Financial Statements
June 30, 2020

Independent School District No. 150
Hawley Area Public Schools

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Name	Position	Term Expires
School Board		
Cody Marshall	Chairperson	2023
Todd Heiberg	Vice Chairperson	2023
Paul Thompson	Clerk	2021
Steve Olson	Treasurer	2021
Jeff Lee	Director	2023
Mark Sellin	Director	2021
Scott Grani	Director	2021
Administration		
Phil Jensen	Superintendent	
Maria Beringer	Business Manager	

Independent Auditor's Report

The School Board of
Independent School District No. 150
Hawley Area Public Schools
Hawley, 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. 150, Hawley, Minnesota, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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.

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

Emphasis of Matter
As discussed in Notes 1 and 8 to the financial statements, the District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in an adjustment of the net position and fund balance of the General Fund as of July 1, 2019. Our opinions are not modified with respect to this matter.

Other Matters
Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the District's total 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, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of American, which consisted of inquiries of management about the methods or preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The school board and administration, combining and individual fund schedules, and 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 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 October 26, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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 October 26, 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
October 26, 2020

This section of Hawley Public Schools – Independent School District 150'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 2019-2020 fiscal year:

General Fund 01 – The overall revenues were $10,873,669, while the overall expenditures were $10,365,047, increasing fund balance by $508,622.

Food Service Fund 02 – The revenues were $442,841 and the expenditures were $518,745, decreasing fund balance by $75,904.

Community Service Fund 04 – The revenues were $477,681 while the expenditures were $456,116, increasing fund balance by $21,565.

Building Project Fund 06 – The overall revenues were $13,736 while the expenditures were $804,066, and the other financing sources were $2,273,474, increasing fund balance by $1,483,144.

Debt Service Fund 07 – The overall revenues were $1,045,491 while the expenditures were $998,875, and the other financing sources were $509, increasing fund balance by $47,125.

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.

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.

1. Management's Discussion and Analysis
2. Basic Financial Statements
   - District-Wide Financial Statements
   - 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 are 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 one kind of fund:

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 explains the relationship (or differences) between them.

Financial Analysis of the District as a Whole

Net Position – The District's combined net position was a positive $3,876,923 on June 30, 2020. A condensed version of the Statement of Net Position at June 30, 2020 and 2019 is below. The amounts included in the June 30, 2019 Management's Discussion and Analysis have not been restated in relation to the issuance of GASB 84.

Statement of Net Position
June 30, 2020 and 2019

	2020	2019
Assets		
Current assets	$ 7,734,944	$ 5,340,016
Capital assets	20,857,315	20,549,979
Total assets	28,592,259	25,889,995
Deferred Outflows of Resources	5,362,732	7,911,024
Liabilities		
Other liabilities	1,264,790	870,601
Long-term liabilities	18,201,263	17,006,290
Total liabilities	19,466,053	17,876,891
Deferred Inflows of Resources	10,612,015	12,438,172
Net Position		
Net investment in capital assets	9,377,315	10,549,979
Restricted	2,845,825	1,032,055
Unrestricted	(8,346,217)	(8,096,078)
Total net position	$ 3,876,923	$ 3,485,956

Changes in Net Position – The District's total revenues were $12,828,305 for the year ended June 30, 2020.

The total cost of all programs and services was $12,529,851. The District's expenses are predominantly related to educating and caring for students.

Total revenues surpassed expenses, increasing net position $298,454.

Statement of Activities
Years Ended June 30, 2020 and 2019

	2020	2019
Revenues		
Program revenues		
Charges for service	$ 873,109	$ 809,938
Operating grants and contributions	277,876	270,204
General		
Property taxes	1,945,260	1,602,825
Aids and payments from state and other	9,447,515	9,511,496
Unrestricted investment earnings	56,594	50,480
Miscellaneous revenues	227,951	43,866
Total revenues	12,828,305	12,288,809
Expenses		
District and school administration	613,790	605,223
District support services	389,609	301,367
Regular instruction	5,758,185	3,260,021
Vocational instruction	261,756	260,657
Exceptional instruction	1,233,891	1,217,192
Community education and services	455,704	493,651
Instructional support services	332,826	375,832
Pupil support services	1,235,718	1,142,336
Site, buildings and equipment	1,850,488	1,833,069
Fiscal and other fixed-cost programs	397,884	428,898
Total expenses	12,529,851	9,918,246
Change in Net Position	298,454	2,370,563
Net Position - Beginning, As Adjusted July 1, 2019 (Note 8)	3,578,469	1,115,393
Net Position - Ending	$ 3,876,923	$ 3,485,956

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 $5,273,972. Revenues for the District's governmental funds were $12,853,418, while total expenditures were $13,142,849.

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, 2020	Year Ended June 30, 2019	Amount of Increase (Decrease)	Percent Increase (Decrease)
Local property taxes	$ 976,055	$ 840,692	$ 135,363	16.1%
Other local sources	604,207	429,666	174,541	40.6%
State sources	9,233,676	9,247,313	(13,637)	-0.1%
Federal sources	49,737	74,061	(24,324)	-32.8%
Sales and other conversions	9,994	4,301	5,693	132.4%
Total General Fund revenues	$ 10,873,669	$ 10,596,033	$ 277,636	2.6%

The revenues increased in the General Fund by $277,636 or 2.6% from the previous fiscal year. The increase in local property taxes and other local sources was attributed to an increase in levied dollars due to the increase in student count from 2019 to 2020. The mix of property tax and state aid can change significantly from year to year without any net change on revenue.

Basic general education revenue is determined by the state on a per student funding formula. Other state-authorized revenue, including levy referendum and the property tax shift, involve an equalized mix of property tax and state aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net change in revenue. The District will continue to look at various cost containment measures to minimize the effect of the uncertainty of education funding by the State of Minnesota.

The following schedule presents a summary of General Fund expenditures.

	Year Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2020	2019		
Salaries and employee benefits	$ 7,751,604	$ 7,142,999	$ 608,605	8.5%
Purchased services	1,102,820	1,112,637	(9,817)	-0.9%
Supplies, materials and equipment	692,156	533,194	158,962	29.8%
Capital expenditures	559,609	663,018	(103,409)	-15.6%
Other expenditures	258,858	940,288	(681,430)	-72.5%
Total General Fund expenditures	$ 10,365,047	$ 10,392,136	$ (27,089)	-0.3%

The expenses decreased in the General Fund by $27,089 or 0.3%from the previous fiscal year. The decrease in other expenditures was attributed to recording the State's direct aid revenue and expense related to PERA and TRA's special funding situation.

