Financial Statements
June 30, 2020

Pelican Rapids Area Public Schools
Independent School District No. 548

EideBailly®

eidebailly.com

Pelican Rapids Area Public Schools
Independent School District No. 548
Table of Contents
June 30, 2020

Additional Reports

School Board and Administration (Unaudited)

June 30, 2020

Name	Position	Term Expires
Jon Karger	School Board Chair	12/31/2020
Michael Forsgren	Vice Chair	12/31/2020
Anne Peterson	Clerk	12/31/2020
Brittany Dokken	Treasurer	12/31/2022
Greg Larson	Director	12/31/2022
Brenda Olson	Director	12/31/2022
	Administration	
Brian Korf	Superintendent	
Rudy Martinez	Business Manager	

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

The School Board of
Independent School District No. 548
Pelican Rapids Area Public Schools
Pelican Rapids, 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. 548 (the District), Pelican Rapids Area Public Schools, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2020, and the respective changes in financial position and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1 and 13 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 deficit and fund balance of the General Fund as of July 1, 2019. Additionally, as discussed in Note 13 to the financial statements, the District identified a misstatement in prior periods in the government-wide financial statements related to improper reporting of long-term debt balances. Our opinions are not modified with respect to these matters.

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 employer's share of net pension liability, and schedule of employer's contributions 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, economical, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The school board and administration, combining and individual fund schedules, and uniform accounting and reporting standards compliance table are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual fund schedules and the uniform accounting and reporting standards compliance table 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 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2020, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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 December 16, 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.

Eide Bailly LLP

Fargo, North Dakota
December 16, 2020

This section of Pelican Rapids Independent School District No. 548'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.

Financial Highlights

Key financial highlights for the 2020 fiscal year

- General fund revenues were $10,889,290 while expenditures totaled $9,770,073.
- The General fund unassigned fund balance changed from $609,437 to $1,193,532, an increase of $584,095.
- The Debt Service fund balance decreased by $48,593 which resulted in a positive fund balance at the end of the year of $32,237.
- The Food Service fund balance increased by $40,383 which resulted in a positive fund balance at the end of the year of $158,887.
- The Community Service fund balance decreased by $41,401 which resulted in a positive fund balance at the end of the year of $129,372.
- The OPEB Debt Service fund balance increased by $6,635 which resulted in a positive fund balance at the end of the year of $15,597.

Overview of the Financial Statements

The financial section of the annual report consists of three parts – Independent Auditor's Report, required supplementary information which includes the management's discussion and analysis (this section) and the basic financial statements. The basic financial statements include two kinds of statements that present different views of the District:

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

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The following outline shows how the various parts of this annual report are arranged and related to one another.

A. Management's Discussion and Analysis
B. Basic Financial Statements
    1. District-Wide Financial Statements
    2. Fund Financial Statements

Footnote 1 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

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 – is 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 statements 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 services, 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 certain 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 left at year-end that are available for spending.

Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or 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 at the bottom of the governmental funds statements that explain 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 for their intended purposes and by those to whom the assets belong. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

Financial Analysis of The District as a Whole

Net position: The District's combined net deficit was $1,581,380 on June 30, 2020.

Statement of Net Deficit
June 30, 2020 and 2019

	2020	2019
Assets		
Current assets	$ 8,933,059	$ 5,210,164
Capital assets	31,497,825	32,483,466
Total assets	40,430,884	37,693,630
Deferred Outflows of Resources	5,465,309	7,972,320
Liabilities		
Other liabilities	3,324,362	1,429,801
Long-term liabilities	31,281,700	34,707,706
Total liabilities	34,606,062	36,137,507
Deferred Inflows of Resources	12,871,511	13,974,441
Net Position (Deficit)		
Net investment in capital assets	7,161,722	4,986,126
Restricted for specific purposes	76,232	8,403
Unrestricted	(8,819,334)	(9,440,527)
Total net deficit	$ (1,581,380)	$ (4,445,998)

Statement of Activities
Years Ended June 30, 2020 and 2019

	2020	2019
Revenues		
Program revenues		
Charges for service	$ 341,926	$ 240,368
Operating grants and contributions	948,924	981,230
General		
Property taxes	3,235,778	3,375,523
Aids and payments from state and other	8,849,974	8,698,318
Unrestricted investment earnings	40,939	28,250
Miscellaneous revenues	462,346	412,363
Total revenues	13,879,887	13,736,052
Expenses		
Administration	721,368	802,474
District support services	152,880	163,576
Regular instruction	5,858,685	4,106,964
Vocational educational instruction	333,626	333,387
Special education instruction	1,211,691	1,279,164
Community education and services	346,604	281,420
Instructional support services	183,841	13,029
Pupil support services	1,143,139	1,493,384
Sites and buildings	2,053,454	2,188,356
Fiscal and other fixed-cost programs	811,589	2,534,366
Total expenses	12,816,877	13,196,120
Change in Net Deficit	1,063,010	539,932
Net Deficit - Beginning, as Adjusted on July 1, 2019 (Note 13)	(2,644,390)	(4,985,930)
Net Deficit - Ending	$ (1,581,380)	$ (4,445,998)

Changes in Net Position – The District's total revenues were $13,879,887 for the year ended June 30, 2020 Property taxes and state formula aid accounted for 87% of total revenue for the year. The other 13% came from other general revenues combined with investment earnings and the remainder from program revenues.

The total cost of all programs and services was $12,816,877. The District's expenses are predominantly related to educating and caring for students. The purely administrative activities of the District accounted for just $6% of total costs.

Total revenues surpassed expenses, decreasing net deficit by $1,063,010.

Financial Analysis of the District's Funds

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of $1,966,805. Revenues for the District's governmental funds were $13,846,804, while total expenditures were $12,770,563. The deficit was forecasted based upon district bond refunding.

General Fund

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

The following schedule presents a summary of General Fund Revenues.

	Year Ended June 30,		Amount of Increase	Percent Increase
	2020	2019	(Decrease)	(Decrease)
Local property taxes	$ 1,216,432	$ 1,254,127	$ (37,695)	-3.0%
Other local sources	901,012	361,637	539,375	149.1%
State sources	8,437,026	8,687,186	(250,160)	-2.9%
Federal sources	334,820	318,510	16,310	5.1%
Other	1,111	-	1,111	100.00%
Total General Fund revenues	$ 10,890,401	$ 10,621,460	$ 268,941	2.5%

Total General Fund revenues increased by $268,941 or 2.5% from the previous year; the majority of this increase is a result of increases in state aid.

The following schedule presents a summary of General Fund expenditures.

