



Financial Statements
June 30, 2020

Independent School District No. 206
Alexandria Public Schools

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Independent School District No. 206
Alexandria Public Schools
School Board and Administration (Unaudited)
June 30, 2020

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
School Board		
Dean Anderson	Chairperson	2022
Dave Anderson	Vice Chairperson	2020
Pam Carlson	Treasurer	2020
Bob Cunniff	Director	2022
Angie Krebs	Director	2020
Alan Zeithamer	Director	2022
Sandy Susag	Director	2022
Administration		
Julie Critz	Superintendent through June 30, 2020	
Rick Sansted	Superintendent effective July 1, 2020	
Trevor Peterson	Director of Business Services	



Independent Auditor's Report

The School Board of
Independent School District No. 206
Alexandria Public Schools
Alexandria, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 206 (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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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 respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1 and 10 to the financial statements, the District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in an adjustment of the net position and fund balance of the General Fund as of July 1, 2019. Our opinions are 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, schedule of changes in the District's net OPEB liability and related ratios, schedule of District OPEB contributions, schedule of Employer's share of net pension liability and schedule of Employer's contributions, and schedule of changes in supplemental benefits liability and supplemental benefits liability as listed in the table of contents 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 financial statements. The school board and administration, combining and individual fund schedules, and other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated September 21, 2020 on our consideration of District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Report on Other Legal and Regulatory Requirements

In accordance with the Legal Compliance Audit Guide prepared by the Office of the State Auditor pursuant to Minn. Stat. §6.65, we have also issued a report dated September 21, 2020 on our consideration of the District’s compliance with aspects of the provisions of the Minnesota Legal Compliance Audit Guide for School Districts. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not directed primarily toward obtaining knowledge of noncompliance. That report is an integral part of procedures performed in accordance with the Office of the State Auditor’s Minnesota Legal Compliance Audit Guide for School Districts in considering the District’s compliance with certain regulatory requirements pursuant to Minn. Stat. §6.65.



Fargo, North Dakota
September 21, 2020

This section of Alexandria Public Schools' – Independent School District No. 206's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2020. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

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

- *General Fund 01* – The overall revenues were \$50,903,088 while the overall expenditures were \$51,667,070. These, along with net other financing sources of \$273,853, decreased the fund balance by \$490,129.
- *Food Service Fund 02* – The revenues were \$3,133,632 while the expenditures were \$3,130,031, These increased the fund balance by \$3,601.
- *Community Service Fund 04* – The revenues were \$3,013,697 while the expenditures were \$2,709,733, increasing the fund balance by \$303,964.
- *Debt Service Fund 07* – The revenues were \$6,519,465 while the expenditures were \$6,672,064 decreasing the fund balance by \$152,599.
- *OPEB Debt Service Fund 47* – The revenues were \$1,122,871 while the expenditures were \$711,627, increasing the fund balance by \$411,244.

Overview of the Financial Statements

District-Wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements, report the District's net position and how they have changed. Net position - the difference between the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources - are one way to measure the District's financial health or position.

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

In the district-wide financial statement the District's activities are shown in one category:

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

Fund Financial Statements

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

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

The District has two kinds of funds:

- *Governmental Funds* – All of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information following the governmental funds statements that explains the relationship (or differences) between them.
- *Fiduciary Funds* – The District is the trustee, or fiduciary, for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only by those to whom the assets belong.

Financial Analysis of the District as a Whole

Net Position

The District's combined net deficit was \$23,822,080 on June 30, 2020. The amounts included in the June 30, 2019 Management's Discussion and Analysis have not been restated for GASB 84.

Statement of Net Position
 June 30, 2020 and 2019

	2020	2019
Assets		
Current assets	\$ 93,208,322	\$ 91,325,381
Capital assets	110,709,126	113,102,185
Total assets	203,917,448	204,427,566
Deferred Outflows of Resources	26,552,963	37,693,689
Liabilities		
Other liabilities	8,778,444	8,972,786
Long-term liabilities	192,722,110	195,554,533
Total liabilities	201,500,554	204,527,319
Deferred Inflows of Resources	52,791,937	60,422,287
Net Deficit		
Net investment in capital assets	29,979,195	28,904,819
Restricted for specific purposes	61,401,975	60,760,170
Unrestricted	(115,203,250)	(112,493,340)
Total net deficit	\$ (23,822,080)	\$ (22,828,351)

Independent School District No. 206
Alexandria Public Schools
Management's Discussion and Analysis
Year Ended June 30, 2020

Statement of Activities
June 30, 2020 and 2019

	2020	2019
Revenues		
Program revenues		
Charges for service	\$ 4,133,917	\$ 4,287,722
Operating grants and contributions	695,959	837,028
General		
Property taxes	14,643,811	13,809,197
Aids and payments from state and other	44,998,454	45,213,874
Miscellaneous revenues	588,083	752,695
Total revenues	65,060,224	64,900,516
Expenses		
Administration	2,832,373	2,321,814
District support services	1,290,349	1,323,705
Regular instruction	25,968,543	14,640,818
Vocational instruction	917,163	811,451
Special education instruction	11,137,621	11,066,951
Community education and services	2,690,939	2,412,668
Instructional support services	3,405,629	3,567,356
Pupil support services	6,681,376	6,707,477
Sites and buildings	5,488,180	5,541,818
Fiscal and other fixed-cost programs	5,714,559	5,960,666
Dental self-insurance	359,346	397,551
Total expenses	66,486,078	54,752,275
Change in Net Deficit	(1,425,854)	10,148,241
Net Deficit - Beginning, as adjusted July 1, 2019 (Note 10)	(22,396,226)	(32,976,622)
Net Deficit - Ending	\$ (23,822,080)	\$ (22,828,381)

Changes in Net Deficit – The District's total revenues were approximately \$65.1 million for the year ended June 30, 2020. Property taxes and state formula aid accounted for 91.7% of total revenue for the year. Another 8.3% came from other program revenues.

The total cost of all programs and services was approximately \$66.5 million. The District's expenses are predominantly related to educating and caring for students. The purely administrative activities of the District accounted for just 4.3% of total costs.

The total expenses exceeded revenues, increasing the net deficit approximately \$1.4 million for fiscal year 2020.

Independent School District No. 206

Alexandria Public Schools

Management's Discussion and Analysis

Year Ended June 30, 2020

General Fund

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

The following schedule presents a summary of General Fund Revenues.

	Year Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2020	2019		
Local property taxes	\$ 5,876,610	\$ 5,455,540	\$ 421,070	7.7%
Other local sources	2,357,506	1,971,439	386,067	19.6%
State sources	41,191,624	41,814,638	(623,014)	-1.5%
Federal sources	1,451,774	1,538,683	(86,909)	-5.6%
Miscellaneous	25,574	9,348	16,226	173.6%
Total General Fund Revenues	\$ 50,903,088	\$ 50,789,648	\$ 113,440	0.2%

Total General Fund revenue increased by \$113,440 or 0.2% from the previous year. Basic general education revenue is determined by a state per student funding formula and consists of an equalized mix of property tax and state aid revenue. The mix of property tax and state aid can change significantly from year to year without any net change on revenue.

The following schedule presents a summary of General Fund expenditures.

	Year Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2020	2019		
Salaries and benefits	\$ 39,509,939	\$ 38,503,177	\$ 1,006,762	2.6%
Purchased services	6,268,386	6,274,205	(5,819)	-0.1%
Supplies and materials	2,372,848	1,996,035	376,813	18.9%
Capital expenditures	3,034,926	3,252,661	(217,735)	-6.7%
Other expenditures	480,971	1,958,105	(1,477,134)	-75.4%
Total General Fund expenditures	\$ 51,667,070	\$ 51,984,183	\$ (317,113)	-0.6%

Total General Fund expenditures decreased by \$317,113 or 0.6% from the previous year. The majority of the increase in expenditures for 2020 was for salaries and benefits of district staff.

General Fund Budgetary Highlights

The District's general fund results when compared to the final budget are:

- Actual revenues were \$2,257,530 less than budget, mainly because of less than anticipated general education and special education aid from the state.
- Actual expenditures were \$2,175,835 less than budget.

Other Non-Major Funds

The Food Service Fund incurred a current year surplus of \$3,601. The Community Service Fund incurred a current year surplus of \$303,964. From the standpoint of maintaining current operating expenditures within the range of annual revenue, the Community Service Fund and Food Service Fund continue to operate on a sound financial basis.

Capital Assets and Debt Administration

Capital Assets

By the end of 2020, the District had invested approximately \$159.0 million in a broad range of capital assets, including school buildings, athletic facilities, computer and audit-visual equipment, and school vehicles. Total depreciation expense for the year was \$3,618,160. Note 5 presents the detail of the District's capital assets.

Capital Assets Governmental Activities
 June 30, 2020 and 2019

	2020	2019
Land	\$ 6,031,424	\$ 6,031,424
Construction in Progress	-	364,081
Buildings	130,082,024	128,975,321
Improvements	8,705,546	8,705,546
Equipment	14,230,329	13,969,969
Accumulated Depreciation	(48,340,197)	(44,944,156)
Total capital assets	\$ 110,709,126	\$ 113,102,185

Long-Term Liabilities

At year end the District had \$150,511,405 of long term debt. This consisted of bonded indebtedness of \$143,625,000, unamortized bond premiums of \$6,218,994, capital leases payable of \$519,931, and vacation and sick leave payable of \$147,480. Note 6 presents the detail of the District's long-term debt. The District has \$967,006 in supplemental benefit liability. See Note 7 for further information. The District has \$8,906,801 in liabilities for other postemployment benefits. See Note 8 for further information. The District has \$32,336,898 in net pension liability at June 30, 2020. See Note 9 for further information.

Factors Bearing on the District's Future

With the exception of voter-approved excess operating referendum, the District is dependent on the State of Minnesota for its revenue authority. The state did allocate additional resources to school districts at a much greater level in the next two years than has been seen for quite some time. However, with the continuing uncertainty of funding sustainability and a substantial change across the district surrounding the opening of the new high school and reconfiguration of grade levels at every building, the District will continue to monitor its spending to remain fiscally responsible.

With the onset of the COVID-19 Pandemic in March 2020, the District anticipates revenue shortfalls and some reduction in expenditures due to the temporary closing of facilities and lack of public program income during the quarantine period. The District continues to provide educational opportunities to students. The District has maintained strong reserve balances which will help bridge financial gaps in revenue projections. During FY 2021, the District received federal grant funding related to the global COVID-19 pandemic under the Elementary and Secondary School Emergency Relief Fund (ESSER) grant, the Governor's Emergency Education Relief Fund (GEER) grant, and the Coronavirus Relief Fund (CRF) grant. All grants will be used to cover COVID-19 expenditures of the district. This global pandemic has created unprecedented challenges for Federal, State and Local Government operations, creating uncertainty in the outcome of the 2021 budget.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or would like additional information, contact the Business Office, Independent School District No. 206, Alexandria, Minnesota.

