesota.

2. Benefits Provided

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

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

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

Independent School District No. 2895
 Jackson, Minnesota
 Notes to the Financial Statements
 June 30, 2020

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

With these provisions:

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

or

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

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

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

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

3. Contribution Rate

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

| Plan | Ending June 30, 2018 | | Ending June 30, 2019 | | Ending June 30, 2020 | |
|-------------|----------------------|----------|----------------------|----------|----------------------|----------|
| | Employee | Employer | Employee | Employer | Employee | Employer |
| Basic | 11.00% | 11.50% | 11.00% | 11.71% | 11.00% | 11.92% |
| Coordinated | 7.50% | 7.50% | 7.50% | 7.71% | 7.50% | 7.92% |

The District's contributions to TRA for the years ending June 30, 2020, 2019 and 2018 were \$512,940, \$508,736 and \$488,163, respectively. The District's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

Independent School District No. 2895
 Jackson, Minnesota
 Notes to the Financial Statements
 June 30, 2020

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

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

| | |
|---|--------------------|
| Employer Contributions Reported in TRA's CAFR Statement of Changes in Fiduciary Net Position | \$ 403,300,000 |
| Add Employer Contributions not Related to Future Contribution Efforts | (688,000) |
| Deduct TRA'S Contributions not Included in Allocation | (486,000) |
| Total Employer Contributions | 402,126,000 |
| Total Non-employer Contributions | 35,588,000 |
| Total Contributions Reported in Schedule of Employer and Non-employer Pension Allocations | \$ 437,714,000 |

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

4. Actuarial Assumptions

The total pension liability in the June 30, 2019 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, 2019 |
| Experience study | June 5, 2015 |
| Actuarial cost method | Entry Age Normal |
| Actuarial assumptions | |
| Investment rate of return | 7.50% |
| Price inflation | 2.50% |
| Wage growth rate | 2.85% before July 1, 2028 and 3.25% thereafter |
| Projected salary increase | 2.85 to 8.85% before July 1, 2028 and 3.5 to 9.25% thereafter |
| Cost of living adjustment | 1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually |
| Mortality Assumption | |
| Pre-retirement | RP-2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP-2015 scale. |
| Post-retirement | RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale. |
| Post-disability | RP-2014 disabled retiree mortality table, without adjustment. |

Independent School District No. 2895
 Jackson, Minnesota
 Notes to the Financial Statements
 June 30, 2020

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 2019 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 2018 valuation:

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

Independent School District No. 2895
 Jackson, Minnesota
 Notes to the Financial Statements
 June 30, 2020

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

5. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. There was no change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2019 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

6. Net Pension Liability

At June 30, 2020, the District reported a liability of \$7,508,597 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The District proportionate share was 0.1178 percent at the end of the measurement period and 0.1178 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 | \$ 7,508,597 |
| State's Proportionate Share of Net Pension Liability Associated with the District | 664,359 |

For the year ended June 30, 2020, the District recognized pension expense of \$1,376,637. It also recognized \$50,499 as an increase to pension expense for the support provided by direct aid.

On June 30, 2020, 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 | \$ 13,744 | \$ 195,383 |
| Changes in Actuarial Assumptions | 6,850,768 | 10,576,081 |
| Net Difference Between Projected and Actual Earnings on Plan Investments | - | 634,785 |
| Changes in Proportion | 186,955 | 542,192 |
| Contributions to TRA Subsequent to the Measurement Date | 512,940 | - |
| Total | \$ 7,564,407 | \$ 11,948,441 |

Independent School District No. 2895
 Jackson, Minnesota
 Notes to the Financial Statements
 June 30, 2020

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

Deferred outflows of resources totaling \$512,940 related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

| | | |
|------|--|-------------|
| 2021 | | \$ 424,164 |
| 2022 | | (127,608) |
| 2023 | | (3,179,804) |
| 2024 | | (1,999,809) |
| 2025 | | (13,917) |

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%) |
| \$ 11,970,539 | \$ 7,508,597 | \$ 3,829,791 |

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.

9. Subsequent Events and the Covid-19 Pandemic Subsequent to Year-End

The United States and global markets experienced declines in values resulting from uncertainty caused by COVID-19. The resulting declines are expected to have a negative impact on TRA's discount rate as well as the value of the plan's investments. Any impact caused by the resulting declines have not been included in the schedules as of June 30, 2019.

Independent School District No. 2895
Jackson, Minnesota
Notes to the Financial Statements
June 30, 2020

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

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 (GERP)

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

2. Benefits Provided

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

GERP Benefits

GERP 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 and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year 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. Disability benefits are available for vested members, and are based upon years of service and average high-five salary.

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, 2020, 2019 and 2018 were \$152,081, \$162,090 and \$147,893, respectively. The District's contributions were equal to the contractually required contributions for each year as set by state statute.

Independent School District No. 2895
 Jackson, Minnesota
 Notes to the Financial Statements
 June 30, 2020

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

4. Pension Costs

At June 30, 2020, the District reported a liability of \$1,686,277 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 to the fund in 2018. 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 \$52,498. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's 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, 2018 through June 30, 2019 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, District's proportion was 0.0305 percent which was an increase of 0.0011 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$187,633 for its proportionate share of General Employees Plan's pension expense. In addition, the District recognized an additional \$3,932 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, 2020, the District reported its proportionate share of General Employees Plan's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences Between Expected and Actual Economic Experience | \$ 49,642 | \$ 1,263 |
| Changes in Actuarial Assumptions | 3,839 | 138,952 |
| Net Difference Between Projected and Actual Earnings on Plan Investments | - | 165,560 |
| Changes in Proportion | 51,337 | 76,257 |
| Contributions paid to PERA Subsequent to the Measurement Date | 152,081 | - |
| Total | \$ 256,899 | \$ 382,032 |

The \$152,081 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| | |
|------|--------------|
| 2021 | \$ (118,269) |
| 2022 | (146,287) |
| 2023 | (15,369) |
| 2024 | 2,711 |

Independent School District No. 2895
 Jackson, Minnesota
 Notes to the Financial Statements
 June 30, 2020

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

5. Actuarial Assumptions

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

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

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

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employee Plan was completed in 2019. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2019:

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

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

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

Independent School District No. 2895
 Jackson, Minnesota
 Notes to the Financial Statements
 June 30, 2020

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

6. Discount Rate

The discount rate used to measure the total pension liability in 2019 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%) |
| \$ 2,772,148 | \$ 1,686,277 | \$ 789,674 |

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

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, 2020, the following employees were covered by the benefit terms:

| | |
|---|-----|
| Inactive Plan Members or Beneficiaries Currently Receiving Benefits | 8 |
| Active Plan Members | 177 |
| Total Plan Members | 185 |

Independent School District No. 2895
Jackson, Minnesota
Notes to the Financial Statements
June 30, 2020

Note 5: Postemployment Benefits Other Than Pensions (Continued)

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 2020, the District contributed \$42,052 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 \$562,589 was measured as of July 1, 2019, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of July 1, 2019.