	Year Ended June 30, 2020	Year Ended June 30, 2019	Amount of Increase (Decrease)	Percent Increase (Decrease)
Salaries and benefits	$ 7,042,670	$ 7,927,027	$ (884,357)	-11.2%
Purchased services	1,630,765	2,388,764	(757,999)	-31.7%
Capital expenditures	232,663	399,921	(167,258)	-41.8%
Supplies and materials	603,279	584,127	19,152	3.3%
Other expenditures	260,696	70,587	190,109	269.3%
Total General Fund expenditures	$ 9,770,073	$ 11,370,426	$ (1,600,353)	-14.1%

Total General Fund expenditures decreased by $1,600,353 or 14.1% from the previous year. This decrease was a result of an increase in salaries and benefits due to step increases and purchased services.

General Fund Budgetary Highlights

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

- Implementing budgets for specially funded projects, which include both federal and state grants, and budgeting for clearing, resale, and gifts.
- Revising budgets to reflect enrollment and staffing changes.

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

- Actual revenues were $880,042 more than expected.
- The actual expenditures were $566,540 less than budget.

Other Non-Major Funds

Revenues exceeded expenditures in the other Non-major funds by $5,617. The Food Service Fund saw an increase of $40,383, the Community Service Fund saw a decrease of $41,401 in the fund balance, the capital projects fund saw no change, and the OPEB Debt Service Fund saw an increase of $6,635.

Capital Asset and Debt Administration

By the end of 2020, the District had invested $42,128,897 in a broad range of capital assets including the building renovation, science area renovation, HVAC project continuation, property purchase and computer and audio-visual equipment. Total depreciation expense for the year was $1,056,646. More detailed information about the District's capital assets is presented in Note 5 in the financial statements.

	2020	2019
Land	$ 232,279	$ 232,279
Buildings	39,284,245	39,284,245
Improvements	592,246	592,246
Equipment	2,020,127	1,949,122
Accumulated depreciation	(10,631,072)	(9,574,426)
Total capital assets	$ 31,497,825	$ 32,483,466

Long-Term Liabilities

At year-end, the District had $23,500,000 in General Obligation school building bonds, facilities maintenance, refunding, alternative and capital facilities bonds, HVAC bonds, and OPEB bonds due to the issuance for various facility improvement projects and OPEB obligations, $403,574 in energy loan liabilities due to the issuance for energy/facility improvement projects, and $29,431 in lease liabilities for security and technology equipment. More detailed information about the District's long-term liabilities is presented in Note 6 in the financial statements.

The District had a net OPEB obligation of $434,991. See Note 7 for further information.

The District had a net pension liability of approximately $6,510,606 at June 30, 2020. See Note 8 for further information.

Factors Bearing on the District's Future

The District is dependent on the State of Minnesota for its revenue authority. The District is experiencing stable-to-declining enrollment, which will require the District to review allocation of resources or secure additional revenue to maintain its excellent educational product.

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 our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact our Business Office at: 310 South Broadway, Pelican Rapids, Minnesota, 56572 (or mailing address: PO Box 642, Pelican Rapids, MN 56572).

Statement of Net Position
June 30, 2020

Assets	
Cash, cash equivalents, and investments	$ 5,913,255
Receivables	
Current property taxes	1,876,786
Delinquent property taxes	55,752
Due from other governmental units	755,419
Accounts	325,624
Inventories	6,223
	8,933,059
Capital assets	
Land	232,279
Buildings	39,284,245
Improvements	592,246
Equipment	2,020,127
Less accumulated depreciation	(10,631,072)
Total capital assets, net of depreciation	31,497,825
Total assets	40,430,884
Deferred Outflows of Resources	
Pension plans	5,441,167
Other postemployment benefits	24,142
Total deferred outflows of resources	5,465,309
Liabilities	
Salaries payable	971,334
Accrued interest payable	372,401
Aid anticipation certificates	1,980,627
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	1,534,356
Long-term liabilities other than OPEB and pensions due in more than one year	22,801,747
Due in more than one year - net OPEB obligation	434,991
Due in more than one year - net pension liability	6,510,606
Total liabilities	34,606,062
Deferred Inflows of Resources	
Unavailable revenue-property taxes	3,918,268
Pension plans	8,876,437
Other postemployment benefits	76,806
Total deferred inflows of resources	12,871,511
Net Position (Deficit)	
Net investment in capital assets	7,161,722
Restricted for specific purposes	76,232
Unrestricted	(8,819,334)
Total net deficit	$ (1,581,380)

		Program Revenues		Net (Expense)
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Deficit
Governmental activities:				
Administration	$ 721,368	$ -	$ -	$ (721,368)
District support services	152,880	-	-	(152,880)
Regular instruction	5,858,685	-	334,820	(5,523,865)
Vocational educational instruction	333,626	-	-	(333,626)
Special education instruction	1,211,691	-	-	(1,211,691)
Community education and services	346,604	96,732	89,014	(160,858)
Instructional support services	183,841	-	-	(183,841)
Pupil support services	1,143,139	233,011	525,090	(385,038)
Sites and buildings	2,053,454	12,183	-	(2,041,271)
Fiscal and other fixed-cost programs	811,589	-	-	(811,589)
Total governmental activities	$ 12,816,877	$ 341,926	$ 948,924	(11,526,027)
General revenues:				
Property taxes, levied for general purposes				1,266,984
Property taxes, levied for community service				114,639
Property taxes, levied for debt service				1,854,155
Aids and payments from the state				8,792,069
County apportionment				57,905
Unrestricted investment earnings				40,939
Miscellaneous revenues				462,346
Total general revenues				12,589,037
Changes in net deficit				1,063,010
Net deficit - beginning, as adjusted (Note 13)				(2,644,390)
Net deficit - ending				$ (1,581,380)

Governmental Funds
Balance Sheet
June 30, 2020

	General	Debt Service	Other Governmental Funds	Totals
Assets				
Cash, cash equivalents and investments	$ 4,286,402	$ 1,206,752	$ 420,101	$ 5,913,255
Receivables				
Current property taxes	726,147	1,087,905	62,734	1,876,786
Delinquent property taxes	20,242	33,224	2,286	55,752
Due from other governmental units	737,097	13,295	5,027	755,419
Accounts	325,624	-	-	325,624
Inventories	-	-	6,223	6,223
Total assets	$ 6,095,512	$ 2,341,176	$ 496,371	$ 8,933,059
Liabilities				
Salaries payable	$ 923,101	$ -	$ 48,233	$ 971,334
Interest payable	40,273	-	-	40,273
Aid anticipation certificates	1,980,627	-	-	1,980,627
Total liabilities	2,944,001	-	48,233	2,992,234
Deferred Inflows of Resources				
Unavailable revenue-property taxes	1,520,799	2,308,939	144,282	3,974,020
Fund Balance (Deficit)				
Nonspendable	-	-	6,223	6,223
Restricted	121,625	32,237	330,281	484,143
Assigned	315,555	-	-	315,555
Unassigned	1,193,532	-	(32,648)	1,160,884
Total fund balance	1,630,712	32,237	303,856	1,966,805
Total liabilities, deferred inflows of resources, and fund balances	$ 6,095,512	$ 2,341,176	$ 496,371	$ 8,933,059

Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
June 30, 2020

Total Fund Balances - Governmental Funds	$ 1,966,805
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	31,497,825
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.	(332,128)
Delinquent property taxes are not considered available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	55,752
Deferred outflows and inflows of resources related to OPEB and pensions are applicable to future periods and, therefore, are not reported in the funds.	(3,487,934)
Long-term liabilities, including bonds payable, energy loans payable, net OPEB obligation, net pension liability, capital leases, and vacation payable, are not due and payable in the current period and therefore, are not reported as liabilities in the funds.	(31,281,700)
Total Net Deficit - Governmental Activities	$ (1,581,380)

	General	Debt Service	Other Governmental Funds	Totals
Revenues				
Local property tax levies	$ 1,216,432	$ 1,854,155	$ 271,196	$ 3,341,783
Other local and county sources	901,012	2,862	85,498	989,372
State sources	8,437,026	132,890	119,663	8,689,579
Federal sources	334,820	-	394,428	729,248
Sales and other conversion of assets	-	-	96,822	96,822
Total revenues	10,889,290	1,989,907	967,607	13,846,804
Expenditures				
Administration	710,200	-	-	710,200
District support services	152,880	-	-	152,880
Regular instruction	5,217,169	-	-	5,217,169
Vocational educational instruction	304,273	-	-	304,273
Special education instruction	1,211,632	-	-	1,211,632
Community education and service	-	-	346,602	346,602
Instructional support services	153,601	-	-	153,601
Pupil support services	713,828	-	483,824	1,197,652
Sites and buildings	1,186,989	-	-	1,186,989
Fiscal and other fixed cost programs	119,501	2,038,500	131,564	2,289,565
Total expenditures	9,770,073	2,038,500	961,990	12,770,563
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,119,217	(48,593)	5,617	1,076,241
Other Financing Uses				
Sale of property and equipment	1,111	-	-	1,111
Net Change in Fund Balance	1,120,328	(48,593)	5,617	1,077,352
Fund Balance, Beginning of Year, as adjusted (Note 13)	510,384	80,830	298,239	889,453
Fund Balance, End of Year	$ 1,630,712	$ 32,237	$ 303,856	$ 1,966,805

Net Change in Fund Balances - Total Governmental Funds	$ 1,077,352
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	71,005
Depreciation expense	(1,056,646)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	2,203
In the statement of activities OPEB 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.	(28,893)
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.	(580,228)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principle of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net position. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,578,217
Change in Net Deficit of Governmental Activities	$ 1,063,010

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Local property tax levies	$ 1,211,700	$ 1,211,700	$ 1,216,432	$ 4,732
Other local and county sources	261,900	261,900	901,012	639,112
State sources	8,205,900	8,215,522	8,437,026	221,504
Federal sources	307,500	318,126	334,820	16,694
Sales and other conversion of assets	2,000	2,000	-	(2,000)
Total revenues	9,989,000	10,009,248	10,889,290	880,042
Expenditures				
District and school administration	789,225	789,225	710,200	79,025
District support services	136,400	136,400	152,880	(16,480)
Regular instruction	5,278,927	5,272,153	5,217,169	54,984
Vocational instruction	300,325	300,325	304,273	(3,948)
Special education instruction	1,444,200	1,444,200	1,211,632	232,568
Instructional support services	128,250	128,250	153,601	(25,351)
Pupil support services	791,400	801,022	713,828	87,194
Sites and buildings	1,262,738	1,262,738	1,186,989	75,749
Fiscal and other fixed cost programs	192,300	202,300	119,501	82,799
Total expenditures	10,323,765	10,336,613	9,770,073	566,540
Excess (Deficiency) of Revenues Over (Under) Expenditures	(334,765)	(327,365)	1,119,217	1,446,582
Other Financing Sources				
Sale of property and equipment	2,000	2,000	1,111	(889)
Net Change in Fund Balance	$ (332,765)	$ (325,365)	1,120,328	$ 1,445,693
Fund Balance, Beginning of Year, as adjusted (Note 13)			510,384	
Fund Balance, End of Year			$ 1,630,712	

Statement of Fiduciary Net Position
June 30, 2020

	OPEB Trust
Assets	
Cash	$ 64,403
Net Position	
Unrestricted	$ 64,403

Statement of Changes in Fiduciary Position
Year Ended June 30, 2020

	OPEB Trust
Additions	
Gifts, bequests and interest	$ 2,552
Deductions	
OPEB health insurance	51,698
Total deductions	51,698
Net Change in Net Position	(49,146)
Net Position, Beginning of Year	113,549
Net Position, End of Year	$ 64,403

Note 1 - Summary of Significant Accounting Policies

Organization

Independent School District No. 548, Pelican Rapids Area Public Schools, Pelican Rapids, 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.

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.

District-Wide Financial Statement Presentation

The district-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 funds are only 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 district-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 district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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.

Fund Financial Statement Presentation

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

Fiduciary funds are presented in the fiduciary fund financial statements by type: pension (or other benefit) trust, private-purpose trust, and custodial. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the district-wide statements.

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.

Fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as described earlier in these notes.

Description of Funds

The existence of the various district funds has been established by the Minnesota Department of Education. Each fund is accounted for as an independent entity. A description of the funds included in this report are as follows:

Major Governmental Funds

General Fund – The general fund is used to account for all financial resources except those required to be accounted for in another fund. It includes the general operations 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.

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.

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.

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.

Fiduciary Fund

OPEB Trust Fund – The Other Post-Employment Benefit (OPEB) trust fund is used to account for the accumulation of resources to be used for the District's portion of the premium cost for providing health insurance to the District's retired employees.

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, Cash Equivalents, and Investments

Cash, cash equivalents, and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

The District considers certificates of deposit with a maturity of three months or more to be investments.

Short-term, highly liquid debt instruments (including commercial paper, bankers' acceptances, and U.S. Treasury and agency obligations) purchased with a remaining maturity of one year or less are reported at amortized cost. Other investments are reported at fair value.

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 value at the date of donation. The District maintains a threshold level 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 district-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.

Capital assets not being depreciated include land.

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 district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, if material, 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.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring 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.

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 8.

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 future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. They are the contributions made to pension plans after the measurement date and prior to the fiscal year-end, changes in the net pension liability not included in pension expense reported in the district-wide statement of net position, and changes in the net OPEB liability not included in expense reported in the district-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 three types of items that qualify for reporting in this category. The District reports unavailable revenues from property taxes on the district-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 pension liability and OPEB liability not included in expense reported in the district-wide statement of net position.