Independent School District No. 206
 Alexandria Public Schools
 Statement of Net Position
 June 30, 2020

Assets	
Cash and investments	\$ 19,985,198
Cash held with fiscal agent	61,682,879
Receivables	
Current property taxes	7,926,999
Delinquent property taxes	79,711
Accounts	71,761
Due from other governmental units	3,370,847
Inventory	90,927
	<u>93,208,322</u>
Capital assets, net of accumulated depreciation where applicable	
Non-depreciable	
Land	6,031,424
Depreciable	
Buildings and improvements	98,013,650
Land improvements	3,519,583
Equipment	3,144,469
Total capital assets	110,709,126
Total assets	<u>203,917,448</u>
Deferred Outflows of Resources	
Other postemployment benefits	738,556
Other supplemental benefits	236,215
Pension plans	25,578,192
Total deferred inflows of resources	<u>26,552,963</u>
Liabilities	
Accounts payable	64,267
Due to other governmental units	522,813
Salaries payable	5,767,855
Accrued interest payable	2,379,277
Unearned revenue	38,632
Claims incurred but not reported	5,600
Long-term liabilities	
Due within one year - bonds, premiums, capital leases, and vacation and sick leave	4,960,741
Due in more than one year - bonds, premiums, capital leases, and vacation and sick leave	145,550,664
Due in more than one year - supplemental benefits	967,006
Due in more than one year - other postemployment benefits	8,906,801
Due in more than one year - net pension liability	32,336,898
Total liabilities	<u>201,500,554</u>
Deferred Inflows of Resources	
Unavailable revenue-property taxes	15,759,692
Other postemployment benefits	113,976
Other supplemental benefits	663
Pension plans	36,917,606
Total deferred inflows of resources	<u>52,791,937</u>
Net Deficit	
Net investment in capital assets	29,979,195
Restricted for specific purposes	61,401,975
Unrestricted	(115,203,250)
Total net deficit	<u>\$ (23,822,080)</u>

The Notes to Financial Statements are an integral part of this statement

Independent School District No. 206
 Alexandria Public Schools
 Statement of Activities
 Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Administration	\$ 2,832,373	\$ 179,994	\$ 588,121	\$ (2,064,258)
District support services	1,290,349	52,725	-	(1,237,624)
Regular instruction	25,968,543	994,957	-	(24,973,586)
Vocational instruction	917,163	-	-	(917,163)
Special education instruction	11,137,621	1,240	-	(11,136,381)
Community education and services	2,690,939	1,120,113	99,160	(1,471,666)
Instructional support services	3,405,629	-	8,678	(3,396,951)
Pupil support services	6,681,376	1,408,718	-	(5,272,658)
Sites and buildings	5,488,180	-	-	(5,488,180)
Fiscal and other fixed-cost programs	5,714,559	-	-	(5,714,559)
Dental self-insurance	359,346	376,170	-	16,824
Total governmental activities	<u>\$ 66,486,078</u>	<u>\$ 4,133,917</u>	<u>\$ 695,959</u>	<u>(61,656,202)</u>
General Revenues				
Property taxes, levied for general purposes				6,996,108
Property taxes, levied for community education and services				850,663
Property taxes, levied for debt service				6,797,040
Aids and payments from state and federal sources				44,798,536
County apportionment				199,918
Miscellaneous revenues				<u>588,083</u>
Total general revenues				<u>60,230,348</u>
Changes in Net Deficit				(1,425,854)
Net Deficit - beginning, as adjusted (Note 10)				<u>(22,396,226)</u>
Net Deficit - ending				<u>\$ (23,822,080)</u>

Independent School District No. 206
 Alexandria Public Schools
 Governmental Funds
 Balance Sheet
 June 30, 2020

	General	Debt Service	OPEB Debt Service	Other Governmental Funds	Totals
Assets					
Cash and investments	\$ 13,940,318	\$ 3,258,182	\$ 304,665	\$ 2,364,491	\$ 19,867,656
Cash held with fiscal agent	-	61,682,879	-	-	61,682,879
Receivables					
Current property taxes	3,923,567	3,263,595	356,122	383,715	7,926,999
Delinquent property taxes	31,457	37,656	6,028	4,570	79,711
Accounts	60,396	-	-	11,365	71,761
Due from other governmental units	3,291,144	26,740	737	52,226	3,370,847
Inventories	45,692	-	-	45,235	90,927
Total assets	\$ 21,292,574	\$ 68,269,052	\$ 667,552	\$ 2,861,602	\$ 93,090,780
Liabilities					
Accounts payable	\$ 44,208	\$ -	\$ -	\$ 20,059	\$ 64,267
Due to other governmental units	522,813	-	-	-	522,813
Salaries payable	5,480,770	-	-	287,085	5,767,855
Unearned revenue	-	-	-	38,632	38,632
Total liabilities	6,047,791	-	-	345,776	6,393,567
Deferred Inflows of Resources					
Unavailable revenue-property taxes	7,594,206	6,681,983	753,449	809,765	15,839,403
Fund Balance					
Nonspendable	45,692	-	-	45,235	90,927
Restricted	485,103	61,587,069	-	1,660,826	63,732,998
Assigned	1,475,000	-	-	-	1,475,000
Unassigned	5,644,782	-	(85,897)	-	5,558,885
Total fund balance	7,650,577	61,587,069	(85,897)	1,706,061	70,857,810
Total liabilities, deferred inflows of resources, and fund balance	\$ 21,292,574	\$ 68,269,052	\$ 667,552	\$ 2,861,602	\$ 93,090,780

Independent School District No. 206
Alexandria Public Schools
Reconciliation of the Balance Sheet to the Statement of Net Position
June 30, 2020

Total Fund Balances - Governmental Funds	\$ 70,857,810
Amounts reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	110,709,126
Accrued interest payable for long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(2,379,277)
Delinquent property taxes are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	79,711
Internal service funds are used by the District to charge the costs of the self-insured dental insurance pool. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	111,942
Deferred outflows and inflows of resources related to pensions supplemental benefits and OPEB plans are applicable to future periods and, therefore, are not reported in the funds.	(10,479,282)
Long-term liabilities, including bonds payable, capital lease payable, bond premiums, compensated absences, supplemental benefits, other post-employment benefits, and pension liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(192,722,110)</u>
Total Net Deficit - Governmental Activities	<u>\$ (23,822,080)</u>

Independent School District No. 206
 Alexandria Public Schools
 Statement of Revenues, Expenditures, and Changes in Fund Balances
 Year Ended June 30, 2020

	General	Debt Service	OPEB Debt Service	Other Governmental Funds	Totals
Revenues					
Local property tax levies	\$ 5,876,610	\$ 6,797,040	\$ 1,112,258	\$ 845,114	\$ 14,631,022
Other local and county sources	2,357,506	-	-	1,624,519	3,982,025
State sources	41,191,624	211,628	-	707,569	42,110,821
Federal sources	1,451,774	-	-	1,601,041	3,052,815
Sales and other conversion of assets	-	-	-	1,369,086	1,369,086
Loss on investments	-	(489,203)	-	-	(489,203)
Miscellaneous	25,574	-	10,613	-	36,187
Total revenues	50,903,088	6,519,465	1,122,871	6,147,329	64,692,753
Expenditures					
Administration	1,913,001	-	-	-	1,913,001
District support services	1,431,666	-	-	-	1,431,666
Regular instruction	23,231,144	-	-	-	23,231,144
Vocational instruction	912,695	-	-	-	912,695
Special education instruction	11,138,671	-	-	-	11,138,671
Community education and service	-	-	-	2,709,733	2,709,733
Instructional support services	3,405,629	-	-	-	3,405,629
Pupil support services	3,653,707	-	-	3,130,031	6,783,738
Sites and buildings	5,822,062	-	-	-	5,822,062
Fiscal and other fixed cost programs	158,495	6,672,064	711,627	-	7,542,186
Total expenditures	51,667,070	6,672,064	711,627	5,839,764	64,890,525
Excess (Deficiency) of Revenues Over (Under) Expenditures	(763,982)	(152,599)	411,244	307,565	(197,772)
Other Financing Sources					
Capital lease proceeds	273,853	-	-	-	273,853
Net Change in Fund Balance	(490,129)	(152,599)	411,244	307,565	76,081
Fund Balance (Deficit), Beginning of Year, as adjusted (Note 10)	8,140,706	61,739,668	(497,141)	1,398,496	70,781,729
Fund Balance (Deficit), End of Year	\$ 7,650,577	\$ 61,587,069	\$ (85,897)	\$ 1,706,061	\$ 70,857,810

Independent School District No. 206
 Alexandria Public Schools
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances to the Statement of Activities
 Year Ended June 30, 2020

Net Change in Fund Balances - Total Governmental Funds \$ 76,081

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

Capital outlays are reported as expenditures in governmental funds.

However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay	1,225,101
Depreciation expense	(3,618,160)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

(8,707)

In the statement of activities compensated absences are measured by the amounts earned during the year.

In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.

142,428

In the statement of activities OPEB liabilities and supplemental benefits liabilities are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.

(919,369)

In the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense. In the governmental funds, however, the contributions are reported as expense.

(2,836,329)

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 transactions, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

4,496,270

Internal service funds are used by the District to charge the costs of the self-insured dental insurance pool. The net revenue of the internal service fund is reported in governmental activities.

16,831

Change in Net Position of Governmental Activities	<u><u>\$ (1,425,854)</u></u>
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Independent School District No. 206

Alexandria Public Schools

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – General Fund
Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues				
Local property tax levies	\$ 5,626,451	\$ 5,836,910	\$ 5,876,610	\$ 39,700
Other local and county sources	1,931,283	2,353,284	2,357,506	4,222
State sources	43,786,411	43,440,408	41,191,624	(2,248,784)
Federal sources	1,490,009	1,505,016	1,451,774	(53,242)
Miscellaneous	10,000	25,000	25,574	574
Total revenues	<u>52,844,154</u>	<u>53,160,618</u>	<u>50,903,088</u>	<u>(2,257,530)</u>
Expenditures				
Administration	1,939,275	1,931,695	1,913,001	18,694
District support services	1,359,617	1,436,863	1,431,666	5,197
Regular instruction	24,241,466	24,822,947	23,231,144	1,591,803
Vocational instruction	909,401	834,502	912,695	(78,193)
Special education instruction	11,497,670	11,425,314	11,138,671	286,643
Instructional support services	3,604,174	3,628,613	3,405,629	222,984
Pupil support services	3,864,185	3,775,647	3,653,707	121,940
Sites and buildings	6,290,818	5,763,900	5,822,062	(58,162)
Fiscal and other fixed cost programs	248,309	223,424	158,495	64,929
Total expenditures	<u>53,954,915</u>	<u>53,842,905</u>	<u>51,667,070</u>	<u>2,175,835</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,110,761)	(682,287)	(763,982)	(81,695)
Other Financing Sources				
Capital lease proceeds	-	-	273,853	273,853
Net Change in Fund Balance	<u>\$ (1,110,761)</u>	<u>\$ (682,287)</u>	<u>(490,129)</u>	<u>\$ 192,158</u>
Fund Balance, Beginning of Year, as adjusted (Note 10)			<u>8,140,706</u>	
Fund Balance, End of Year			<u>\$ 7,650,577</u>	

Independent School District No. 206
Alexandria Public Schools
Statement of Net Position
Proprietary Fund
June 30, 2020

	<u>Governmental Activities - Internal Service Fund</u>
Assets	
Cash and investments	<u>\$ 117,542</u>
Liabilities and Net Position	
Liabilities	
Claims incurred but not reported	<u>5,600</u>
Net Position	
Unrestricted	<u><u>\$ 111,942</u></u>

Independent School District No. 206
Alexandria Public Schools
Statement of Changes in Net Position
Proprietary Fund
June 30, 2020

	<u>Governmental Activities - Internal Service Fund</u>
Additions	
Dental revenue	<u>\$ 376,178</u>
Deductions	
Dental claims	<u>359,347</u>
Operating Income	16,831
Net Position, Beginning of Year	<u>95,111</u>
Net Position, End of Year	<u><u>\$ 111,942</u></u>

Independent School District No. 206
 Alexandria Public Schools
 Statement of Cash Flows
 Proprietary Fund
 Year Ended June 30, 2020

	Governmental Activities - Internal Service Fund
Operating Activities	
Receipts from participants	\$ 407,495
Payments for insurance claims and administration	(359,347)
Net cash from operating activities	48,148
Cash and Investments, July 1	69,394
Cash and Investments, June 30	\$ 117,542
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating Activities	
Operating income	\$ 16,831
Changes in assets and liabilities	
Accounts receivable	31,317
Net cash from operating activities	\$ 48,148

Independent School District No. 206
Alexandria Public Schools
Statement of Fiduciary Net Position
June 30, 2020

	<u>OPEB Trust Fund</u>
Assets	
Cash and investments	<u>\$ 489,121</u>
Net position	
Unrestricted	<u>\$ 489,121</u>

Independent School District No. 206
Alexandria Public Schools
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2020

	<u>OPEB Trust Fund</u>
Additions	
Interest	<u>\$ 68,851</u>
Deductions	
OPEB health insurance	<u>840,162</u>
Net Change in Net Position	(771,311)
Net Position, Beginning of Year	<u>1,260,432</u>
Net Position, End of Year	<u><u>\$ 489,121</u></u>

Note 1 - Summary of Significant Accounting Policies

A. Organization

Independent School District No. 206, Alexandria Public Schools, Alexandria, Minnesota (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a School Board elected by voters of the District. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

The accompanying financial statements include all funds, departments, agencies, boards, commissions, and other organizations that comprise the District, along with any component units.