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

| | |
|------------------------------|--|
| Discount Rate | 3.10% |
| 20-Year Municipal Bond Yield | 3.10% |
| Inflation Rate | 2.50% |
| Salary Increases | Service graded |
| Medical Trend Rate | 6.50% as of July 1, 2019 grading to 5.00% over 6 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 Plans Headcount-Weighted Mortality Tables (General, Teachers) 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. 2895
 Jackson, Minnesota
 Notes to the Financial Statements
 June 30, 2020

Note 5: Postemployment Benefits Other Than Pensions (Continued)

D. Changes in the Total OPEB Liability

| | Total OPEB Liability |
|--|-------------------------|
| Balance at June 30, 2019 | \$ 571,573 |
| Changes for the Year | |
| Service Cost | 33,704 |
| Interest | 19,870 |
| Assumption Changes | (6,323) |
| Differences Between Expected and Actual Experience | (14,183) |
| Benefit Payments | (42,052) |
| Net Changes | (8,984) |
| Balance at June 30, 2020 | \$ 562,589 |

Since the prior measurement date, the following assumptions changed:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality table was updated from RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables with MP-2018 Generational Improvement Scale.
- The discount rate was changed from 3.40% to 3.10%.

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%) |
|-------------------------------|-----------------|-------------------------------|
| \$ 591,671 | \$ 562,589 | \$ 534,318 |

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 (5.50 percent decreasing to 4.00 percent) or 1-percentage-point higher (7.50 percent increasing to 6.00 percent) than the current Healthcare Cost Trend rate:

| 1 Percent Decrease (5.50% decreasing to 4%) | Healthcare Cost Trend Rates (6.50% decreasing to 5.00%) | 1 Percent Increase (7.50% decreasing to 6%) |
|---|--|---|
| \$ 519,067 | \$ 562,589 | \$ 613,003 |

Independent School District No. 2895
 Jackson, Minnesota
 Notes to the Financial Statements
 June 30, 2020

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, 2020, the District recognized OPEB expense of (\$45,345). At June 30, 2020, 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 |
|--|-----------------------------------|----------------------------------|
| Contributions Subsequent to the Measurement Date | \$ 45,345 | \$ - |

Deferred outflows of resources totaling \$45,345 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, 2021.

Note 6: Other Information

A. Risk Management

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

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

The Southwest/West Central Services Cooperative Health Insurance Fund was formed under a joint powers agreement. The agreement is to provide a cooperative program of group funding and risk management of employee health and medical claims for the employees of the member school districts. The fund is not intended to function as an insurance company for the districts. Rather, it is a means of combining the administration of claims and of obtaining lower insurance rates. Although premiums billed to the districts are determined on an actuarial basis, the districts' liability for claims is limited to the amount of premiums paid.

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. 2895
 Jackson, Minnesota
 Notes to the Financial Statements
 June 30, 2020

Note 7: Change in Accounting Principle

During fiscal year 2020, the District implemented a new accounting pronouncement issued by the Government Accounting Standards Board (GASB), Statement No. 84, *Fiduciary Activities*. This standard required a retroactive implementation which resulted in the restatement of beginning balances in the June 30, 2020 financial statements. Changes related to this standard are reflected in the financial statements and related disclosures.

As a result of the restatement of beginning balances, the following schedule reconciles the previously reported June 30, 2019 balances to the July 1, 2020 financial statement balances:

| Fund | Net Position June 30, 2019 as Previously Reported | Prior Period Restatement | Net Position July 1, 2020 as Restated |
|---|--|-----------------------------|---|
| Governmental activities | \$ 5,655,625 | \$ 67,663 | \$ 5,723,288 |
| Governmental activities General fund | \$ 2,109,367 | \$ 67,663 | \$ 2,177,030 |

Note 8: Subsequent Event

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world in the first quarter of 2020 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the District is unable to determine if it will have a material impact to its operations.

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REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 2895
JACKSON, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2020

Independent School District No. 2895
 Jackson, Minnesota
 Required Supplementary Information
 For the Year Ended June 30, 2020

Schedule of Employer's Share of TRA 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 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 |
|--------------------|--|---|--|--------------|--------------------------------|--|--|
| 06/30/19 | 0.1178 % | \$ 7,508,597 | \$ 664,359 | \$ 8,172,956 | \$ 6,598,392 | 113.8 % | 78.2 % |
| 06/30/18 | 0.1178 | 7,399,509 | 695,326 | 8,094,835 | 6,508,840 | 113.7 | 78.1 |
| 06/30/17 | 0.1253 | 25,012,153 | 2,417,627 | 27,429,780 | 6,747,440 | 370.7 | 51.6 |
| 06/30/16 | 0.1216 | 29,004,501 | 2,911,176 | 31,915,677 | 6,323,947 | 458.6 | 44.9 |
| 06/30/15 | 0.1170 | 7,237,607 | 888,092 | 8,125,699 | 5,936,107 | 121.9 | 76.8 |
| 06/30/14 | 0.1228 | 5,658,536 | 397,953 | 6,056,489 | 5,604,300 | 101.0 | 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) |
|--------------------|---------------------------------------|--|--|--------------------------------|--|
| 06/30/20 | \$ 512,940 | \$ 512,940 | \$ - | \$ 6,476,515 | 7.92 % |
| 06/30/19 | 508,736 | 508,736 | - | 6,598,392 | 7.71 |
| 06/30/18 | 488,163 | 488,163 | - | 6,508,840 | 7.50 |
| 06/30/17 | 506,058 | 506,058 | - | 6,747,440 | 7.50 |
| 06/30/16 | 474,296 | 474,296 | - | 6,323,947 | 7.50 |
| 06/30/15 | 445,208 | 445,208 | - | 5,936,107 | 7.50 |

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

Independent School District No. 2895
Jackson, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2020

Notes to the Required Supplementary Information - TRA

Changes in Actuarial Assumptions

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

2018 - The investment return assumption was changed from 8.5% to 7.5%. The price inflation assumption was lowered from 3.0% to 2.5%. The payroll growth assumption was lowered from 3.5% to 3.0%. The wage inflation assumption (above price inflation) was reduced from 0.75% to 0.35% for the next 10 years, and 0.75% thereafter. The total salary increase assumption was adjusted by the wage inflation change. The amortization date for the funding of the Unfunded Actuarial Accrued Liability (UAAL) was reset to June 30, 2048 (30 years). A mechanism in the law that provided the TRA Board with some authority to set contribution rates was eliminated.

2017 - The Cost of Living Adjustment was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045. Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%

2016 - The assumed investment return was changed from 8.0 percent to 4.66 percent using the Single Equivalent Interest Rate calculation. The single discount rate was changed from 8.0 percent to 4.66 percent. The assumed future salary increases, payroll growth and inflation were changed by a 0.25 percent decrease for price inflation, a 0.50 percent increase for wage inflation and a 2.50 percent decrease in maximum salary increases based on years of service. Mortality assumptions were updated using the RP-2014 tables.

Independent School District No. 2895
Jackson, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2020

Notes to the Required Supplementary Information – TRA (Continued)

2015 - The assumed post-retirement benefit increase rate was changed from 2.0 percent per year through 2034 and 2.5 percent per year thereafter to 2.0 percent per year for all future years. The assumed investment return was changed from 8.25 percent to 8.0 percent. The single discount rate was changed from 8.25 percent to 8.0 percent.