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.

Net Position

Net position represent the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows in the District's district-wide and fiduciary fund financial statements. Net invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance 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

In governmental fund financial statements, fund balances are classified as nonspendable, restricted, committed, assigned or unassigned.

- 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 committed fund balance cannot be a negative number. 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.

- 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. An assigned fund balance cannot be a negative number. 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: Superintendent. 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 appropriation of an existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues satisfies the criteria to be classified as an assignment of fund balance.

- 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.

The District's policy is to strive to maintain a minimum unassigned general fund balance of ten to thirteen percent of the annual budget with the long-range plan to strive to maintain three months of operating expenses. The first priority is to utilize the balance as restricted fund balance. Committed funds will be considered with assigned fund balance third when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used like assigned or unassigned.

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 and scholarship trust funds being changed from reporting as an agency fund and fiduciary fund, respectively, to the General Fund. The effect of the implementation of this standard on beginning net deficit and fund balance is disclosed in Note 13.

Note 2 - 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, all deposits were insured or adequately collateralized by securities held by the District’s agent in the Districts name.

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. The District had no such investments of this kind during the year or at year end.

Interest Rate Risk – Investments

The District does not have a formal investment policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

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

		Investment Maturities (in Years)	
Type	Fair Value	N/A	1 - 5
Cash and cash equivalents			
Minnesota School District Liquid Asset Fund	$ 4,870,722	$ 4,870,722	$ -
MNTrust	116,114	116,114	-
Deposits	980,822	980,822	-
Investments			
Certificates of deposit	10,000	-	10,000
	$ 5,977,658	$ 5,967,658	$ 10,000

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

Cash and cash equivalents and investments - Statement of Net Position	$ 5,913,255
Cash and investments - Statement of Fiduciary Net Position	64,403
	$ 5,977,658

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 3 - Due from other Governmental Units

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

Fund	Federal	State	Total
Major funds			
General	$ 42,444	$ 694,653	$ 737,097
Debt Service	-	13,295	13,295
Non-major funds	-	5,027	5,027
	$ 42,444	$ 712,975	$ 755,419

Note 4 - Capital Assets

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

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Capital assets not being depreciated				
Land	$ 232,279	$ -	$ -	$ 232,279
Capital assets being depreciated				
Improvements	592,246	-	-	592,246
Buildings	39,284,245	-	-	39,284,245
Equipment	1,949,122	71,005	-	2,020,127
Total capital assets being depreciated	41,825,613	71,005	-	41,896,618
Less accumulated depreciation for:				
Improvements	392,221	14,016	-	406,237
Buildings	8,170,389	865,453	-	9,035,842
Equipment	1,011,816	177,177	-	1,188,993
Total accumulated depreciation	9,574,426	1,056,646	-	10,631,072
Net capital assets, depreciated	32,251,187	(985,641)	-	31,265,546
Total capital assets, net	$ 32,483,466	$ (985,641)	$ -	$ 31,497,825

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

District and school administration	$ 11,168
Regular instruction	764,049
Vocation Instruction	460
Instructional support services	30,240
Pupil support services	16,489
Sites and buildings	234,240
Total depreciation expense	$ 1,056,646

Note 5 - 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	$ 24,845,000	$ -	$ 1,345,000	$ 23,500,000	$ 1,390,000
Deferred bond premiums	432,846	-	29,748	403,098	29,748
Energy loan	485,071	-	81,497	403,574	85,177
Capital leases payable - direct borrowing	99,926	-	70,495	29,431	29,431
	$ 25,862,843	$ -	$ 1,526,740	$ 24,336,103	$ 1,534,356

Bonds Payable – These are for the acquisition and betterment of school sites and facilities, additional capital facility improvements, to fund OPEB benefits, and the District's Middle School/High School ventilation project, renovation of science area and roof repairs. The General Obligation Taxable OPEB Bonds Series 2009B principal and interest payments are paid out of the OPEB Debt Service Fund. All other bond principal and interest payments are paid out of the Debt Service Fund.

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

Bond Description	Final Maturities	Interest Rate	Original Principal	Outstanding Balance
General Obligation Facilities Maintenance Bonds, Series 2016A	2/31	2.00%-2.15%	$ 1,965,000	$ 1,560,000
General Obligation Refunding Bonds, Series 2016B	2/29	2.00%	1,655,000	1,510,000
General Obligation Alternative Facilities Bonds Series 2012A	2/28	2.00% - 2.375%	4,210,000	2,435,000
General Obligation Capital Facilities Series 2010C	2/34	2.00% - 2.95%	21,425,000	17,995,000
				$ 23,500,000

Energy Loan – This is for the purchase of installation of energy efficient equipment for the buildings in the District. The energy loan principal and interest payments were paid out of the General Fund.

Leases Payable – These were for multiple leases for the purchase of technology equipment for the District. Capital lease principal and interest payments are made by the general fund. The outstanding capital leases contain a provision that in the event of default the technology equipment will be repossessed.

The District entered into computer and iPad leases with Apple Inc. for a total liability of $193,009. The leases have interest rates of 5.304% and 3.709%, respectively, and will end July 2021 and 2020, respectively. Both leases state a purchase option at the end of the lease term.

The following is a summary of leases payable as of June 30, 2020:

Lease Description	Final Maturities	Interest Rate	Original Principal	Outstanding Balance
Arvig Security Technology Equipment	2/21	13.16%	$ 79,000	$ 13,597
Arvig Video Monitoring System	2/21	8.00%	23,540	3,707
Apple Technology Equipment	7/21	5.32%	47,019	12,127
				$ 29,431

The total cost of the capital leased assets as of June 30, 2020 was $403,235 and had $230,432 in accumulated depreciation.

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

Years Ending June 30,	Bonds Payable Principal	Bonds Payable Interest	Energy Loan Principal	Energy Loan Interest	Lease Payable Principal	Lease Payable Interest
2021	$ 1,390,000	$ 777,785	$ 85,177	$ 15,970	$ 29,431	$ 1,446
2022	1,430,000	733,485	89,024	12,124	-	-
2023	1,485,000	687,685	93,044	8,103	-	-
2024	1,525,000	639,260	88,174	4,101	-	-
2025	1,580,000	589,423	48,155	583	-	-
2026 - 2030	8,570,000	2,270,688	-	-	-	-
2031 - 2034	7,520,000	747,408	-	-	-	-
	$ 23,500,000	$ 6,445,734	$ 403,574	$ 40,881	$ 29,431	$ 1,446

Note 6 - Other Post-Employment Benefits

A. Plan Description

All employees are allowed upon meeting the eligibility requirements (55 years of age and at least three years of service) 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:

- Teachers – For retirees hired prior to January 30, 1987, 55 years of age, and at least three years of service, the District will pay 70% of base salary minus District contributions to the Matching Program paid to the Health Care Savings Plan in two equal installments. The annual matching contribution amount is $0 from years 1-5, $1,500 from years 6-10, and $2,000 for years 11 and over, up to a maximum of $45,000.

