

**NORTH BRANCH INDEPENDENT SCHOOL DISTRICT NO. 138
 NORTH BRANCH AREA MIDDLE SCHOOL, MEDIA CENTER
 38705 GRAND AVENUE
 NORTH BRANCH, MN 55056
 REGULAR SCHOOL BOARD MEETING
 DECEMBER 10, 2020
 5:30 PM**

AGENDA

- I. Call to Order
- II. Roll Call
 - A. School Board Member Heather Osagiede will be attending the meeting remotely at the following location: 9876 State Highway 176, Walnut Shade, MO 65771
- III. Pledge of Allegiance
- IV. Approval of Agenda
- V. Superintendent’s Report 4
- VI. Removal of Consent Items for Discussion
- VII. Approval of Consent Items
 - A. Minutes of November 12, 2020 Work Session 13
 - B. Minutes of November 12, 2020 Regular Meeting 14
 - C. Minutes of November 25, 2020 Work Session 21
 - D. Authorization of Payments, Transfers, and Investment Activity 22
 - E. Personnel
 - 1. Cathy Regnier, retirement effective the end of the 2020-21 school year, as Music Teacher at North Branch Area Middle School
 - 2. Dena Vieth-Loher, retirement effective the end of the 2020-21 school year, as Music Teacher at Sunrise River Elementary School
 - 3. Lesley Zieglmeier, resignation effective November 19, 2020, as Lunchroom Assistant at North Branch Area Middle School
 - 4. Cassandra Cosgrove, resignation effective December 3, 2020, as SPED Assistant at North Branch Area Education Center
 - 5. Linda Behrendt, leave request effective November 23, 2020 through January 18, 2021 as Early Childhood Assistant at North Branch Area Education Center
 - 6. Pamela Lindblom, leave request effective November 23, 2020 through January 18, 2021 as Early Childhood Assistant at North Branch Area Education Center
 - 7. Faith Schaal, leave request effective November 23, 2020 through February 8, 2021 as Early Childhood SPED Assistant at North Branch Area Education Center
 - 8. Allison Mantel, leave request effective March 11, 2021 through May 2, 2021, as Intervention Teacher at Sunrise River Elementary
 - 9. Tessa Strain-Moritz, leave request effective March 5, 2021 through April 18, 2021, as ALC/Distance Learning Teacher

- 10. Mikaela Matheny, extend temporary employment as Education Assistant at Distance Learning Academy through the end of 2020-21 school year
- 11. Sally Liljedahl, employment effective November 4, 2020, as Lunchroom Assistant at North Branch Area Middle School
- 12. Lily Rayer, employment effective November 9, 2020, as SPED Assistant at Life Work Center
- 13. 2020-21 Extra Curricular Fall Coach Positions
 - a. Steve Dickhudt, Class 3, Step 6, as Assistant Coach for Volleyball
 - b. Roberta Disrud, Class 3, Step 7, as Head Coach for Dance
 - c. Sean Huset, Class 3, Step 7, as Assistant Coach for Football
 - d. Katie Olsen, Class 9, Step 10, as Weightroom Supervisor for Trimester 2
 - e. Gina Scott, Class 5, Step 3, as Assistant Coach for Dance
- 14. 2020-21 Activity Advisor Positions
 - a. Chas Bettendorf, Class 8, Step 10, as Knowledge Bowl Advisor
 - b. Becky Leuer, Class 6, Step 2, as 7-9 FTC Robotics Coordinator
 - c. Laura Michels, Class 3, Step 3, as Auditorium Coordinator/Tech Club Advisor
 - d. Laura Michels, Class 7, Step 2, as One Act Director
 - e. Jessica Petrik, Class 4, Step 1, as Head Coach for Speech
 - f. Hannah Rawleigh, Class 6, Step 2, as ProStart Advisor
- F. Consider Hockey Rink Agreement Between the City of North Branch and the North Branch Area School District
- G. Acceptance of Donations 23
 Minnesota Statute 123B.02 permits school boards to "...receive, for the benefit of the district, bequests, donations, or gifts for any proper purpose and apply the same to the purpose designated. In that behalf, the board may act as trustee of any trust created for the benefit of the district, and for the benefit of pupils thereof."

Therefore, the Superintendent recommends the following resolution:

BE IT RESOLVED by the School Board of Independent School District No. 138 that the School Board accept with appreciation the following contributions and permit their use as designated by the donors.

- VIII. **Open Mic:** Open mic is a time for public comment. However, it is not a means to have issues added to this evening's agenda. It is also not a means to discuss specific individuals negatively in public, either by name or position. If you would like district follow up to comments, please leave appropriate contact information on the open mic sign-in sheet. Please limit your comments to three minutes.
- IX. Old Business
- X. New Business
 - A. Consider Acceptance of Audit Report for FY2020 24
 - B. Consider 2019-20 World's Best Workforce Report Summary 161
 - C. Consider Resolution Establishing Combined Polling Places for Multiple Precincts and Designating Hours During Which the Polling Places will Remain Open for Voting for School District Elections Not Held on the Day of a Statewide Election 170

- D. Consider Certification of Property Tax Levy 2020, Payable 2021 in the Amount of \$9,398,079.51

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Truth-in-Taxation public hearing comments or questions can be provided in person during the hearing at the North Branch Area Middle School Media Center or sent to School Board Chair Kirby Ekstrom at kekstrom@isd138.org, prior to the meeting.

- XI. Addendum
- XII. Information
- XIII. Board Requests
- XIV. Committee Reports
 - A. SEE (Schools for Equity in Education)
 - B. Negotiations
 - C. MSBA Update or Report
 - D. MSHSL
 - E. SCRED Report
 - F. Staff Development Report
 - G. Community Education Advisory Committee Report
 - H. Policy Committee Report
- XV. Dates to Remember
 - A. Thursday, January 14, 2021 Organizational Meeting, 5:30 pm, North Branch Area Middle School, Media Center
 - B. Thursday, January 14, 2021 Regular School Board Meeting, immediately following the Organizational Meeting, North Branch Area Middle School, Media Center
 - C. Thursday, January 28, 2021, School Board Work Session, 5:30 pm, North Branch Area Middle School, Media Center
- XVI. Adjournment

Superintendent Update



Better Together
Superintendent Sara Paul
December 10, 2020

NBAPS Goals



Prepare all learners for success in school and in life.

- **Flexibility and choice** for families to decide what is best for each child: distance learning or 5-day, in-school option
- Value **safety** and place a priority on the **health and wellness** of **students and staff**

Raise accountability for all staff and programs

- Establish **mutual commitments** for procedures/protocols to mitigate risk
- Provide **predictability** of daily schedule, instructional model and learning environments⁵

Increase community engagement

- Include students, families, and staff members in a **responsive, adaptable,** and **ongoing** planning process

Commit resources to district priorities

- Share the responsibility to **maximize resources**



COVID and the NBAPS Response

- Current Model
 - Remote Learning
- ★ Synchronous and Asynchronous Learning
- ★ Teaming
- ★ Responsiveness to Families



Remote Learning



- Student and Parent input- Thoughtexchange - Pat
- Critical Workers- School Age Childcare - Brett
- Access to Meals - Todd
- Internet and Device Access - Darin
- Transportation - Todd
- Facilities Access and Community Rentals- Art and Brett
- Activities and Athletics- Andrea
- Habitual Truancy-David
- Attendance and Grading-David
- Asynchronous and Synchronous Learning Opportunities-David
- Needs of multilingual families and American Indian Students-Reid/Kendall
- Student Mental Health Supports- All
- Special Education Services- Jen and Principals
- Targeted Services- David, Kelly, Lori
- Staff Support- Todd, Jen, Principals
- Professional Learning-David and Coaches



Return to In Person Instruction

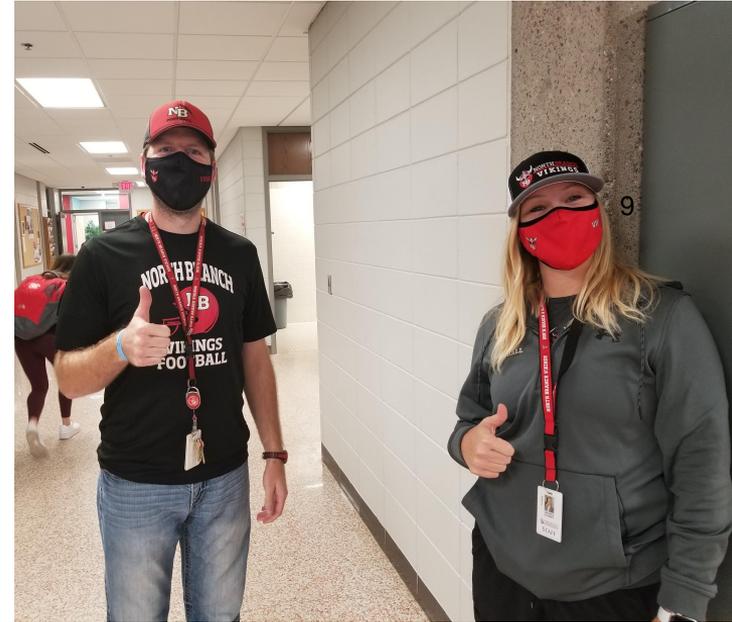
- Timeline
 - Start remote learning on Monday, Nov 30th
 - Target return date for in-person instruction is January 19, 2021
 - Total of 26 remote instructional days
- Effective mitigation strategies in our schools
- Opportunities for improvement





Return to In Person Instruction

- **Challenge**
 - Staff Shortages
- **Opportunity**
 - Viking Support Stars
 - Communication to Families and Community Members
 - Virtual Information Sessions
 - So far, 12 people have started process to be Viking Support Stars!





Return to In Person Instruction

State Busing Guidelines

- **Challenge**

- All riders to be quarantined for 14 days if they were on a bus for more than 30 minutes with an individual who tested positive for COVID-19

- **Impact**

- 168 students removed from educational setting
- Represents about 1,700 missed school days
- Not one impacted rider tested positive for COVID

- **Adjustment**

- Follow State Guidelines across all settings
 - Masks
 - Physical distancing guidance for determining close contacts



High School Redesign

- Grounded in Continuous Improvement Plan
 - Personalize Learning
 - Expand Partnerships: Connections through involvement in school district activities
 - Focus on Career and Technical Education
 - Explore Additional College-Level and Elective Opportunities
 - Prioritize Financial Literacy
 - Prioritize Life Skills



Better Together
Superintendent Sara Paul
December 10, 2020

**NORTH BRANCH INDEPENDENT SCHOOL DISTRICT NO. 138
NORTH BRANCH AREA MIDDLE SCHOOL
SCHOOL BOARD WORKING SESSION
November 12, 2020**

The School Board of Independent School District 138 met in a Working Session on Thursday, November 12, 2020, at 4:30 p.m. in the Media Center at the North Branch Area Middle Center.

Chair Ekstrom called the meeting to order.

The Pledge of Allegiance was said by all.

Roll Call: Kirby Ekstrom, Tim MacMillan, Sarah Grovender, Heather Osagiede (via remote access), Tanya Giese, and Superintendent Paul

Absent: Kevin Bollman

Others in Attendance:

Lisa Moeller, Lori Zimmerman, Andrea Schmidt, Nita Worthley, David Treichel, Todd Tetzlaff, Pat Tepoorten, and Arle Chambers

Superintendent's Report

Superintendent Paul gave an update on the change to the safe learning plan. Beginning November 30, all schools will shift to Level 5 – Districtwide Remote Learning. November 23-25 will be planning days for staff. There will be no school for all in-school students on these days.

Superintendent Paul also reported that there would be a Thoughtexchange survey that will go out to families on November 13.

Superintendent Paul introduced Andrea Schmidt, Activities Director, who discussed what the implications would be for activities when the school district goes to remote learning.

Items Discussed

High School Redesign

Director of Teaching and Learning David Treichel and High School Principal Coleman McDonough gave an update on the high school redesign. They discussed graduation requirements, schedule, and timeline of the process.

Adjournment

Chair Ekstrom adjourned the meeting at 5:29 pm.

Sarah Grovender, Clerk
(Unapproved)

**NORTH BRANCH INDEPENDENT SCHOOL DISTRICT NO. 138
REGULAR SCHOOL BOARD MEETING
NORTH BRANCH AREA MIDDLE SCHOOL, MEDIA CENTER
NOVEMBER 12, 2020**

The School Board of Independent School District 138 met in regular session on Thursday, November 12, 2020, at 5:35 p.m. at the North Branch Area Middle School Media Center.

Board Chair Ekstrom called the meeting to order.

Roll Call: Kirby Ekstrom, Tim MacMillan, Sarah Grovender, Heather Osagiede (via remote access), Tanya Giese, and Superintendent Paul

Absent: Kevin Bollman

Others in Attendance:

Rachel Kytonen, David Treichel, Lori Zimmerman, Nita Worthley, Todd Tetzlaff, Pat Tepoorten, and Arle Chambers

Approval of Agenda:

Moved by MacMillan, seconded by Grovender and carried unanimously to approve the agenda.

SUPERINTENDENT'S REPORT

Superintendent Paul gave an update on COVID and the NBAPS response. She reported that beginning on November 30 there would be a learning model shift to Level 5 - Districtwide Remote Learning. January 19 is the target date for a return to in-school instruction following the remote learning period.

She also talked about a Thoughtexchange survey that will be going out to families, partnerships with local community businesses, and the Veterans Memorial.

CONSENT ITEMS

Moved by MacMillan, seconded by Giese and carried unanimously to approve the following consent items.