Changes in Plan Provisions

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

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

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

Independent School District No. 2895
 Jackson, Minnesota
 Required Supplementary Information (Continued)
 For the Year Ended June 30, 2020

Schedule of Employer's Share of PERA Net Pension Liability

| Fiscal Year Ending | District's Proportion of the Net Pension Liability | District's Proportionate Share of the Net Pension Liability (a) | State's Proportionate Share of the Net Pension Liability Associated with the District (b) | Total (a+b) | District's Covered Payroll (c) | District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c) | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|--------------------|--|---|---|--------------|--------------------------------|--|--|
| 06/30/19 | 0.0305 % | \$ 1,686,277 | \$ 52,498 | \$ 1,738,775 | \$ 2,161,200 | 78.0 % | 80.2 % |
| 06/30/18 | 0.0294 | 1,630,991 | 53,386 | 1,684,377 | 1,971,907 | 82.7 | 79.5 |
| 06/30/17 | 0.0312 | 1,991,787 | 25,015 | 2,016,802 | 2,007,560 | 99.2 | 75.9 |
| 06/30/16 | 0.0324 | 2,630,719 | 34,439 | 2,665,158 | 2,013,520 | 130.7 | 68.9 |
| 06/30/15 | 0.0314 | 1,627,311 | - | 1,627,311 | 1,813,493 | 89.7 | 78.2 |
| 06/30/14 | 0.0309 | 1,451,527 | - | 1,451,527 | 1,624,097 | 89.4 | 78.7 |

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

Schedule of Employer's PERA Contributions

| Fiscal Year Ending | Statutorily Required Contribution (a) | Contributions in Relation to the Statutorily Required Contribution (b) | Contribution Deficiency (Excess) (a-b) | District's Covered Payroll (c) | Contributions as a Percentage of Covered Payroll (b/c) |
|--------------------|---------------------------------------|--|--|--------------------------------|--|
| 06/30/20 | \$ 152,081 | \$ 152,081 | \$ - | \$ 2,027,747 | 7.50 % |
| 06/30/19 | 162,090 | 162,090 | - | 2,161,200 | 7.50 |
| 06/30/18 | 147,893 | 147,893 | - | 1,971,907 | 7.50 |
| 06/30/17 | 150,567 | 150,567 | - | 2,007,560 | 7.50 |
| 06/30/16 | 151,014 | 151,014 | - | 2,013,520 | 7.50 |
| 06/30/15 | 136,012 | 136,012 | - | 1,813,493 | 7.50 |

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

Independent School District No. 2895
Jackson, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2020

Notes to the Required Supplementary Information - PERA

Changes in Actuarial Assumptions

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.

Changes in Plan Provisions

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.

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. 2895
 Jackson, Minnesota
 Required Supplementary Information (Continued)
 For the Year Ended June 30, 2020

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

| | 2020 | 2019 |
|---|--------------|--------------|
| Total OPEB Liability | | |
| Service cost | \$ 33,704 | \$ 40,655 |
| Interest | 19,870 | 19,516 |
| Differences between expected and actual experience | (14,183) | - |
| Changes in assumptions | (6,323) | - |
| Benefit payments | (42,052) | (43,515) |
| Net Change in Total OPEB Liability | (8,984) | 16,656 |
| | | |
| Total OPEB Liability - Beginning | 571,573 | 554,917 |
| Total OPEB Liability - Ending | \$ 562,589 | \$ 571,573 |
| | | |
| Covered - Employee Payroll | \$ 8,315,137 | \$ 8,238,226 |
| | | |
| Districts's Total OPEB Liability as a Percentage of Covered Employee Payroll | 6.77 % | 6.94 % |

Benefit Changes:

In 2020, the following benefit changes occurred:
 None
 In 2019, the following benefit changes occurred:
 None

Changes in Assumptions:

In 2020, the following assumptions changes:
 The health care trend rates, mortality tables, and salary increase assumptions were updated. The discount rate changed from 3.40% to 3.10%.
 In 2019, the following assumptions changes:
 None

Changes in Method:

In 2020, the following method changes:
 None
 In 2019, the following method changes:
 None

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

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COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES AND TABLE

INDEPENDENT SCHOOL DISTRICT NO. 2895
JACKSON, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2020

Independent School District No. 2895

Jackson, Minnesota

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2020

| | Special Revenue | | Total |
|---|-------------------|-------------------|-------------------|
| | Food Service | Community Service | |
| Assets | | | |
| Cash and temporary investments | \$ 278,770 | \$ 68,851 | \$ 347,621 |
| Receivables | | | |
| Taxes | | | |
| Current | - | 52,142 | 52,142 |
| Delinquent | - | 926 | 926 |
| Accounts and interest | - | 11,656 | 11,656 |
| Intergovernmental | 63,108 | 10,374 | 73,482 |
| Inventories | 5,888 | - | 5,888 |
| Total Assets | \$ 347,766 | \$ 143,949 | \$ 491,715 |
| Liabilities | | | |
| Salaries and wages payable | \$ 10,940 | \$ 27,103 | \$ 38,043 |
| Accounts and other payables | 15,660 | 9,841 | 25,501 |
| Due to other governments | - | 1,323 | 1,323 |
| Unearned revenue | 37,321 | - | 37,321 |
| Total Liabilities | 63,921 | 38,267 | 102,188 |
| Deferred Inflows of Resources | | | |
| Property taxes levied for subsequent year | - | 121,839 | 121,839 |
| Unavailable revenue - delinquent property taxes | - | 926 | 926 |
| Total Deferred Inflows of Resources | - | 122,765 | 122,765 |
| Fund Balances | | | |
| Nonspendable | | | |
| Inventories | 5,888 | - | 5,888 |
| Restricted | | | |
| Early childhood family education | - | 2,864 | 2,864 |
| School readiness | - | 633 | 633 |
| Community service | - | 3,406 | 3,406 |
| Swimming pool | - | 10,078 | 10,078 |
| Food service | 277,957 | - | 277,957 |
| Unassigned | - | (34,064) | (34,064) |
| Total Fund Balances | 283,845 | (17,083) | 266,762 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 347,766 | \$ 143,949 | \$ 491,715 |

Independent School District No. 2895
 Jackson, Minnesota
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 For the Year Ended June 30, 2020

| | Special Revenue | | Total |
|--------------------------------------|-------------------|----------------------|-------------------|
| | Food Service | Community Service | |
| Revenues | | | |
| Local property tax levies | \$ - | \$ 122,782 | \$ 122,782 |
| Other local and county revenue | 15,653 | 489,432 | 505,085 |
| Interest earned on investments | 3,215 | 768 | 3,983 |
| Revenue from state sources | 39,136 | 75,701 | 114,837 |
| Revenue from federal sources | 477,110 | - | 477,110 |
| Sales and other conversion of assets | 241,657 | - | 241,657 |
| Total Revenues | <u>776,771</u> | <u>688,683</u> | <u>1,465,454</u> |
| Expenditures | | | |
| Current | | | |
| Community education and services | - | 696,796 | 696,796 |
| Pupil support services | 740,499 | 10,304 | 750,803 |
| Capital outlay | - | 9,045 | 9,045 |
| Total Expenditures | <u>740,499</u> | <u>716,145</u> | <u>1,456,644</u> |
| Net Change In Fund Balances | 36,272 | (27,462) | 8,810 |
| Fund Balances, July 1 | <u>247,573</u> | <u>10,379</u> | <u>257,952</u> |
| Fund Balances, June 30 | <u>\$ 283,845</u> | <u>\$ (17,083)</u> | <u>\$ 266,762</u> |