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

B. Benefits Provided

The plan provides medical benefits to terminated or retired employees. Benefits are provided through a third-party insurer, and the cost of the benefits covered by the plan are described above.

C. Employees Covered by Benefit Terms

At the valuation date of July 1, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	9
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	116
	125

D. Net OPEB Liability

The District's net OPEB liability of $434,991 was measured as of June 30, 2020, and the net OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2018.

E. Actuarial Assumptions

The net OPEB liability in the July 1, 2018, 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	
Investment rate of return	2.40 percent, net of OPEB plan investment expenses	
Healthcare cost trend rates	6.50 percent in 2018 grading to 5.00 percent over 6 years	
Retiree plan participation	Future retirees electing coverage	
	-Pre-65 subsidy available:	100%
	-Pre-65 subsidy if not available:	
	-Non-Certified Employees	25%
	-All Other Employees	50%
Percent of married retirees electing spouse coverage	Percent Future Retirees Electing Pre-65 Spouse Coverage	
	-Spouse subsidy available	10%
	-Spouse subsidy not available:	10%

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.

The actuarial assumptions used in the July 1, 2018, valuation was based on the results of an actuarial experience study as of July 1, 2018.

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 weighing 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 Allocation	Long-Term Expected Real Rate of Return
Fixed income	95%	2.50%
Cash	5%	1.00%
Total	100%	

The following changes in actuarial assumptions occurred since the previous valuation:

- 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-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The discount rate was changed from 3.50% to 3.10%.

F. Discount Rate

The discount rate used to measure the net 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 net 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	$ 493,903	$ 113,549	$ 380,354
Changes from the Prior Year:			
Service cost	27,438	-	27,438
Interest cost	15,366	-	15,366
Assumption changes	14,385	-	14,385
Projected investment return	-	2,725	(2,725)
Differences between Expected and Actual Experience	-	(173)	173
Benefit payments	(51,698)	(51,698)	-
Total Net Changes	5,491	(49,146)	54,637
Balances at June 30, 2020	$ 499,394	$ 64,403	$ 434,991

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

The following presents the net OPEB liability of the District, as well as what the District's net 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	Discount Rate	1% Increase
Net OPEB Liability	$ 460,240	$ 434,991	$ 410,244
Discount Rate	1.40%	2.40%	3.40%

The following presents the net OPEB liability of the District, as well as what the District's net 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	Healthcare Cost Trend Rates	1% Increase
Net OPEB Liability	$ 388,213	$ 434,991	$ 489,754
Medical Trend Rate	5.25% decreasing to 4.00% over 5 years	6.25% decreasing to 5.00% over 5 years	7.25% decreasing to 6.00% over 5 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 $28,893. 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
Difference between projected and actual investment earnings	$ 2,066	$ -
Assumption changes	22,076	7,264
Liability gains	-	69,542
	$ 24,142	$ 76,806

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

Years Ended June 30,	Pension Expense Amount
2021	$ (11,186)
2022	(11,950)
2023	(11,807)
2024	(9,871)
2025	(9,905)
Thereafter	2,055

Note 7 - 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.

At June 30, 2020, the District has recorded the following fund balances for the following purposes:

	General	Debt Service	Other Government Funds	Totals
Fund balances				
Nonspendable				
Inventories	$ -	$ -	$ 6,223	$ 6,223
Restricted				
Student activities	72,914	-	-	72,914
Scholarships	48,711	-	-	48,711
Debt service	-	32,237	-	32,237
Food service	-	-	152,664	152,664
E.C.F.E.	-	-	65,025	65,025
School readiness	-	-	95,955	95,955
Community service	-	-	1,040	1,040
OPEB debt service	-	-	15,597	15,597
Total restricted	121,625	32,237	330,281	484,143
Assigned				
Deferred maintenance of flooring	315,555	-	-	315,555
Unassigned	1,193,532	-	(32,648)	1,160,884
Total fund balances	$ 1,630,712	$ 32,237	$ 303,856	$ 1,966,805

The UFARS fund balance reporting standards are slightly different than the reporting standards under GASB 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. Below is a reconciliation between the fund balance reporting under GASB 54 and UFARS reporting standards:

	GASB Balance	Reconciling Items	UFARS Balance
Fund balances			
Nonspendable			
Inventories	$ 6,223	$ -	$ 6,223
Restricted			
Student activities	72,914	-	72,914
Scholarships	48,711	-	48,711
Operating capital	-	(165,632)	(165,632)
Safe schools - crime levy	-	(30,109)	(30,109)
Debt service	32,237	-	32,237
Food service	152,664	-	152,664
Community education	-	(32,648)	(32,648)
E.C.F.E.	65,025	-	65,025
School readiness	95,955	-	95,955
Community service	1,040	-	1,040
OPEB debt service	15,597	-	15,597
Total restricted	484,143	(228,389)	255,754
Assigned			
Deferred maintenance of flooring	315,555	-	315,555
Unassigned			
General Fund	1,193,532	195,741	1,389,273
Community Service Fund	(32,648)	32,648	-
Total unassigned	1,160,884	228,389	1,389,273
Total fund balances	$ 1,966,805	$ -	$ 1,966,805

Note 8 - 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 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 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. Benefits 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 for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

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 General Employees Fund for the year ended June 30, 2020, were $109,815. The District's contributions were equal to the required contribution for the year as set by state statute.

D. Pension Costs

At June 30, 2020, the District reported a liability of $1,232,917 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 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 $38,332. 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. The District's proportionate share was 0.0223% at the end of the measurement period and 0.0224% for the beginning of the period.

District's proportionate share of net pension liability	$ 1,232,917
State of Minnesota's proportionate share of the net pension liability associated with the District	38,332
Total	$ 1,271,249

For the year ended June 30, 2020, the District recognized pension expense of $107,527 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional $2,871 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	$ 34,173	$ -
Change in actuarial assumptions	-	97,039
Difference between projected and actual investment earnings	-	126,198
Change in proportion and differences between contributions made and District's proportionate share of contributions	9,282	4,161
District's contributions to GERF subsequent to the measurement date	109,815	-
Total	$ 153,270	$ 227,398

The $109,815 reported as deferred outflows of resources related to pensions resulting from the District’s 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	$ (60,533)
2022	(99,213)
2023	(26,185)
2024	1,988

E. Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using 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

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.