- A. Minutes of October 8, 2020 School Board Retreat
- B. Minutes of October 8, 2020 Regular School Board Meeting
- C. Minutes of October 22, 2020 Work Session
- D. Authorization of Payments, Transfers, and Investment Activity
 - Accounts Payable, Bank 07 – \$1,514,282.43
 - Auxiliary, Bank 12 - \$9,711.50

- Payroll, Bank 13 - \$1,736,461.31
- Scholarship, Bank 18 - \$0.00
- High School Student Activities, Bank 31 - \$5,830.08
- Middle School Student Activities, Bank 32 - \$0.00

E. Personnel

1. Margaret Hejny Guptill, retirement effective the end of the 2020-21 school year, as Elementary Teacher at Sunrise River Elementary School
2. Bonnie Huberty, retirement effective the end of the 2020-21 school year, as Career Center Clerk at North Branch Area High School
3. Dana Alcott, resignation effective October 30, 2020, as Lunchroom Assistant at North Branch Area Middle School
4. Julie Flodquist, leave request effective October 6, 2020 through November 4, 2020, as SPED Assistant at Sunrise River Elementary School
5. Sonja Mueller, leave request effective October 12, 2020 through November 6, 2020, as SPED Teacher at North Branch Area High School
6. Dena Vieth-Loher, extension of leave request effective October 26, 2020, through November 6, 2020, as Music Teacher at Sunrise River Elementary School
7. Nicole Sanders, employment effective October 13, 2020, as SPED Assistant at North Branch Area High School
8. Taylor Olsen, employment effective October 20, 2020, as Lunchroom Assistant, at North Branch Area Middle School
9. Carol Skiba, employment effective October 20, 2020, as SPED Assistant at North Branch Area High School
10. Rachel Strand, employment effective October 20, 2020, as Schoolkeeper at North Branch Area Public Schools
11. Kimberly House, employment effective October 26, 2020, as Schoolkeeper at North Branch Area Public Schools
12. Heidi Scheffer, employment effective November 2, 2020, as Technology Help Desk Secretary (part-time) at North Branch Area Public Schools
13. 2020-21 Extra Curricular Fall Coach Positions
 - a. Mason Niederkorn, Class 3, Step 4, as Assistant Coach for Football

14. 2020-21 Activity Advisor Positions

- a. James Pope, Class 8, Step 9, as High School Pep Band Advisor
- b. Tonya Barnes, Class 4, Step 7, as Extra-Curricular Vocals (Harmonaires)
- c. James Pope, Class 4, Step 9, as High School Jazz Band Advisor
- d. Jennifer Joyal, Class 9, Step 10, as Assistant Knowledge Bowl Advisor
- e. Joy Lampl, Class 8, Step 1, as Math League Advisor
- f. Laura Rothe, Class 8, Step 5, as National Honor Society Advisor
- g. Ashley Twait, Class 10, Step 2, as Prom Advisor
- h. Jennifer VanDyke, Class 6, Step 7, as Student Council Advisor
- i. Sydney Rydberg-Engel, Class 7, Step 1, as Yearbook Advisor
- j. Julie Cooley, Class 6, Step 5, as DECA Advisor
- k. Kyle Pagel, Class 10, Step 3, as Middle School Jazz Band Advisor
- l. Cathy Regnier, Class 10, Step 10, as Middle School Show Choir Advisor
- m. Pam Newbauer, Class 9, Step 10, as Middle School Knowledge Bowl Advisor
- n. Pam Newbauer, Class 8, Step 10, as Middle School Speech Advisor
- o. Pam Newbauer, Class 8, Step 10, as Middle School Student Council Advisor
- p. Jessica Richter, Class 7, Step 4, as Middle School Yearbook Advisor
- q. Abby Moon, Class 8, Step 6, as Middle School Math League Advisor

F. Scoreboard Advertising Agreement Between North Branch Area Public Schools and the Following Business

- 1. Dominos of North Branch

G. Acceptance of Donations

Date	Donation From	Donation To	Amount	Use
10/22/20	Danielle Cash – Harris, MN	NBHS Scholarship A/C	\$2,650.00	Scholarship Donation
		Total	\$2,650.00	

OPEN MIC

No one signed up for open mic.

OLD BUSINESS

NEW BUSINESS

A. Preliminary Financial Statement Report

Todd Tetzlaff, Director of Business Services, presented the school board with preliminary financial statements, which show the fund balance will be above projected budget.

B. Approval of Consider Establishment of June 30, 2020 Designated Fund Balance for Severance of \$243,901 and Assigned Fund Balances for Q Comp of \$102,918

Moved by MacMillan, seconded by Grovender and carried unanimously to approve the establishment of June 30, 2020 Designated Fund Balance for Severance of \$243,901 and Assigned Fund Balance for Q Comp of \$102,918.

C. Approval of School Board Goals for 2020-21

Moved by Grovender, seconded by Giese and carried unanimously to approve the school board goals for 2020-21.

D. Approval of Superintendent Goals for 2020-21
Moved by MacMillan, seconded by Grovender and carried unanimously to approve the superintendent goals for 2020-21.

E. Approval of Resolution Canvassing Returns of Votes of School District General Election

Member Grovender moved the adoption of the following resolution:

**RESOLUTION CANVASSING RETURNS
OF VOTES OF SCHOOL DISTRICT GENERAL ELECTION**

BE IT RESOLVED by the School Board of Independent School District No.

138, State of Minnesota, as follows:

1. It is hereby found, determined and declared that the general election of the voters of this school district held on November 3, 2020, in conjunction with the state general election, was in all respects duly and legally called and held.
2. As specified in the attached Abstract and Return of Votes Cast, a total of 21,522 voters of the district voted at said general election on the election of three (3) school board members for four (4) year term vacancies on the board caused by expiration of term on the first Monday in January next following the general election as follows:

Tim MacMillan	5,396
Tanya Giese	5,380
Heather Osagiede	4,642
WRITE-IN	201
3. Tim MacMillan, Tanya Giese, and Heather Osagiede, having received the highest number of votes, are elected to four (4) year terms beginning on the first Monday in January, 2021.
4. The clerk is hereby directed to certify the results of the election to the county auditor of each county in which the school district is located in whole or in part.

The motion for the adoption of the foregoing resolution was duly seconded by Member MacMillan and upon vote being taken thereon, the following voted in favor thereof: Ekstrom, MacMillan, Grovender, Osagiede, Giese and the following voted against the same: None whereupon said resolution was declared duly passed and adopted.

F. Approval of Resolution Authorizing Issuance of Certificates of Election and Directing the School District Clerk to Perform Other Election Related Duties

Member MacMillan introduced the following resolution and moved its adoption:

RESOLUTION AUTHORIZING ISSUANCE OF CERTIFICATES OF ELECTION AND DIRECTING THE SCHOOL DISTRICT CLERK TO PERFORM OTHER ELECTION RELATED DUTIES

WHEREAS, the board has canvassed the general election for school board members held in conjunction with the state general election on November 3, 2020.

NOW THEREFORE, BE IT RESOLVED by the School Board of Independent School District No. 138, State of Minnesota, as follows:

1. The chair and clerk are hereby authorized to execute certificates of election on behalf of the school board of Independent School District No. 138 to the following candidates:
 - a. Tim MacMillan
 - b. Tanya Giese
 - c. Heather Osagiede

who have received a sufficiently large number of votes to be elected to fill vacancies on the board caused by expiration of term on the first Monday in January next following the election, based on the results of the canvass.

2. The certificate of election shall be in substantially the form attached hereto.
3. After the time for contesting the election has passed and the candidate has filed all campaign financial reports required by Minnesota Statutes, Chapter 211A, the clerk of the school board is hereby directed to deliver a certificate to each person entitled thereto personally or by certified mail.
4. The clerk is hereby directed to enclose with the certificate a form of acceptance of office and oath of office in substantially the form attached hereto.

The motion for the adoption of the foregoing resolution was duly seconded by Member Giese and upon vote being taken thereon the following voted in favor

thereof: Ekstrom, MacMillan, Grovender, Osagiede, Giese

and the following voted against the same: None

whereupon said resolution was declared duly passed and adopted.

INFORMATION

The board reviewed the November 2020 issue of the Board & Administrator and the fundraising reports for Early Childhood, Sunrise River Elementary School, North Branch Middle School, and the North Branch High School Activities from July 1, 2020 through October 31, 2020.

BOARD REQUESTS

None

COMMITTEE REPORTS

- A. SEE (Schools for Equity in Education) – Board Member MacMillan reported the next virtual SEE meeting is November 13.
- B. Negotiations – Board Member Ekstrom reported the school board and the NBSSA negotiations committee met for a fourth time on November 9. At this time, there is not a next meeting date set; however, the school board will be meeting in closed session to discuss negotiations following this meeting.
- C. MSBA Report – Board Member Ekstrom reported he attended MSBA meetings on November 8 and 9 and that MSBA will have their annual conference on January 14, 21, and 28. The meetings will be held in a virtual format.
- D. MSHSL – Board Member Ekstrom reported on a meeting he attended on November 5. The next MSHSL meeting is scheduled for December 2.
- E. SCRED Report – Board Member Grovender reported on the November 10 meeting she attended.
- F. Staff Development Report – None
- G. Community Education – None
- H. Policy Committee Report – None

DATES TO REMEMBER

- A. December 10, 2020, Regular School Board Meeting, 5:30 pm, North Branch Area Middle School, Media Center

Adjournment to Closed Meeting

Moved by MacMillan, seconded by Grovender, and carried unanimously to close the regular meeting at 6:43 pm to go into a closed session to discuss NBSSA negotiations.

Meeting Reopened

Moved by MacMillan, seconded by Grovender and carried unanimously to reopen the regular meeting at 7:30 pm.

Discussion on Special School Board Meeting

The school board discussed scheduling a Work Session on Wednesday, November 25 at 5:30 pm at the North Branch Area Middle School Media Center.

Adjournment

Moved by MacMillan, seconded by Grovender, and carried unanimously to adjourn the regular meeting at 7:45 pm.

Sarah Grovender, Clerk
(Unapproved)

**NORTH BRANCH INDEPENDENT SCHOOL DISTRICT NO. 138
NORTH BRANCH AREA MIDDLE SCHOOL
SCHOOL BOARD WORKING SESSION
November 25, 2020**

The School Board of Independent School District 138 met in a Working Session on Wednesday, November 25, 2020, at 5:30 p.m. in the Media Center at the North Branch Area Middle Center.

Chair Ekstrom called the meeting to order.

The Pledge of Allegiance was said by all.

Roll Call: Kirby Ekstrom, Tim MacMillan, Sarah Grovender (via remote access), Heather Osagiede, Tanya Giese, and Superintendent Paul

Absent: Kevin Bollman

Others in Attendance:

Denise Martin, David Treichel, Todd Tetzlaff, Pat Tepoorten, and Arle Chambers

Items Discussed

Safe Learning Plan Update

Superintendent Paul reported that remote learning would begin on November 30. The target return date for in-person instruction is January 19, 2021. She presented planning information on remote learning for the elementary, middle school, high school, and ALC and reported on student and parent feedback from the Thoughtexchange survey. She also presented information on remote learning for childcare services, access to meals, internet and device access, transportation, activities and athletics, student mental health supports, and special education.

Adjournment

Chair Ekstrom adjourned the meeting at 6:22 pm.

Sarah Grovender, Clerk
(Unapproved)

**ELECTRONIC FUND TRANSFERS
NOVEMBER 2020**

Direct Dep Cks			\$792,263.91
ACHS			<u>\$16,069.18</u>
			\$808,333.09
Transfer from Construction Account to General Operating:	2017A Bond	11/13/2020	\$544,473.26
OPEB Wells Fargo Transfer to General Operating:		11/12/2020	\$64,990.00
Other Electronic Fund Transfers:			
Federal/FICA Taxes		11/9/2020	\$49,102.64
(Also reflected in P/R info)		11/9/2020	\$86,953.32
		11/23/2020	\$55,325.63
		11/23/2020	<u>\$91,602.31</u>
			\$282,983.90
Minnesota Withholding Taxes		11/10/2020	\$7,914.08
(Also reflected in P/R info)		11/10/2020	\$14,782.14
		11/24/2020	\$9,164.33
		11/24/2020	<u>\$15,700.93</u>
			\$47,561.48
Economic Service (EBC)		11/9/2020	\$9,354.15
(Also reflected in P/R info)		11/9/2020	\$24,567.22
		11/23/2020	\$9,354.15
		11/23/2020	<u>\$24,880.54</u>
			\$68,156.06
MII LIFE-F S A	PEIP	11/2/2020	\$725.02
	PEIP	11/9/2020	\$203.52
	PEIP	11/16/2020	\$1,028.34
	PEIP	11/23/2020	\$597.45
	PEIP Admin Inv	11/24/2020	<u>\$268.70</u>
			\$2,823.03
MII LIFE-M S A		11/10/2020	\$9,559.92
(Also reflected in P/R info)		11/24/2020	<u>\$9,552.92</u>
			\$19,112.84
Minnesota Teachers Retirement		11/6/2020	\$7,287.31
		11/6/2020	\$94,094.00
		11/20/2020	\$7,307.48
		11/20/2020	<u>\$62,900.11</u>
			\$171,588.90
PERA		11/6/2020	\$23,974.05
		11/20/2020	<u>\$28,153.93</u>
			\$52,127.98
Delta Dental Plan		11/23/2020	\$10,027.21
MN Sales Tax		11/19/2020	\$455.00
Neopost Advance & Annual Fee		11/2/2020	\$5,050.00

NOVEMBER 2020

DATE	DONATION FROM	DONATION TO	AMOUNT	USE
11/9/20	Shaan Hilber, 37687 Elk Ave, North Branch, MN 55056	NBHS	\$150.00	Music (Band & Choir) Department Donation
11/18/20	Greater Green Bay Community Foundation Inc., 320 N. Broadway St, Ste. 260, Green Bay, WI 54303	NBMS	\$250.00	MS Band Department Donation
11/30/20	Christopher & Laura Darst, 36427 Elk Ave, North Branch, MN 55056	NBHS Scholarship A/C	\$400.00	Scholarship Donation
11/30/20	North Branch Dental, P.O. Box 220, 6460 Main Street, North Branch, MN 55056	NBHS Scholarship A/C	\$1,000.00	Scholarship Donation
11/30/20	Chad VanDyke, 40647 Fenian Way, North Branch, MN 55056 (P/R Pledge Wells Fargo)	NBHS Scholarship A/C	<u>\$190.38</u>	Scholarship Donation
			\$1,990.38	



CliftonLarsonAllen LLP
CLAconnect.com

November 19, 2020

Board of Education
Independent School District No. 138
North Branch Public Schools
North Branch, Minnesota

This Executive Audit Summary and Management Report presents information which we believe is important to you as members of the School Board. We encourage you to review the sections of this report, the audited financial statements and the auditors' reports.