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Independent School District No. 2895
 Jackson, Minnesota
 General Fund
 Comparative Balance Sheets
 June 30, 2020 and 2019

| | 2020 | 2019 |
|---|---------------------|---------------------|
| Assets | | |
| Cash and temporary investments | \$ 3,798,361 | \$ 3,107,896 |
| Receivables | | |
| Taxes | | |
| Current | 858,498 | 873,799 |
| Delinquent | 16,812 | 17,797 |
| Accounts | 1,298 | 17,332 |
| Intergovernmental | 1,334,845 | 1,233,939 |
| Inventories | 23,094 | 21,430 |
| Prepaid items | - | 13,851 |
| | <u>\$ 6,032,908</u> | <u>\$ 5,286,044</u> |
| Liabilities | | |
| Salaries payable | \$ 582,565 | \$ 552,661 |
| Accounts and other payables | 40,721 | 53,521 |
| Due to other school districts | 60,803 | 10,493 |
| Due to other governments | 11,156 | 22,648 |
| Accrued expenses | 580,684 | 535,976 |
| Total Liabilities | <u>1,275,929</u> | <u>1,175,299</u> |
| Deferred Inflows of Resources | | |
| Property taxes levied for subsequent year | 1,972,696 | 1,983,581 |
| Unavailable revenue - delinquent property taxes | 16,812 | 17,797 |
| Total Deferred Inflows of Resources | <u>1,989,508</u> | <u>2,001,378</u> |
| Fund Balances | | |
| Nonspendable | | |
| Inventories | 23,094 | 21,430 |
| Prepaid items | - | 13,851 |
| Restricted | | |
| Staff development | 69,044 | 21,220 |
| Operating capital | 359,340 | 95,592 |
| Learning and development | 9,450 | - |
| Basic skills extended time | 32,811 | 17,150 |
| Safe schools | 18,446 | - |
| Long term facility maintenance | 198,946 | 219,141 |
| Medical assistance | - | 2,616 |
| Lakefield Fields Project | 1,702 | 19,943 |
| Strength and Conditioning | 9,340 | 7,606 |
| Husky Wrestling Capital Improvement Project | 183 | 50,250 |
| Student activities | 79,444 | 65,441 |
| Scholarships | 2,122 | 2,222 |
| Career pathways | 67,802 | - |
| Unassigned | 1,895,747 | 1,572,905 |
| Total Fund Balances | <u>2,767,471</u> | <u>2,109,367</u> |
| | <u>\$ 6,032,908</u> | <u>\$ 5,286,044</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 6,032,908</u> | <u>\$ 5,286,044</u> |

Independent School District No. 2895
 Jackson, Minnesota
 General Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual
 For the Year Ended June 30, 2020
 (With Comparative Actual Amounts for the Year Ended June 30, 2019)

| | 2020 | | | Variance with Final Budget | 2019 |
|---|-------------------|-------------------|-------------------|-------------------------------|-------------------|
| | Budgeted Amounts | | Actual | | Actual |
| | Original | Final | Amounts | | Amounts |
| Revenues | | | | | |
| Local property tax levies | \$ 2,043,540 | \$ 2,048,540 | \$ 2,079,450 | \$ 30,910 | \$ 1,961,667 |
| Other local and county revenue | 262,000 | 605,300 | 791,063 | 185,763 | 546,116 |
| Interest earned on investments | 40,010 | 40,000 | 33,683 | (6,317) | 40,115 |
| Revenue from state sources | 11,381,450 | 11,356,520 | 11,383,768 | 27,248 | 11,256,595 |
| Revenue from federal sources | 348,500 | 349,600 | 380,192 | 30,592 | 299,933 |
| Sales and other conversion of assets | - | - | 11,077 | 11,077 | 9,426 |
| Total Revenues | <u>14,075,500</u> | <u>14,399,960</u> | <u>14,679,233</u> | <u>279,273</u> | <u>14,113,852</u> |
| Expenditures | | | | | |
| Current | | | | | |
| Administration | | | | | |
| Salaries | 730,570 | 715,570 | 701,045 | 14,525 | 741,586 |
| Employee benefits | 246,060 | 246,060 | 244,753 | 1,307 | 258,684 |
| Purchased services | 74,200 | 74,200 | 72,039 | 2,161 | 80,493 |
| Supplies and materials | 6,000 | 6,000 | 4,857 | 1,143 | 3,904 |
| Other expenditures | 13,150 | 13,150 | 13,099 | 51 | 17,190 |
| Total administration | <u>1,069,980</u> | <u>1,054,980</u> | <u>1,035,793</u> | <u>19,187</u> | <u>1,101,857</u> |
| District support services | | | | | |
| Salaries | 200,650 | 200,650 | 199,178 | 1,472 | 193,207 |
| Employee benefits | 65,360 | 68,360 | 73,881 | (5,521) | 63,092 |
| Purchased services | 46,200 | 50,200 | 56,417 | (6,217) | 30,472 |
| Supplies and materials | 4,500 | 3,500 | 4,886 | (1,386) | 2,507 |
| Other expenditures | (1,780) | (1,780) | (1,780) | - | (2,039) |
| Total district support services | <u>314,930</u> | <u>320,930</u> | <u>332,582</u> | <u>(11,652)</u> | <u>287,239</u> |
| Elementary and secondary regular instruction | | | | | |
| Salaries | 4,556,690 | 4,556,690 | 4,495,225 | 61,465 | 4,481,090 |
| Employee benefits | 1,282,140 | 1,271,540 | 1,252,809 | 18,731 | 1,254,821 |
| Purchased services | 394,820 | 393,820 | 391,338 | 2,482 | 414,770 |
| Supplies and materials | 270,520 | 507,040 | 534,554 | (27,514) | 250,044 |
| Other expenditures | 2,000 | 2,000 | 2,000 | - | 30,838 |
| Total elementary and secondary regular instruction | <u>6,506,170</u> | <u>6,731,090</u> | <u>6,675,926</u> | <u>55,164</u> | <u>6,431,563</u> |
| Vocational education instruction | | | | | |
| Salaries | 222,780 | 222,780 | 221,946 | 834 | 216,090 |
| Employee benefits | 54,740 | 54,740 | 54,696 | 44 | 38,099 |
| Purchased services | 20,000 | 20,000 | 4,865 | 15,135 | 20,684 |
| Supplies and materials | 20,000 | 20,000 | 15,749 | 4,251 | 29,590 |
| Other expenditures | - | - | - | - | 1,379 |
| Total vocational education instruction | <u>317,520</u> | <u>317,520</u> | <u>297,256</u> | <u>20,264</u> | <u>305,842</u> |
| Special education instruction | | | | | |
| Salaries | 1,790,730 | 1,806,430 | 1,756,515 | 49,915 | 1,762,117 |
| Employee benefits | 449,000 | 433,950 | 429,072 | 4,878 | 413,072 |
| Purchased services | 222,900 | 213,900 | 207,071 | 6,829 | 188,963 |
| Supplies and materials | 17,900 | 23,400 | 24,434 | (1,034) | 28,206 |
| Other expenditures | - | - | - | - | 8,815 |
| Total special education instruction | <u>2,480,530</u> | <u>2,477,680</u> | <u>2,417,092</u> | <u>60,588</u> | <u>2,401,173</u> |