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of actuarial experience studies. The most recent six-year experience study in the General Employees Plan was completed in 2015. Economic assumptions were updated in 2017 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 mortality 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%	5.90%
Private Markets	25.0%	5.90%
Fixed Income	20.0%	75.00%
Cash Equivalents	2.0%	0.00%
	100%	

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%	$ 2,026,849
Current Discount Rate	7.50%	$ 1,232,917
1% Higher	8.50%	$ 577,368

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 Description

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

Tier 1	Step Rate Formula	Percentage
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 for Basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statute. Smaller reductions, more favorable to the member, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

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

Six different types of annuities are available to members upon retirement. The No Refund Life Plan is a lifetime annuity that ceases upon the death of the retiree – no survivor annuity is payable. A retiring member may also choose to provide survivor benefits to a designated beneficiary(ies) by selecting one of the five plans that have survivorship features. Vested members may also leave their contributions in the TRA Fund upon termination of service in order to qualify for a deferred annuity at retirement age. Any member terminating service is 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, 2018		June 30, 2019		June 30, 2020	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic	11.00%	11.50%	11.00%	11.71%	11.00%	11.92%
Coordinated	7.50%	7.50%	7.50%	7.71%	7.50%	7.92%

The 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
Add employer contributions not related to future contribution efforts	(688)
Deduct TRA's contributions not included in allocation	(486)
Total employer contributions	402,126
Total non-employer contributions	35,588
Total contributions reported in *Schedule of Employer and Non-Employer Allocations*	$ 437,714

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 0.10% each year up to 1.50% 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 Stocks	35.5%	5.10%
International Stocks	17.5%	5.30%
Bonds (Fixed Income)	25.0%	5.90%
Alternative Assets (Private Markets)	20.0%	75.00%
Cash	2.0%	0.00%
	100%	

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%. This is an increase from the discount rate at the prior measurement date of 5.12 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2018 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 $5,277,689 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 0.0828% at the end of the measurement period and 0.0890% for the beginning of the year.

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

District's proportionate share of net pension liability	$ 5,277,689
State's proportionate share of the net pension liability associated with the district	$ 466,917

For the year ended June 30, 2020, the District recognized pension expense of $385,113. It also recognized $35,491 as an increase to pension expense for the support provided by direct aid.

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	$ 818	$ 132,990
Changes in actuarial assumptions	4,727,231	7,501,106
Difference between projected and actual investment earnings	-	468,812
Change in proportion and differences between contributions made and District's proportionate share of contributions	220,438	546,131
District's contributions to TRA subsequent to the measurement date	339,410	-
Total	$ 5,287,897	$ 8,649,039

$339,410 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
2021	$ 333,211
2022	(135,303)
2023	(2,209,897)
2024	(1,581,361)
2025	(107,202)

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:

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 9 - Flexible Benefit Plan

The District has a flexible benefit plan which is classified as a "cafeteria plan" (the Plan) under section 125 of the Internal Revenue Code. All employee groups of the District are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Eligible employees can elect to participate by contributing pre-tax dollars withheld from payroll checks to the Plan for healthcare and dependent care benefits.

Before the beginning of the Plan year, which is from September 1 to August 31, each participant designates a total amount of pre-tax dollars to be contributed to the Plan during the year. At June 30, the District is contingently liable for claims against the total amount of participants' annual contributions to the medical reimbursement portion of the Plan, whether or not such contributions have been made.

Payment of insurance premiums (health, dental, life, and disability) are made by the District directly to the designated insurance companies. These payments are made on a monthly basis and are accounted for in the General Fund and special revenue funds.

Amounts withheld for medical reimbursement and dependent care are paid by the District to an outside administrator upon an employee submitting a request for reimbursement. Payments are made by the outside administrator to participating employees upon submitting a request for reimbursement of eligible expenses actually incurred by the employee.

All property of the Plan and income attributable to that property is solely the property of the District, subject to the claims of the District's general creditors. Participants' rights under the plan are equal to those of general creditors of the District in an amount equal to eligible healthcare and dependent care expenses incurred by the participants. The District believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

Note 10 - Employee Benefit Plan 403(b)

All teachers having completed their fifth 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 the following maximums:

Years of Service	Maximum Match
6-10	$ 1,000
11+	1,500

The maximum career matching contribution by the District will not exceed $20,000 per teacher.

Note 11 - Affiliated Organization

The District, in conjunction with eight other school districts, is a member district of Fergus Falls Area Special Education Cooperative No. 935. The Joint Powers Board consists of one representative and one delegate from each member district. The representative is the Superintendent of Schools of each member district, and the delegate is one School Board member from each member district appointed by the School Board of that member district, who serves a three-year term. The purpose of the Joint Powers Board is to provide by cooperative effort a comprehensive special education program for the member districts. Each member district is entitled to one vote, which shall be cast by the delegate of that member district. The representative is a nonvoting member of the Joint Powers Board. Contributions of $116,420 were made by the District to the joint venture for the year ended June 30, 2020. The contributions are based on the operating budget of the Cooperative and allocated per agreement to the member districts.

Fergus Falls Area Special Education Cooperative is separately audited from the District. Complete financial statements for the Cooperative can be obtained from its administrative office at 1519 Pebble Lake Road, Fergus Falls, MN 56537.

Note 12 - Commitments and Contingencies

Federal 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 13 - Adjustments to Beginning of Year Net Deficit/Fund Balance

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 and accounted for in the General Fund. Student activity accounts were previously accounted for in the agency fund. The District's scholarship fund will now be held and accounted for in the General Fund. Scholarship funds were previously accounted for in the private-purpose trust fund and Custodial fund. Additionally, during 2020, the District identified a misstatement related to bonds payable and capital lease payable-direct borrowing in the prior year, which were reported inaccurately. The District made the adjustment to implement GASB 84 and correct the net deficit as follows:

	Governmental Activities	General Fund
Net Deficit/Fund Balance - June 30, 2019, as previously reported	$ (4,445,998)	$ 343,273
Adjustment for debt amounts previously improperly reported		
Bonds payable	1,600,000	-
Capital leases payable - direct borrowing	34,497	-
Adjustment of private purpose trust fund from an agency fund to the General Fund	49,692	49,692
Adjustment of student activity funds from an agency fund to the General Fund	117,419	117,419
Net Deficit/Fund Balance - July 1, 2019, as restated	$ (2,644,390)	$ 510,384

Note 14 - Subsequent Event

The District has evaluated subsequent events through December 16, 2020, the date which the financial statements were available to be issued. The District received $507,162 of federal grants related to the global COVID-19 pandemic. This funding was received as part of the Coronavirus Relief Funds (CRF), Elementary and Secondary School Emergency Relief Fund (ESSER) and the Governor's Emergency Education Relief Fund (GEER) grant programs. All grants will be used to cover COVID-19 expenditures of the district.