We would be pleased to furnish additional information with respect to these suggestions and discuss this memorandum with you at your convenience. We wish to express our appreciation to the District for the courtesies, cooperation and assistance extended to us during the course of our work.

CliftonLarsonAllen LLP

Mary Reedy, CPA, CGFM
Principal

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138**

**EXECUTIVE AUDIT SUMMARY (EAS)
AND MANAGEMENT REPORT**

JUNE 30, 2020

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
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JUNE 30, 2020**

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**EXECUTIVE AUDIT SUMMARY (EAS)
AND MANAGEMENT REPORT
FOR
NORTH BRANCH PUBLIC SCHOOLS
YEAR ENDED JUNE 30, 2020**

Audit Findings and Results

We prepared this Executive Audit Summary and Management Report in conjunction with our audit of North Branch Public Schools' (the District) financial records for the year ended June 30, 2020.

Audit Opinion – The financial statements are fairly stated. We issued what is known as a “clean” audit report.

Yellow Book Compliance – No compliance issues were noted in our review of laws, regulations, contracts and grants that could have significant financial implications to the District.

Internal Controls – Two “material weaknesses” in internal controls was noted related to the auditors’ drafting of the District’s financial statements and notes and the budgeting process.

Single Audit – The District had no findings related to the one major program tested: Child Nutrition Cluster.

Legal Compliance – No compliance issues were reported with respect to Minnesota Statutes.

Enrollment – For fiscal 2019-20, the District had an adjusted average daily membership of 2,584.92 (or 2,836.56 adjusted pupil units). For fiscal 2018-19, North Branch Public Schools had an estimated total adjusted average daily membership of 2,692.69 (or 2,963.03 adjusted pupil units).

Fund Balance – The District’s General Fund unassigned fund balance increased by \$1,503,409 during fiscal year 2019-20, increasing from \$653,108 to \$2,156,517. Total fund balance of the General Fund increased by \$1,213,034, ending at \$4,022,647 as of June 30, 2020. A District’s fund balance is an important aspect in considering the District’s financial well-being since a healthy fund balance represents things such as cash flow, as a cushion against unanticipated expenditures, enrollment variances, funding deficiencies and aid proration’s at the state level and similar problems.

Budget to Actual – Total revenues on a net basis in the General Fund were \$1,118,965 (or 3.45%) lower than the budgeted amount while total expenditures were \$1,137,741 (or 3.61%) lower than the budgeted amount. The net effect, after also considering other financing sources, was a change in total fund balance that was \$249,026 more than had been reflected in the District’s final amended budget.

FINANCIAL RESULTS

Fund Balances

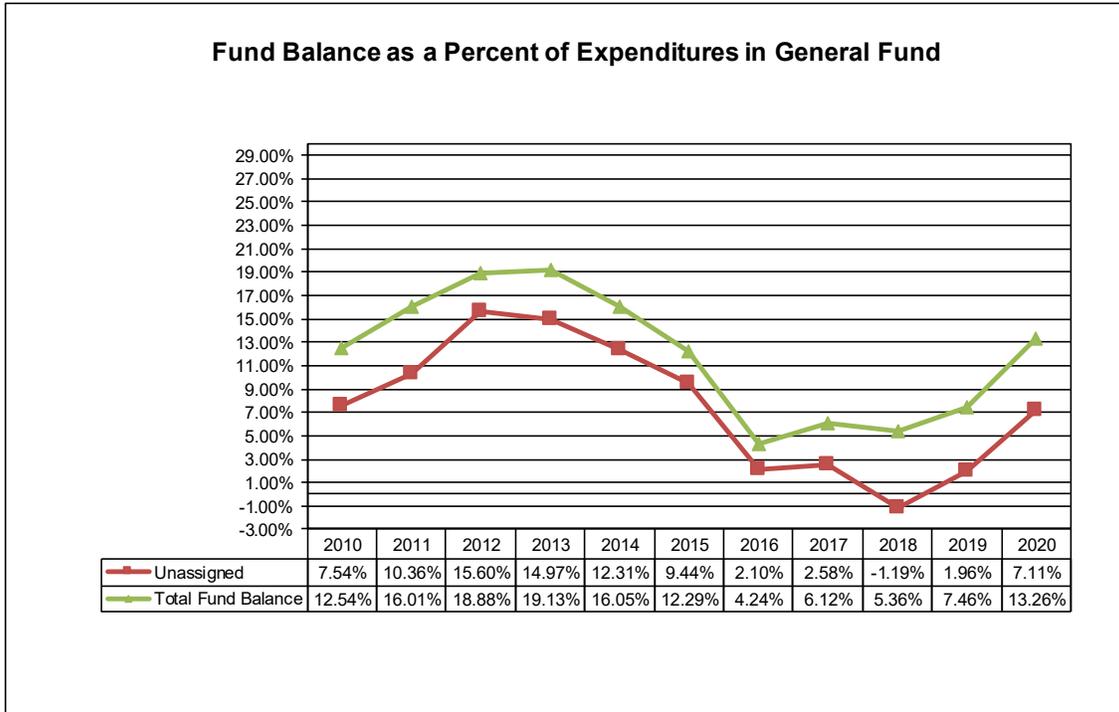
NORTH BRANCH ISD #138 AUDITED FUND BALANCES THROUGH JUNE 30, 2020

FUND DESCRIPTION	6/30/19 AUDITED BALANCE	2019-20 AUDITED REVENUES	TRANSFERS INTO FUNDS	2019-20 AUDITED EXPENDITURES	TRANSFERS OUT OF FUNDS	6/30/20 AUDITED BALANCE
GENERAL FUND						
A. UNASSIGNED - OPERATING	\$653,108	\$27,937,886	\$0	\$26,434,477	\$0	\$2,156,517
As a percentage of current year expenditures	2.0%					7.1%
B. NONSPENDABLE FOR						
INVENTORY	\$28,450	\$0		\$16,538	\$0	\$11,912
PREPAIDS	\$68,966	\$0		\$52,447	\$0	\$16,519
TOTAL NONSPENDABLE	\$97,416	\$0	\$0	\$68,985	\$0	\$28,431
C. ASSIGNED FOR						
Q-COMP	\$155,430	\$0	\$0	\$52,512	\$0	\$102,918
HEALTH INSURANCE REFUND	\$0	\$0		\$0		\$0
TOTAL ASSIGNED	\$155,430	\$0		\$52,512		\$102,918
D. COMMITTED FOR						
SEPARATION/RETIREMENT BENEFITS	\$284,509	\$0	\$0	\$40,608	\$0	\$243,901
E. RESTRICTED FOR						
STUDENT ACTIVITIES	\$179,132	\$228,113	\$0	\$224,770	\$0	\$182,475
SCHOLARSHIP	\$145,814	\$119,699	\$0	\$121,401	\$0	\$144,112
STAFF DEVELOPMENT	\$240,725	\$365,262	\$0	\$483,901	\$0	\$122,086
LTFM	\$1,021,083	\$181,644	\$0	\$389,140	\$0	\$813,587
CAPITAL PROJECTS LEVY	\$0	\$500,000	\$0	\$485,452	\$0	\$14,548
MEDICAL ASSISTANCE	\$7,914	\$64,081	\$0	\$58,889	\$0	\$13,106
OPERATING CAPITAL	\$22,478	\$627,839	\$0	\$618,168	\$0	\$32,149
BASIC SKILLS - EXT TIME	\$0	\$38,228	\$0	\$0	\$0	\$38,228
LEARNING AND DEVELOPMENT	\$0	\$565,333	\$0	\$565,333	\$0	\$0
GIFTED AND TALENTED	\$0	\$36,875	\$0	\$36,875	\$0	\$0
BASIC SKILLS	\$0	\$674,198	\$0	\$674,198	\$0	\$0
CAREER AND TECHNICAL	\$0	\$126,843	\$0	\$126,843	\$0	\$0
SAFE SCHOOLS	\$2,004	\$207,865	\$0	\$79,280	\$0	\$130,589
TOTAL RESTRICTED	\$1,619,150	\$3,735,980	\$0	\$3,864,250	\$0	\$1,490,880
BUDGET		\$32,438,328	\$0	\$31,474,320	\$0	\$3,773,621
TOTAL GENERAL FUND	\$2,809,613	\$31,673,866	\$0	\$30,460,832	\$0	\$4,022,647
DIFFERENCE		(\$764,462)	\$0	(\$1,013,488)	\$0	\$249,026
% VARIANCE		-2.36%		-3.22%		
FOOD SERVICE						
NONSPENDABLE FOR INVENTORY	\$19,822	\$10,205		\$0		\$30,027
NONSPENDABLE FOR PREPAIDS	\$0	\$0		\$0		\$0
RESTRICTED FOR FOOD SERVICE PROG	\$48,720	\$1,383,158		\$1,359,985		\$71,893
BUDGET		\$1,395,602	\$0	\$1,406,050	\$0	\$58,094
FOOD SERVICE	\$68,542	\$1,393,363	\$0	\$1,359,985	\$0	\$101,920
DIFFERENCE		(\$2,239)	\$0	(\$46,065)	\$0	\$43,826
% VARIANCE		-0.16%		-3.28%		
COMMUNITY EDUCATION						
A. NONSPENDABLE FOR						
PREPAIDS	\$6,042	\$0		\$3,765		\$2,277
B. RESTRICTED FOR						
COMMUNITY EDUCATION PROGRAMS	(\$27,588)	\$1,012,079	\$0	\$991,221	\$0	(\$6,730)
ECFE PROGRAMS	\$132,061	\$166,092	\$0	\$197,197	\$0	\$100,956
SCHOOL READINESS	\$8,358	\$141,979	\$0	\$164,992	\$0	(\$14,655)
OTHER PURPOSES	(\$8,734)	\$279,281	\$0	\$294,030	\$0	(\$23,483)
BUDGET		\$1,399,279	\$0	\$1,650,163	\$0	(\$40,745)
TOTAL COMMUNITY EDUCATION	\$110,139	\$1,599,431	\$0	\$1,651,205	\$0	\$58,365
DIFFERENCE		\$200,152	\$0	\$101,042	\$0	\$99,110
% VARIANCE		14.30%		6.52%		
CAPITAL PROJECTS-BUILDING CONSTRUCTION						
LTFM	\$4,451,612	\$0	\$0	\$1,384,925	\$0	\$3,066,687
OTHER PURPOSES	\$23,254,339	\$338,836	\$0	\$20,113,748	\$0	\$3,479,427
BUDGET		\$25,000	\$0	\$16,867,600	\$0	\$10,863,351
TOTAL BUILDING FUND	\$27,705,951	\$338,836	\$0	\$21,498,673	\$0	\$6,546,114
DIFFERENCE		\$313,836	\$0	\$4,631,073	\$0	(\$4,317,237)
DEBT SERVICE						
OTHER PURPOSES	\$1,330,006	\$5,827,132	\$0	\$6,204,497	\$0	\$952,641
REFUNDING BONDS	\$0	\$0		\$0		\$0
BUDGET		\$5,766,035	\$0	\$6,203,973	\$0	\$892,068
TOTAL DEBT SERVICE	\$1,330,006	\$5,827,132	\$0	\$6,204,497	\$0	\$952,641
DIFFERENCE		\$61,097	\$0	\$524	\$0	\$60,573
% VARIANCE		1.06%		0.01%		
PROPRIETARY AND FIDUCIARY FUNDS						
OPEB TRUST FUND	\$3,114,572	\$141,018	\$0	\$171,450	\$0	\$3,084,140
SCHOLARSHIP TRUST FUND	\$0	\$0	\$0	\$0	\$0	\$0
INTERNAL SERVICE - SELF INS FUND	\$474,498	\$268,497	\$0	\$200,989	\$0	\$542,006
TOTAL PROPRIETARY	\$3,734,884	\$409,515	\$0	\$372,439	\$0	\$3,771,960
TOTAL	\$35,434,189	\$41,242,143	\$0	\$61,547,631	\$0	\$15,453,647