Independent School District No. 2895
 Jackson, Minnesota
 General Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual (Continued)
 For the Year Ended June 30, 2020
 (With Comparative Actual Amounts for the Year Ended June 30, 2019)

| | 2020 | | | Variance with Final Budget | 2019 |
|--|---------------------|---------------------|---------------------|-------------------------------|---------------------|
| | Budgeted Amounts | | Actual | | Actual |
| | Original | Final | Amounts | | Amounts |
| Expenditures (Continued) | | | | | |
| Current (continued) | | | | | |
| Instructional support services | | | | | |
| Salaries | \$ 265,790 | \$ 215,500 | \$ 212,891 | \$ 2,609 | \$ 283,960 |
| Employee benefits | 81,580 | 75,580 | 80,720 | (5,140) | 95,803 |
| Purchased services | 52,500 | 52,500 | 61,596 | (9,096) | 67,988 |
| Supplies and materials | 94,360 | 84,360 | 62,728 | 21,632 | 89,039 |
| Other expenditures | - | - | - | - | 1,495 |
| Total instructional support services | <u>494,230</u> | <u>427,940</u> | <u>417,935</u> | <u>10,005</u> | <u>538,285</u> |
| Pupil support services | | | | | |
| Salaries | 316,940 | 318,480 | 317,757 | 723 | 393,090 |
| Employee benefits | 78,160 | 78,160 | 78,398 | (238) | 95,939 |
| Purchased services | 639,290 | 639,190 | 653,777 | (14,587) | 348,083 |
| Supplies and materials | 17,100 | 17,100 | 18,491 | (1,391) | 71,963 |
| Other expenditures | - | - | - | - | 2,583 |
| Total pupil support services | <u>1,051,490</u> | <u>1,052,930</u> | <u>1,068,423</u> | <u>(15,493)</u> | <u>911,658</u> |
| Sites and buildings | | | | | |
| Salaries | 440,720 | 440,720 | 423,295 | 17,425 | 430,385 |
| Employee benefits | 119,790 | 119,790 | 125,584 | (5,794) | 119,589 |
| Purchased services | 540,330 | 539,330 | 564,834 | (25,504) | 500,633 |
| Supplies and materials | 181,000 | 184,000 | 182,420 | 1,580 | 188,348 |
| Other expenditures | - | (15,000) | (14,250) | (750) | 34,165 |
| Total sites and buildings | <u>1,281,840</u> | <u>1,268,840</u> | <u>1,281,883</u> | <u>(13,043)</u> | <u>1,273,120</u> |
| Fiscal and other fixed cost programs | | | | | |
| Employee benefits | 100 | 100 | 100 | - | - |
| Purchased services | 66,000 | 66,000 | 65,017 | 983 | 60,093 |
| Total fiscal and other fixed cost programs | <u>66,100</u> | <u>66,100</u> | <u>65,117</u> | <u>983</u> | <u>60,093</u> |
| Total current | <u>13,582,790</u> | <u>13,718,010</u> | <u>13,592,007</u> | <u>126,003</u> | <u>13,310,830</u> |
| Capital outlay | | | | | |
| Elementary and secondary regular instruction | 131,350 | 170,340 | 146,957 | 23,383 | 105,176 |
| Vocational education instruction | 1,000 | - | - | - | - |
| Special education instruction | 3,400 | 4,400 | - | 4,400 | 11,975 |
| Instructional support services | 120,200 | 90,200 | 110,652 | (20,452) | 183,762 |
| Pupil support services | 65,000 | 55,000 | 24,304 | 30,696 | - |
| Sites and buildings | 311,850 | 393,950 | 368,734 | 25,216 | 303,743 |
| Total capital outlay | <u>632,800</u> | <u>713,890</u> | <u>650,647</u> | <u>63,243</u> | <u>604,656</u> |
| Total Expenditures | <u>14,215,590</u> | <u>14,431,900</u> | <u>14,242,654</u> | <u>189,246</u> | <u>13,915,486</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(140,090)</u> | <u>(31,940)</u> | <u>436,579</u> | <u>468,519</u> | <u>198,366</u> |
| Other Financing Sources (Uses) | | | | | |
| Sale of capital assets | 150,000 | 150,600 | 153,862 | 3,262 | 7,027 |
| Transfers out | - | - | - | - | (40,000) |
| Total Other Financing Sources (Uses) | <u>150,000</u> | <u>150,600</u> | <u>153,862</u> | <u>3,262</u> | <u>(32,973)</u> |
| Net Change In Fund Balances | 9,910 | 118,660 | 590,441 | 471,781 | 165,393 |
| Fund Balances, July 1 | 2,109,367 | 2,109,367 | 2,109,367 | - | 1,943,974 |
| Prior Period Restatement (Note 7) | - | - | 67,663 | 67,663 | - |
| Fund Balances, June 30 | <u>\$ 2,119,277</u> | <u>\$ 2,228,027</u> | <u>\$ 2,767,471</u> | <u>\$ 539,444</u> | <u>\$ 2,109,367</u> |

Independent School District No. 2895
 Jackson, Minnesota
 Food Service Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual
 For the Year Ended June 30, 2020
 (With Comparative Actual Amounts for the Year Ended June 30, 2019)

| | 2020 | | | | 2019 |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------------------|-------------------|
| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget | Actual Amounts |
| | Original | Final | | | |
| Revenues | | | | | |
| Other local and county revenues | \$ 24,000 | \$ 16,000 | \$ 15,653 | \$ (347) | \$ 20,306 |
| Interest earned on investments | 2,500 | 5,000 | 3,215 | (1,785) | 4,385 |
| Revenue from state sources | 52,500 | 51,800 | 39,136 | (12,664) | 55,658 |
| Revenue from federal sources | 362,800 | 346,500 | 477,110 | 130,610 | 377,486 |
| Sales and other conversion of assets | 322,700 | 317,400 | 241,657 | (75,743) | 320,085 |
| Total Revenues | <u>764,500</u> | <u>736,700</u> | <u>776,771</u> | <u>40,071</u> | <u>777,920</u> |
| Expenditures | | | | | |
| Current | | | | | |
| Pupil support services | | | | | |
| Salaries | 301,940 | 284,540 | 270,483 | 14,057 | 291,630 |
| Employee benefits | 62,960 | 58,950 | 55,322 | 3,628 | 58,302 |
| Purchased services | 12,500 | 11,800 | 28,932 | (17,132) | 9,998 |
| Supplies and materials | 347,650 | 378,550 | 371,512 | 7,038 | 387,504 |
| Other expenditures | - | 15,000 | 14,250 | 750 | 14,100 |
| Total Expenditures | <u>725,050</u> | <u>748,840</u> | <u>740,499</u> | <u>8,341</u> | <u>761,534</u> |
| Net Change In Fund Balances | 39,450 | (12,140) | 36,272 | 48,412 | 16,386 |
| Fund Balances, July 1 | <u>247,573</u> | <u>247,573</u> | <u>247,573</u> | - | <u>231,187</u> |
| Fund Balances, June 30 | <u>\$ 287,023</u> | <u>\$ 235,433</u> | <u>\$ 283,845</u> | <u>\$ 48,412</u> | <u>\$ 247,573</u> |