The District approved the sale of General Obligation Alternative Facilities Refunding Bonds, Series 2020A totaling $2,065,000. The proceeds will be used to refund the General Obligation Alternative Facilities Bonds, Series 2012A with an economic benefit and cash savings of $116,984.

The District approved the sale of Taxable General Obligation School Building Refunding Bonds, Series 2020B bonds totaling $15,990,000. The proceeds will be used to refund the General Obligation School Building Bonds, Series 2014A with an economic benefit and cash savings of $1,675,257.

Note 15 - Aid Anticipation Certificates Payable

During the year ended June 30, 2020, the District issued General Obligation Aid Anticipation Certificates of Indebtedness at an interest rate of 2.00%, payable September 11, 2020.

Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
$ -	$ 1,980,627	$ -	$ 1,980,627

Subsequent to year-end, the District paid off these certificates in their entirety.

Note 16 - 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 borrowing for a reporting period. This statement will be implemented at the District in the year ended June 30, 2021.

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

Required Supplementary Information
June 30, 2020

Pelican Rapids Area Public Schools
Independent School District No. 548

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

	2017	2018	2019	2020
Total OPEB liability				
Service cost	$ 31,911	$ 29,822	$ 23,808	$ 27,438
Interest cost	17,330	17,517	20,455	15,366
Assumption changes	-	(14,533)	13,646	14,385
Differences between expected and actual experience	-	-	(97,360)	-
Benefit payments	(42,454)	(38,911)	(54,079)	(51,698)
Net change in total OPEB liability	6,787	(6,105)	(93,530)	5,491
Total OPEB liability - beginning	586,751	593,538	587,433	493,903
Total OPEB liability - ending (a)	$ 593,538	$ 587,433	$ 493,903	$ 499,394
Plan fiduciary net position				
Projected investment return	$ 4,907	$ 3,909	$ 3,985	$ 2,725
Differences between expected and actual experience	(3,820)	705	(2,412)	(173)
Benefit payments	(42,454)	(38,911)	(54,079)	(51,698)
Administrative expenses	(229)	(250)	-	-
Other changes	-	37,728	-	-
Net change in plan fiduciary net position	(41,596)	3,181	(52,506)	(49,146)
Plan fiduciary net position - beginning	204,470	162,874	166,055	113,549
Plan fiduciary net position - ending (b)	$ 162,874	$ 166,055	$ 113,549	$ 64,403
District's net OPEB liability - ending (a) - (b)	$ 430,664	$ 421,378	$ 380,354	$ 434,991
Plan fiduciary net position as a percentage of the total OPEB liability	27.44%	28.27%	22.99%	12.90%
Covered-employee payroll	$ 5,836,928	$ 6,012,035	$ 5,539,314	$ 5,705,494
District's net OPEB liability as a percentage of covered-employee payroll	7.38%	7.01%	6.87%	7.62%

*GASB Statements No. 74 and 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.

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

Assumption Changes:

- For the fiscal year ending June 30, 2019:
  - The health care trend rates and mortality tables were updated.
  - The discount rate was changed from 3.50% to 3.10%.
- For the fiscal year ending June 30, 2020:
  - The discount rate was changed from 3.10% to 2.40%.

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	Employer's Proportionate Share (Amount) of the Net Pension Liability (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated With District (b)	Total (c) (a+b)	Employer's Covered-Employee Payroll (d)	Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll (c/d)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
PERA	6/30/2019	0.0223%	$ 1,232,917	$ 38,332	$ 1,271,249	$ 1,435,516	88.6%	80.2%
PERA	6/30/2018	0.0224%	1,242,660	40,700	1,283,360	1,514,625	84.7%	79.5%
PERA	6/30/2017	0.0223%	1,423,617	17,891	1,441,508	1,441,587	100.0%	75.9%
PERA	6/30/2016	0.0220%	1,786,291	23,238	1,809,529	1,370,493	132.0%	68.9%
PERA	6/30/2015	0.0217%	1,124,607	N/A	1,124,607	1,266,827	88.8%	78.2%
PERA	6/30/2014	0.0252%	1,183,770	N/A	1,183,770	1,326,965	89.2%	78.8%
TRA	6/30/2019	0.0828%	$ 5,277,689	$ 466,917	$ 5,744,606	$ 4,087,406	140.5%	78.1%
TRA	6/30/2018	0.0890%	5,587,352	524,866	6,112,218	4,925,450	124.1%	58.3%
TRA	6/30/2017	0.0877%	5,277,689	466,917	5,744,606	4,752,600	120.9%	51.6%
TRA	6/30/2016	0.0881%	21,013,952	2,108,318	23,122,270	4,564,507	506.6%	44.9%
TRA	6/30/2015	0.0902%	5,579,762	684,655	6,264,417	4,561,480	137.3%	76.8%
TRA	6/30/2014	0.0953%	4,391,355	308,913	4,700,268	4,388,779	107.1%	81.5%

*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 (c)	Contributions as a Percentage of Covered-Employee Payroll (b/c)
PERA	6/30/2020	$ 109,816	$ 109,816	$ -	$ 1,467,462	7.5%
PERA	6/30/2019	107,453	107,453	-	1,435,516	7.5%
PERA	6/30/2018	113,334	113,334	-	1,514,625	7.5%
PERA	6/30/2017	108,119	108,119	-	1,441,587	7.5%
PERA	6/30/2016	102,787	102,787	-	1,370,493	7.5%
PERA	6/30/2015	95,012	95,012	-	1,266,827	7.5%
TRA	6/30/2020	$ 339,410	$ 339,410	$ -	$ 4,298,976	7.9%
TRA	6/30/2019	313,285	313,285	-	4,087,406	7.7%
TRA	6/30/2018	367,757	367,757	-	4,925,450	7.5%
TRA	6/30/2017	356,445	356,445	-	4,752,600	7.5%
TRA	6/30/2016	342,338	342,338	-	4,564,507	7.5%
TRA	6/30/2015	342,111	342,111	-	4,561,480	7.5%

*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.

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.