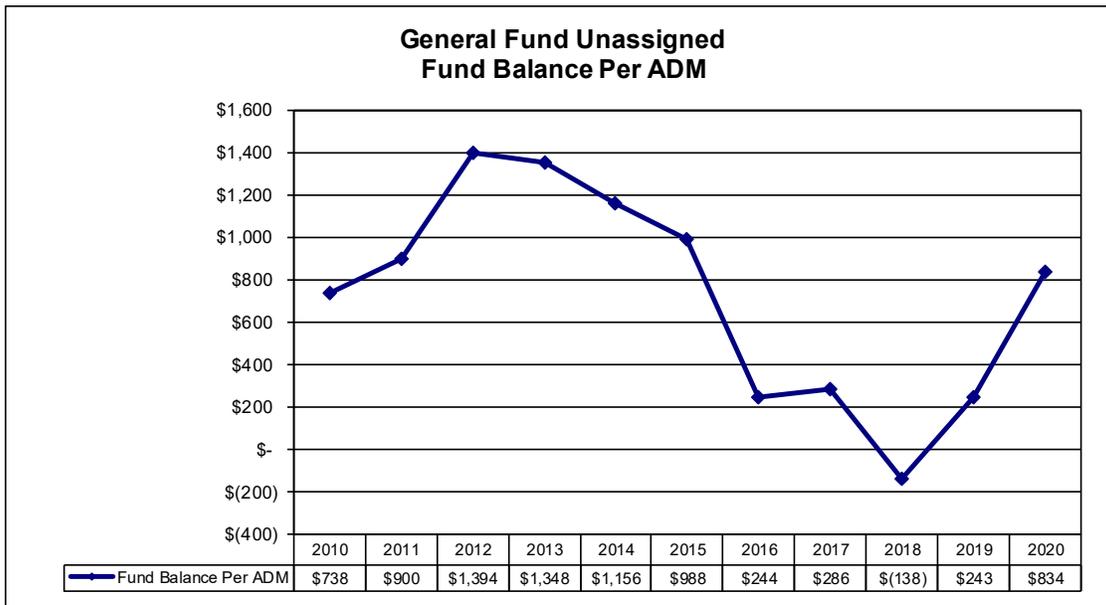
FINANCIAL RESULTS (CONTINUED)

Fund Balances (Continued)

As a percentage of annual expenditures:

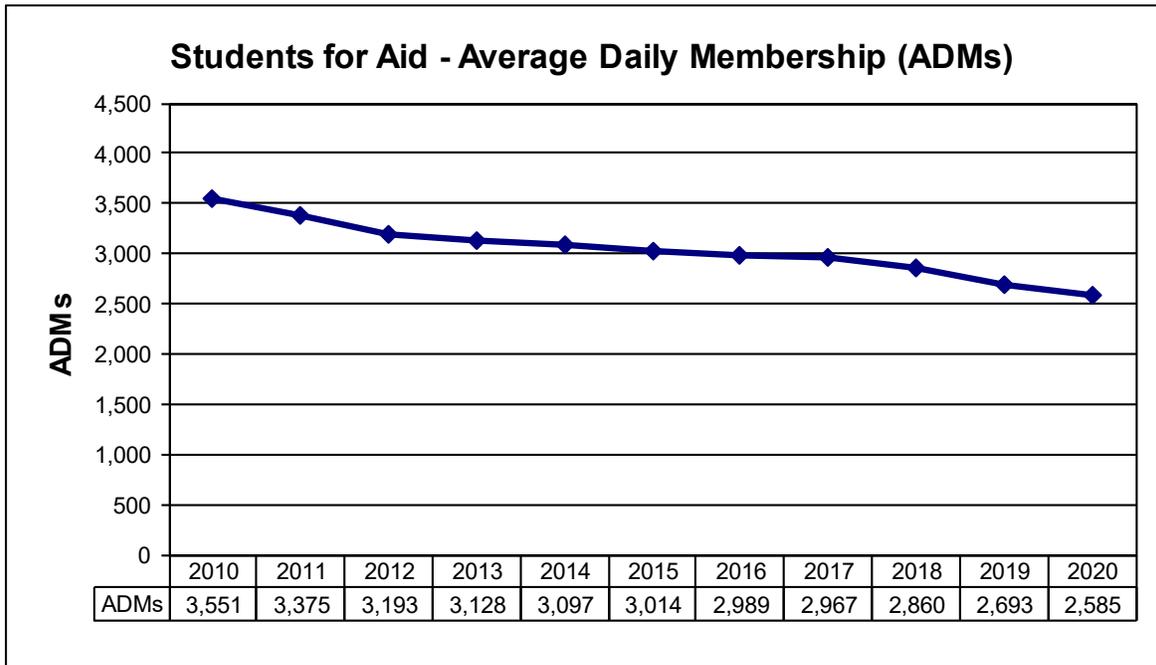


Per student served.



FINANCIAL RESULTS (CONTINUED)

Students Served



OTHER KEY TOPICS

GASB Reporting Model

Statement of Net Position

The Statement of Net Position essentially tells you what your District owns and owes at a given point in time, the last day of the fiscal year. Theoretically, net position represents the resources the District has leftover to use for providing services after its debts are settled. However, those resources are not always in expendable form, or there may be restrictions on how some of those resources can be used. Therefore, the statement divides the net position into three components: net investment in capital assets, restricted net position, and unrestricted net position. The following table presents components of the District's net position at year-end, along with a simplified reconciliation of the difference between the governmental fund balances and total net position:

	As of June 30,	
	<u>2020</u>	<u>2019</u>
Total Fund Balance for Governmental Funds	\$ 11,681,687	\$ 31,699,305
Capital Assets, Less Accumulated Depreciation	98,781,368	81,448,831
Net Prepaid OPEB Asset	437,700	442,425
Long-Term Liabilities	(86,051,561)	(90,177,839)
Net Pension Liability	(29,785,035)	(28,667,707)
Other - Net	<u>(501,830)</u>	<u>(680,248)</u>
Total Net Position - Governmental Activities	<u>\$ (5,437,671)</u>	<u>\$ (5,935,233)</u>
Net Position:		
Net Investment in Capital Assets	\$ 17,408,337	\$ 13,648,254
Restricted	5,421,238	5,172,267
Unrestricted	<u>(28,267,246)</u>	<u>(24,755,754)</u>
Total Net Position - Governmental Activities	<u>\$ (5,437,671)</u>	<u>\$ (5,935,233)</u>

Most of the District's fund balances translate into restricted net position by virtue of external restrictions (statutory reserves) or by the nature of the fund they are in (e.g., restricted food service fund balance can only be spent for food service program costs). The unrestricted net position category consists mainly of the General Fund unassigned fund balance, offset against non-capital long-term obligations such as vacation or severance payable and beginning in fiscal 2016, the District's estimated share of the unfunded portion of statewide pension plans. Consequently, many Minnesota school districts have accumulated deficits in this component of net position.

OTHER KEY TOPICS (CONTINUED)

Statement of Activities

The Statement of Activities tracks the District's yearly revenues and expenses, as well as any other transactions that increase or reduce total net position. These amounts represent the full cost of providing education. This statement provides a more comprehensive measure than just the amount of cash that changed hands, as reflected in the fund-based financial statements. This statement includes the cost of supplies used, depreciation of long-lived capital assets, and other accrual-based expenses. The following table presents a simplified reconciliation of the change in the District's governmental fund balances to the change in total net position for fiscal years 2020 and 2019:

	Year Ended June 30,	
	2020	2019
Net Change in Fund Balance - Total Governmental Funds	\$ (20,342,564)	\$ (28,888,231)
Capital Asset Purchases	22,308,459	34,517,588
Depreciation	(4,948,492)	(2,965,531)
Change in Net Prepaid OPEB Asset	(4,725)	33,290
Capital Lease Proceeds	(263,836)	(854,394)
General Obligation Proceeds	-	(6,385,000)
Repayment of Debt	3,225,000	5,215,000
Change in Net Pension Liability	(1,117,328)	6,827,304
Other - Net	1,316,102	1,099,812
Change in Net Position - Governmental Activities	<u>\$ 172,616</u>	<u>\$ 8,599,838</u>

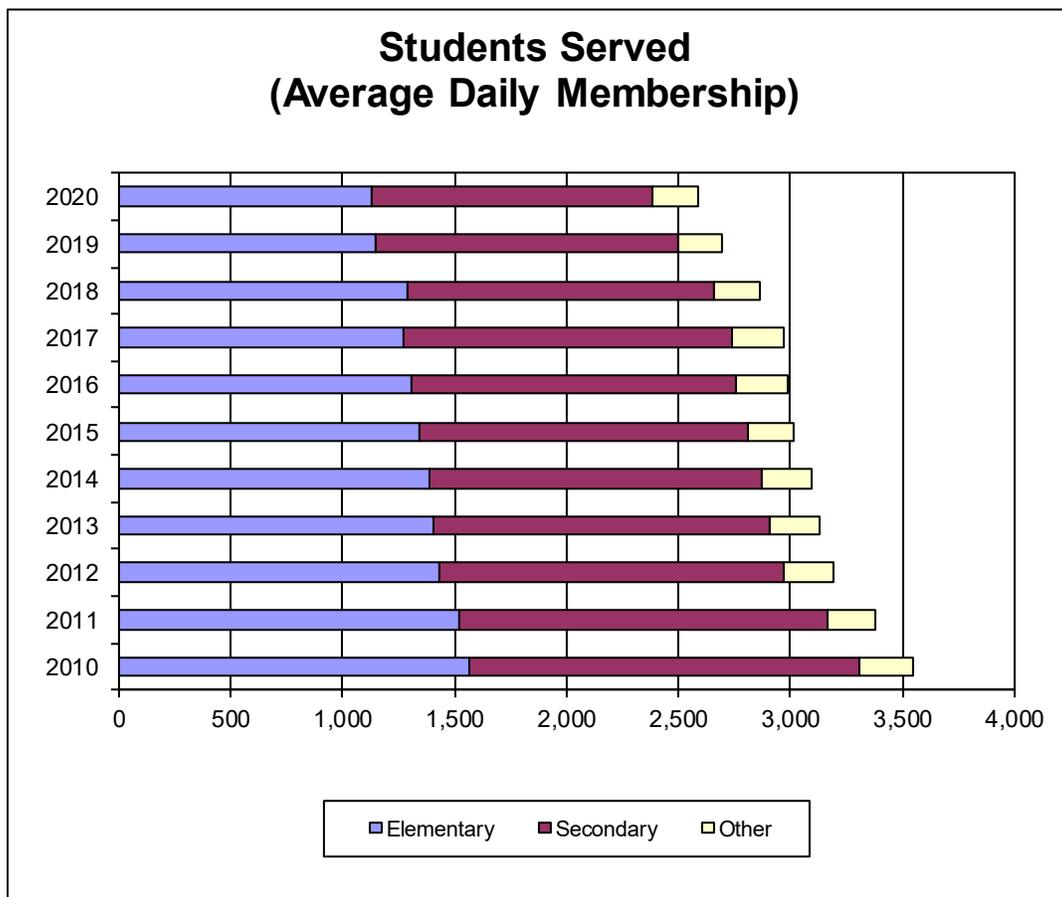
APPENDIX A

FINANCIAL TRENDS OF YOUR DISTRICT

Within this report, there are a number of areas where condensed financial statement data has been presented. The District adopted the provisions of Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of and for the year ended June 30, 2010. The prior year fund balance information has been presented using these new fund balance categories for comparative analysis only.

Average Daily Membership and Pupil Units

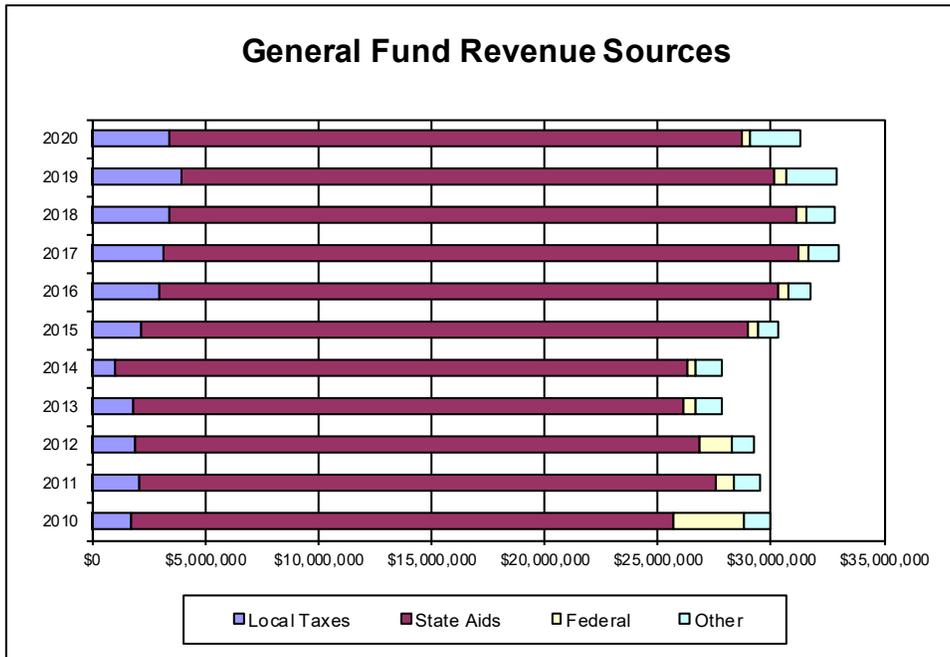
The following graph summarizes average daily membership of Independent School District No. 138 over the past eleven years ended June 30:



The District's average daily membership (ADM) for the 2020 fiscal year was 2,585 students, which represents a decrease of 3.97% over the previous year. In the past ten fiscal years, the District's enrollment has declined by 27.19%.