The total fund balance of $3,422,690 at June 30, 2020 represents a $508,622 increase in the fund balance from the previous year.

General Fund Budgetary Highlights

Over the course of the year, the District did not complete any revisions to the budget. However, Administration compares actual revenues and expenditures to review the District's performance. Any budget amendments fall into three categories:

- Implementing budgets for specially funded projects, which include both federal and state grants, and budgeting for clearing, resale, and gifts.
- Increasing appropriations for significant unbudgeted costs.
- Revising budgets to reflect all salary settlements.

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

- Actual revenues were $483,148 more than expected.
- Actual expenditures were $276,475 less than budgeted.

Other Non-Major Funds

The Food Service Fund maintains a fund balance of $55,115. The Community Service Fund maintains a fund balance of $265,898. Both of these funds continue to operate on a sound financial basis.

Capital Asset and Debt Administration

As of June 30, 2020, the District had invested $33,409,423 in a broad range of capital assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices. Total depreciation expense for the year was $987,240.

Capital Assets
June 30, 2020 and 2019

	2020	2019
Land	$ 112,700	$ 112,700
Construction in progress	804,066	-
Site improvements	950,083	841,483
Buildings	29,330,342	29,129,068
Equipment	2,212,232	2,281,682
Accumulated depreciation	(12,552,108)	(11,814,954)
Total capital assets	$ 20,857,315	$ 20,549,979

See the notes to the financial statements for additional information on capital assets.

Long-Term Liabilities

At year-end, the District had $11,480,000 in general obligation bonds, $300,995 in deferred bond premiums, and $9,523 in capital lease payable. The District had $259,342 in post-employment severance and $392,955 in other post-employment benefit obligations at June 30, 2020. The District had $6,637,103 in net pension liability at year-end.

- The District issued $2,125,000 of new bonds as of June 30, 2020, and continued to pay down its previous outstanding debt, retiring $645,000 of outstanding bonds.

See the notes to the financial statements for additional information on long-term liabilities.

Factors Bearing on the District's Future

With the exception of the voter-approved excess operating referendum, the District is dependent on the State of Minnesota for its revenue authority. At the time these financial statements were prepared and audited, the District was aware of the following factors that could significantly affect its financial health in the future:

- The political environment at the state level will have a significant effect on future finances. The state legislature sets the amount of revenue from aids and levies that Minnesota school districts will receive.

- Enrollment fluctuations can have a significant effect on the District's revenue. We will continue to monitor enrollment closely and adjust budgets as necessary.

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 the Business Office, Hawley Public Schools, Independent School District 150, PO Box 608, Hawley, Minnesota 56549.

Independent School District No. 150
Hawley Area Public Schools
Statement of Net Position
June 30, 2020

Assets	
Cash and investments	$ 5,312,548
Receivables	
Current property taxes	1,130,229
Delinquent property taxes	43,710
Due from other governmental units	1,141,435
Accounts	68,018
Prepaid items	20,960
Inventories	18,044
	7,734,944
Capital assets	
Non-depreciable	
Land	112,700
Construction in progress	804,066
Depreciable	
Improvements	950,083
Buildings	29,330,342
Equipment	2,212,232
Less accumulated depreciation	(12,552,108)
Total capital assets, net of depreciation	20,857,315
Total assets	28,592,259
Deferred Outflows of Resources	
Other post-employment benefits	29,129
Pension plans	5,333,603
Total deferred outflows of resources	5,362,732
Liabilities	
Accounts payable	245,835
Salaries payable	63,759
Accrued interest payable	76,541
Long-term liabilities	
Due within one year - bonds, premiums, capital lease, and severance	878,655
Due in more than one year - bonds, premiums, capital lease, and severance	11,171,205
Due in more than one year - OPEB	392,955
Due in more than one year - net pension liability	6,637,103
Total liabilities	19,466,053
Deferred Inflows of Resources	
Unavailable revenue-property taxes	2,107,668
Other post-employment benefits	138,376
Pension plans	8,365,971
Total deferred inflows of resources	10,612,015
Net Position	
Net investment in capital assets	9,377,315
Restricted	2,845,825
Unrestricted	(8,346,217)
Total net position	$ 3,876,923

Statement of Activities
Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities				
Administration	$ 613,790	$ -	$ 34,496	$ (579,294)
District support services	389,609	-	-	(389,609)
Regular instruction	5,758,185	398,239	49,175	(5,310,771)
Vocational educational instruction	261,756	-	-	(261,756)
Special education instruction	1,233,891	-	562	(1,233,329)
Community education and services	455,704	224,935	-	(230,769)
Instructional support services	332,826	-	-	(332,826)
Pupil support services	1,235,718	244,900	193,643	(797,175)
Sites and buildings	1,850,488	5,035	-	(1,845,453)
Fiscal and other fixed-cost programs	397,884	-	-	(397,884)
Total governmental activities	$ 12,529,851	$ 873,109	$ 277,876	(11,378,866)
General Revenues				
Property taxes, levied for general purposes				988,232
Property taxes, levied for community service				50,063
Property taxes, levied for debt service				906,965
Aids and payments from the state				9,432,808
County apportionment				14,707
Unrestricted investment earnings				56,594
Miscellaneous revenues				227,951
Total general revenues				11,677,320
Changes in net position				298,454
Net position - beginning, as adjusted (Note 8)				3,578,469
Net position - ending				$ 3,876,923

Governmental Funds
Balance Sheet
June 30, 2020

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	General	Debt Service	Building Project	Other Governmental Funds	Totals
Assets					
Cash and investments	$ 2,808,892	$ 551,252	$ 1,631,121	$ 321,283	$ 5,312,548
Receivables					
Current property taxes	470,586	635,579	-	24,064	1,130,229
Delinquent property taxes	20,588	21,925	-	1,197	43,710
Due from other governmental units	1,122,233	13,812	-	5,390	1,141,435
Accounts	64,218	-	-	3,800	68,018
Prepaid items	20,960	-	-	-	20,960
Inventories	-	-	-	18,044	18,044
Total assets	$ 4,507,477	$ 1,222,568	$ 1,631,121	$ 373,778	$ 7,734,944
Liabilities					
Accounts payable	$ 96,663	$ -	$ 147,977	$ 1,195	$ 245,835
Salaries payable	63,759	-	-	-	63,759
Total liabilities	160,422	-	147,977	1,195	309,594
Deferred inflows of resources					
Unavailable revenue-property taxes	924,365	1,175,443	-	51,570	2,151,378
Fund Balance					
Nonspendable	20,960	-	-	18,044	39,004
Restricted	1,015,020	47,125	1,483,144	353,955	2,899,244
Committed	259,342	-	-	-	259,342
Assigned	1,401,467	-	-	-	1,401,467
Unassigned	725,901	-	-	(50,986)	674,915
Total fund balance	3,422,690	47,125	1,483,144	321,013	5,273,972
Total liabilities, deferred inflows of resources, and fund balances	$ 4,507,477	$ 1,222,568	$ 1,631,121	$ 373,778	$ 7,734,944