Component units are legally separate entities for which the District (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit include whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial burden or benefit with the potential component unit, or is fiscally depended upon by the potential component unit.

Based on these criteria, there are no organizations considered to be component units of the District.

C. Government-Wide Financial Statement Presentation

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. The fiduciary fund is reported in the Statement of Fiduciary Net Position at the fund financial statement level. Generally, the effect of interfund activity has been removed from the government-wide financial statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other internally directed revenues are reported as general revenues.

The government-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 the related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amounts advance recognized in accordance with a statutory “tax shift” described later in these notes. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

The District applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available. For capital assets that can be specifically identified with, or allocated to functional areas, depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements.

The fiduciary fund is presented in the fiduciary fund financial statement. The District has one type of fiduciary fund, pension (or other benefit) trust. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, this fund is excluded from the government-wide statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner:

1. *Revenue Recognition* – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District generally considers revenues to be available if they are collected within 60 days after year-end. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to Minnesota Statutes. Federal revenue is recorded in the year in which the related expenditure is made. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.
2. *Recording of Expenditures* – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt, severance and healthcare benefits, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are included within the applicable functional areas.

The fiduciary fund financial statement is reported using the economic resources measurement focus and the accrual basis of accounting as described earlier in these notes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the District's internal service fund is receipts from participants. Operating expenses for the internal service fund includes payments for insurance claims and administration. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Description of Funds

The existence of the various district funds has been established by the 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

General Fund – The general fund is used to account for all financial resources except those required to be accounted for in another fund. It includes the general operations and pupil transportation activities of the District, as well as the capital related activities such as maintenance of facilities, equipment purchases, and health and safety projects. The District's Student Activity Funds are under board control and are reported in the general fund.

Debt Service Fund – The debt service fund is used to account for the accumulation of resources for, and payment of, general obligation bond principal, interest, and related costs.

OPEB Debt Service Fund – The OPEB debt service fund is used to account for the accumulation of resources for, and payment of, general obligation OPEB bond principal, interest, and related costs.

Nonmajor Governmental Funds

Food Service Fund – The food service fund is used to account for food service revenues and expenditures.

Community Service Fund – The community service fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, adult or early childhood programs, extended day programs, or other similar services.

Other Funds

Internal Service Fund – The Dental Internal Service Fund is used to account for the activities of the District’s dental plan.

Trust Fiduciary Fund – The Other Postemployments Benefits Irrevocable Trust Fund is used to report the resources set aside and held in an irrevocable arrangement for postemployment benefits, including health insurance premiums.

E. Other Significant Accounting Policies

Budgeting

An operating budget is adopted by July 1 of each fiscal year for all governmental funds on the same modified accrual basis used to reflect actual revenues and expenditures. The superintendent is authorized to transfer budget amounts within line items; however, supplemental appropriations that amend total appropriations of any fund require a board resolution. Reported budgeted amounts are as originally adopted or as amended by board resolution. Unencumbered appropriations lapse at year-end.

Cash and Investments

Cash balances for all district funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the fund's average monthly cash and investments balance. Funds that incur a deficit balance in pooled cash and investments during the year are charged interest.

Deposits and investments consist of certificates of deposit and monies deposited with the Minnesota School District Liquid Asset Fund (MSDLAF), and Bremer Wealth, and are stated at market.

The District has an approved investment policy and OPEB investment policy in place to ensure compliance with state laws relating to investments, and to guarantee that investments meet certain primary criteria.

Cash Held with Fiscal Agent

In the Debt Service fund, the Series 2017A refunding bonds are to be used to refund the Series 2011A bonds when they are available to be paid. Series 2017A bond funds will be held as cash with fiscal agent until the Series 2011A debt is callable on February 1, 2022.

Receivables

All receivables are shown net of any allowance for uncollectibles. No allowances for uncollectibles have been recorded. The only receivables not expected to be collected within one year are property taxes receivable.

Inventories

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

Property Taxes

The majority of district revenue is determined annually by statutory funding formulas. The total revenue allowed by these formulas is allocated between property taxes and state aids by the Legislature based on education funding priorities.

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District.

Property tax levies are certified to the County Auditor in December of each year for collection from taxpayers in May and October of the following calendar year. In Minnesota, counties act as collection agents for all property taxes. The county spreads all levies over taxable property. Such taxes become a lien on property on the following January 1. The county general remits taxes to the District at periodic intervals as they are collected. A portion of the property taxes levied is paid by the State of Minnesota through various tax credits, which are included in revenue from state sources in the financial statements.

Taxes which remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is deferred in the fund financial statements because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes is considered necessary.

Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historic cost is not available. Donated assets are recorded as capital assets at their acquisition date of the donation. The District maintains a threshold level of \$10,000 or more for capitalizing capital assets. Federally funded assets maintain a threshold of \$5,000 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 3 to 50 years.

The District does not possess any material amounts of infrastructure capital assets. Items such as sidewalks and other land improvements are considered to be part of the cost of buildings or other improvable property.

Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, 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

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 the Teachers Retirement Association (TRA) and additions to/deductions from PERA's and TRA's fiduciary net position have been determined on the same basis as they are reported by PERA and 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 Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015. Additional information can be found in Note 9.

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.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *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 six items that qualify for reporting in this category. They are the contributions made to pension plans, the other postemployment benefit plan, and the other supplemental benefits plan after the measurement date and prior to the fiscal year-end; changes in the net pension liability not included in pension expense; changes in the other postemployment benefit plan not included in OPEB expense; and changes in the other supplemental benefits plan not included in the supplemental benefit expense reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position 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 four types of items that qualify for reporting in this category. The District reports unavailable revenues from property taxes on the government-wide statement of net position and the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other items are changes in the net other postemployment benefits liability, the net pension liability, and the other supplemental benefits liability not included in OPEB, pension, and other supplemental benefits expense reported in the government-wide statement of net position.

Accrued Employee Benefits

Vacation – The District compensates substantially all full-time noncertified employees for unused vacation upon termination. The expenditure for vacation pay is recognized when earned. As of June 30, 2020, this amount did not exceed a normal year’s accumulation.

Sick Leave – The District grants 13 days per year with an accumulation of up to 120 days of sick leave. Upon accumulation of 120 days of leave each teacher will be eligible for a buy back for unused days to a maximum number of 10 days per year at a rate of \$90 per day.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measure the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District’s OPEB Plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Net Position

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the District’s financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund Balance

The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance amounts are comprised of funds that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. They include items that are inherently unspendable, such as, but not limited to, inventories, prepaid items, long-term receivables, non-financial assets held for resale, or the permanent principal of endowment funds.
- Restricted fund balance amounts are comprised of funds that have legally enforceable constraints placed on their use that either are externally imposed by resource providers or creditors (such as through debt covenants), grantors, contributors, voters, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance amounts are comprised of unrestricted funds used for specific purposes pursuant to constraints imposed by formal action of the school board and that remain binding unless removed by the school board by subsequent formal action. The formal action to commit a fund balance must occur prior to fiscal year end; however, the specific amounts actually committed can be determined in the subsequent fiscal year. A majority vote of the school board is required to commit a fund balance to a specific purpose and subsequently to remove or change any constraint so adopted by the board. A committed fund balance cannot be a negative number.
- Assigned fund balance amounts are comprised of unrestricted funds constrained by the school district's intent that they be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. In funds other than the general fund, the assigned fund balance represents the remaining amount that is not restricted or committed. The assigned fund balance category will cover the portion of a fund balance that reflects the school district's intended use of those resources. The action to assign a fund balance may be taken after the end of the fiscal year. The school board, by majority vote, may assign fund balances to be used for specific purposes when appropriate. The board also delegates the power to assign fund balances to the following: the Superintendent and the Director of Business Services. Assignments so made shall be reported to the school board on a monthly basis, either separately or as part of ongoing reporting by the assigning party if other than the school board. An assigned fund balance cannot be a negative number.
- Unassigned fund balance amounts are the residual amounts in the general fund not reported in any other classification. Unassigned amounts in the general fund are technically available for expenditure for any purpose. The general fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.

If resources from more than one fund balance classification could be spent, the school district will strive to spend resources from fund balance classifications in the following order (first to last): restricted, committed, assigned, and unassigned. The school district will strive to maintain an unassigned general fund balance ranging between 11% and 16% of the annual general fund budget.

Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in fiscal year 2020.

Estimates

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

Implementation of GASB Statement No. 84

As of July 1, 2019, the District adopted GASB Statement No. 84, *Fiduciary Activities*. The objective of this statement is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. The impact to the District resulted in the student activity funds being changed from reporting as an agency fund to the General Fund. The effect of the implementation of this standard on beginning net position and fund balance is disclosed in Note 10.

Note 2 - Stewardship, Compliance, and Accountability

Deficit Fund Balance

The OPEB Debt Service Fund has a deficit balance of \$85,897. The deficit fund balance is expected to be eliminated with future revenues.

Note 3 - Deposits and Investments

Deposits

In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the District's School Board. All such depositories are members of the Federal Reserve System.

The following is considered the most significant risk associated with deposits:

Custodial Credit Risk – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may be lost.

Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

At June 30, 2020, the District's deposits were undercollateralized by \$15,230,851.

Investments

Credit Risk – Investments

Minnesota Statutes authorize the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, bankers' acceptances, certain repurchase agreements and commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record.

Custodial Credit Risk – Investments

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

Interest Rate Risk – Investments

The District does not have a formal policy that limits investment maturities.

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 District has the following recurring fair value measurements as of June 30, 2020:

- Equities of \$410,578 are valued using quoted market prices (Level 1 inputs)
- Municipal bonds of \$843,067 are valued using the matrix pricing model (Level 2 inputs)

The following table presents the District's deposit and investment balances at June 30, 2020:

<u>Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>N/A</u>	<u>< 1</u>	<u>1 - 5</u>
Cash and cash equivalents				
Minnesota School				
District Liquid Asset Fund	\$ 782,737	\$ 782,737	\$ -	\$ -
Money market	18,437,937	18,437,937	-	-
Investments				
Equities	410,578	410,578	-	-
Fixed income	843,067	-	-	843,067
	<u>\$ 20,474,319</u>	<u>\$ 19,631,252</u>	<u>\$ -</u>	<u>\$ 843,067</u>

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

Cash and Investments - Statement of Net Position	\$ 19,985,198
Cash and Investments - Statement of Fiduciary Net Position	<u>489,121</u>
	<u>\$ 20,474,319</u>

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

Note 4 - Due from Other Governmental Units

Amounts receivable from other governments as of June 30, 2020, include:

Fund	Federal	State	Total
Major funds			
General	\$ 246,290	\$ 3,044,854	\$ 3,291,144
Debt service	-	26,740	26,740
OPEB debt service	-	737	737
Non-major funds	-	52,226	52,226
	<u>\$ 246,290</u>	<u>\$ 3,124,557</u>	<u>\$ 3,370,847</u>

Note 5 - Capital Assets

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

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Capital assets not being depreciated				
Land	\$ 6,031,424	\$ -	\$ -	\$ 6,031,424
Construction in progress	364,081	742,622	1,106,703	-
Total capital assets, not being depreciated	<u>6,395,505</u>	<u>742,622</u>	<u>1,106,703</u>	<u>6,031,424</u>
Capital assets being depreciated:				
Buildings and improvements	128,975,321	1,106,703	-	130,082,024
Equipment	13,969,969	482,479	222,119	14,230,329
Land improvements	8,705,546	-	-	8,705,546
Total capital assets being depreciated	<u>151,650,836</u>	<u>1,589,182</u>	<u>222,119</u>	<u>153,017,899</u>
Less accumulated depreciation for				
Buildings and improvements	29,447,041	2,621,333	-	32,068,374
Equipment	10,618,011	689,968	222,119	11,085,860
Land improvements	4,879,104	306,859	-	5,185,963
Total accumulated depreciation	<u>44,944,156</u>	<u>3,618,160</u>	<u>222,119</u>	<u>48,340,197</u>
Net capital assets, depreciated	<u>106,706,680</u>	<u>(2,028,978)</u>	<u>-</u>	<u>104,677,702</u>
Total capital assets, net	<u>\$ 113,102,185</u>	<u>\$ (1,286,356)</u>	<u>\$ 1,106,703</u>	<u>\$ 110,709,126</u>

Depreciation expense for the year ended June 30, 2020 was charged to the following functions/programs:

District support services	\$ 1,111
Regular instruction	3,300,686
Vocational education instruction	3,418
Special education instruction	3,887
Pupil support services	<u>309,058</u>
 Total depreciation expense	 <u><u>\$ 3,618,160</u></u>

Note 6 - Long-Term Liabilities

Changes in long-term liabilities during the year ended June 30, 2020 are as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year
Bonds payable	\$ 147,480,000	\$ -	\$ 3,855,000	\$ 143,625,000	\$ 4,070,000
Unamortized bond premium	6,681,099	-	462,105	6,218,994	462,105
Direct borrowings, capital leases payable	657,366	273,853	411,288	519,931	281,156
Vacation and sick leave	<u>289,908</u>	<u>150,251</u>	<u>292,679</u>	<u>147,480</u>	<u>147,480</u>
	<u><u>\$ 155,108,373</u></u>	<u><u>\$ 424,104</u></u>	<u><u>\$ 5,021,072</u></u>	<u><u>\$ 150,511,405</u></u>	<u><u>\$ 4,960,741</u></u>

Vacation and sick leave consists of vested vacation and sick leave as discussed in Note 1. These expenses are paid out of the general fund.