General Fund Revenue

The following table and graph summarizes the District's General Fund revenue sources for the last eleven years:



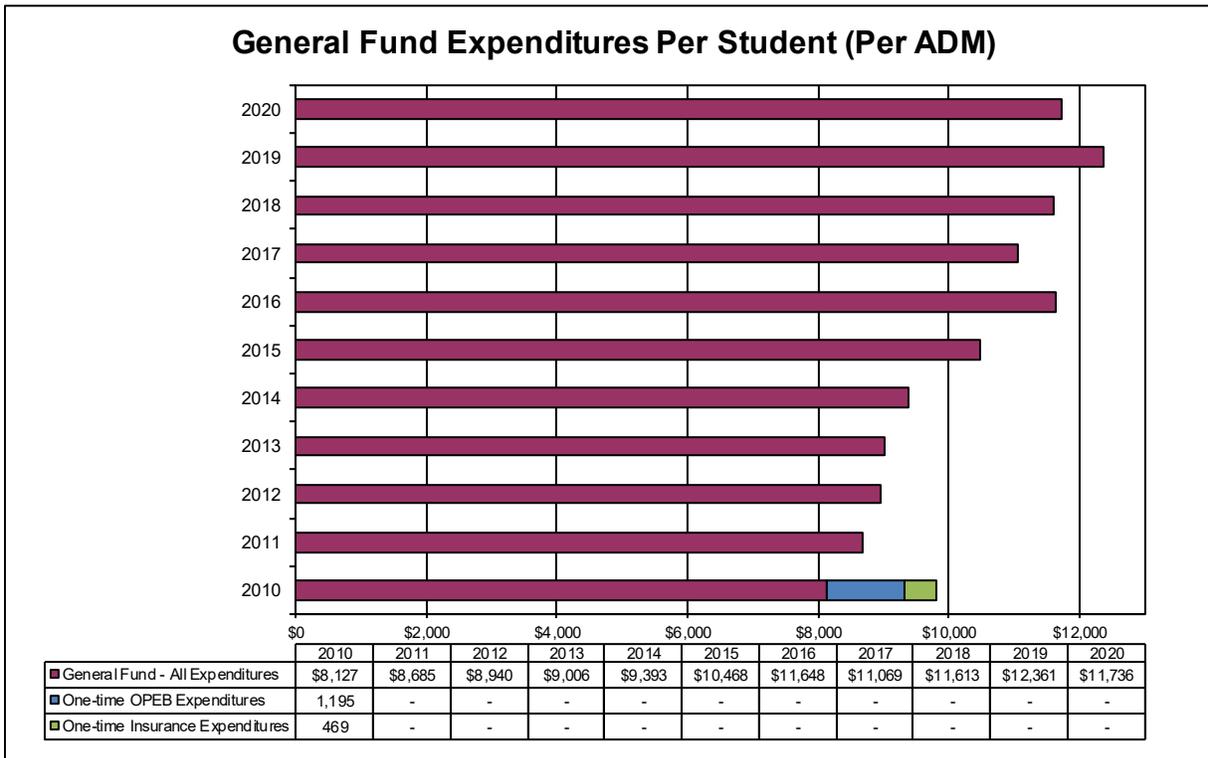
The table above illustrates the fluctuation that occurs between the taxes and state aid categories based on legislative activity. The Legislature determines what portion of the general education funding formula will be paid by local taxpayers. In addition, when the tax shift percentage changes or the state provides property tax relief such as the education homestead credit aid, this only impacts the mix between state aids and taxes and does not change total revenue.

The table below illustrates the fluctuation that occurs between the taxes and state aid categories based on legislative activity. The Legislature determines what portion of the general education funding formula will be paid by local taxpayers. In addition, when the tax shift percentage changes or the state provides property tax relief, this only impacts the mix between state aids and taxes and does not change total revenue. For example, in fiscal 2014, the Legislature repaid a total of approximately \$670,000 of property tax shift buydown for the General and Community Service Funds, which gives the appearance of a significant decrease in taxes for 2014. For this and other reasons, school finance in Minnesota continues to be a very difficult subject to explain to the general public.

Year	Taxes		State		Federal		Other		Total	%
	Amount	%	Amount	%	Amount	%	Amount	%		
2009	\$ 1,688,769	5	\$ 27,581,464	87	\$ 901,442	3	\$ 1,350,403	4	\$ 31,522,078	100
2010	1,693,779	6	23,971,355	80	3,164,162	11	1,118,944	4	29,948,240	100
2011	2,123,033	7	25,460,311	86	765,264	3	1,160,001	4	29,508,609	100
2012	1,927,472	7	24,961,959	85	1,360,201	5	979,348	3	29,228,980	100
2013	1,820,666	7	24,328,290	87	495,542	2	1,212,637	4	27,857,135	100
2014	1,024,187	4	25,269,170	91	420,224	2	1,113,990	4	27,827,571	100
2015	2,157,852	7	26,825,382	88	416,198	1	964,476	3	30,363,908	100
2016	2,992,225	9	27,364,333	86	443,477	1	971,966	3	31,772,001	100
2017	3,141,271	10	28,056,588	85	436,213	1	1,358,807	4	32,992,879	100
2018	3,390,375	10	27,757,305	85	420,542	1	1,218,875	4	32,787,097	100
2019	3,932,413	12	26,250,261	80	454,330	1	2,238,645	7	32,875,649	100
2020	3,435,715	11	25,272,420	81	383,992	1	2,225,676	7	31,317,803	100

Expenditures Per Student

Expenditures per student (average daily membership) are summarized in the following graph:



General Fund expenditures for fiscal 2020 were \$30,336,579 which represents a decrease of \$2,948,788 over fiscal 2019. During 2010, the District had nearly \$4.25 million of OPEB bond proceeds and \$1.7 million in revenues and expenditures related to insurance recovery money that had to be accounted for as expenditures in that on a one-time basis due to the accounting guidance provided by the Minnesota Department of Education, as shown in the graph above.

The following schedule shows total expenditures of the General Fund by object type:

	2020				2019
	Budget	Actual	Over (Under) Budget	%	Actual
Salaries	\$ 18,160,517	\$ 16,235,079	\$ (1,925,438)	(10.6)%	\$ 17,627,232
Employee Benefits	6,290,962	5,236,359	(1,054,603)	(16.8)	5,631,770
Purchased Services	4,568,194	6,018,589	1,450,395	31.7	6,188,640
Supplies and Materials	1,426,782	1,239,428	(187,354)	(13.1)	1,690,604
Capital Expenditures	1,222,533	719,141	(503,392)	(41.2)	1,297,377
Other Expenditures	912,158	887,983	(24,175)	(2.7)	849,744
Total Expenditures	\$ 32,581,146	\$ 30,336,579	\$ (2,244,567)	(6.9)	\$ 33,285,367

On a net basis, total expenditures were 6.90% more than reflected than the final amended budget amount.

General Fund Operations and Financial Position

The following table presents five years of comparative operating results for the District's General Fund:

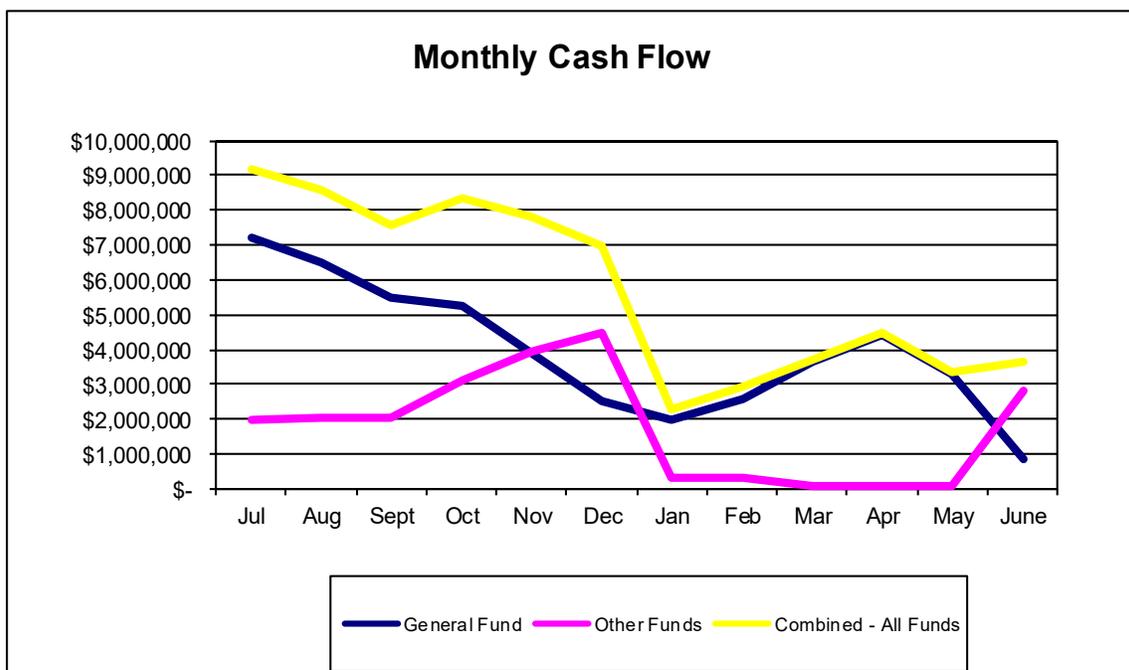
	Year Ended June 30,				
	2016	2017	2018	2019	2020
Revenues	\$ 31,772,001	\$ 32,992,879	\$ 32,787,097	\$ 32,875,649	\$ 31,317,803
Expenditures	34,816,362	32,841,005	33,212,737	33,285,367	30,336,579
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,044,361)	151,874	(425,640)	(409,718)	981,224
Other Financing Sources (Uses):					
Insurance Recovery Proceeds	22,881	79,834	25,369	93,874	90,667
Proceeds from Sale of Assets	9,098	-	5,881	-	-
Proceeds from Sale of Real Property	-	-	-	165,025	1,560
Capital Lease Proceeds	610,958	301,500	315,787	854,394	263,836
Transfer Out	-	-	(149,059)	-	(124,253)
Total Other Financing Sources (Uses)	642,937	381,334	197,978	1,113,293	231,810
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,401,424)	533,208	(227,662)	703,575	1,213,034
Fund Balance:					
Beginning of Year	3,876,970	1,475,546	2,008,754	1,781,092	2,484,667
Change in Accounting Principle	-	-	-	-	324,946
End of Year	\$ 1,475,546	\$ 2,008,754	\$ 1,781,092	\$ 2,484,667	\$ 4,022,647
Nonspendable Fund Balance	\$ 358,846	\$ 349,765	\$ 885,669	\$ 97,416	\$ 28,431
Restricted/Committed Fund Balance	371,243	539,930	1,202,401	1,578,713	1,734,781
Assigned Fund Balance	14,898	270,702	89,006	155,430	102,918
Unassigned Fund Balance	730,559	848,357	(395,984)	653,108	2,156,517
Total Fund Balance	\$ 1,475,546	\$ 2,008,754	\$ 1,781,092	\$ 2,484,667	\$ 4,022,647
Unassigned Fund Balance as a Percentage of Expenditures	2.10%	2.58%	-1.19%	1.96%	7.11%
Total Fund Balance as a Percentage of Expenditures	4.24%	6.12%	5.36%	7.46%	13.26%

General Fund Operations and Financial Position (Continued)

The District's General Fund had an excess of revenues over expenditures of \$981,224 for fiscal 2020, increasing total fund balance to \$4,022,647 at June 30, 2020. Total fund balance includes a net of \$1,866,130 in nonspendable/restricted/committed/assigned accounts as prescribed by state statute. The remainder is an unassigned fund balance of \$2,156,517 at year-end.

Total General Fund revenues were lower than the budgeted amount for fiscal 2020 by \$1,118,965 (or 3.45%). Total General Fund expenditures were under budget by \$1,137,741 (or 3.61%). The net combined outcome of the budget variances was an increase to the ending fund balance that was \$249,026 more than had been reflected in the budget.