Total Fund Balances - Governmental Funds	$ 5,273,972
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.	20,857,315
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.	(76,541)
Delinquent property taxes are not considered available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	43,710
Total OPEB obligation liabilities are not recognized in the funds.	(392,955)
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds	(3,141,615)
Long-term liabilities, including bonds payable, deferred bond premiums, capital lease payable, net pension liability and severance payable, are not due and payable in the current period and therefore, are not reported as liabilities in the funds.	(18,686,963)
Total Net Position - Governmental Activities	$ 3,876,923

Statement of Revenues, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2020

	General	Debt Service	Building Project	Other Governmental Funds	Totals
Revenues					
Local property tax levies	$ 976,055	$ 906,965	$ -	$ 56,335	$ 1,939,355
Other local and county sources	604,207	-	13,736	352,384	970,327
State sources	9,233,676	138,526	-	100,950	9,473,152
Federal sources	49,737	-	-	168,952	218,689
Sales and other conversion of assets	9,994	-	-	241,901	251,895
Total revenues	10,873,669	1,045,491	13,736	920,522	12,853,418
Expenditures					
Administration	618,088	-	-	-	618,088
District support services	390,315	-	-	-	390,315
Regular instruction	5,337,506	-	-	-	5,337,506
Vocational education instruction	261,600	-	-	-	261,600
Special education instruction	1,406,143	-	-	-	1,406,143
Community education and service	-	-	-	456,116	456,116
Instructional support services	341,373	-	-	-	341,373
Pupil support services	688,461	-	-	518,745	1,207,206
Sites and buildings	1,273,964	-	804,066	-	2,078,030
Fiscal and other fixed cost programs	47,597	998,875	-	-	1,046,472
Total expenditures	10,365,047	998,875	804,066	974,861	13,142,849
Excess (Deficiency) of Revenues Over (Under) Expenditures	508,622	46,616	(790,330)	(54,339)	(289,431)
Other Financing Sources (Uses)					
Transfers in (out)	-	509	(509)	-	-
Building bond proceeds	-	-	2,125,000	-	2,125,000
Premium on bond sale	-	-	148,983	-	148,983
Total other financing sources (uses)	-	509	2,273,474	-	2,273,983
Net Change in Fund Balance	508,622	47,125	1,483,144	(54,339)	1,984,552
Fund Balance, Beginning of Year, as Adjusted (Note 8)	2,914,068	-	-	375,352	3,289,420
Fund Balance, End of Year	$ 3,422,690	$ 47,125	$ 1,483,144	$ 321,013	$ 5,273,972

Net Change in Fund Balances - Total Governmental Funds	$ 1,984,552
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. This is the amount by which capital outlay and net disposals exceeds depreciation expense in the current period.	307,336
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	6,177
In the statement of activities compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.	2,819
In the statement of activities OPEB obligations 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.	12,498
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.	(546,138)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums 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.	(1,468,790)
Change in Net Position of Governmental Activities	$ 298,454

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

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Local property tax levies	$ 985,667	$ 985,667	$ 976,055	$ (9,612)
Other local and county sources	374,085	374,085	604,207	230,122
State sources	8,899,799	8,899,799	9,233,676	333,877
Federal sources	130,420	130,420	49,737	(80,683)
Sales and other conversion of assets	550	550	9,994	9,444
Total revenues	10,390,521	10,390,521	10,873,669	483,148
Expenditures				
Administration	642,278	642,278	618,088	24,190
District support services	401,413	401,413	390,315	11,098
Regular instruction	5,349,922	5,349,922	5,337,506	12,416
Vocational education instruction	187,254	187,254	261,600	(74,346)
Special education instruction	1,439,970	1,439,970	1,406,143	33,827
Instructional support services	378,801	378,801	341,373	37,428
Pupil support services	755,402	755,402	688,461	66,941
Sites and buildings	1,339,583	1,339,583	1,273,964	65,619
Fiscal and other fixed cost programs	146,899	146,899	47,597	99,302
Total expenditures	10,641,522	10,641,522	10,365,047	276,475
Net Change in Fund Balance	$ (251,001)	$ (251,001)	508,622	$ 759,623
Fund Balance, Beginning of Year, As Adjusted (Note 8)			2,914,068	
Fund Balance, End of Year			$ 3,422,690	

Note 1 - Summary of Significant Accounting Policies

A. Organization

Independent School District No. 150, Hawley Area Public Schools, Hawley, Minnesota (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a School Board elected by voters of the District. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

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

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

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

C. 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. 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.

D. Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental 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.

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:

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.

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.

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. The District's Student Activity Funds are under board control and are reported in the general fund.

Building Project – The building projects fund is used to account for construction projects within the District.

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.

E. Other Significant Accounting Policies

Budgeting

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

Cash and Investments

Cash 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.

Short-term, highly liquid debt instruments (including commercial paper, banker's 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.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are reported using the consumption method and recorded as an expense or expenditure at the time of consumption.

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 estimated fair market value at the date of donation. The District maintains a threshold level of $2,000 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 and construction in progress.

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 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.

Compensated Absences Payable

Vacation – The District compensates substantially all full-time noncertified employees for unused vacation upon termination; however, no employee is allowed to accumulate more than a one-year vacation allowance. The expenditure for vacation pay is recognized when payment is made. Vacation is immaterial as of June 30, 2020, and is not accrued.

Sick Pay – Substantially all District employees are allowed to accrue sick leave at varying amounts each year and accumulate within specified limits. Employees are not compensated for unused sick leave upon termination of employment. Since the employees accumulating rights to receive compensation for future absences being caused by future illnesses such amounts cannot be reasonably estimated, a liability for unused sick leave has not been recorded in the financial statements. In some instances, unused sick leave does enter into the calculation of severance pay for some employees upon termination.