Capital leases payable are to account for items that the District has entered into leases that are considered capital assets to the District. These leases include buses and a skidsteer. Total cost of capital lease assets as of June 30, 2020 was \$1,153,315 and total accumulated depreciation on these assets as of June 30, 2020 was \$232,372. Payments on capital leases are made out of the general fund.

During the year ended June 30, 2020, the district entered into capital lease agreements to finance the purchase of 2 buses and a skidsteer. The bus lease bears an interest rate of 2.66% and calls for annual payments of principal and interest commencing November 2019 through November 2022. The skidsteer lease bears an interest rate of 4.7% and calls for annual payments of principal and interest commencing July 2019 through July 2023.

Independent School District No. 206
 Alexandria Public Schools
 Notes to Financial Statements
 June 30, 2020

Following is a summary of capital leases payable as of June 30, 2020:

<u>Direct Borrowing Description</u>	<u>Final</u>	<u>Interest Rate</u>	<u>Original Principal</u>	<u>Outstanding Balance</u>
4 buses, 2018	2021	2.60%	\$ 438,901	\$ 97,469
5 buses, 2019	2022	3.63%	463,924	217,617
2 buses, 2020	2023	2.66%	219,543	162,451
Skidsteer, 2020	2024	4 - 5%	54,310	42,394
				<u>\$ 519,931</u>

Following is a summary of bonds payable as of June 30, 2020:

<u>Bond Description</u>	<u>Final</u>	<u>Interest Rate</u>	<u>Original Principal</u>	<u>Outstanding Balance</u>
General Obligation Alternative and Capital Facilities Bonds Series 2010A	2025	1.25 - 4.5%	\$ 5,820,000	\$ 1,160,000
General Obligation School Building Bonds Series 2011A	2037	2 - 5%	64,500,000	60,780,000
General Obligation School Building Bonds Series 2011B	2037	2 - 3%	650,000	115,000
General Obligation OPEB Refunding Bonds Series 2013A	2029	3 - 3.65%	6,365,000	5,325,000
General Obligation Alternative Facilities and Capital Facilities Bonds Series 2015A	2031	2 - 3.125%	5,560,000	4,270,000
General Obligation School Building Refunding Bonds Series 2015B	2028	2 - 5%	16,895,000	13,885,000
General Obligation School Building Refunding Bonds Series 2017A	2037	4 - 5%	58,090,000	58,090,000
				<u>\$ 143,625,000</u>

Bond principal and interest payments are made by the debt service fund, except for the principal and interest payments on the OPEB Refunding Bonds of 2013A, which are made by the OPEB debt service fund.

Remaining principal and interest payments on long-term debt are as follows:

Years Ending June 30,	Bonds Payable		Capital Lease Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 4,070,000	\$ 5,710,265	\$ 281,156	\$ 16,863	\$ 4,351,156	\$ 5,727,128
2022	5,085,000	5,601,453	160,973	8,040	5,245,973	5,609,493
2023	4,985,000	5,440,053	66,436	2,579	5,051,436	5,442,632
2024	5,115,000	5,244,958	11,366	554	5,126,366	5,245,512
2025	5,420,000	5,031,184	-	-	5,420,000	5,031,184
2026-2030	37,090,000	21,611,107	-	-	37,090,000	21,611,107
2031-2035	56,730,000	11,572,374	-	-	56,730,000	11,572,374
2036-2037	25,130,000	1,525,000	-	-	25,130,000	1,525,000
	<u>\$ 143,625,000</u>	<u>\$ 61,736,394</u>	<u>\$ 519,931</u>	<u>\$ 28,036</u>	<u>\$ 144,144,931</u>	<u>\$ 61,764,430</u>

Note 7 - Supplemental Benefit Plan

A. Plan Description

The District provides a defined contribution supplemental pension benefit to certain eligible employees and report them following the guidance of GASB Statement No. 73. All of the pension benefits are based on contractual agreements with employee groups. Contract groups receive other supplement benefits as follows:

Teachers – For retirees reaching age 55 with 10 years of service, the benefit where probation is complete before July 1, 1998 and not electing the Matching Contribution Program is \$30,000. All teachers with 20 years of service and electing the Matching Contribution Plan the benefit is \$30,000 minus the District contributions to the Matching Contribution Plan. The limitation on the total benefit is \$30,000 and matching contributions are equal to 2% of annual base salary up to \$2,000 per year. The benefit is payable in 3 equal payments over 2 years to a 403(b) plan.

Supervisors – For retirees reaching age 55 with 10 years of service as a Supervisor, the benefit is \$30,000 minus the District contributions to the Matching Contribution Plan. The limitation on the total benefit is \$30,000 and matching contributions are equal to 2% of annual base salary up to \$2,000 per year. The benefit is payable in 3 equal payments over 2 years to a 403(b) plan.

Principals and Administration – For retirees reaching age 55 with 10 years of service as an Administrator (or “Rule of 90” for Principals only), the benefit is \$40,500 minus the District contributions to the Matching Contribution Plan. The limitation on the total benefit is \$40,500 and matching contributions are equal to 2% of annual base salary up to \$2,000 per year. The benefit is payable in 3 equal payments over 2 years to a 403(b) plan.

K-12 Classified Employees, Paraprofessionals and Bus Drivers – For retirees reaching age 55 with 10 years of service (25 for K-12 Classified Employees) the benefit is a percentage of annual salary at the time of retirement at the following rates:

- With 10-15 years of service 20%
- With 16-19 years of service 30%
- With 20+ years of service 40%

The benefit is payable in one lump sum.

Confidential Employees and Secretaries – For retirees reaching age 55 with 15 years of service the benefit is a percentage of annual salary at the time of retirement at the following rates:

- With 15-19 years of service 30%
- With 20-24 years of service 40%
- With 25+ years of service 50%

The benefit is payable in one lump sum.

Food Service Employees – For retirees reaching age 55 with 20 years of service the District will pay \$1,200 in one lump sum.

B. Employees Covered by Benefit Terms

At July 1, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	16
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	678
	694
	694

C. Supplemental Benefits Liability

The District’s supplemental benefits liability was measured as of July 1, 2020.

D. Actuarial Assumptions

The supplemental benefits 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:

Inflation	2.50 percent
Salary Increases	3.00 percent
Discount Rate	2.40 percent
20-Year Municipal Bond Yield	2.40 percent

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 the results of an actuarial experience study as of July 1, 2017.

E. Discount Rate

The discount rate used to measure the supplemental benefits liability was 2.40%. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates.

F. Changes in the Supplemental Benefits Liability

Service Cost	\$ 80,470
Interest Cost	26,678
Assumption Changes	25,554
Difference Between Expected and Actual Experience	96,415
Plan Changes	<u>51,722</u>
Supplemental benefits cost	<u>280,839</u>
Benefit Payments	<u>(186,460)</u>
Change in supplemental benefits obligation	94,379
Supplemental benefits liability, beginning of year	<u>872,627</u>
Supplemental benefits liability, end of year	<u><u>\$ 967,006</u></u>

The following changes in actuarial assumptions and plan provisions occurred during the year ended June 30, 2020:

Plan Provisions:

- A benefit was added for Supervisors.
- Administrators are now eligible for a GASB 73 benefit if they attain age 55 with 10 years of service as an Administrator. Previously, the eligibility was age 58 with 10 years of service or the attainment of Rule of 90.

Assumptions:

- The discount rate was changed from 3.10% to 2.40%
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale.

G. Sensitivity of the Supplemental Benefits Liability to Changes in Discount Rate

The following presents the supplemental benefits liability of the District, as well as what the District's supplemental benefits liability would be if it were calculated using a discount rate 1 percentage point lower and 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Discount rate	1.40%	2.40%	3.40%
Supplemental Benefits Liability	\$ 1,009,415	\$ 967,006	\$ 925,801

H. Supplemental Benefits and Deferred Outflows and Inflows of Resources Related

For the year ended June 30, 2020, the District recognized supplemental benefits expense of \$190,125. At June 30, 2020, the District reported deferred outflows of resources related to supplemental benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability losses	\$ 206,899	\$ -
Assumption changes	29,316	663
	\$ 236,215	\$ 663

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

Years Ended June 30,	Supplemental Benefits Expense Amount
2021	\$ 28,579
2022	28,579
2023	28,579
2024	28,579
2025	28,579
Thereafter	73,932

Note 8 - Other Post-Employment Benefits

A. Plan Description

All employees are allowed upon meeting the eligibility requirements under Minn. Stat. 471.61 subd, 2b, to participate in the District’s health insurance plan after retirement. This plan covers active and retired employees. Benefit provisions are established through negotiations between the District and the union representing District employees and are renegotiated at the end of each contract period. Contract groups receive other post-retirement benefits as follows:

Superintendent – For retirees reaching age 58 with 7 years of service, the District will pay the full medical insurance premium until Medicare eligibility for the retiree and spouse. For retirees reaching age 58 with 7 years of service, the District will pay the full premium at the time of retirement for a \$500,000 life insurance policy until Medicare eligibility.

Principals – For retirees reaching age 55 with 10 years of service as an Administrator (or “Rule of 90”), the District will pay the full medical insurance premium until Medicare eligibility (includes HSA contributions up to IRS maximum) for the retiree and spouse. For retirees reaching age 55 with 10 years of service as an Administrator (or “Rule of 90”), the District will pay the full premium at the time of retirement for a \$40,000 life insurance policy until age 65.

Administrators – For retirees reaching age 55 with 10 years of service and a hire date prior to July 1, 2015, and not electing to Defined Contribution Plan, the District will pay the full medical insurance premium until Medicare eligibility (includes HSA contributions up to IRS maximum) for the retiree and spouse. For retirees reaching age 55 with 10 years of service, the District will pay the full premium at the time of retirement for a \$40,000 life insurance policy until age 65.

Cabinet – For retirees reaching age 58 with 7 years of service (or “Rule of 90”) and a hire date prior to July 1, 2015, the District will pay the Board Contribution for medical insurance premium at the same as actives until Medicare eligibility (includes HSA contributions up to IRS maximum) for the retiree and spouse. For retirees reaching age 58 with 7 years of service (or “Rule of 90”), the District will pay the full premium at the time of retirement for a \$50,000 life insurance policy until age 65.

Teachers – For retirees reaching age 55 with 10 years of service and a hire date prior to July 1, 2014, the District will pay the Board Contribution for medical insurance premium at the same as active teachers, which is currently \$624 per month, until Medicare eligibility. For retirees reaching age 55 with 10 years of service, the District will pay the full premium at the time of retirement for a \$10,000 life insurance policy until age 65.