Some of the primary reasons it is essential for a district to maintain an adequate fund balance in the General Fund are to provide cash flow and to provide some cushion against unanticipated variances such as in enrollment estimates, special education tuition costs, and other similar variables. Due to the timing in which the District receives its tax settlements and state aid payments, there are times during the year when the District must depend on its cash reserves to finance operations. The following graph summarizes the monthly level of cash and investments during fiscal year 2020:



Food Service Fund

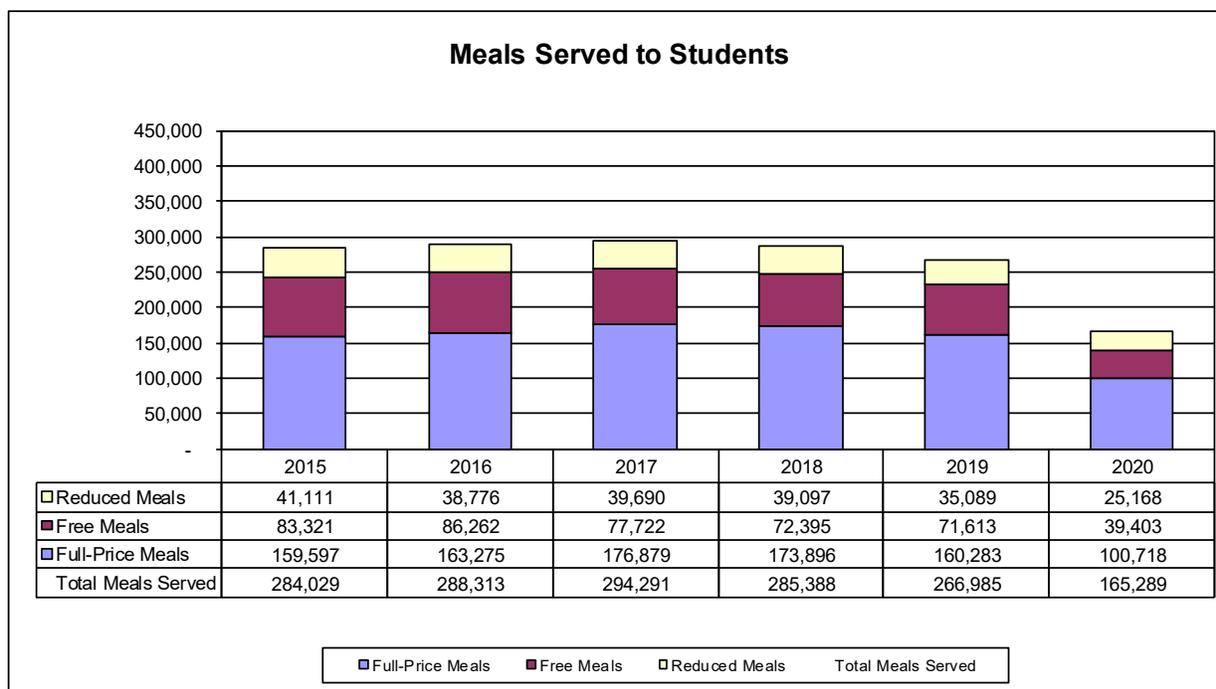
The following chart reflects the growth of the Food Service program over the past five years:

	Year Ended June 30,				
	2016	2017	2018	2019	2020
Revenues	\$ 1,496,277	\$ 1,657,468	\$ 1,604,286	\$ 1,560,271	\$ 1,380,450
Expenditures	1,490,868	1,622,770	1,594,559	1,559,713	1,359,985
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,409	34,698	9,727	558	20,465
Other Financing Sources (Uses): Transfer In	-	-	-	-	12,913
Fund Balance:					
Beginning of Year	18,150	23,559	58,257	67,984	68,542
End of Year	\$ 23,559	\$ 58,257	\$ 67,984	\$ 68,542	\$ 101,920
Lunches Served to Students	288,313	294,291	285,388	266,985	165,289
Revenue per Lunch Served	\$ 5.19	\$ 5.63	\$ 5.62	\$ 5.84	\$ 8.35

In terms of revenue growth, the District's food service program has decreased by 7.74% since 2016 (from total revenues of \$1,496,277 for fiscal 2016 to \$1,380,450 for fiscal year 2020).

Total revenues exceeded total expenditures by \$20,465 in the District's Food Service Fund for 2020, leaving a remaining fund balance of \$101,920 at June 30, 2020. This result was approximately \$30,913 higher than had been reflected in the District's budget.

The following chart reflects the growth of the food service program over the past six years:



Community Service Fund

The following table presents five years of comparative operating results for the District's Community Service Fund:

	Year Ended June 30,				
	2016	2017	2018	2019	2020
Revenues	\$ 1,415,254	\$ 1,583,779	\$ 1,632,199	\$ 1,635,937	\$ 1,488,091
Expenditures	1,380,011	1,577,135	1,698,135	1,708,519	1,651,205
Excess (Deficiency) of Revenues Over (Under) Expenditures	35,243	6,644	(65,936)	(72,582)	(163,114)
Other Financing Sources					
Transfer In	-	-	-	-	111,340
Fund Balance:					
Beginning of Year	206,770	242,013	248,657	182,721	110,139
End of Year	\$ 242,013	\$ 248,657	\$ 182,721	\$ 110,139	\$ 58,365
Fund Balance:					
Nonspendable	\$ 4,257	\$ 3,040	\$ 2,323	\$ 6,042	\$ 2,277
Restricted for ECFE	151,932	184,011	162,410	132,061	100,956
Unassigned	-	-	-	-	(44,868)
Total Fund Balance	\$ 242,013	\$ 248,657	\$ 182,721	\$ 110,139	\$ 58,365

The District's Community Service Fund had an excess of expenditures over revenues and other financing sources of \$58,365 for fiscal year 2020, bringing the combined fund balance to \$58,365 at June 30, 2020.

Total revenues of the District's Community Service Fund for 2020 were \$88,812 higher than the budgeted amount while total expenditures were over budget by \$101,042. As a result, total fund balance decreased by \$12,230 more than had been reflected in the budget. It is important that the District continue to exercise tight control over the costs of these programs and the fees being charged in order to ensure that programs continue to be self-sustaining.

APPENDIX B

STATEWIDE SCHOOL DISTRICT FINANCIAL POSITION

The table below reflects the comparative data available from the Minnesota Department of Education for all expenditures incurred for the benefit of pre-elementary through secondary education, except building construction and expendable trust fund activity.

	Statewide		Enrollment 2,200 to 4,449		ISD No. 138 North Branch					
	2019		2019		2018	2019	2020			
District and School Administration	\$	563	\$	562	\$	729	\$	748	\$	628
District Support Services		502		491		859		828		570
Regular Instruction (including Co- & Extra-Curricular)		5,443		5,066		6,458		6,405		4,508
Vocational Instruction (Career and Technical)		180		161		251		207		143
Special Education Instruction		2,380		2,242		3,419		3,257		2,399
Instructional Support Services		669		606		976		973		604
Pupil Support Services (including Transportation)		406		393		1,550		1,706		1,202
Operations and Maintenance and Other		960		976		4,485		4,049		2,560
Total General Fund Operations		11,103		10,497		18,726		18,172		12,615
Food Service		561		542		790		772		526
Community Service		675		620		845		846		639
Capital Expenditure		721		689		5,457		14,442		7,195
Debt Service		1,313		1,459		2,507		3,674		2,643
Total Pre-K - 12 Operating Expenditures, including OPEB	\$	14,373	\$	13,807	\$	28,325	\$	37,906	\$	23,617
Percent Change from Prior Year						9.45%		33.82%		-37.69%

Source of Statewide Data: School District Profiles published by the Minnesota Department of Education.

District and School Admin - all costs related to providing administration to the District (Board of Education, Superintendent, Principals, Line administrators, etc.).

District support services - all activities provided by central office administrators (Business Services, Human Resources, Legal, Data processing, other district-wide support activities).

Regular Instruction - includes all activities dealing directly with the teaching of pupils including co-curricular and extra-curricular activities excluding exceptional, vocational and community education instruction).

Vocational Instruction - consists of costs related to career exploration, job-entry skills, job upgrading, and occupational training.

Special Education Instruction - consists of activities to provide learning experiences for pupils of any age with atypical characteristics or conditions.

Instructional Support Services - activities to assist instructional staff with content & process of learning experiences for pupils in K-12 (curriculum, staff dev, etc.).

Pupil Support Services - services to pupils not classified as instructional (transportation, counseling/guidance, health services, psychological services, social work, etc.).

Operations and Maintenance - activities related to the operation, maintenance, repair and remodeling of all physical plant, facilities and grounds of the District.

Food Service - all non-capital costs of the Food Service Fund.

Community Service - all non-capital costs of the Community Service Fund.

Capital Expenditures - all capital expenditures charged to operating funds.

Debt Service - all Debt Service Fund costs (principal, interest and fiscal agent costs--excluding bond refunding payments).

As the above table reflects, the North Branch School District has fewer resources available to it to expend on educational programs but the costs incurred are proportional to the statewide averages.

APPENDIX C

LEGISLATIVE ACTIVITY

What follows are some education-related highlights of recent legislative sessions as summarized from information made available by the Minnesota Department of Education, the Minnesota School Boards Association, and the Minnesota House of Representatives.

General Education Formula Increase

The requirement to reserve a portion of compensatory revenue for extended time programming was eliminated beginning in fiscal 2021. Under the old law, districts would have been required to reserve 7.5% of compensatory revenue for extended time programming in fiscal 2021. However, the 5.5% of fiscal 2020 compensatory revenue (excludes regular formula amount and any grandfathered pilot amount) must still be reserved for extended time. Any balance remaining in balance sheet account 459 as of June 30, 2020 can only be used for extended time unless transferred out in fiscal 2020 or fiscal 2021 using the transfer provisions provided in law.

COVID-19 Formula Adjustments

Expanded the allowable uses of the regional library telecommunications aid for fiscal 2020 and later, to include improving internet access and access to technology with items that are not e-rated, including but not limited to, digital or online resources.

Addressed school finance formula glitches resulting from the conversion to the distance learning model as follows:

- Special Education Aid – fiscal 2020 expenditures for employees and contracted services that would have been eligible for state aid in the absence of school closures due to COVID-19 must be included as eligible expenditures for calculation of aid and for tuition billing, regardless of whether special education services were actually provided during the closure.
- School Meals - State aid savings due to lower meal counts for regular school food service programs are reallocated on a per meal served basis to schools providing summer food service meals between March 16 and June 30, 2020.
- Career and Technical Education (CTE) Revenue - If fiscal 2020 or 2021 revenue based on actual expenditures is below the February 2020 forecast estimate, the Minnesota Department of Education (MDE) is authorized to recalculate the revenue for expenditures incurred on or after March 18, 2020, in an equitable manner (e.g., increase the reimbursement rate) to ensure the full expected amount of funding is distributed to schools. The revenue must be prorated if it would exceed the February 2020 forecast estimates.
- Nonpublic Pupil Transportation Aid - Allows MDE to adjust FY 2020 pupil transportation expenditures used to determine fiscal 2022 aid to ensure that the full amount of aid estimated in the February 2020 forecast is equitably allocated among districts.
- Interdistrict Desegregation or Integration Transportation Aid - Allows MDE to adjust fiscal 2020 pupil transportation expenditures used to determine fiscal 2021 aid to ensure that the full amount of aid estimated in the February 2020 forecast is equitably allocated among districts.
- Adult Basic Education Aid - Allows MDE to recalculate the contact hour reimbursement rate for fiscal 2021 or otherwise adjust the formula to fully spend the amount estimated based on the February 2020 forecast. The aid must be prorated if it would exceed the February 2020 forecast estimates.
- Literacy Incentive Aid - Excludes tests administered during the 2019-20 school year from the three-year averages used in computing the aid for FY 2021, FY 2022, and FY 2023, and allows the commissioner to adjust the formula rates for these years to ensure that the aid does not fall below the amount estimated in the February 2020 forecast.

- School Age Care Revenue - For fiscal year 2020 and fiscal year 2021 only, for spending on or after March 18, 2020, each district's school-age care revenue continues at its approved amounts, and program funds may be reallocated consistent with the process and limitations of the fund transfer provisions in the bill.
- Community Education After-School Enrichment Revenue - For fiscal 2020 and 2021 only, for spending occurring on or after March 18, 2020, after-school enrichment revenue may be reallocated consistent with the process and limitations of the fund transfer provisions in the bill.
- Early Childhood Screening - Directs MDE to calculate the aid for fiscal 2020 and 2021 using the formula amounts set in statute for each age group and the 2018-19 school year counts of children screened for each age group.
- Achievement and Integration Revenue - Authorizes a school district to carry over any unspent balance of its approved budget for fiscal 2020 into fiscal 2021. If spent for approved purposes in fiscal 2021, the district would generate additional fiscal 2021 revenue over and above the regular formula limitations.

Fund Transfers

Allows a school district, charter school, or a cooperative unit to make operating fund and account transfers for fiscal years 2020 and 2021 only. The amounts to be transferred are limited to revenue not already assigned or encumbered by staff salary and benefits, or otherwise encumbered by federal law. There is a requirement that the fund or account transfer be revenue neutral for the district and not affect the receipt of its aid or levy. Board approval is required along with being well documented in the accounting records.

Debt Service Cash Flow

For fiscal 2021 only, a school district unable to make a required debt service payment because of an anticipated delay in property tax receipts may apply for modified cash flow payments under Minnesota Statutes, section 127A.45. The school district must apply in the form and manner specified by the commissioner of education and the commissioner must adjust the timing of Integrated Department of Education Aids System (IDEAS) state aid payments accordingly.

The following provisions were passed as part of the 1st special session.

Transportation Contracts

Contracts for the transportation of children or the purchase of fuel (vehicle or heating) are limited to 10 years in duration.

Referendum Notice

For referendum notices mailed on or after July 1, 2020, the maximum notice period was extended from 30 to 45 days.

APPENDIX D

TECHNICAL UPDATE

GASB Statement No. 87 – Leases

GASB Statement No. 87 requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. Specifically, this statement:

1. Establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.
2. Defines the “lease term” and clarifies when lessees and lessors should reassess the lease term due to lease modifications or terminations.
3. Defines and establishes recognition criteria for short-term leases.
4. Amends accounting and financial reporting requirements for contracts with multiple components, contract combinations, subleases, and leaseback transactions.

The statement was to be effective for reporting periods beginning after December 15, 2019. However, due to the impact of Covid-19, the effective date was moved back one and a half years to reporting periods beginning after June 15, 2021. Earlier application is encouraged.