Severance Benefits – The district has a severance pay plan for teachers who have taught at least 10 years of teaching service in the District and 25 years of teaching experience. Eligible teachers, upon resignation, shall receive as severance pay an amount representing a maximum of 108 days of the teacher's final salary, reduced by the amount of contributions to the teacher's 403(b) plan made by the District. As of June 30, 2020, the district owes $259,342 for severance pay of which $201,710 is recorded as a long-term liability due in more than one year on the district-wide statements.

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 7.

For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The District has four items that qualify for reporting in this category. They are the contributions made to pension plans and the other postemployment benefit plan after the measurement date and prior to the fiscal year-end, changes in the net pension liability not included in pension expense, and changes in the other post employments benefits liability not included in OPEB 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 not included in pension expense and changes in the other post-employment benefits liability not included in OPEB expense reported in the district-wide statement of net position.

Net Position

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

Fund Balance

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

Nonspendable Fund Balance – represents a portion of fund balance that includes amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.

Restricted Fund Balances – represents a portion of fund balance that reflects constraints placed on the use of resources (other than nonspendable items) that are either: a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority which is the School Board through an ordinance or resolution.

Assigned Fund Balance – represents amounts constrained by the government's intent to be used for specific purposes, but neither restricted nor committed.

Unassigned Fund Balance – represents residual classification for the general fund. This classification represents fund balance not assigned to other funds and not restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it would be necessary to report a negative unassigned fund balance.

The District's policy is to strive to maintain a minimum unrestricted general fund balance of three months of operating expenditures. The first priority is to utilize the balance as restricted fund balance. Committed funds will be considered second with assigned fund balance third when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classification could be used like assigned or unassigned.

Risk Management

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

Estimates

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

Implementation of GASB Statement No. 84

As of July 1, 2019, the District adopted GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. The impact to the District resulted in the student activity funds being changed from reporting as an agency fund to the General Fund. The effect of the implementation of this standard on beginning net position and fund balance is disclosed in Note 8.

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 collateralized by securities held by the District's agent in the District's name.

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 during the year or at year end.

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

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

Minnesota School District Liquid Asset Fund	$ 2,332,074
Investments	729,895
Deposits	2,250,579
	$ 5,312,548

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	State
Major funds	
General	1,122,233
Debt service	13,812
Non-major funds	5,390
	$ 1,141,435

Note 4 - Capital Assets

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

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Capital assets not being depreciated				
Land	$ 112,700	$ -	$ -	$ 112,700
Construction in progress	-	804,066	-	804,066
Total capital assets not being depreciated	112,700	804,066	-	916,766
Capital assets being depreciated				
Improvements	841,483	108,600	-	950,083
Buildings	29,129,068	201,274	-	29,330,342
Equipment	2,281,682	200,051	269,501	2,212,232
Total capital assets being depreciated	32,252,233	509,925	269,501	32,492,657
Less accumulated depreciation for:				
Improvements	533,908	28,109	-	562,017
Buildings	9,789,519	820,496	-	10,610,015
Equipment	1,491,527	138,635	250,086	1,380,076
Total accumulated depreciation	11,814,954	987,240	250,086	12,552,108
Net capital assets, depreciated	20,437,279	(477,315)	19,415	19,940,549
Total capital assets, net	$ 20,549,979	$ 326,751	$ 19,415	$ 20,857,315

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

Regular instruction	$ 932,634
Vocational instruction	156
Special education	3,451
Business	1,835
Inst Support	392
Pupil support services	48,772
Total depreciation expense	$ 987,240

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	$ 10,000,000	$ 2,125,000	$ 645,000	$ 11,480,000	$ 790,000
Deferred bond premiums	322,495	-	21,500	300,995	21,500
Capital lease (direct borrowing)	17,145	-	7,622	9,523	9,523
Severance payable	262,161	-	2,819	259,342	57,632
	$ 10,601,801	$ 2,125,000	$ 676,941	$ 12,049,860	$ 878,655

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

Bond Description	Final Maturities	Interest Rate	Original Principal	Outstanding Balance
General Obligation				
Building Bonds of 2014A	3/34	2.00%-4.00%	$ 10,000,000	$ 9,355,000
Facilities Maintenance Bonds of 2019A	2/34	2.25%-4.00%	2,125,000	2,125,000
				$ 11,480,000

During the year ended June 30, 2020, the District issued $2,125,000 of General Obligation Facilities Maintenance Bonds, Series 2019A, to finance projects included in the District's ten-year facility plan as approved by the Commissioner of Education. The bonds bear an interest rate of 2.25 - 4.00%, and call for semiannual interest payments and annual principal payments commencing August 2020 through February 2034.

Bond principal and interest payments are made by the debt service fund.

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

Capital Lease Description	Final Maturities	Interest Rate	Original Principal	Outstanding Balance
Copier Lease	2/21	2.00%-4.00%	$ 25,263	$ 9,523

Annual capital lease principal and interest payments of $8,421 are made by the general fund. The outstanding capital lease contains a provision that in the event of default the copier equipment will be repossessed. The total cost of the asset was $25,563 and had accumulated depreciation of $7,579 as of June 30, 2020.

Severance Payable – This amount consists of vested severance benefits as discussed in Note 1.

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

Years Ending June 30,	Bonds Payable Principal	Bonds Payable Interest	Capital Lease Payable Principal	Capital Lease Payable Interest
2021	$ 790,000	$ 338,875	$ 9,523	$ 409
2022	840,000	325,475	-	-
2023	920,000	299,225	-	-
2024	695,000	270,350	-	-
2025	715,000	250,100	-	-
2026-2030	3,975,000	916,438	-	-
2031-2034	3,545,000	279,850	-	-
	$ 11,480,000	$ 2,680,313	$ 9,523	$ 409

Years Ending June 30,	Severance Payable Principal	Severance Payable Interest	Total Principal	Total Interest
2021	$ 57,632	$ -	$ 857,155	$ 339,284
2022	57,632	-	897,632	325,475
2023	57,632	-	977,632	299,225
2024	57,632	-	752,632	270,350
2025	28,814	-	743,814	250,100
2026-2030	-	-	3,975,000	916,438
2031-2034	-	-	3,545,000	279,850
	$ 259,342	$ -	$ 11,748,865	$ 2,680,722

Note 6 - Other Postemployment Benefits

A. Plan Description

All employees are allowed upon meeting the eligibility requirements under Minn. Stat. 471.61 subd, 2b, to participate in the District's health insurance plan after retirement. This plan covers active and retired employees who have reached age 55, with teachers needing at least 3 years of service and all other district employees needing 5 years of service. 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. A separately issued report is not available.