Combining and Individual Fund Schedules
June 30, 2020

Pelican Rapids Area Public Schools
Independent School District No. 548

	Fund Balance (Deficit) Beginning of Year, as Adjusted	Net Change in Fund Balance	Fund Balance (Deficit) End of Year
Restricted for student activities	$ 117,419	$ (44,505)	$ 72,914
Restricted for scholarships	49,692	(981)	48,711
Restricted for operating capital	(211,775)	46,143	(165,632)
Restricted for safe school - crime levy	(54,026)	23,917	(30,109)
Restricted for long-term facilities maintenance	(363)	363	-
Assigned for deferred maintenance of flooring	-	315,555	315,555
Unassigned	609,437	779,836	1,389,273
	$ 510,384	$ 1,120,328	$ 1,630,712

Pelican Rapids Area Public Schools
Independent School District No. 548
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2020

	Food Service	Community Service	OPEB Debt Service Fund	Totals
Assets				
Cash and cash equivalents	$ 184,104	$ 220,546	$ 15,451	$ 420,101
Receivables				
Current property taxes	-	62,734	-	62,734
Delinquent property taxes	-	2,286	-	2,286
Due from other governmental units	-	4,881	146	5,027
Inventories	6,223	-	-	6,223
Total assets	$ 190,327	$ 290,447	$ 15,597	$ 496,371
Liabilities				
Accrued salaries and related liabilities	$ 31,440	$ 16,793	$ -	$ 48,233
Deferred Inflows of Resources				
Unavailable revenue-property taxes	-	144,282	-	144,282
Fund Balance				
Nonspendable	6,223	-	-	6,223
Restricted	152,664	162,020	15,597	330,281
Unassigned	-	(32,648)	-	(32,648)
Total fund balance	158,887	129,372	15,597	303,856
Total liabilities, deferred inflows of resources and fund balance	$ 190,327	$ 290,447	$ 15,597	$ 496,371

	Food Service	Community Service	OPEB Debt Service Fund	Totals
Revenues				
Local property tax levies	$ -	$ 134,639	$ 136,557	$ 271,196
Other local and county sources	3,209	80,563	-	83,772
State sources	29,748	88,273	1,642	119,663
Federal sources	394,428	-	-	394,428
Interest income	-	1,726	-	1,726
Sales and other conversion of assets	96,822	-	-	96,822
Total revenues	524,207	305,201	138,199	967,607
Expenditures				
Community education and service	-	346,602	-	346,602
Pupil support services	483,824	-	-	483,824
Fiscal and other fixed cost programs	-	-	131,564	131,564
Total expenditures	483,824	346,602	131,564	961,990
Excess (Deficiency) of Revenues Over (Under) Expenditures	40,383	(41,401)	6,635	5,617
Fund Balance, Beginning of Year	118,504	170,773	8,962	298,239
Fund Balance, End of Year	$ 158,887	$ 129,372	$ 15,597	$ 303,856

Other Supplementary Information
June 30, 2020

Pelican Rapids Area Public Schools
Independent School District No. 548

Fiscal Compliance Report - 6/30/2020

Help Logoff

District: PELICAN RAPIDS (548-1)

Back Print

01 GENERAL FUND

	Audit	UFARS	Audit - UFARS
Total Revenue	$10,889,290	$10,889,293	($3)
Total Expenditures	$9,770,073	$9,770,073	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.01 Student Activities	$72,914	$72,914	$0
4.02 Scholarships	$48,711	$48,711	$0
4.03 Staff Development	$0	$0	$0
4.07 Capital Projects Levy	$0	$0	$0
4.08 Cooperative Revenue	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.14 Operating Debt	$0	$0	$0
4.16 Levy Reduction	$0	$0	$0
4.17 Taconite Building Maint	$0	$0	$0
4.24 Operating Capital	($165,632)	($165,632)	$0
4.26 $25 Taconite	$0	$0	$0
4.27 Disabled Accessibility	$0	$0	$0
4.28 Learning & Development	$0	$0	$0
4.34 Area Learning Center	$0	$0	$0
4.35 Contracted Alt. Programs	$0	$0	$0
4.36 State Approved Alt. Program	$0	$0	$0
4.38 Gifted & Talented	$0	$0	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.41 Basic Skills Programs	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.49 Safe School Crime - Crime Levy	($30,109)	($30,109)	$0
4.51 QZAB Payments	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.53 Unfunded Sev & Retiremt Levy	$0	$0	$0
4.59 Basic Skills Extended Time	$0	$0	$0
4.67 LTFM	$0	$0	$0
4.72 Medical Assistance	$0	$0	$0
4.73 PPP Loan	$0	$0	$0
4.74 EIDL Loan	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
4.75 Title VII Impact Aid	$0	$0	$0
4.76 Payments in Lieu of Taxes	$0	$0	$0
Committed:			
4.18 Committed for Separation	$0	$0	$0
4.61 Committed Fund Balance	$0	$0	$0
Assigned:			
4.62 Assigned Fund Balance	$315,555	$315,555	$0
Unassigned:			
4.22 Unassigned Fund Balance	$1,389,273	$1,389,277	($4)

02 FOOD SERVICES

	Audit	UFARS	Audit - UFARS
Total Revenue	$524,207	$524,207	$0
Total Expenditures	$483,824	$483,825	($1)
Non Spendable:			
4.60 Non Spendable Fund Balance	$6,223	$6,223	$0
Restricted / Reserved:			
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.74 EIDL Loan	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$152,665	$152,665	$0
Unassigned:			
4.63 Unassigned Fund Balancee	$0	$0	$0

04 COMMUNITY SERVICE

	Audit	UFARS	Audit - UFARS
Total Revenue	$305,201	$305,201	$0
Total Expenditures	$346,602	$346,606	($4)
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.26 $25 Taconite	$0	$0	$0
4.31 Community Education	($32,648)	($32,648)	$0
4.32 E.C.F.E	$65,025	$65,025	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.44 School Readiness	$95,955	$95,955	$0
4.47 Adult Basic Education	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.73 PPP Loan	$0	$0	$0
4.74 EIDL Loan	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$1,040	$1,040	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

06 BUILDING CONSTRUCTION

	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.07 Capital Projects Levy	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

07 DEBT SERVICE

	Audit	UFARS	Audit - UFARS
Total Revenue	$1,989,907	$1,989,907	$0
Total Expenditures	$2,038,500	$2,038,500	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.25 Bond Refundings	$0	$0	$0
4.33 Maximum Effort Loan Aid	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$32,238	$32,238	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

08 TRUST

	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Restricted / Reserved:			
4.01 Student Activities	$0	$0	$0
4.02 Scholarships	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

18 CUSTODIAL

	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Restricted / Reserved:			
4.01 Student Activities	$0	$0	$0
4.02 Scholarships	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.64 Restricted Fund Balance	$0	$0	$0

20 INTERNAL SERVICE

	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

25 OPEB REVOCABLE TRUST

	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

45 OPEB IRREVOCABLE TRUST

	Audit	UFARS	Audit - UFARS
Total Revenue	$2,552	$2,552	$0
Total Expenditures	$51,698	$51,698	$0
4.22 Unassigned Fund Balance (Net Assets)	$64,403	$64,403	$0

47 OPEB DEBT SERVICE

	Audit	UFARS	Audit - UFARS
Total Revenue	$138,199	$138,199	$0
Total Expenditures	$131,564	$131,563	$1
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted:			
4.25 Bond Refundings	$0	$0	$0
4.64 Restricted Fund Balance	$15,597	$15,597	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0