Secretaries, Custodians, K-12 Classified Personnel, Food Service, and Confidential Employees – For retirees reaching age 55 with 10 years of service, with a hire date prior to July 1, 2014 (and Custodians hired before July 1, 2014 or hired between June 1, 2014 and July 1, 2015 and not electing the Defined Contribution Plan), the District will pay the Board Contribution for medical insurance premium at the same as actives, which is currently \$574 per month, until Medicare eligibility.

Supervisors – For retirees reaching age 55 with 10 years of service and a hire date prior to July 1, 2015, and not electing the Defined Contribution Plan, the District will pay the Board Contribution for medical insurance premium at the same as actives, which is currently \$574 per month, until Medicare eligibility.

The retiree health plan does not issue a publicly available financial report.

B. Benefits Provided

The contract groups have access to other post-retirement benefits of blended medical premiums of \$643/\$554 (teachers/all others) for single and \$1,717/\$1,434 (teachers/all others) for family coverage. The implicit rate subsidy is only until Medicare eligibility. See plan descriptions above for medical and life subsidized benefits.

C. Employees Covered by Benefit Terms

At the valuation date of July 1, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	85
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	541
	626
	626

D. Net OPEB Liability

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

E. Actuarial Assumptions

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

Inflation	2.50 percent
Salary increases	3.00 percent
Investment rate of return	4.40 percent, net of OPEB plan investment expense
Healthcare cost trend rates	6.50 percent grading to 5.00% over 6 years

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 the results of an actuarial experience study as of July 1, 2017.

The long-term expected rate of return on OPEB 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 OPEB 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 arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocations	Long-Term Expected Real Rate of Return
Fixed Income	60%	3.10%
Domestic Equity	30%	6.85%
International Equity	5%	6.85%
Cash	5%	2.30%
	100%	

F. Discount Rate

The discount rate used to measure the total OPEB liability was 2.40%. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

G. Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2019	\$ 9,386,314	\$ 1,260,432	\$ 8,125,882
Changes from the Prior Year:			
Service Cost	487,935	-	487,935
Interest Cost	293,179	-	293,179
Assumption Changes	(85,879)	-	(85,879)
Plan Changes	13,894	-	13,894
Projected Investment Return	-	55,459	(55,459)
Difference between Expected and Actual Experience	140,641	13,392	127,249
Benefit Payments	(840,162)	(840,162)	-
Total Net Changes	<u>9,608</u>	<u>(771,311)</u>	<u>780,919</u>
Balances at June 30, 2020	<u>\$ 9,395,922</u>	<u>\$ 489,121</u>	<u>\$ 8,906,801</u>

The measurement date of the net OPEB liability was June 30, 2020; the date of the actuarial valuation on which the total OPEB liability is based was July 1, 2019.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of changes in the District's net OPEB liability and related ratios, presented as required supplementary information following the notes to the financial statements, presents multiple year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits will be displayed.

The following changes in actuarial assumptions and plan provisions occurred in 2019-2020:

Plan Provisions:

- The Superintendent’s post-employment life insurance subsidy increased from a \$50,000 life insurance benefit to a \$500,000 life insurance benefit.
- Administrators are now eligible for a GASB 74/75 subsidy if they attain age 55 with 10 years of service. Previously, the eligibility was age 58 with 10 years of service or the attainment of Rule of 90.

Assumptions:

- The expected long-term investment return was changed from 3.70% to 4.40%
- The discount rate was changed from 3.10% to 2.40%
- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and contract group.
- The percentage of future retirees not eligible for a subsidy who are assumed to continue on one of the District’s medical plans post-employment was reduced from 50% to 25% for ABE/CE, Food Service, Paraprofessionals, and Transportation employees.

H. Sensitivity of the Net OPEB Liability to Changes in Discount Rate and the Healthcare Cost Trend Rates

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 1 percentage point lower and 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Discount rate	1.40%	2.40%	3.40%
Net OPEB Liability	\$ 9,383,934	\$ 8,906,801	\$ 8,436,724

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 rate 1 percentage point lower and 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease in Healthcare Trend Rate	Selected Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Net OPEB Liability	\$ 8,028,599	\$ 8,906,801	\$ 9,936,260
Medical trend rate	5.50%, decreasing to 4.00% over 6 years	6.50%, decreasing to 5.00% over 6 years	7.50%, decreasing to 6.00% over 6 years

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$915,704. At June 30, 2020, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability losses	172,063	-
Assumption changes	566,493	73,610
Investment gains	-	40,366
	\$ 738,556	\$ 113,976

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

Years Ended June 30,	Pension Expense Amount
2021	\$ 176,156
2022	204,470
2023	200,946
2024	27,361
2025	7,823
Thereafter	7,824

J. OPEB Plan Fiduciary Plan

Detailed information about the OPEB plan's fiduciary net position is available in a separately issued OPEB financial report.

Note 9 - Defined Benefit Pension Plans

Substantially all employees of the District are required by state law to belong to defined benefit, multi-employer, cost-sharing pension plans administered by the Public Employees' Retirement Association (PERA) or the Teachers' Retirement Association (TRA), all of which are administered on a state-wide basis. Disclosures relating to these plans are as follows:

Public Employees Retirement Association (PERA)

A. Plan Descriptions

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

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

B. Benefits Provided

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

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

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

C. Contribution Rate

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

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2020, and the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the GERP for the year ended June 30, 2020, were \$739,174. The District's contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

At June 30, 2020, the District reported a liability of \$7,369,858 for its proportionate share of the General Employees 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 2019. 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 \$228,990. 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 share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the District's proportionate share was 0.1333% at the end of the measurement period and 0.1275% for the beginning of the period.

District's proportionate share of net pension liability	\$ 7,369,858
State of Minnesota's proportionate share of the net pension liability associated with the District	228,990
Total	\$ 7,598,848

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

For the year ended June 30, 2020, the District recognized pension expense of \$731,483 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional \$17,149 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 the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 203,640	\$ -
Changes in actuarial assumptions	-	570,604
Net collective difference between projected and actual investment earnings	-	744,109
Change in proportion	369,202	169,174
Contributions paid to PERA subsequent to the measurement date	739,174	-
Total	\$ 1,312,016	\$ 1,483,887

The \$739,174 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 deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,	Pension Expense Amount
2021	\$ (276,905)
2022	(585,632)
2023	(60,384)
2024	11,876

E. Actuarial Assumptions

The total pension liability in the June 30, 2018, 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% per year

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 Employees 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 and plan provisions occurred in 2019:

Changes in Actuarial Assumptions:

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

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 Allocations	Long-Term Expected Real Rate of Return
Domestic Equity	35.5%	5.10%
International Equity	17.5%	5.30%
Private Markets	25.0%	5.90%
Fixed Income	20.0%	0.75%
Unallocated Cash	2.0%	0.00%
	100.0%	

F. Discount Rate

The discount rate used to measure the total pension liability in 2019 was 7.50%. 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.

G. 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:

Sensitivity Analysis
Net Pension Liability (Asset) at Different Discount Rates

	General Employees Fund	
1% Lower	6.50%	\$ 12,115,650
Current Discount Rate	7.50%	\$ 7,369,858
1% Higher	8.50%	\$ 3,451,264

H. Pension Plan Fiduciary Net Position

Detailed information about the 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.

Teachers Retirement Association (TRA)

A. Plan Descriptions

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 members, one retired member and three statutory officials.

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

B. 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 benefits as described.

Tier I Benefits

<u>Tier1</u>	<u>Step Rate Formula</u>	<u>Percentage</u>
Basic	First ten years of service	2.2% per year
	All years after	2.7% per year
Coordinated	First ten years if service years are up to July 1, 2006	1.2% per year
	First ten years if service years are July 1, 2006 or after	1.4% per year
	All other years of service if service years are up to July 1, 2006	1.7% per year
	All other years of service if service years are July 1, 2006 or after	1.9% per year

With these provisions:

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

or

Tier II Benefits

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 is applied. 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 benefit 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 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 plan provisions in effect at the time they last terminated their public service.

C. Contribution Rate

Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year ending June 30, 2018, June 30, 2019, and June 30, 2020 were:

	June 30, 2019		June 30, 2020		June 30, 2020	
	Employees	Employers	Employees	Employers	Employees	Employers
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 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	<u>(486,000)</u>
Total employer contributions	402,126,000
Total non-employer contributions	<u>35,588,000</u>
Total contributions reported in <i>Schedule of Employer and Non-Employer Allocations</i>	<u><u>\$ 437,714,000</u></u>

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

D. 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 November 6, 2017 (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Investment rate of return	7.50%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028, and 3.25% after June 30, 2028
Projected salary increase	2.85 to 8.85% before July 1, 2028, and 3.25 to 9.25% after June 30, 2028
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 assumptions

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.

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 Allocations	Long-Term Expected Real Rate of Return
Domestic Equity	35.5%	5.10%
International Equity	17.5%	5.30%
Private Markets	25.0%	5.90%
Fixed Income	20.0%	0.75%
Unallocated Cash	2.0%	0.00%
	<u>100.0%</u>	

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2016 is six years. The “Difference Between Expected and Actual Experience,” “Changes of Assumptions,” and “Changes in Proportion” use the amortization period of 6 years in the schedule presented. The amortization period for “Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments” is 5 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.

E. Discount Rate

The discount rate used to measure the total pension liability was 7.50%. 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).

F. Net Pension Liability

At June 30, 2020, the District reported a liability of \$24,967,040 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's proportionate share was 0.3917% at the end of the measurement period and 0.3881% 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	<u>\$ 24,967,040</u>
State's proportionate share of the net pension liability associated with the district	<u>\$ 2,209,693</u>

For the year ended June 30, 2020, the District recognized pension expense of \$2,166,568. It also recognized \$167,963 as an increase to pension expense for the support provided by direct aid.

Independent School District No. 206
 Alexandria Public Schools
 Notes to Financial Statements
 June 30, 2020

At June 30, 2020, the District reported its proportionate share of the TRA's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 3,202	\$ 596,733
Changes in actuarial assumptions	20,040,902	32,694,821
Difference between projected and actual investment earnings	-	2,055,565
Change in proportion and differences between contributions made and District's proportionate share of contributions	2,406,200	86,600
District's contributions to TRA subsequent to the measurement date	1,815,872	-
Total	\$ 24,266,176	\$ 35,433,719

\$1,815,872 was reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

Other amounts reported as deferred outflows and inflows of resources related to TRA pensions will be recognized in pension expense as follows:

Years Ended June 30,	Pension Expense Amount
2020	\$ 1,730,431
2021	342,945
2022	(8,737,915)
2023	(6,310,277)
2024	(8,599)

G. Net Pension Liability

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.50% as well as the liability measured using one percent lower and one percent higher:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
TRA discount rate	6.50%	7.50%	8.50%
District’s proportionate share of the TRA net pension liability	\$ 39,803,567	\$ 24,967,040	\$ 12,734,543

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.

H. Pension Plan Fiduciary Net Position

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

I. 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.

Note 10 - Adoption of New Standard

As of July 1, 2019, the District adopted GASB Statement No. 84, *Fiduciary Activities*. Due to the new standard the District’s student activity accounts will now be held in and accounted for in the General Fund. Student activity accounts were previously accounted for in the agency fund. The following table describes the effects of the implementation of GASB 84 on beginning net deficit/fund balance.

	Governmental Activities	General Fund
Net Deficit/Fund Balance at June 30, 2019, as previously reported	\$ (22,828,351)	\$ 7,708,581
Adjustment of student activity funds from an agency fund to the General Fund	432,125	432,125
Net Deficit/Fund Balance at July 1, 2019, as adjusted	\$ (22,396,226)	\$ 8,140,706

Note 11 - Fund Balance

Certain portions of fund balances are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities, or as required by other outside parties.