B. Benefits Provided

The contract groups have access to other post-retirement benefits of blended medical premiums of $563 for single and $1,485 for family coverage. The implicit rate subsidy is only until Medicare eligibility. There are no subsidized post-employment medical, dental, or life insurance benefits.

C. Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefit payments	4
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	134
	138

D. Total OPEB Liability

The District's total OPEB liability of $392,955 was measured as of July 1, 2019, and was determined by an actuarial valuation as of July 1, 2019.

E. Actuarial Assumptions and Other Inputs

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

Inflation	2.50 percent	
Salary increases	Service graded table, based on age and years of service	
Discount rate	3.10 percent	
Healthcare cost trend rates	6.50 percent as of July 1, 2019, grading to 5.00% over 6 years	
Retiree plan participation	Future retirees electing coverage:	
	- Teachers, administrators, and business managers	50%
	- All others	5%
Percent of married retirees electing spouse coverage	25%	

Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-Year Municipal Bond Yield.

Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale.

The actuarial assumptions used in the July 1, 2019, valuation were based on the results of an actuarial experience study as of July 1, 2019.

The following changes in assumptions were made for the year ending June 30, 2020:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale
- The salary increase rates were changed from a flat 3.0% per year for all employees to rates which vary by service and contract group.
- The discount rate was changed from 3.40% to 3.10%.

F. Changes in Total OPEB Liability

Balance at June 30, 2019	$ 552,968
Changes from the Prior Year	
Service Cost	25,291
Interest Cost	19,016
Assumption changes	(9,657)
Differences between expected and actual experience	(156,395)
Benefit Payments	(38,268)
Net Change	(160,013)
Balance at June 30, 2020	$ 392,955

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

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Discount rate	2.40%	3.40%	4.40%
Total OPEB Liability	$ 412,747	$ 392,955	$ 373,388

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate 1 percentage point lower and 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease in Healthcare Trend Rate	Selected Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Net OPEB Liability	$ 359,112	$ 392,955	$ 432,373
Medical trend rate	5.50%, decreasing to 4.00% over 6 years	6.50%, decreasing to 5.00% over 6 years	7.50%, decreasing to 6.00% over 6 years

H. 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 $16,631. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability gains	$ -	$ 130,329
Assumption changes	-	8,047
Employer contributions made after the measurement date	29,129	-
	$ 29,129	$ 138,376

$29,129 reported as deferred outflows of resources related to OPEB resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,	Pension Expense Amount
2021	$ (27,676)
2022	(27,676)
2023	(27,676)
2024	(27,676)
2025	(27,672)

Note 7 - 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 Description

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

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

B. Benefits Provided

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

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

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

C. Contribution Rate

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

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2020 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2020, were $108,458. The District's contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

At June 30, 2020, the District reported a liability of $1,072,583 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million to the fund in 2019. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled $35,591. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the District's proportionate share was 0.0194% at the end of the measurement period and 0.0196% for the beginning of the period.

District's proportionate share of net pension liability	$ 1,072,583
State of Minnesota's proportionate share of the net pension liability associated with the District	35,591
Total	$ 1,108,174

For the year ended June 30, 2020, the District recognized pension expense of $91,977 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional $2,509 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	$ 29,665	$ -
Changes in actuarial assumptions	-	84,355
Net collective difference between projected and actual investment earnings	-	103,299
Changes in proportion	9,576	48,919
Contributions paid to PERA subsequent to measurement date	108,458	-
Total	$ 147,699	$ 236,573

The $108,458 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,	Pension Expense Amount
2021	$ (90,174)
2022	(84,410)
2023	(24,477)
2024	1,729

D. Actuarial Assumptions

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

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50% 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 four-year experience study in the General Employees Plan was completed in 2019. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

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

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

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

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

E. 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%	$ 1,763,268
Current Discount Rate	7.50%	$ 1,072,583
1% Higher	8.50%	$ 502,284

H. Pension Plan Fiduciary Net Position

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

Teachers Retirement Association (TRA)

A. Plan Descriptions

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

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

B. Benefits Provided

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

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

Tier I Benefits.

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:

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

or

Tier II Benefits

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

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

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

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

C. Contribution Rate

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

	June 30, 2018		June 30, 2019		June 30, 2020	
	Employees	Employers	Employees	Employers	Employees	Employers
Basic	11.00%	11.50%	11.00%	11.71%	11.00%	11.92%
Coordinated	7.50%	7.50%	7.50%	7.71%	7.50%	7.92%

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

Employer contributions reported in TRA's CAFR, Statement of Changes in Fiduciary Net Position	$ 403,300
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 0.1% each year up to 1.5% annually
Mortality assumptions	
Pre-retirement:	RP-2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP-2015 scale.
Post-retirement:	RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
Post-disability:	RP-2014 disabled retiree mortality table, without adjustment.

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

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2016 is six years. The "Difference Between Expected and Actual Experience," "Changes of Assumptions," and "Changes in Proportion" use the amortization period of 6 years in the schedule presented. The amortization period for "Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments" is 5 years as required by GASB 68.

Changes in actuarial assumptions since the 2018 valuation:

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

E. Discount Rate

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

F. Net Pension Liability

At June 30, 2020, the District reported a liability of $5,564,520 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 0.0873% at the end of the measurement period and 0.0874% 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	$ 5,564,520
State's proportionate share of the net pension liability associated with the district	$ 492,310

For the year ended June 30, 2020, the District recognized pension expense of $473,427. It also recognized $37,421 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	$ 788	$ 135,880
Changes in actuarial assumptions	4,698,429	7,400,960
Difference between projected and actual investment earnings	-	465,188
Change in proportion and differences between contributions made and District's proportionate share of contributions	83,929	127,370
District's contributions to TRA subsequent to the measurement date	402,758	-
Total	$ 5,185,904	$ 8,129,398

$402,758 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	$ 309,348
2022	(23,479)
2023	(2,110,225)
2024	(1,510,533)
2025	(11,363)

G. Net Pension Liability

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
TRA discount rate	6.50%	7.50%	8.50%
District's proportionate share of the TRA net pension liability	$ 8,871,206	$ 5,564,520	$ 2,838,207

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 8 - Adoption of New Standard