Independent School District No. 2895
 Jackson, Minnesota
 Community Service Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual
 For the Year Ended June 30, 2020
 (With Comparative Actual Amounts for the Year Ended June 30, 2019)

| | 2020 | | | | 2019 |
|--|------------------|-----------------|--------------------|-------------------------------|-------------------|
| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget | Actual Amounts |
| | Original | Final | | | |
| Revenues | | | | | |
| Local property tax levies | \$ 123,090 | \$ 123,290 | \$ 122,782 | \$ (508) | \$ 105,052 |
| Other local and county revenue | 544,070 | 553,540 | 489,432 | (64,108) | 477,044 |
| Interest earned on investments | - | - | 768 | 768 | 649 |
| Revenue from state sources | 73,840 | 70,230 | 75,701 | 5,471 | 78,050 |
| Total revenues | <u>741,000</u> | <u>747,060</u> | <u>688,683</u> | <u>(58,377)</u> | <u>660,795</u> |
| Expenditures | | | | | |
| Current | | | | | |
| Community education and services | | | | | |
| Salaries | 420,000 | 429,700 | 400,042 | 29,658 | 371,843 |
| Employee benefits | 97,190 | 103,380 | 94,303 | 9,077 | 92,198 |
| Purchased services | 70,050 | 77,150 | 72,803 | 4,347 | 76,563 |
| Supplies and materials | 122,320 | 129,520 | 129,648 | (128) | 127,143 |
| Other expenditures | 360 | 200 | - | 200 | 1,844 |
| Total community education and services | <u>709,920</u> | <u>739,950</u> | <u>696,796</u> | <u>43,154</u> | <u>669,591</u> |
| Pupil support services | | | | | |
| Salaries | 8,000 | 6,430 | 7,687 | (1,257) | 8,208 |
| Employee benefits | - | 2,200 | 2,617 | (417) | 1,800 |
| Total pupil support services | <u>8,000</u> | <u>8,630</u> | <u>10,304</u> | <u>(1,674)</u> | <u>10,008</u> |
| Total current | 717,920 | 748,580 | 707,100 | 41,480 | 679,599 |
| Capital outlay | | | | | |
| Community education and services | 7,900 | 9,100 | 9,045 | 55 | 47,685 |
| Total Expenditures | <u>725,820</u> | <u>757,680</u> | <u>716,145</u> | <u>41,535</u> | <u>727,284</u> |
| Net Change in Fund Balances | 15,180 | (10,620) | (27,462) | (16,842) | (26,489) |
| Fund Balances, July 1 | 10,379 | 10,379 | 10,379 | - | 36,868 |
| Fund Balances, June 30 | <u>\$ 25,559</u> | <u>\$ (241)</u> | <u>\$ (17,083)</u> | <u>\$ (16,842)</u> | <u>\$ 10,379</u> |

Independent School District No. 2895
 Jackson, Minnesota
 Debt Service Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual
 For the Year Ended June 30, 2020
 (With Comparative Actual Amounts for the Year Ended June 30, 2019)

| | 2020 | | | | 2019 |
|--|-------------------|-------------------|-------------------|-------------------------------|-------------------|
| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget | Actual Amounts |
| | Original | Final | | | |
| Revenues | | | | | |
| Local property tax levies | \$ 964,000 | \$ 965,000 | \$ 964,682 | \$ (318) | \$ 943,928 |
| Other local and county revenues | - | - | 7,484 | 7,484 | 2,115 |
| Interest earned on investments | 9,770 | 10,970 | 8,875 | (2,095) | 11,637 |
| Revenue from state sources | 445,230 | 445,030 | 445,046 | 16 | 457,332 |
| Total Revenues | <u>1,419,000</u> | <u>1,421,000</u> | <u>1,426,087</u> | <u>5,087</u> | <u>1,415,012</u> |
| Expenditures | | | | | |
| Debt service | | | | | |
| Principal | 1,280,000 | 1,280,000 | 1,280,000 | - | 1,240,000 |
| Interest and other charges | 125,000 | 124,000 | 122,158 | 1,842 | 159,525 |
| Total Expenditures | <u>1,405,000</u> | <u>1,404,000</u> | <u>1,402,158</u> | <u>1,842</u> | <u>1,399,525</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 14,000 | 17,000 | 23,929 | 6,929 | 15,487 |
| Other Financing Sources (Uses) | | | | | |
| Bonds issued | - | - | 73,500 | 73,500 | - |
| Net Change in Fund Balances | 14,000 | 17,000 | 97,429 | 80,429 | 15,487 |
| Fund Balances, July 1 | <u>280,664</u> | <u>280,664</u> | <u>280,664</u> | <u>-</u> | <u>265,177</u> |
| Fund Balances, June 30 | <u>\$ 294,664</u> | <u>\$ 297,664</u> | <u>\$ 378,093</u> | <u>\$ 80,429</u> | <u>\$ 280,664</u> |

Independent School District No. 2895
 Jackson, Minnesota
 Schedules of Tax Capacity, Tax Levy and Tax Rates
 For the Years Ended June 30, 2020 and 2019

| | 2020 | 2019 |
|--------------------|---------------|---------------|
| Tax Capacity | | |
| Agricultural | \$ 12,892,146 | \$ 13,704,223 |
| Nonagricultural | 5,036,935 | 4,991,228 |
| Total | \$ 17,929,081 | \$ 18,695,451 |
| Tax Levy | | |
| General | \$ 2,121,573 | \$ 2,126,724 |
| Community Service | 121,927 | 129,995 |
| Debt Service | 2,395,131 | 1,411,913 |
| Total | \$ 4,638,631 | \$ 3,668,632 |
| Tax Capacity Rates | | |
| General | 4.762 | 4.477 |
| Community Service | 0.063 | 0.065 |
| Debt Service | 12.415 | 7.020 |
| Total | 17.240 | 11.561 |