STEPS THAT CAN BE TAKEN NOW

- 1) **Gather leases and contracts.** Depending on the number of leases your organization has, this may be a bigger challenge than anticipated. Keep in mind that not all leases are written “lease” agreements. Some contracts also include embedded leases that were previously treated as expenses, so you may be surprised to find more operating leases than you realized. Checking accounts payable for recurring payments may help you locate agreements that you’ll need to analyze.
- 2) **Analyze all contracts to determine which are leases under the new standard.** GASB 87 defines a lease as a “contract that conveys control of the right to use another entity’s nonfinancial asset (the underlying asset), as specified in the contract, for a period of time in an exchange or exchange-like transaction.” Here are some of the agreements that can be excluded:
 - Short-term leases that are one year or less in duration.
 - Intangibles, such as investment assets, software licenses, and patents.
 - Financed purchases, where ownership of the asset transfers at the end of the lease without an additional payment.
- 3) **Review leases for multiple components.** Some leases include service agreements that will need to be split off from the entire lease. Many agreements (like service agreements and supply contracts) may qualify as leases under GASB 87. Some examples of service contracts that may have embedded leases can include cafeteria equipment, soda fountains, water coolers, coffee machines, etc., where the government may get to use a particular piece of equipment for free in return for the exclusive use of the provider’s products.
- 4) **Determine appropriate materiality thresholds for capitalization.** Work with your auditor to determine what this should be. Be aware that items that are well below that threshold individually may be material in the aggregate.

5) **Select a technology solution such as leasing software to help manage your leases.** Unless your organization only has a few leases, the calculations for journal entries and footnote disclosures will most likely be beyond the capabilities of Excel. When choosing a software solution, keep in mind that tracking this information from leases will be an ongoing project, so look for one that's easy to use and provides your organization with all the information you'll need. Make sure to consider document storage as part of the capabilities. Entities with greater than 10-20 identified leases may wish to seriously consider a lease software solution and not rely on spreadsheets. Keep in mind that if a government has many similar leases, it may choose to amortize the leased assets as a group rather than individually. Composite depreciation is applied to groups of dissimilar assets, but should not be applied across classes of assets, such as buildings, equipment, furniture, and vehicles.

6) **Consider the district's bond covenants, loan covenants, and debt limitations to determine impact.** While a recent update from GASB (GASB 88) specifies that lease liabilities are excluded from the definition of debt for the purposes of financial statement disclosures, it's not clear whether banks, credit rating agencies, or other stakeholders will take a similar stance.

Adding liabilities for operating leases to the balance sheet may mean that covenants for bond contracts and loan agreements will be violated. If this is the case, you may need to renegotiate those agreements. Contacting these stakeholders and other interested parties early on is crucial.

Adding to the complexity, the rules and statutes governing debt limitations vary across states, counties and municipalities. You may need to consult with an attorney to determine whether lease liabilities count as debt for those limitations.

7) **Develop new district policies and procedures as necessary.** Unlike many other financial controls, you'll need to work as a team with people outside of accounting, including procurement, IT, and legal, to make sure all leases and contracts go through accounting. You may need to educate others about the balance sheet impacts of leases.

8) **Do your initial calculations and run the results past your auditor.** Because the calculations are different from the previous treatment of leases, some advisors are recommending performing a trial calculation on a subset of your leases. Then, ask us as your auditors to check your numbers before you do the entire population of leases.

9) **Begin the process early.** Early adopters report that they need two or three hours per lease to analyze and extract the data. Adding to the challenge, many government finance professionals wear many hats, and dealing with financial matters may be only a small part of their responsibilities. Be sure to keep the resulting information very organized and accessible and also keep in mind the new information that will be required for footnote disclosures.

10) **Start learning and keep learning.** Understanding the new standards is a steep learning curve. You'll need to dedicate time and resources for your team to get up to speed.

GASB Statement No. 89 – Accounting for Interest Cost Incurred before the End of a Construction Period

GASB Statement No. 89 provides that for financial statements prepared using the economic resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expense in the period in which the cost is incurred. Such interest cost should not be capitalized as part of the historical cost of a capital asset. Initially effective for reporting periods beginning after December 31, 2019 but postponed to reporting periods beginning after December 15, 2020. Earlier application is encouraged.

GASB Statement No. 90 – Majority Equity Interests—An Amendment of GASB Statements No. 14 and No. 61

GASB Statement No. 90 modifies previous guidance for reporting a government's majority equity interest in a legally separate organization by specifying that this type of interest should be reported as an investment if it meets the definition of an investment as prescribed in GASB 72. For all other holdings of a majority equity interest, a government would report the legally separate organization as a component unit, and the government or fund that holds the interest would report the asset using the equity method. Initially effective for reporting periods beginning after December 15, 2018 but postponed to reporting periods beginning after December 15, 2019.

GASB Statement No. 91 – Conduit Debt Obligations

The primary objective of GASB Statement No. 91 is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Initially effective for reporting periods beginning after December 15, 2020 but postponed to reporting periods beginning after December 15, 2021.

GASB Statement No. 92 – Omnibus 2020

The primary objectives of this statement are to enhance comparability and consistency by addressing practice issues that have been identified during implementation and application of certain GASB statements.

This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments



APPENDIX E

FORMAL REQUIRED COMMUNICATIONS

Board of Education
Independent School District No. 138
North Branch Public Schools
North Branch, Minnesota

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 138 (the District) as of and for the year ended June 30, 2020, and have issued our report thereon dated November 19, 2020. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, Government Auditing Standards, and Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the school are described in Note 1 to the financial statements.

During the year ended June 30, 2020, the District changed accounting policies related to its accounting for fiduciary activities by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 84, Fiduciary Activities. The statement provides guidance regarding the identification of fiduciary activities for accounting and reporting purposes and how those activities should be reported.

We noted no transactions entered into by the school during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Due from Minnesota Department of Education
- Due from other Minnesota school districts
- Due from federal through the Minnesota Department of Education
- Estimated useful lives of depreciable capital assets
- Prefunded Other Postemployment Benefits Obligation
- Severance Obligation
- Net Pension Liability

Management's estimate of the due from Minnesota Department of Education is based on amounts anticipated to be received from the state for various aid entitlements for fiscal 2020. The most significant of these is the aid portion of general education revenue. General education revenue and certain other revenues are computed by applying an allowance per student to the number of students served by the school. Student attendance is accumulated in a statewide database, Minnesota Automated Reporting Student System (MARSS). Because of the complexity of student accounting and because of certain enrollment options, student information is input by other school districts and the MARSS data for fiscal year 2020 is not finalized until well into the next fiscal year. Management expects any differences between estimated and actual data will be insignificant.

Management's estimate of due from other Minnesota school districts is based on amounts that have been billed to other school districts under the excess special education cost tuition billing system. The school has made a good faith effort to accurately calculate such amounts billed, but until the resident school district has an opportunity to review such underlying details as membership days, disability codes, and rates, it will not be known whether such amounts will be collected or not. Management expects any difference between amounts billed and amounts ultimately collected will be insignificant.

Management's estimate of due from federal through the Minnesota Department of Education is based on amounts anticipated to be received through the state for various federal aid entitlements for fiscal 2020. Many federal entitlements require that supporting financial reporting information be provided both in the Uniform Financial Accounting and Reporting Standards (UFARS) accounting system and also the Electronic Data Reporting System (EDRS) reporting system. To the extent that these two separate systems are not in agreement and reported in a timely manner, the estimated aid entitlement may be adversely affected. Management expects any differences between estimated and actual data will be insignificant.

Management's estimate of the useful lives for depreciable capital assets is based on guidance recommended by the Minnesota Department of Education and other sources. The useful life of a depreciable capital asset determines the amount of depreciation that will be recorded in any given reporting period as well as the amount of accumulated depreciation that is reported at the end of a reporting period.

Management's estimate of prefunded other postemployment benefits obligation is based on an actuarially determined calculation, less an actuarially determined estimate of implicit rate subsidy, which is the estimated increased cost of premiums due to inclusion of retirees in the same plan as the District's active employees.

Management's estimate of the pension liability is based on management's expected salary increases, inflation, estimated life expectancy and actual required contributions upon meeting the eligibility requirements. We reviewed the key assumptions used to estimate the liability in determining that they are reasonable in relation to the financial statements taken as a whole.

We reviewed and tested management's procedures and underlying supporting documentation in the areas discussed above and evaluated the key factors and assumptions used to develop the estimates noted above in determining that they are reasonable in relation to the financial statements taken as a whole. We concluded that the accounting estimates and management judgments appeared to consider all significant factors and resulted in appropriate accounting recognition.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties encountered in performing the audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

Corrected misstatements

None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit. **Management representations**

We have requested certain representations from management that are included in the management representation letter dated November 19, 2020.

Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the school's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant issues discussed with management prior to engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the school's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

Other information in documents containing audited financial statements

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

With respect to the schedule of expenditures of federal awards (SEFA) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the SEFA to determine that the SEFA complies with the requirements of the Uniform Guidance, the method of preparing it has not changed from the prior period or the reasons for such changes, and the SEFA is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the SEFA to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated November 19, 2020.

With respect to the supplementary information accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated November 19, 2020.

The bond schedules accompanying the financial statements, which is the responsibility of management, was prepared for purposes of additional analysis and is not a required part of the financial statements. Such information was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we did not express an opinion or provide any assurance on it.

Other information is being included in documents containing the audited financial statements and the auditors' report thereon. Our responsibility for such other information does not extend beyond the financial information identified in our auditors' report. We have no responsibility for determining whether such other information is properly stated and do not have an obligation to perform any procedures to corroborate other information contained in such documents. As required by professional standards, we read the bond schedules (the other information) in order to identify material inconsistencies between the audited financial statements and the other information. We did not identify any material inconsistencies between the other information and the audited financial statements.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

Board of Education
Independent School District No. 138
North Branch Public Schools

* * *

This communication is intended solely for the information and use of the Board of Education and management of the school and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 19, 2020

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2020

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
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INDEPENDENT SCHOOL DISTRICT NO. 138
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INTRODUCTORY SECTION

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
SCHOOL BOARD AND ADMINISTRATION
JUNE 30, 2020**

BOARD OF EDUCATION

<u>NAME</u>	<u>TERM ON BOARD EXPIRES</u>	<u>BOARD POSITION</u>
Kirby Ekstrom	01/02/23	Chairperson
Tim MacMillan	01/02/21	Vice Chairperson
Sarah Grovender	01/02/23	Clerk
Darryl Goebel	01/02/21	Director
Kevin Bollman	01/02/23	Treasurer
Heather Osagiede	01/02/21	Director

ADMINISTRATION

Sara Paul	Superintendent
Todd Tetzlaff	Director of Business Services
Paula Vaughn	District Accountant
District Offices:	Independent School District No. 138 North Branch Public Schools 38705 Grand Ave. North Branch, MN 55056 (651) 674-1000

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Education
Independent School District No. 138
North Branch Public Schools
North Branch, 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. 138 (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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

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

Opinions

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

Emphasis of a Matter

During fiscal year ended June 30, 2020, the District adopted GASB Statement No. 84 *Fiduciary Activities*. As a result of the implementation of this standard, the District reported a restatement for the change in accounting principle (see Note 14). Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in the District's net OPEB liability (asset) and related ratios, schedule of money weighted rate of return on OPEB plan assets, the schedule of the District's proportionate share of the net pension liability and the schedule of District pension contributions, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Uniform Financial Accounting and Reporting Standards Compliance Table, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by *Title 2 U. S. Code of Federal Regulations Part 200, Uniform Administrative Requirements Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Uniform Financial Accounting and Reporting Standards Compliance Table and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

The bond schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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 November 19, 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 internal control over financial reporting and compliance and the result 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.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 19, 2020

REQUIRED SUPPLEMENTARY INFORMATION

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

This section of North Branch Schools – Independent School District No. 138's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2020. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

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

- Net position increased from District operations, by \$172,616 as compared to June 30, 2019 before a restatement of \$324,946.
- Overall General Fund revenues were \$31,317,803 as compared to \$30,336,579 of expenditures.
- The ending fund balance of the General Fund increased \$1,213,034 from the prior year. Revenues decreased 4.7% over the prior year, and expenditures decreased 8.9% over the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditors' Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplementary information. 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-* 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.
- Proprietary funds statements offer short- and long-term financial information about the activities the district operates like businesses.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data.

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

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* – Most 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 three kinds of funds:

- *Governmental Funds* – Most 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 following the governmental funds statements that explain the relationship (or differences) between them.

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

Fund Financial Statements (Continued)

- The District uses *internal service funds* to report activities that provide supplies and services for the District's other programs and activities. The district currently has one internal service fund for self-insurance of dental benefits.
- *Fiduciary Funds* – The District is the trustee, or *fiduciary*, for assets that belong to others, The District currently has one trust fund, for postemployment benefits. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's *combined* net position was a deficit \$5,437,671 on June 30, 2020. This was an increase of \$497,562, including a restatement for a change in accounting principle of \$324,946, from the prior year (see Table A-1).

	Governmental Activities		Percentage Change
	2020	2019	
Current and Other Assets	\$ 26,783,397	\$ 54,817,584	(51.14)%
Capital and Noncurrent Assets	98,781,368	81,448,831	21.28
Total Assets	125,564,765	136,266,415	(7.85)
Deferred Outflows of Resources	13,841,577	22,029,773	(37.17)
Current Liabilities	9,108,287	17,938,391	(49.22)
Long-Term Liabilities	101,510,508	106,800,424	(4.95)
Total Liabilities	110,618,795	124,738,815	(11.32)
Deferred Inflows of Resources	34,225,218	39,492,606	(13.34)
 Net Position			
Net Investment in Capital Assets	17,408,337	13,648,254	27.55
Restricted	5,421,238	5,172,267	4.81
Unrestricted	(28,267,246)	(24,755,754)	14.18
Total Net Position	\$ (5,437,671)	\$ (5,935,233)	

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

Changes in Net Position

The District's total revenues were \$40,711,786 for the year ended June 30, 2020. Property taxes and unrestricted state formula aid accounted for 71.5% of total revenue for the year. Another 2.7% came from federal sources, and the remainder from investment earnings, other general revenues and program revenues.