The following is a summary of fund balances as of June 30, 2020:

	<u>General</u>	<u>Debt Service</u>	<u>OPEB Debt Service Fund</u>	<u>Other Government Funds</u>	<u>Totals</u>
Nonspendable					
Inventory	\$ 45,692	\$ -	\$ -	\$ 45,235	\$ 90,927
Restricted					
Student activities	485,103	-	-	-	485,103
Debt service	-	807,069	-	-	807,069
Debt service bond refundings	-	60,780,000	-	-	60,780,000
Food service	-	-	-	466,104	466,104
Community education	-	-	-	1,080,080	1,080,080
Early childhood and family education	-	-	-	19,641	19,641
School readiness	-	-	-	40,220	40,220
Community service	-	-	-	54,781	54,781
Total restricted	<u>485,103</u>	<u>61,587,069</u>	<u>-</u>	<u>1,660,826</u>	<u>63,732,998</u>
Assigned					
Capital projects	975,000	-	-	-	975,000
Technology	500,000	-	-	-	500,000
Total assigned	<u>1,475,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,475,000</u>
Unassigned	<u>5,644,782</u>	<u>-</u>	<u>(85,897)</u>	<u>-</u>	<u>5,558,885</u>
Total fund balance	<u>\$ 7,650,577</u>	<u>\$ 61,587,069</u>	<u>\$ (85,897)</u>	<u>\$ 1,706,061</u>	<u>\$ 70,857,810</u>

Note 12 - Employee Benefit Plan 403(b)

All teachers having completed their tenth year of teaching in the District are eligible to participate in the matching 403(b) program. The District will match the employees' deferral up to a maximum of \$2,000 per year. The maximum career matching contribution by the District will not exceed \$30,000 per teacher. Contributions are invested in tax deferred annuities selected and owned by Plan participants. The District contributions for the years ended June 30, 2020, 2019, and 2018 were \$284,699, \$254,239, and \$247,720.

Note 13 - Dental Self-Insurance

The District is self-insured with respect to dental insurance costs. The District implemented the self-insurance medical plan on July 1, 1985. Terms of the plan do not include a stop-loss provision which would limit the District’s liability. The following is the activity for the year ended June 30, 2020:

Claims incurred but not reported at beginning of year	\$ 5,600
Claims incurred	327,819
Claims paid	(327,819)

Claims incurred but not reported at end of year	\$ 5,600

Note 14 - Commitments and Contingencies

Federal and State Revenue

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 funds. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

Note 15 - Subsequent Event

The District has evaluated subsequent events through September 21, 2020, the date which the financial statements were available to be issued. The District issued \$1,885,000 in General Obligation Capital Facilities Bonds, Series 2020A to fund the district’s roofing and parking lot replacement projects.

In addition, the District received federal grant funding related to the global COVID-19 pandemic. \$337,098 was received under the Elementary and Secondary School Emergency Relief Fund (ESSER) grant, \$43,805 was received under the Governor’s Emergency Education Relief Fund (GEER) grant, and \$1,050,810 was received as part of the Coronavirus Relief Fund (CRF). All grants will be used to cover COVID-19 expenditures of the district.

Note 16 - Related Organizations

The Runestone Area Education District No. 61-6014 was organized on August 15, 1988. The purpose of the Education District is to increase options for learning and access to educational opportunities for all residents within the boundaries of the member districts by facilitating cooperation among school districts. Funding is provided by the member districts. The following school districts are member of the Runestone Area Education District:

Independent School District No. 206, Alexandria, Minnesota
Independent School District No. 2908, Brandon - Evansville, Minnesota
Independent School District No. 213, Osakis, Minnesota
Independent School District No. 2149, Glenwood, Minnesota
Independent School District No. 547, Parkers Prairie, Minnesota

Central Minnesota Educational Telecommunications System, (CMETS) is a joint powers entity established pursuant to provisions of Minnesota Statute Section 471.59. The purpose of CMETS is to provide a comprehensive educational program for all member districts involved. Member districts jointly provide planning, research, purchasing, development, implementation, and programming of distance learning systems and technological services. The following school districts are members of CMETS:

Independent School District No. 745, Albany, Minnesota
Independent School District No. 206, Alexandria, Minnesota
Independent School District No. 2908, Brandon - Evansville, Minnesota
Independent School District No. 213, Osakis, Minnesota
Independent School District No. 547, Parkers Prairie, Minnesota
Independent School District No. 740, Melrose, Minnesota
Independent School District No. 743, Sauk Centre, Minnesota
Independent School District No. 2149, Glenwood, Minnesota

Each joint venture's financial statements are audited and available for inspection.

Note 17 - Issued But Non-effective Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several statements not yet implemented by the District. The first statement issued but not yet implemented that will affect the District is Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. This Statement will be implemented at the District in the year ended June 30, 2022.

The second statement issued but not yet implemented that will affect the District is Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement will improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period. This Statement will be implemented at the District in the year ended June 30, 2022.

The third statement issued but not yet implemented that will affect the District is Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement will improve financial reporting by establishing the definitions of PPPs and APAs and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. That uniform guidance will provide more relevant and reliable information for financial statement users and create greater consistency in practice. This Statement will enhance the decision usefulness of a government's financial statements by requiring governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. The required disclosures will allow users to understand the scale and important aspects of a government's PPPs and evaluate a government's future obligations and assets resulting from PPPs. This Statement will be implemented at the District in the year ended June 30, 2023.

The final statement issued but not yet implemented that will affect the District is Statement No. 96, *Subscription-Based Information Technology Arrangements*. The primary objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs. This Statement will be implemented at the District in the year ended June 30, 2023.

Management has not yet determined the effect these pronouncements will have on the District's financial statements.



Required Supplementary Information
June 30, 2020

Independent School District No. 206
Alexandria Public Schools

Independent School District No. 206
Alexandria Public Schools

Schedule of Changes in Supplemental Benefits Liability and Supplemental Benefits Liability
June 30, 2020

**Schedule of Changes in Supplemental Benefits Liability
Last 10 Fiscal Years ***

	2020	2019	2018	2017
Service cost	\$ 80,470	\$ 61,475	\$ 57,160	\$ 60,479
Interest	26,678	31,917	105,654	33,570
Assumption changes	25,554	8,505	(912)	-
Differences between expected and actual experience	96,415	-	168,487	-
Plan changes	51,722	-	-	-
Benefit payments	<u>(186,460)</u>	<u>(211,288)</u>	<u>(255,124)</u>	<u>(226,423)</u>
Net change in total OPEB liability	94,379	(109,391)	75,265	(132,374)
Total OPEB liability - beginning	<u>872,627</u>	<u>982,018</u>	<u>906,753</u>	<u>1,039,127</u>
Total OPEB liability - ending (a)	<u>\$ 967,006</u>	<u>\$ 872,627</u>	<u>\$ 982,018</u>	<u>\$ 906,753</u>

* GASB Statement No. 73 requires ten years of information to be presented in this table. However, until a full 10- year trend is compiled, the District will present information for those years for which information is available.

**Schedule of Supplemental Benefits Liability
Last 10 Fiscal Years ***

	2020	2020	2018	2017
Supplemental benefits liability	<u>\$ 967,006</u>	<u>\$ 872,627</u>	<u>\$ 982,018</u>	<u>\$ 906,753</u>
Covered-employee payroll	<u>\$ 29,047,757</u>	<u>\$ 27,067,479</u>	<u>\$ 26,279,106</u>	<u>\$ 24,863,378</u>
Supplemental benefits liability as a percentage of covered-employee payroll	3.33%	3.22%	3.74%	3.65%

There are no assets accumulated in an irrevocable trust to pay plan benefits.

* GASB Statement No. 73 requires ten years of information to be presented in this table. However, until a full 10- year trend is compiled, the District will present information for those years for which information is available.

Independent School District No. 206
Alexandria Public Schools
Schedule of Changes in the District's Net OPEB Liability and Related Ratios
June 30, 2020

Schedule of Changes in the District's Net OPEB Liability and Related Ratios, Last 10 Fiscal Years*

	2020	2019	2018	2017
Service cost	\$ 487,935	\$ 466,323	\$ 431,504	\$ 392,975
Interest	293,179	318,329	285,045	290,515
Assumption changes	(85,879)	172,583	955,246	-
Plan changes	13,894	-	-	-
Differences between expected and actual experience	140,641	-	103,033	-
Benefit payments	<u>(840,162)</u>	<u>(848,813)</u>	<u>(890,791)</u>	<u>(875,121)</u>
Net change in total OPEB liability	9,608	108,422	884,037	(191,631)
Total OPEB liability - beginning	<u>9,386,314</u>	<u>9,277,892</u>	<u>8,393,855</u>	<u>8,585,486</u>
Total OPEB liability - ending (a)	<u>\$ 9,395,922</u>	<u>\$ 9,386,314</u>	<u>\$ 9,277,892</u>	<u>\$ 8,393,855</u>
Plan fiduciary net position				
Projected investment return	\$ 55,459	\$ 57,706	\$ 93,438	\$ 118,057
Differences between expected and actual experience	13,392	13,963	-	141,574
Benefit payments	<u>(840,162)</u>	<u>(848,813)</u>	<u>(890,791)</u>	<u>(875,121)</u>
Net change in plan fiduciary net position	(771,311)	(777,144)	(797,353)	(615,490)
Total fiduciary net position - beginning, as restated on July 1, 2018	<u>1,260,432</u>	<u>2,037,576</u>	<u>2,335,947</u>	<u>2,951,437</u>
Total fiduciary net position - ending (b)	<u>\$ 489,121</u>	<u>\$ 1,260,432</u>	<u>\$ 1,538,594</u>	<u>\$ 2,335,947</u>
District's net OPEB liability - ending (a) - (b)	<u>\$ 8,906,801</u>	<u>\$ 8,125,882</u>	<u>\$ 7,739,298</u>	<u>\$ 6,057,908</u>
Plan fiduciary net position as a percentage of the total OPEB Liability	5.21%	13.43%	16.58%	27.83%
Covered-employee payroll	\$28,399,633	\$27,098,253	\$26,308,983	\$24,033,865
District's net OPEB liability as a percentage of covered-employee payroll	31.36%	29.99%	29.42%	25.21%

*GASB Statements No. 74/75 require ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Independent School District No. 206
 Alexandria Public Schools
 Schedule of District OPEB Contributions
 June 30, 2020

Schedule of District OPEB Contributions, Last 10 Fiscal years*

	2020	2019	2018	2017
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$28,399,633	\$27,098,253	\$26,308,983	\$24,033,865
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%

*GASB Statements No. 74/75 require ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Note to the Schedule of District Contributions

Valuation date July 1, 2019

Actuarial cost method Entry Age, level percentage of pay

Amortization method Average of expected remaining service on a closed basis for differences between expected and actual experience and assumption changes. Closed five-year period for differences between expected and actual asset returns.

Amortization period 20 years

Asset valuation method Closed five-year period

Inflation 2.50 percent

Healthcare cost trend rates 6.50 percent in 2019 grading to 5.00 percent over 6 years

Salary increases Service graded table

Investment rate of return 4.40 percent (net of investment expenses)

Retirement age In the July 1, 2017 actuarial valuation, expected retirement ages of general employees were adjusted to more closely reflect actual experience.

Mortality Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale

Independent School District No. 206

Alexandria Public Schools

Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions

June 30, 2020

Schedule of Employer's Share of Net Pension Liability

Last 10 Fiscal Years *

Pension Plan	Measurement Date	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated With District (b)	Total (d) (a+b)	Employer's Covered-Employee Payroll (e)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll (a/e)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
PERA	6/30/2014	0.1196%	\$ 5,618,209	N/A	\$ 5,618,209	\$ 6,499,980	86.4%	78.8%
PERA	6/30/2015	0.1203%	6,234,570	N/A	6,234,570	7,342,953	84.9%	78.2%
PERA	6/30/2016	0.1265%	10,271,173	134,091	10,405,264	8,125,945	126.4%	68.9%
PERA	6/30/2017	0.1328%	8,477,864	106,609	8,584,473	8,563,613	99.0%	75.9%
PERA	6/30/2018	0.1275%	7,073,177	232,044	7,305,221	8,521,560	83.0%	79.5%
PERA	6/30/2019	0.1333%	7,369,858	228,990	7,598,848	8,696,160	84.7%	80.2%
TRA	6/30/2014	0.3817%	\$ 17,588,461	\$ 1,237,470	\$ 18,825,931	\$ 17,696,238	99.4%	81.5%
TRA	6/30/2015	0.3533%	21,855,099	2,680,496	24,535,595	18,773,863	116.4%	76.8%
TRA	6/30/2016	0.3739%	89,184,071	8,951,105	98,135,176	19,882,744	448.6%	44.9%
TRA	6/30/2017	0.3809%	76,034,550	7,349,657	83,384,207	19,491,680	390.1%	51.6%
TRA	6/30/2018	0.3881%	24,374,474	2,289,882	26,664,356	21,520,080	113.3%	78.1%
TRA	6/30/2019	0.3917%	24,967,040	2,209,693	27,176,733	22,236,693	112.3%	78.1%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10- year trend is compiled, the District will present information for those years for which information is available.