**Fiscal Compliance Report - 6/30/2020
District: JACKSON COUNTY CENTRAL (2895-1)**

| | Audit | UFARS | Audit - UFARS | | Audit | UFARS | Audit - UFARS |
|---|--------------|---------------------|--------------------------|---|--------------|---------------------|--------------------------|
| 01 GENERAL FUND | | | | 06 BUILDING CONSTRUCTION | | | |
| Total Revenue | \$14,679,233 | <u>\$14,679,234</u> | (\$1) | Total Revenue | \$272,771 | <u>\$272,771</u> | \$0 |
| Total Expenditures | \$14,242,654 | <u>\$14,242,651</u> | \$3 | Total Expenditures | \$1,167,355 | <u>\$1,167,355</u> | \$0 |
| <i>Non Spendable:</i> | | | | <i>Non Spendable:</i> | | | |
| 4.60 Non Spendable Fund Balance | \$23,094 | <u>\$23,094</u> | \$0 | 4.60 Non Spendable Fund Balance | \$0 | <u>\$0</u> | \$0 |
| <i>Restricted / Reserved:</i> | | | | <i>Restricted / Reserved:</i> | | | |
| 4.01 Student Activities | \$79,444 | <u>\$79,444</u> | \$0 | 4.07 Capital Projects Levy | \$0 | <u>\$0</u> | \$0 |
| 4.02 Scholarships | \$2,122 | <u>\$2,122</u> | \$0 | 4.13 Project Funded by COP | \$0 | <u>\$0</u> | \$0 |
| 4.03 Staff Development | \$69,044 | <u>\$69,044</u> | \$0 | 4.67 LTFM | \$0 | <u>\$0</u> | \$0 |
| 4.07 Capital Projects Levy | \$0 | <u>\$0</u> | \$0 | <i>Restricted:</i> | | | |
| 4.08 Cooperative Revenue | \$0 | <u>\$0</u> | \$0 | 4.64 Restricted Fund Balance | \$34,836,971 | <u>\$34,836,971</u> | \$0 |
| 4.13 Project Funded by COP | \$0 | <u>\$0</u> | \$0 | <i>Unassigned:</i> | | | |
| 4.14 Operating Debt | \$0 | <u>\$0</u> | \$0 | 4.63 Unassigned Fund Balance | \$0 | <u>\$0</u> | \$0 |
| 4.16 Levy Reduction | \$0 | <u>\$0</u> | \$0 | 07 DEBT SERVICE | | | |
| 4.17 Taconite Building Maint | \$0 | <u>\$0</u> | \$0 | Total Revenue | \$1,426,087 | <u>\$1,426,086</u> | \$1 |
| 4.24 Operating Capital | \$361,225 | <u>\$361,226</u> | (\$1) | Total Expenditures | \$1,402,158 | <u>\$1,402,158</u> | \$0 |
| 4.26 \$25 Taconite | \$0 | <u>\$0</u> | \$0 | <i>Non Spendable:</i> | | | |
| 4.27 Disabled Accessibility | \$0 | <u>\$0</u> | \$0 | 4.60 Non Spendable Fund Balance | \$0 | <u>\$0</u> | \$0 |
| 4.28 Learning & Development | \$9,450 | <u>\$9,450</u> | \$0 | <i>Restricted / Reserved:</i> | | | |
| 4.34 Area Learning Center | \$0 | <u>\$0</u> | \$0 | 4.25 Bond Refundings | \$0 | <u>\$0</u> | \$0 |
| 4.35 Contracted Alt. Programs | \$0 | <u>\$0</u> | \$0 | 4.33 Maximum Effort Loan Aid | \$0 | <u>\$0</u> | \$0 |
| 4.36 State Approved Alt. Program | \$0 | <u>\$0</u> | \$0 | 4.51 QZAB Payments | \$0 | <u>\$0</u> | \$0 |
| 4.38 Gifted & Talented | \$0 | <u>\$0</u> | \$0 | 4.67 LTFM | \$0 | <u>\$0</u> | \$0 |
| 4.40 Teacher Development and Evaluation | \$0 | <u>\$0</u> | \$0 | <i>Restricted:</i> | | | |
| 4.41 Basic Skills Programs | \$0 | <u>\$0</u> | \$0 | 4.64 Restricted Fund Balance | \$378,093 | <u>\$378,093</u> | \$0 |
| 4.48 Achievement and Integration | \$0 | <u>\$0</u> | \$0 | <i>Unassigned:</i> | | | |
| 4.49 Safe School Crime - Crime Levy | \$18,446 | <u>\$18,445</u> | \$1 | 4.63 Unassigned Fund Balance | \$0 | <u>\$0</u> | \$0 |
| 4.51 QZAB Payments | \$0 | <u>\$0</u> | \$0 | 08 TRUST | | | |
| 4.52 OPEB Liab Not In Trust | \$0 | <u>\$0</u> | \$0 | Total Revenue | \$0 | <u>\$0</u> | \$0 |
| 4.53 Unfunded Sev & Retirement Levy | \$0 | <u>\$0</u> | \$0 | Total Expenditures | \$0 | <u>\$0</u> | \$0 |
| 4.59 Basic Skills Extended Time | \$32,811 | <u>\$32,812</u> | (\$1) | <i>Restricted / Reserved:</i> | | | |
| 4.67 LTFM | \$198,946 | <u>\$198,946</u> | \$0 | 4.01 Student Activities | \$0 | <u>\$0</u> | \$0 |
| 4.72 Medical Assistance | (\$15,637) | <u>(\$15,637)</u> | \$0 | 4.02 Scholarships | \$0 | <u>\$0</u> | \$0 |
| 4.73 PPP Loan | \$0 | <u>\$0</u> | \$0 | 4.22 Unassigned Fund Balance (Net Assets) | \$0 | <u>\$0</u> | \$0 |
| 4.74 EIDL Loan | \$0 | <u>\$0</u> | \$0 | 18 CUSTODIAL | | | |
| <i>Restricted:</i> | | | | Total Revenue | \$0 | <u>\$0</u> | \$0 |
| 4.64 Restricted Fund Balance | \$77,142 | <u>\$77,142</u> | \$0 | Total Expenditures | \$0 | <u>\$0</u> | \$0 |
| 4.75 Title VII Impact Aid | \$0 | <u>\$0</u> | \$0 | <i>Restricted / Reserved:</i> | | | |
| 4.76 Payments in Lieu of Taxes | \$0 | <u>\$0</u> | \$0 | 4.01 Student Activities | \$0 | <u>\$0</u> | \$0 |
| <i>Committed:</i> | | | | 4.02 Scholarships | \$0 | <u>\$0</u> | \$0 |
| 4.18 Committed for Separation | \$0 | <u>\$0</u> | \$0 | 4.48 Achievement and Integration | \$0 | <u>\$0</u> | \$0 |
| 4.61 Committed Fund Balance | \$0 | <u>\$0</u> | \$0 | 4.64 Restricted Fund Balance | \$0 | <u>\$0</u> | \$0 |
| <i>Assigned:</i> | | | | 20 INTERNAL SERVICE | | | |
| 4.62 Assigned Fund Balance | \$0 | <u>\$0</u> | \$0 | Total Revenue | \$0 | <u>\$0</u> | \$0 |
| <i>Unassigned:</i> | | | | Total Expenditures | \$0 | <u>\$0</u> | \$0 |
| 4.22 Unassigned Fund Balance | \$1,911,384 | <u>\$1,911,385</u> | (\$1) | 4.22 Unassigned Fund Balance (Net Assets) | \$0 | <u>\$0</u> | \$0 |
| 02 FOOD SERVICES | | | | 25 OPEB REVOCABLE TRUST | | | |
| Total Revenue | \$776,771 | <u>\$776,771</u> | \$0 | Total Revenue | \$0 | <u>\$0</u> | \$0 |
| Total Expenditures | \$740,499 | <u>\$740,499</u> | \$0 | Total Expenditures | | | |
| <i>Non Spendable:</i> | | | | | | | |
| 4.60 Non Spendable Fund Balance | \$5,888 | <u>\$5,888</u> | \$0 | | | | |
| <i>Restricted / Reserved:</i> | | | | | | | |
| 4.52 OPEB Liab Not In Trust | | | | | | | |