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

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	Governmental Activities	General Fund
Net Position/Fund Balance - June 30, 2019, as previously reported	$ 3,485,956	$ 2,821,555
Adjustment of student activity funds from an agency fund to the General Fund	92,513	92,513
Net Position/Fund Balance - July 1, 2019, as adjusted	$ 3,578,469	$ 2,914,068

Note 9 - 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 restrictions of net position for the following purposes:

	General Fund	Debt Service Fund	Building Project	Other Governmental Funds	Total
Fund Balances					
Nonspendable					
Inventories	$ -	$ -	$ -	$ 18,044	$ 18,044
Prepaid items	20,960	-	-	-	20,960
Total nonspendable	20,960	-	-	18,044	39,004
Restricted					
Student activities	131,077				131,077
Staff development	18,059	-	-	-	18,059
Gifted and talented	35,835	-	-	-	35,835
Long term facilities maintenance	768,750	-	-	-	768,750
Medical assistance	61,299	-	-	-	61,299
Debt service	-	47,125	-	-	47,125
Building project	-	-	1,483,144	-	1,483,144
Food service	-	-	-	37,071	37,071
Community education	-	-	-	11,542	11,542
E.C.F.E.	-	-	-	186,334	186,334
School readiness	-	-	-	119,008	119,008
Total restricted	1,015,020	47,125	1,483,144	353,955	2,899,244
Committed for severance	259,342	-	-	-	259,342
Assigned					
Roofing	160,000	-	-	-	160,000
Facilities repair	150,000	-	-	-	150,000
Vehicles	45,000	-	-	-	45,000
Bus	100,000	-	-	-	100,000
Garage	325,000	-	-	-	325,000
Flooring	50,000	-	-	-	50,000
Windows	105,000	-	-	-	105,000
Preschool parking lot	40,000	-	-	-	40,000
Tuck pointing	60,000	-	-	-	60,000
Water main	30,000	-	-	-	30,000
9th St. drop off	61,000	-	-	-	61,000
Seal coat parking lots	35,000	-	-	-	35,000
Staff development	72,167	-	-	-	72,167
Q Comp	168,300	-	-	-	168,300
Total assigned	1,401,467	-	-	-	1,401,467
Unassigned	725,901	-	-	(50,986)	674,915
Total fund balance	$ 3,422,690	$ 47,125	$ 1,483,144	$ 321,013	$ 5,273,972

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			
Inventory	$ 18,044	$ -	$ 18,044
Prepaids	20,960	-	20,960
Total nonspendable	39,004	-	39,004
Restricted			
Student activities	131,077	-	131,077
Staff development	18,059	-	18,059
Gifted and talented	35,835	-	35,835
Safe school - crime levy	-	(61,945)	(61,945)
Long term facilities maintenance	768,750	-	768,750
Medical assistance	61,299	-	61,299
Debt service	47,125	-	47,125
Building project	1,483,144	-	1,483,144
Food service	37,071	-	37,071
Community education	11,542	-	11,542
E.C.F.E.	186,334	-	186,334
School readiness	119,008	-	119,008
Total restricted	2,899,244	(61,945)	2,837,299
Committed for severance	259,342	-	259,342
Assigned			
Roofing	160,000	-	160,000
Facilities repair	150,000	-	150,000
Vehicles	45,000	-	45,000
Bus	100,000	-	100,000
Garage	325,000	-	325,000
Flooring	50,000	-	50,000
Windows	105,000	-	105,000
Preschool parking lot	40,000	-	40,000
Tuck pointing	60,000	-	60,000
Water main	30,000	-	30,000
9th St. drop off	61,000	-	61,000
Seal coat parking lots	35,000	-	35,000
Staff development	72,167	-	72,167
Q Comp	168,300	-	168,300
Total assigned	1,401,467	-	1,401,467
Unassigned	674,915	61,945	736,860
Total fund balance	$ 5,273,972	$ -	$ 5,273,972

Note 10 - Interfund Transfers

A transfer of $509 was made from the Building Project Fund to the Debt Service Fund in accordance with planned uses of the proceeds from the issuance of the Facilities Maintenance Bonds of 2019A.

Note 11 - 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) is 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 12 - Employee Benefit Plan 403(b)

Contracted District employees are eligible to participate in the 403(b) program as described by the District. Employee's participation in the 403(b) program and 403(b) matching program is in accordance with the Master Agreement between Independent School District No. 150, Hawley Area Public Schools and Education Minnesota Hawley.

Note 13 - Operating Lease

The District has entered into an operating lease agreement for two photocopiers with Kinetic Leasing, Inc. The lease agreement expires June 30, 2021. The district has also entered into operating leases for three school buses with North Central Bus Equipment. The lease agreements expire June 30, 2023. Lease expense for the year ended June 30, 2020 was $31,728. Future minimum lease payments for the terms of the lease are as follows:

2021	$ 50,044
2022	50,044
2023	26,637
Total future lease payments	$ 126,725

Note 14 - 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.

Construction in Progress

The District started a construction project in the current year to replace the HVAC in the high school building. The estimated costs to complete total $2.7 million with an estimated completion date of October 2020.

Note 15 - Subsequent Events

The District has evaluated subsequent events through October 26, 2020, the date which the financial statements were available to be issued. The District issued $7,150,000 in General Obligation Taxable Crossover Refunding Bonds, to refund the 2014A Bonds previously held by the district.

In addition, the District received federal grant funding related to the global COVID-19 pandemic. $31,760 was received under the Elementary and Secondary School Emergency Relief Fund (ESSER) grant, $5,771 was received under the Governor’s Emergency Education Relief Fund (GEER) grant, and $231,775 was received as part of the Coronavirus Relief Fund (CRF). All grants will be used to cover COVID-19 expenditures of the district.

Note 16 - 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 significantly 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 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 will improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period. This statement will be implemented at the District in the year ended June 30, 2022.

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

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

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

Required Supplementary Information
June 30, 2020

Independent School District No. 150
Hawley Area Public Schools

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

	2020	2019	2018
Service cost	$ 25,291	$ 29,221	$ 28,370
Interest	19,016	18,705	18,209
Assumption changes	(9,657)	-	-
Differences between actual and expected experience	(156,395)	-	-
Benefit payments	(38,268)	(31,477)	(34,220)
Net change in total OPEB liability	(160,013)	16,449	12,359
Total OPEB liability - beginning	552,968	536,519	524,160
Total OPEB liability - ending	$ 392,955	$ 552,968	$ 536,519
Covered-employee payroll	$ 6,088,186	$ 5,888,367	$ 5,716,861
District's total OPEB liability as a percentage of covered-employee payroll	6.45%	9.39%	9.38%

*GASB Statement No. 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.