Schedule of Employer's Contributions

Last 10 Fiscal Years *

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered-Employee Payroll (d)	Contributions as a Percentage of Covered-Employee Payroll (b/d)
PERA	6/30/2015	\$ 527,584	\$ 527,584	\$ -	\$ 7,034,453	7.5%
PERA	6/30/2016	588,688	588,688	-	7,849,173	7.5%
PERA	6/30/2017	642,271	642,271	-	8,563,613	7.5%
PERA	6/30/2018	639,117	639,117	-	8,521,560	7.5%
PERA	6/30/2019	652,212	652,212	-	8,696,160	7.5%
PERA	6/30/2020	739,174	739,174	-	9,855,653	7.5%
TRA	6/30/2015	\$ 1,359,295	\$ 1,359,295	\$ -	\$ 18,123,933	7.5%
TRA	6/30/2016	1,491,206	1,491,206	-	19,882,747	7.5%
TRA	6/30/2017	1,461,876	1,461,876	-	19,491,680	7.5%
TRA	6/30/2018	1,614,006	1,614,006	-	21,520,080	7.5%
TRA	6/30/2019	1,714,449	1,714,449	-	22,236,693	7.7%
TRA	6/30/2020	1,815,873	1,815,873	-	22,927,689	7.9%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10- year trend is compiled, the District will present information for those years for which information is available.

Notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions

PERA

2019 Changes

Changes in Actuarial Assumptions

- The morality 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.

2018 Changes

Changes in Actuarial Assumptions

- The morality 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.

Changes in Plan Provisions

- 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 Changes

Changes in Actuarial Assumptions

- The combined service annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA load are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

Changes in Plan Provisions

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

2016 Changes:**Changes in Actuarial Assumptions**

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study 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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes:**Changes in Actuarial Assumptions**

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2035 and 2.50 percent per year thereafter.

Changes in Plan Provisions:

- 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 increase the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

TRA**2019 Changes****Changes in Actuarial Assumptions**

- 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 Changes

Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 8.0%.
- The cost of living adjustment (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% on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019, and ending July 1, 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% 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 was reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six 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.

2017 Changes

Changes in Actuarial Assumptions

- The discount rate was decreased to 5.12% from 4.66%.
- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5% but remain at 2.0% for all future years.
- 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%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 2.5% to 3.0%.

- The general wage growth assumption was lowered from 3.5% to 2.85% for ten years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

2016 Changes

Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 8.0%.
- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- The price inflation assumption was lowered from 3% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the 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.
- The post-retirement mortality assumption was changed to the 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.
- The post-disability mortality assumption was changed to the RP 2014 disabled retiree mortality table, without adjustment.
- Augmentation in the early retirement reduction factors is phased out o Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made

2015 Changes

Changes of benefit terms:

- The DTRFA was merged into TRA on June 30, 2015.

Change of assumptions:

- The annual COLA for the June 30, 2015, valuation assumed 2%. The prior year valuation used 2% with an increase to 2.5% commencing in 2034. The discount rate used to measure the total pension liability was 8.0%. This is a decrease from the discount rate at the prior measurement date of 8.25%. Details, if necessary, can be obtained from the TRA CAFR.

PERA's CAFR may be obtained on the PERA's website at www.mnpera.org for notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions.

Additional financial and actuarial information can be found in TRA's GASB 67-68 report. Both reports can be obtained at <https://minnesotatra.org/wp-content/uploads/2019/01/2018-MN-TRA-GASB-67-68-Reportscombined.pdf>.



Combining and Individual Fund Schedules
June 30, 2020

Independent School District No. 206
Alexandria Public Schools

Independent School District No. 206
 Alexandria Public Schools
 General Fund
 Schedule of Changes in UFARS Fund Balances
 Year Ended June 30, 2020

	Fund Balance Beginning of Year (as adjusted)	Net Change in Fund Balance	Fund Balance End of Year
Nonspendable	\$ 93,745	\$ (48,053)	\$ 45,692
Restricted for student activities	432,125	52,978	485,103
Assigned for capital projects	1,675,000	(700,000)	975,000
Assigned for technology	750,000	(250,000)	500,000
Unassigned	<u>5,189,836</u>	<u>454,946</u>	<u>5,644,782</u>
	<u>\$ 8,140,706</u>	<u>\$ (490,129)</u>	<u>\$ 7,650,577</u>

Independent School District No. 206
 Alexandria Public Schools
 Nonmajor Governmental Funds
 Combining Balance Sheet
 June 30, 2020

	Food Service	Community Service	Totals
Assets			
Cash and investments	\$ 606,370	\$ 1,758,121	\$ 2,364,491
Receivables			
Current property taxes	-	383,715	383,715
Delinquent property taxes	-	4,570	4,570
Accounts	11,365	-	11,365
Due from other governmental units	-	52,226	52,226
Inventories	45,235	-	45,235
Total assets	\$ 662,970	\$ 2,198,632	\$ 2,861,602
Liabilities			
Accounts payable	\$ 8,917	\$ 11,142	\$ 20,059
Salaries payable	142,714	144,371	287,085
Unearned revenue	-	38,632	38,632
Total liabilities	151,631	194,145	345,776
Deferred Inflows of Resources			
Unavailable revenue-property taxes	-	809,765	809,765
Fund Balance			
Nonspendable	45,235	-	45,235
Restricted	466,104	1,194,722	1,660,826
Total fund balance	511,339	1,194,722	1,706,061
Total liabilities, deferred inflows of resources, and fund balance	\$ 662,970	\$ 2,198,632	\$ 2,861,602

Independent School District No. 206
 Alexandria Public Schools
 Nonmajor Governmental Funds
 Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
 Year Ended June 30, 2020

	<u>Food Service</u>	<u>Community Service</u>	<u>Totals</u>
Revenues			
Local property tax levies	\$ -	\$ 845,114	\$ 845,114
Other local and county sources	86,338	1,538,181	1,624,519
State sources	106,323	601,246	707,569
Federal sources	1,571,885	29,156	1,601,041
Sales and other conversion of assets	1,369,086	-	1,369,086
	<u>3,133,632</u>	<u>3,013,697</u>	<u>6,147,329</u>
Expenditures			
Community education and service	-	2,709,733	2,709,733
Pupil support services	3,130,031	-	3,130,031
	<u>3,130,031</u>	<u>2,709,733</u>	<u>5,839,764</u>
Net Change in Fund Balance	3,601	303,964	307,565
Fund Balance, Beginning of Year	<u>507,738</u>	<u>890,758</u>	<u>1,398,496</u>
Fund Balance, End of Year	<u>\$ 511,339</u>	<u>\$ 1,194,722</u>	<u>\$ 1,706,061</u>



Other Supplementary Information
June 30, 2020

Independent School District No. 206
Alexandria Public Schools

Independent School District No. 206
Alexandria Public Schools
Uniform Accounting and Reporting Standards Compliance Table
Year Ended June 30, 2020

Fiscal Compliance Report - 6/30/2020 [Help](#) [Logoff](#)
District: ALEXANDRIA (206-1) [Back](#) [Print](#)

	Audit	UFARS	Audit - UFARS		Audit	UFARS	Audit - UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$50,903,088	<u>\$50,903,087</u>	\$1	Total Revenue	\$0	\$0	\$0
Total Expenditures	\$51,667,070	<u>\$51,667,098</u>	\$2	Total Expenditures	\$0	\$0	\$0
Non Spendable:				Non Spendable:			
4.60 Non Spendable Fund Balance	\$45,692	<u>\$45,692</u>	\$0	4.60 Non Spendable Fund Balance	\$0	\$0	\$0
Restricted / Reserved:				Restricted / Reserved:			
4.01 Student Activities	\$485,103	<u>\$485,103</u>	\$0	4.07 Capital Projects Levy	\$0	\$0	\$0
4.02 Scholarships	\$0	\$0	\$0	4.13 Project Funded by COP	\$0	\$0	\$0
4.03 Staff Development	\$0	\$0	\$0	4.67 LTFM	\$0	\$0	\$0
4.07 Capital Projects Levy	\$0	\$0	\$0	Restricted:			
4.08 Cooperative Revenue	\$0	\$0	\$0	4.64 Restricted Fund Balance	\$0	\$0	\$0
4.13 Project Funded by COP	\$0	\$0	\$0	Unassigned:			
4.14 Operating Debt	\$0	\$0	\$0	4.63 Unassigned Fund Balance	\$0	\$0	\$0
4.16 Levy Reduction	\$0	\$0	\$0				
4.17 Taconite Building Maint	\$0	\$0	\$0	07 DEBT SERVICE			
4.24 Operating Capital	\$0	\$0	\$0	Total Revenue	\$6,519,465	<u>\$6,519,464</u>	\$1
4.26 \$25 Taconite	\$0	\$0	\$0	Total Expenditures	\$6,672,064	<u>\$6,672,063</u>	\$1
4.27 Disabled Accessibility	\$0	\$0	\$0	Non Spendable:			
4.28 Learning & Development	\$0	\$0	\$0	4.60 Non Spendable Fund Balance	\$0	\$0	\$0
4.34 Area Learning Center	\$0	\$0	\$0	Restricted / Reserved:			
4.35 Contracted Alt. Programs	\$0	\$0	\$0	4.25 Bond Refundings	\$60,780,000	<u>\$60,780,000</u>	\$0
4.36 State Approved Alt. Program	\$0	\$0	\$0	4.33 Maximum Effort Loan Aid	\$0	\$0	\$0
4.38 Gifted & Talented	\$0	\$0	\$0	4.51 QZAB Payments	\$0	\$0	\$0
4.40 Teacher Development and Evaluation	\$0	\$0	\$0	4.67 LTFM	\$0	\$0	\$0
4.41 Basic Skills Programs	\$0	\$0	\$0	Restricted:			
4.48 Achievement and Integration	\$0	\$0	\$0	4.64 Restricted Fund Balance	\$807,069	<u>\$807,071</u>	(\$2)
4.49 Safe School Crime - Crime Levy	\$0	\$0	\$0	Unassigned:			
4.51 QZAB Payments	\$0	\$0	\$0	4.63 Unassigned Fund Balance	\$0	\$0	\$0
4.52 OPEB Liab Not in Trust	\$0	\$0	\$0				
4.53 Unfunded Sev & Retirement Levy	\$0	\$0	\$0	08 TRUST			
4.59 Basic Skills Extended Time	\$0	\$0	\$0	Total Revenue	\$0	\$0	\$0
4.67 LTFM	\$0	\$0	\$0	Total Expenditures	\$0	\$0	\$0
4.72 Medical Assistance	\$0	\$0	\$0	Restricted / Reserved:			
Restricted:				4.01 Student Activities	\$0	\$0	\$0
4.64 Restricted Fund Balance	\$0	\$0	\$0	4.02 Scholarships	\$0	\$0	\$0
4.75 Title VIII Impact Aid	\$0	\$0	\$0	4.22 Unassigned Fund Balance (Net Assets)	\$0	\$0	\$0
4.76 Payments in Lieu of Taxes	\$0	\$0	\$0				
Committed:				18 CUSTODIAL			
4.18 Committed for Separation	\$0	\$0	\$0	Total Revenue	\$0	\$0	\$0
4.61 Committed Fund Balance	\$0	\$0	\$0	Total Expenditures	\$0	\$0	\$0
Assigned:				Restricted / Reserved:			
4.62 Assigned Fund Balance	\$1,475,000	<u>\$1,475,000</u>	\$0	4.01 Student Activities	\$0	\$0	\$0
Unassigned:				4.02 Scholarships	\$0	\$0	\$0
4.22 Unassigned Fund Balance	\$5,644,782	<u>\$5,644,782</u>	\$0	4.48 Achievement and Integration	\$0	\$0	\$0
02 FOOD SERVICES				20 INTERNAL SERVICE			
Total Revenue	\$3,133,632	<u>\$3,133,630</u>	\$2	Total Revenue	\$376,178	<u>\$376,178</u>	\$0
Total Expenditures	\$3,130,031	<u>\$3,130,030</u>	\$1	Total Expenditures	\$359,347	<u>\$359,346</u>	\$1
Non Spendable:				4.22 Unassigned Fund Balance (Net Assets)	\$111,942	<u>\$111,942</u>	\$0
4.60 Non Spendable Fund Balance	\$45,235	<u>\$45,235</u>	\$0				
Restricted / Reserved:				25 OPEB REVOCABLE TRUST			
4.52 OPEB Liab Not in Trust	\$0	\$0	\$0	Total Revenue	\$0	\$0	\$0
Restricted:				Total Expenditures	\$0	\$0	\$0
4.64 Restricted Fund Balance	\$466,104	<u>\$466,104</u>	\$0	4.22 Unassigned Fund Balance (Net Assets)	\$0	\$0	\$0
Unassigned:							
4.63 Unassigned Fund Balance	\$0	\$0	\$0	45 OPEB IRREVOCABLE TRUST			
				Total Revenue	\$68,851	<u>\$68,850</u>	\$1
04 COMMUNITY SERVICE				Total Expenditures	\$840,162	<u>\$840,162</u>	\$0
Total Revenue	\$3,013,697	<u>\$3,013,695</u>	\$2	4.22 Unassigned Fund Balance (Net Assets)	\$489,121	<u>\$489,121</u>	\$0
Total Expenditures	\$2,709,733	<u>\$2,709,731</u>	\$2				
Non Spendable:				47 OPEB DEBT SERVICE			
4.60 Non Spendable Fund Balance	\$0	\$0	\$0	Total Revenue	\$1,122,871	<u>\$1,122,871</u>	\$0
Restricted / Reserved:				Total Expenditures	\$711,627	<u>\$711,628</u>	(\$1)
4.26 \$25 Taconite	\$0	\$0	\$0	Non Spendable:			
4.31 Community Education	\$1,080,080	<u>\$1,080,080</u>	\$0	4.60 Non Spendable Fund Balance	\$0	\$0	\$0
4.32 E.C.F.E	\$19,641	<u>\$19,641</u>	\$0	Restricted:			
4.40 Teacher Development and Evaluation	\$0	\$0	\$0	4.25 Bond Refundings	\$0	\$0	\$0
4.44 School Readiness	\$40,220	<u>\$40,220</u>	\$0	4.64 Restricted Fund Balance	\$0	\$0	\$0
4.47 Adult Basic Education	\$0	\$0	\$0	Unassigned:			
4.52 OPEB Liab Not in Trust	\$0	\$0	\$0	4.63 Unassigned Fund Balance	(\$85,897)	<u>(\$85,897)</u>	\$0
Restricted:							
4.64 Restricted Fund Balance	\$54,781	<u>\$54,782</u>	(\$1)				
Unassigned:							
4.63 Unassigned Fund Balance	\$0	\$0	\$0				