| | | | |
|---|------------|-------------------|--------------|
| | \$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 | \$277,957 | <u>\$277,956</u> | <u>\$1</u> |
| <i>Unassigned:</i> | | | |
| 4.63 Unassigned Fund Balance | \$0 | <u>\$0</u> | <u>\$0</u> |
| 04 COMMUNITY SERVICE | | | |
| Total Revenue | \$688,683 | <u>\$688,682</u> | <u>\$1</u> |
| Total Expenditures | \$716,145 | <u>\$716,148</u> | <u>(\$3)</u> |
| <i>Non Spendable:</i> | | | |
| 4.60 Non Spendable Fund Balance | \$0 | <u>\$0</u> | <u>\$0</u> |
| <i>Restricted / Reserved:</i> | | | |
| 4.26 \$25 Taconite | \$0 | <u>\$0</u> | <u>\$0</u> |
| 4.31 Community Education | (\$34,064) | <u>(\$34,064)</u> | <u>\$0</u> |
| 4.32 E.C.F.E | \$2,864 | <u>\$2,864</u> | <u>\$0</u> |
| 4.40 Teacher Development and Evaluation | \$0 | <u>\$0</u> | <u>\$0</u> |
| 4.44 School Readiness | \$633 | <u>\$633</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 | \$13,484 | <u>\$13,483</u> | <u>\$1</u> |
| <i>Unassigned:</i> | | | |
| 4.63 Unassigned Fund Balance | \$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> |

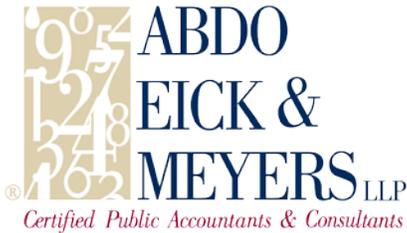
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OTHER REPORTS

INDEPENDENT SCHOOL DISTRICT NO. 2895
JACKSON, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT ON
MINNESOTA LEGAL COMPLIANCE

Members of the School Board
Independent School District No. 2895
Jackson, 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. 2895, Jackson, Minnesota, (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Districts basic financial statements. and have issued our report thereon dated October 28, 2020.

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, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding 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 Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
October 28, 2020



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. 2895
Jackson, 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. 2895, Jackson, Minnesota, (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 28, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the District's compliance with those requirements. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported in accordance with *Government Auditing Standards*.

Purpose of this Report

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

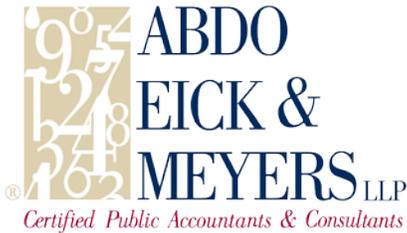
Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
October 28, 2020

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FEDERAL AWARD PROGRAMS
INDEPENDENT SCHOOL DISTRICT NO. 2895
JACKSON, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2020



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

Members of the School Board
Independent School District No. 2895
Jackson, Minnesota

Report on Compliance for Each Major Federal Program

We have audited the Independent School District No. 2895, Jackson, Minnesota (the District) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2020. The District's major Federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses and Questioned Costs.

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 Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

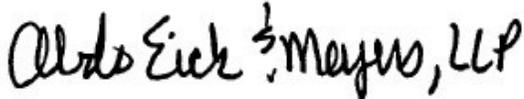
Report on Internal Control Over Compliance

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

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

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

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



ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
October 28, 2020

Independent School District No. 2895
 Jackson, Minnesota
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2020

| Federal Funding Source | Administering Department | Program Name | Federal Domestic Assistance Number | Pass-Through Entity Identifying Number | Federal Program Clusters | Total Federal Expenditures |
|--------------------------------|--|--|---|--|--------------------------------|----------------------------------|
| U.S. Department of Agriculture | Minnesota Department of Education | National School Lunch Program | 10.555 | | \$ 162,619 | |
| U.S. Department of Agriculture | Minnesota Department of Education | School Breakfast Program | 10.553 | | 44,052 | |
| U.S. Department of Agriculture | Minnesota Department of Education | Special Milk Program for Children | 10.556 | | 460 | |
| U.S. Department of Agriculture | Minnesota Department of Education | Summer Food Service Program for Children | 10.559 | | <u>222,211</u> | |
| | | Total Child Nutrition Cluster | | | | \$ 429,342 |
| U.S. Department of Agriculture | Minnesota Department of Education | Commodity Supplemental Food Program | 10.565 | | <u>47,768</u> | |
| | | Total Food Distribution Cluster | | | | 47,768 |
| U.S. Department of Education | SW/WC Service Cooperatives Flow Through Payments | Special Education Grants to States | 84.027 | | 125,053 | |
| U.S. Department of Education | SW/WC Service Cooperatives Flow Through Payments | Special Education Preschool Grants | 84.173 | | <u>5,000</u> | |
| | | Total Special Education Cluster | | | | 130,053 |
| U.S. Department of Education | Minnesota Department of Education | Title I Grants to Local Educational Agencies | 84.010 | | 150,593 | |
| U.S. Department of Education | Minnesota Department of Education | Improving Teacher Quality State Grants | 84.367 | | 29,856 | |
| U.S. Department of Education | Minnesota Department of Education | Student Support and Academic Enrichment Program | 84.424 | | 19,710 | |
| U.S. Department of Education | Minnesota Department of Education | COVID-19 - Governors Emergency Relief Fund | 84.425C | | 16,207 | |
| U.S. Department of Education | Minnesota Department of Education | COVID-19 - Elementary and Secondary School Emergency Relief Fund | 84.425D | | <u>33,773</u> | |
| | | Total Other Programs | | | | <u>250,139</u> |
| | | | | | | <u>\$ 857,302</u> |
| | | | | Total Federal Expenditures | | <u>\$ 857,302</u> |

Independent School District No. 2895
Jackson, Minnesota
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Independent School District No. 2895, Jackson, Minnesota, (the District) for the year ended June 30, 2020. 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 requirement of the Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations. All Federal awards received directly from Federal agencies as well as Federal awards passed through other government agencies are included on the schedule.

Note 2: Summary of Significant Accounting Policies for Expenditures

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

Note 3: Pass-through Entity Identifying Numbers

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

Note 4: Subrecipients

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

Note 5: Indirect Cost Rate

During the year ended June 30, 2020, the District did not elect to use the 10% de minimis indirect cost rate.

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Independent School District No. 2895
 Jackson, Minnesota
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2020

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

| | |
|---|---------------|
| Internal control over major programs | |
| Material weaknesses identified? | No |
| Significant deficiencies identified not considered to be material weaknesses? | None reported |
| Type of auditor's report issued on compliance for major programs | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516(a) of the Uniform Guidance. | No |

Identification of Clusters/Major Programs

CFDA No.

| | |
|---|-----------|
| Total Child Nutrition Cluster | |
| School Breakfast Program | 10.553 |
| National School Lunch Program | 10.555 |
| Special Milk Program for Children | 10.556 |
| Summer Food Service Program for Children | 10.559 |
| Dollar threshold used to distinguish between Type A and Type B Programs | \$750,000 |
| Auditee qualified as low-risk auditee? | No |

Section II - Financial Statement Findings

None.

Section III - Major Federal Award Findings and Questioned Costs

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

Section IV - Schedule of Prior Year Audit Findings

There were no prior year audit findings.

Other Issues

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