Schedule of Employer's Share of Net Pension Liability
Last 10 Fiscal Years *

Pension Plan	Measurement Date	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated With District (b)	Total (d) (a+b)	Employer's Covered-Payroll (e)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Payroll (a/e)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
PERA	6/30/2019	0.0194%	$ 1,072,583	$ 33,499	$ 1,106,082	$ 1,265,613	84.7%	80.23%
PERA	6/30/2018	0.0196%	1,087,328	35,591	1,122,919	1,314,547	82.7%	79.53%
PERA	6/30/2017	0.0193%	1,232,099	15,453	1,247,552	1,242,634	99.2%	75.90%
PERA	6/30/2016	0.0213%	1,729,454	22,610	1,752,064	1,324,481	130.6%	68.91%
PERA	6/30/2015	0.0203%	1,052,051	N/A	1,052,051	1,175,293	89.5%	78.19%
PERA	6/30/2014	0.0209%	981,777	N/A	981,777	1,098,644	89.4%	78.80%
TRA	6/30/2019	0.0873%	$ 5,564,520	$ 492,310	$ 6,056,830	$ 4,954,047	112.3%	78.07%
TRA	6/30/2018	0.0874%	5,486,780	492,310	5,979,090	4,826,333	113.7%	78.07%
TRA	6/30/2017	0.0882%	17,606,320	1,701,489	19,307,809	4,747,133	370.9%	51.57%
TRA	6/30/2016	0.0876%	20,894,690	2,097,439	22,992,129	4,554,493	458.8%	44.88%
TRA	6/30/2015	0.0870%	5,381,810	660,324	6,042,134	4,413,657	121.9%	76.80%
TRA	6/30/2014	0.0930%	4,285,373	301,342	4,586,715	4,246,288	100.9%	81.50%

* 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-Payroll (d)	Contributions as a Percentage of Covered-Payroll (b/d)
PERA	6/30/2020	$ 108,458	$ 108,458	$ -	$ 1,446,107	7.5%
PERA	6/30/2019	94,921	94,921	-	1,265,613	7.5%
PERA	6/30/2018	98,591	98,591	-	1,314,547	7.5%
PERA	6/30/2017	93,024	93,024	-	1,242,634	7.5%
PERA	6/30/2016	99,148	99,148	-	1,324,481	7.5%
PERA	6/30/2015	88,147	88,147	-	1,175,293	7.5%
TRA	6/30/2020	$ 402,758	$ 402,758	$ -	$ 5,085,328	7.9%
TRA	6/30/2019	381,957	381,957	-	4,954,047	7.7%
TRA	6/30/2018	361,975	361,975	-	4,826,333	7.5%
TRA	6/30/2017	356,035	356,035	-	4,747,133	7.5%
TRA	6/30/2016	341,587	341,587	-	4,554,493	7.5%
TRA	6/30/2015	331,026	331,026	-	4,413,657	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.

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

PERA
2019 Changes
Changes in Actuarial Assumptions
- The morality projection scale was changed from MP-2017 to MP-2018.

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

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

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

2017 Changes
Changes in Actuarial Assumptions
- The combined service annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA load are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

Changes in Plan Provisions

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

2016 Changes:

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes:

Changes in Actuarial Assumptions

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

Changes in Plan Provisions:

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by $1.1 billion and increase the fiduciary plan net position by $892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of $6.0 million, which meets the special funding situation definition, was due September 2015.

TRA

2019 Changes

Changes in Actuarial Assumptions

- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.

- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 6 years, (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2018 Changes
Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 8.0%.
- The cost of living adjustment (COLA) was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019, and ending July 1, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero% beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers was reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017 Changes
Changes in Actuarial Assumptions

- The discount rate was decreased to 5.12% from 4.66%.
- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5% but remain at 2.0% for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 2.5% to 3.0%.

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

2016 Changes

Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 8.0%.
- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- The price inflation assumption was lowered from 3% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.
- The post-retirement mortality assumption was changed to the RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP 2015 scale.
- The post-disability mortality assumption was changed to the RP 2014 disabled retiree mortality table, without adjustment.
- Augmentation in the early retirement reduction factors is phased out o Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made

2015 Changes

Changes of benefit terms:

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

Change of assumptions:

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

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

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

Combining and Individual Fund Schedules
June 30, 2020

Independent School District No. 150

Hawley Area Public Schools

	Fund Balance (Deficit) Beginning of Year (as Adjusted)	Net Change in Fund Balance	Fund Balance (Deficit) End of Year
Nonspendable	$ 304	$ 20,656	$ 20,960
Restricted for student activities	92,299	38,778	131,077
Restricted for staff development	18,923	(864)	18,059
Restricted for gifted and talented	29,446	6,389	35,835
Restricted for safe school - crime levy	(72,492)	10,547	(61,945)
Restricted for long term facilities maintenance	582,370	186,380	768,750
Restricted for medical assistance	33,732	27,567	61,299
Committed for severance	262,161	(2,819)	259,342
Assigned	1,555,000	(153,533)	1,401,467
Unassigned	412,325	375,521	787,846
	$ 2,914,068	$ 508,622	$ 3,422,690

Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2020

	Food Service	Community Service	Totals
Assets			
Cash and cash equivalents	$ 37,071	$ 284,212	$ 321,283
Receivables			
Current property taxes	-	24,064	24,064
Delinquent property taxes	-	1,197	1,197
Due from other governmental units	-	5,390	5,390
Accounts	-	3,800	3,800
Inventories	18,044	-	18,044
Total assets	$ 55,115	$ 318,663	$ 373,778
Liabilities			
Accounts payable	$ -	$ 1,195	$ 1,195
Deferred inflows of resources			
Unavailable revenue-property taxes	-	51,570	51,570
Fund Balance			
Nonspendable	18,044	-	18,044
Restricted	37,071	316,884	353,955
Unassigned	-	(50,986)	(50,986)
	55,115	265,898	321,013
Total liabilities, deferred inflows of resources, and fund balances	$ 55,115	$ 318,663	$ 373,778