Independent School District No. 206
Alexandria Public Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures	
<u>Department of Agriculture</u>				
Passed through Minnesota Department of Education				
Non-Cash Assistance (Commodities):				
Food Distribution	10.558	0206-01-000 FIN 701	\$ 180,968	
Cash Assistance:				
Food Distribution	10.558	0206-01-000 FIN 701	<u>7,353</u>	
Total CFDA No. 10.558				\$ 188,321
School Breakfast Program	10.553	0206-01-000 FIN 705	78,159	
National School Lunch Program	10.555	0206-01-000 FIN 701	537,085	
Special Milk Program for Children	10.556	0206-01-000 FIN 703	1,440	
Summer Food Service Program for Children	10.559	0206-01-000 FIN 709	<u>768,320</u>	
Total Child Nutrition Cluster				<u>1,385,004</u>
Total Department of Agriculture				\$ 1,573,325
<u>Department of Education</u>				
Passed through Minnesota Department of Education				
Title I, Part A, Improving the Academic Achievement of the Disadvantaged	84.010	0206-01-000 FIN 401		423,723
Title II, Part A, Teacher and Principal Training and Recruitment	84.367	0206-01-000 FIN 414		81,268
Title IV, Part A, Student Support and Academic Enrichment	84.424	0206-01-000 FIN 433		47,282
Part C IEIC, Ages 0-2	84.181	0206-01-000 FIN 422		24,555
Limited Eligibility Adult Basic Education	84.002	0206-01-000 FIN 438		9,121
Elementary and Secondary School Emergency Relief Fund 90%	84.425	0206-01-000 FIN 151		16,859
IDEA Special Education Part B, Section 611	84.027	0206-01-000 FIN 419	796,919	
Part B Section 611 Coordinated Early Intervening Services (CEIS)	84.027	0206-01-000 FIN 425	29,346	
Special Education Grant	84.027	0206-01-000		
Part B Section 619 Preschool Incentive, Ages 3-5	84.173	0206-01-000 FIN 420	<u>22,728</u>	
Total Special Education Cluster				<u>848,993</u>
Total Department of Education				<u>1,451,801</u>
Total Federal Financial Assistance				<u><u>\$ 3,025,126</u></u>

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of the District under programs of the federal government for the year ended June 30, 2020. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

Note B – Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Note C – Indirect Cost Rate

The District has not elected to use the 10% de minimis cost rate.

Note D – Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of commodities received and disbursed. At June 30, 2020 the District had food commodities totaling \$45,235 in inventory.



Additional Reports
June 30, 2020

Independent School District No. 206
Alexandria Public Schools



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*

The School Board of
Independent School District No. 206
Alexandria Public Schools
Alexandria, 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 Independent School District No. 206, Alexandria, Minnesota, 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 September 21, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2020-001, 2020-002, and 2020-003, that we consider to be material weaknesses.

Compliance and Other Matters

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

Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Fargo, North Dakota
September 21, 2020



Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance Required by the Uniform Guidance

The School Board of
Independent School District No. 206
Alexandria Public Schools
Alexandria, Minnesota

Report on Compliance for Each Major Federal Program

We have audited the District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2020. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major Federal program 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 compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 a 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.



Fargo, North Dakota
September 21, 2020



Minnesota Legal Compliance

The School Board of
Independent School District No. 206
Alexandria Public Schools
Alexandria, 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 Independent School District No. 206 Alexandria Public Schools as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated September 21, 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, miscellaneous provisions, and uniform financial accounting and reporting standards sections of the Minnesota Legal Compliance Audit Guide for School Districts, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, except as described in the accompanying schedule of findings and questioned costs as items 2020-004, 2020-005, 2020-006, and 2020-007. 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 District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs and the District's Corrective Action Plan, which is contained in a separate document. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

A handwritten signature in black ink that reads "Eide Bailly LLP".

Fargo, North Dakota
September 21, 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	Yes
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
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 Uniform Guidance 2 CFR 200.516:	No

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Child Nutrition Cluster	10.553 / 10.555 / 10.556 / 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

**2020-001 Preparation of Financial Statements
Material Weakness**

Criteria – A good system of internal accounting control contemplates an adequate system for internally preparing the District’s financial statements.

Condition – The District does not have an internal control system designed to provide for the preparation of the financial statements being audited. The auditors were requested to, and did, draft the financial statements and accompanying notes to the financial statements.

Cause – The District does not have an internal control system designed to provide for the preparation of the financial statements being audited

Effect – The disclosures in the financial statements could be incomplete.

Recommendation – It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials – There is no disagreement with the audit finding.

2020-002 **Material Journal Entries**
Material Weakness

Criteria – A good system of internal accounting control contemplates an adequate system for recording and processing entries material to the financial statements.

Condition – During the course of our engagement, we proposed material audit adjustments that were not identified as a result of the District’s existing internal controls, and therefore could have resulted in a material misstatement of the District’s financial statements.

Cause – The District does not have an internal control system designed to identify all necessary adjustments.

Effect – This deficiency could result in a misstatement to the financial statements that would not be prevented or detected.

Recommendation – A thorough review and reconciliation of accounts in each fund should take place prior to the beginning of the audit. This review should be done at both the accounting staff and accounting supervisor levels.

Views of Responsible Officials – There is no disagreement with the audit finding.

**2020-003 Segregation of Duties
Material Weakness**

Criteria – A good system of internal control requires an adequate segregation of duties so that no one individual has incompatible responsibilities. No one person should have more than one duty relating to the authorization (approval), custody of assets (check signers), record keeping and reconciliation functions.

Condition – The District does not adequately separate duties in cash receipts and journal entry posting.

Cause – One individual is responsible for receipting cash, preparing the deposit slip, making the deposit in the financial institution, and entering the transaction into the accounting system. Also, there is no formal process to review journal entries that are posted into the accounting system.

Effect – Inadequate segregation of duties could adversely affect the District's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

Recommendation – The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the District. Segregation of authorization, custody of assets, record keeping and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements.

Views of Responsible Officials – There is no disagreement with the audit finding.

Section III – Federal Award Findings and Questioned Costs

None reported

Section IV – Minnesota Legal Compliance Findings

2020-004 Insufficient Pledged Collateral

Criteria – Minnesota Statutes § 118A.03 require funds deposited with a banking institution in excess of FDIC coverage to be secured by pledged collateral of at least 110% of the excess deposit or irrevocable standby letters of credit from Federal Home Loan Banks equal to the amount of the excess deposit.

Condition – During the course of our engagement, we noted that the balance at one institution exceeded the amounts covered by the FDIC, pledged collateral, and FHLB letters of credit by \$15,230,851.

Cause – The District did not follow the procedures to ensure sufficient coverage of deposits with financial institutions.

Effect – The finding could result in losses of District funds in the event of financial institution failure.

Recommendation – The District should review the amounts deposited with each financial institution and the amounts of available coverage through FDIC, pledged collateral, and FHLB letters of credit.

Views of Responsible Officials – There is no disagreement with the audit finding.

2020-005 Lack of Supporting Documentation for Student Activity Disbursement

Criteria – A good system of internal accounting control contemplates an adequate system for compliance with the MAFA guidelines, which requires maintaining supporting documentation for each disbursement.

Condition – During the course of our engagement, we noted an instance in the student activity fund where a disbursement lacked supporting documentation.

Cause – The District did not follow the procedures to ensure appropriate supporting documentation was maintained.

Effect – The finding could result in unallowable costs.

Recommendation – The District should review each requisition form to ensure each check issued has the appropriate supporting documentation.

Views of Responsible Officials – There is no disagreement with the audit finding.

2020-006 Improper Use of Student Activity Funds

Criteria – A good system of internal accounting control contemplates an adequate system for compliance with the MAFA guidelines of proper and timely use of student funds. Page 15 of the MAFA guidelines describes employee compensation as unallowable.

Condition – During the course of our engagement, we noted an instance of the student activity funds disbursing funds for employee compensation.

Cause – The District did not follow the procedures in to ensure disbursements were made for appropriate expenditures.

Effect – The finding could result in public funds being used for the personal gain of individuals.

Recommendation – District should review the MAFA guidelines to determine which payments are appropriate for student activity accounts.

Views of Responsible Officials – There is no disagreement with the audit finding.

2020-007 Inactive Student Activity Accounts with Remaining Cash Balances

Criteria – A good system of internal accounting control contemplates an adequate system for compliance with the MAFA guidelines of proper treatment and maintenance of student funds.

Condition – During the course of our engagement, we noted the Gymnastics, AAHS Knowledge Bowl, AAHS National Honor Society, AAHS Rainbow Strings, AAHS Science, VES Music, and Wrestling accounts were inactive and not properly disposed of.

Cause – The District did not follow the procedures to remain in compliance with the MAFA guidelines relating to inactive accounts with remaining balances at year end.

Effect – Inactive accounts remain unusable on the books.

Recommendation – The District should monitor accounts activity and dispose of inactive accounts or obtain a written plan from the advisor noting why the student activity should not be disposed of.

Views of Responsible Officials – There is no disagreement with the audit finding.