	Food Service	Community Service	Totals
Revenues			
Local property tax levies	$ -	$ 56,335	$ 56,335
Other local and county sources	7,297	345,087	352,384
State sources	24,691	76,259	100,950
Federal sources	168,952	-	168,952
Sales and other conversion of assets	241,901	-	241,901
Total revenues	442,841	477,681	920,522
Expenditures			
Community education and service	-	456,116	456,116
Pupil support services	518,745	-	518,745
Total expenditures	518,745	456,116	974,861
Net Change in Fund Balance	(75,904)	21,565	(54,339)
Fund Balance, Beginning of Year	131,019	244,333	375,352
Fund Balance, End of Year	$ 55,115	$ 265,898	$ 321,013

Other Supplementary Information
June 30, 2020

Independent School District No. 150
Hawley Area Public Schools

Fiscal Compliance Report - 6/30/2020

Help Logoff

District: HAWLEY (150-1)

Back Print

01 GENERAL FUND	Audit	UFARS	Audit - UFARS
Total Revenue	$10,873,669	$10,873,670	($1)
Total Expenditures	$10,365,047	$10,365,045	$2
Non Spendable:			
4.60 Non Spendable Fund Balance	$20,960	$20,960	$0
Restricted / Reserved:			
4.01 Student Activities	$131,077	$131,077	$0
4.02 Scholarships	$0	$0	$0
4.03 Staff Development	$18,059	$18,059	$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	$0	$0	$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	$35,835	$35,835	$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	($61,945)	($61,945)	$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	$768,750	$768,750	$0
4.72 Medical Assistance	$61,299	$61,299	$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	$259,342	$259,342	$0
4.61 Committed Fund Balance	$0	$0	$0
Assigned:			
4.62 Assigned Fund Balance	$1,401,467	$1,401,467	$0
Unassigned:			
4.22 Unassigned Fund Balance	$787,846	$787,848	($2)

06 BUILDING CONSTRUCTION	Audit	UFARS	Audit - UFAR
Total Revenue	$13,736	$13,735	$1
Total Expenditures	$804,066	$804,066	$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	$1,483,144	$1,483,144	$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 - UFAR
Total Revenue	$1,045,491	$1,045,490	$1
Total Expenditures	$998,875	$998,875	$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	$47,125	$47,124	$1
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

08 TRUST	Audit	UFARS	Audit - UFAR
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 - UFAR
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

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02 FOOD SERVICES

Total Revenue	$442,841	$442,838	$3
Total Expenditures	$518,745	$518,746	($1)
Non Spendable:			
4.60 Non Spendable Fund Balance	$18,044	$18,044	$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	$37,071	$37,067	$4
Unassigned:			
4.63 Unassigned Fund Balancee	$0	$0	$0

04 COMMUNITY SERVICE

Total Revenue	$477,681	$477,684	($3)
Total Expenditures	$456,116	$456,117	($1)
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.26 $25 Taconite	$0	$0	$0
4.31 Community Education	$11,542	$11,542	$0
4.32 E.C.F.E	$186,334	$186,334	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.44 School Readiness	$119,008	$119,008	$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	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	($50,986)	($50,983)	($3)

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

25 OPEB REVOCABLE TRUST

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

45 OPEB IRREVOCABLE TRUST

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

47 OPEB DEBT SERVICE

Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted:			
4.25 Bond Refundings	$0	$0	$0
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

Additional Reports
June 30, 2020

Independent School District No. 150
Hawley Area Public Schools

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The School Board of
Independent School District No. 150
Hawley Area Public Schools
Hawley, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 150, Hawley, Minnesota, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 26, 2020.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of audit findings we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies, 2020-001, 2020-002, and 2020-003 described in the accompanying schedule of audit findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency, 2020-004, described in the accompanying schedule of audit findings to be a significant deficiency.

Compliance and Other Matters

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

Response to Findings

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

Purpose of this Report

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

Eide Bailly LLP

Fargo, North Dakota
October 26, 2020

Independent Auditor's Report on *Minnesota Legal Compliance*

The School Board of
Independent School District No. 150
Hawley Area Public Schools
Hawley, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 150 as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated October 26, 2020.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, except as described in the accompanying schedule of audit findings as items 2020-005 and 2020-006. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

The District's responses to the finding identified in our audit is described in the accompanying schedule of audit findings and the District's Corrective Action Plan, which is contained in a separate document. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Eide Bailly LLP

Fargo, North Dakota
October 26, 2020

Section I – Financial Statement Findings

2020-001 Segregation of Duties
Material Weaknesses

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

Condition – The District has a lack of segregation of duties in certain areas due to a limited staff.

Cause – There is a limited amount of office employees.

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

Recommendation – While we recognize that your staff may not be large enough to permit complete segregation of duties in all material respects for an effective system of internal control, the functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the District. Segregation of authorization, custody of assets, record keeping, and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements.

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

2020-002 Material Adjustments
Material Weakness

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

Condition – During the course of our engagement, we proposed audit adjustments that would not have been identified as a result of the District's existing internal controls.

Cause – The District does not have an internal control system designed to identify all necessary adjustments or properly interpret all new reporting standards.

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

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

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

2020-003 Preparation of Financial Statements
Material Weakness

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

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

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

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

Recommendation – This circumstance is not unusual in a District of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

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

2020-004 Improper Completion and Retention of Employee Personnel Forms
Significant Deficiency

Criteria – A good system of internal control contemplates an adequate system for ensuring all required documentation is completed accurately and retained.

Condition – During the course of our engagement, we noted employee personnel forms that were incomplete or missing.

Cause – The District does not have an internal control system designed to properly complete and retain all required documentation.

Effect – This deficiency could result in improper reporting of employee information.

Recommendation – Management should make an effort to ensure all employee personnel forms are completed properly and retained appropriately.

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

Section II –Minnesota Legal Compliance Findings

2020-005 Inactive Student Activity Funds
Uniform Financial Accounting and Reporting Standards Finding

Criteria – A good system of internal accounting control contemplates an adequate system for compliance with the MAFA guidelines of the proper use of student funds. Page 19 of the MAFA guidelines describes that any account with no activity for one year must be disposed of.

Condition – During the course of our engagement, we noted instances where student activity accounts were inactive for more than one year.

Cause – The District doesn’t have a policy to ensure they are following the UFARS manual.

Effect – This deficiency results in the District not being in compliance with the Manual for the Uniform Financial Accounting and Reporting Standards (UFARS) for Minnesota Schools and the Manual for Activity Fund Accounting (MAFA).

Recommendation – The District should review the MAFA guidelines to determine when student activity accounts must be disposed of.

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