	Governmental Activities for the Fiscal Year Ended June 30,		Percentage Change
	2020	2019	
Revenues			
<u>Program Revenues</u>			
Charges for Services	\$ 3,559,161	\$ 4,025,089	(11.58)%
Operating Grants and Contributions	6,697,323	6,347,557	5.51
Capital Grants and Contributions	634,493	487,803	30.07
<u>General Revenues</u>			
Property Taxes	8,923,186	9,022,013	(1.10)
Unrestricted State Aid	20,175,573	20,369,634	(0.95)
Investment Earnings	445,996	1,045,583	(57.34)
Other	276,054	450,307	(38.70)
Total Revenues	<u>40,711,786</u>	<u>41,747,986</u>	(2.48)
Expenses			
Administration	1,661,592	1,255,450	32.35
District Support Services	1,536,619	1,741,074	(11.74)
Regular Instruction	10,905,586	8,614,328	26.60
Vocational Education Instruction	362,514	219,233	65.36
Special Education Instruction	6,398,436	5,148,983	24.27
Instructional Support Services	2,044,460	1,504,422	35.90
Pupil Support Services	3,236,867	3,455,116	(6.32)
Sites and Buildings	8,494,120	4,867,256	74.52
Fiscal and Other Fixed Cost Programs	483,296	229,677	110.42
Food Service	1,359,985	1,559,713	(12.81)
Community Service	1,640,049	1,462,453	12.14
Interest and Fiscal Charges on Long-Term Liabilities	2,415,646	2,820,443	(14.35)
Total Expenses	<u>40,539,170</u>	<u>32,878,148</u>	23.30
Increase (Decrease) in Net Position			
Net Position - Beginning of Year	172,616	8,869,838	
Change in Accounting Principle	(5,935,233)	(14,805,071)	
Net Position - Beginning of Year, as Restated	324,946	-	
Net Position - End of Year	<u>(5,610,287)</u>	<u>(14,805,071)</u>	
	<u>\$ (5,437,671)</u>	<u>\$ (5,935,233)</u>	

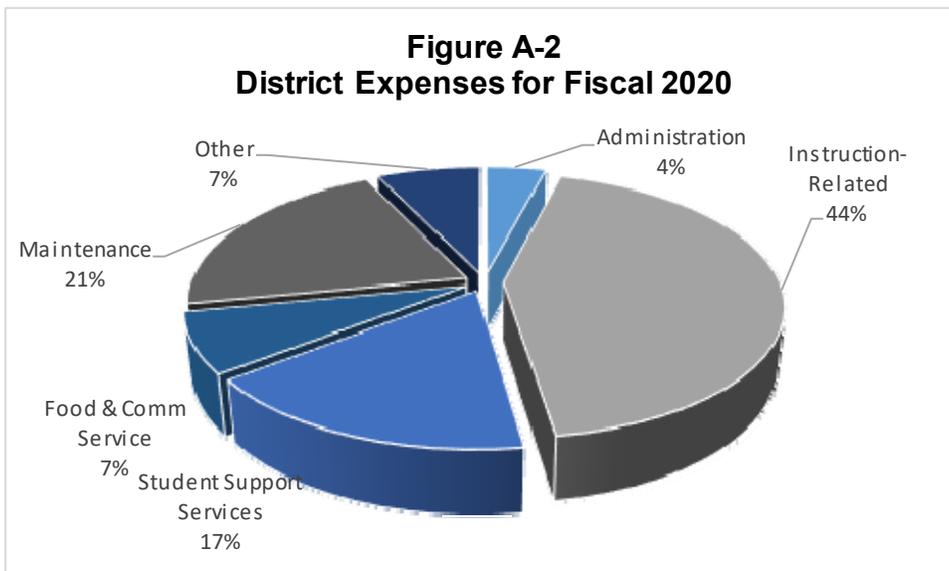
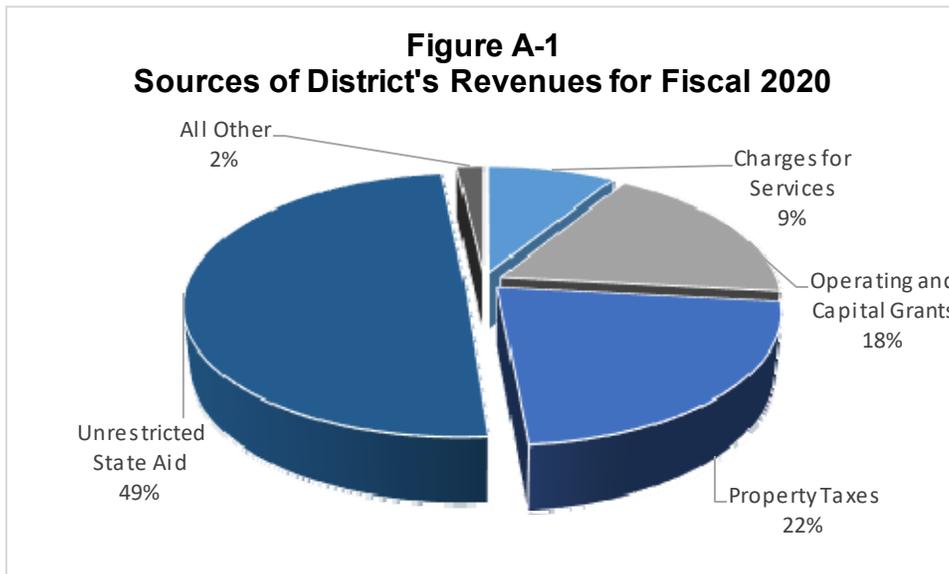
The total cost of all programs and services excluding interest and fiscal charges, was \$40,539,170. Total revenues exceeded expenses, increasing net position by \$172,616 over last year.

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

Changes in Net Position (Continued)

The cost of all *governmental* activities this year was \$40,539,170.

- Some of the cost was paid by the users of the District's programs (\$3,559,161).
- The federal and state governments subsidized certain programs with operating and capital grants and contributions (\$7,331,816).
- Most of the District's costs, however, were paid for by District taxpayers and the taxpayers of our state.
- This portion of governmental activities was paid for with \$8,923,186 in property taxes, \$20,175,573 of state aid based on the statewide education aid formula, \$722,050 and with investment earnings and other general revenues.



**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

Changes in Net Position (Continued)

Typically, the District does not include in an analysis of all governmental funds a breakout of expenses as depicted in Figure A-2. To do so distorts the latitude available to the District to allocate resources to instruction. All governmental funds includes not only funds received for the general operation of the District, which are used for classroom instruction, but also includes resources from the entrepreneurial-type funds of Food Service and Community Education, and from resources for fiscal service transactions. Funding for the general operation of the District is controlled by the state and the District does not have the latitude to allocate money received in Food Service or Community Education or for fiscal services to enhance classroom instruction resources. The District cannot take funds from these restricted areas and use the funds to hire teachers to enhance instruction. The preceding graph, by pooling all expenses, implies that the District does have equal access to all funds to impact classroom instruction. In Minnesota, that is simply not an option. Therefore, a more accurate analysis of resources allocated to instruction should be limited to an analysis of resources received for the general operation of the District and that analysis would show that 47.4% of those resources are spent on instruction.

**Table A-3
Program Expenses and Net Cost of Services**

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2020	2019		2020	2019	
Administration	\$ 1,661,592	\$ 1,255,450	32.35 %	\$ 1,657,069	\$ 1,183,444	40.02 %
District Support Services	1,536,619	1,741,074	(11.74)	1,535,309	1,632,274	(5.94)
Regular Instruction	10,905,586	8,614,328	26.60	8,926,137	7,229,338	23.47
Vocational Education Instruction	362,514	219,233	65.36	326,980	206,941	58.01
Special Education Instruction	6,398,436	5,148,983	24.27	2,702,960	1,369,492	97.37
Instructional Support Services	2,044,460	1,504,422	35.90	752,907	29,709	2434.27
Pupil Support Services	3,236,867	3,455,116	(6.32)	2,538,653	2,795,517	9.19
Sites and Buildings	8,494,120	4,867,256	74.52	7,864,247	4,367,328	80.07
Fiscal and Other Fixed Cost Programs	483,296	229,677	110.42	483,296	229,677	110.42
Food Service	1,359,985	1,559,713	(12.81)	3,235	(1,145)	382.53
Community Service	1,640,049	1,462,453	12.14	441,754	154,681	185.59
Interest and Fiscal Charges on						
Long-Term Liabilities	2,415,646	2,820,443	(14.35)	2,415,646	2,820,443	(14.35)
Total	<u>\$ 40,539,170</u>	<u>\$ 32,878,148</u>	23.30	<u>\$ 29,648,193</u>	<u>\$ 22,017,699</u>	34.66

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 \$11,681,687 which is \$20,017,618 below last year's ending fund balance of \$31,699,305. Revenues and other financing sources for the District's governmental funds were \$40,832,628 while total expenditures and other financing uses were \$61,175,192. Other financing sources and uses included proceeds from capital lease of \$263,836 and other miscellaneous items.

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

GENERAL FUND

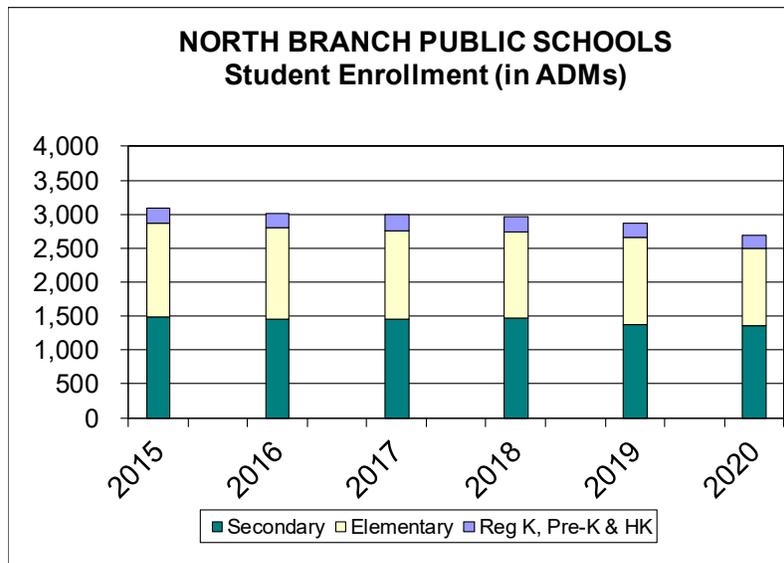
The General Fund includes the primary operations of the District in providing educational services to students from kindergarten through grade 12 including pupil transportation activities and capital outlay projects. Approximately 80.7% of General Fund operational revenue is controlled by a complex set of state funding formulas resulting in the local school board having no meaningful authority to determine the level of resources. This includes special education state aid that is based upon a cost reimbursement model providing approximately 50% of related expenditures. Other state formulas then determine what portion of the revenue will be provided by property taxes and what portion will come from state aid.

ENROLLMENT

Enrollment is a critical factor in determining revenue with approximately 63.6% of General Fund revenue being determined by enrollment. The following chart shows that the number of students has decreased over the last several years.

**Table A-4
Six-Year Enrollment Trend
Average Daily Membership (ADM)**

	2015	2016	2017	2018	2019	2020
Reg K, Pre-K, & HK	207	230	224	198	191	197
Elementary	1,347	1,308	1,275	1,288	1,150	1,130
Secondary	1,460	1,451	1,468	1,374	1,352	1,258
Total Students for Aid	3,014	2,989	2,967	2,860	2,693	2,585
Percent Change	-2.68%	-0.83%	-0.74%	-3.61%	-5.84%	-4.01%



In 2020, the District experienced a decline in enrollment of 108 students. Enrollment has declined over the last 10 years.

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

The following schedule presents a summary of General Fund revenues.

**Table A-5
General Fund Revenues**

Fund	Year Ended		Change	
	June 30, 2020	June 30, 2019	Increase (Decrease)	Percent
Local Sources:				
Property Taxes	\$ 3,435,715	\$ 3,932,413	\$ (496,698)	(12.6)%
Earnings on Investments	66,747	169,472	(102,725)	(60.6)
Other	2,158,929	2,069,173	89,756	4.3
State Sources	25,272,420	26,250,261	(977,841)	(3.7)
Federal Sources	383,992	454,330	(70,338)	(15.5)
Total General Fund Revenue	<u>\$ 31,317,803</u>	<u>\$ 32,875,649</u>	<u>\$ (1,557,846)</u>	(4.7)

Total General Fund revenue decreased by \$1,557,846 or 4.7% from the previous year. Decrease in state sources is due to drop in enrollment for the current year. The decrease in property taxes is mainly due to the decrease in property values within the District. Basic general education revenue is determined by multiple state formulas, largely enrollment driven, and consists of 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 total revenue. The state basic general education revenue formula per student decreased compared to the prior year.

The following schedule presents a summary of General Fund expenditures.

**Table A-6
General Fund Expenditures**

	Year Ended		Amount of Increase (Decrease)	Percent Increase (Decrease)
	June 30, 2020	June 30, 2019		
Salaries	\$ 16,235,079	\$ 17,627,232	\$ (1,392,153)	(7.9)%
Employee Benefits	5,236,359	5,631,770	(395,411)	(7.0)
Purchased Services	6,018,589	6,188,640	(170,051)	(2.7)
Supplies and Materials	1,239,428	1,690,604	(451,176)	(26.7)
Capital Expenditures	719,141	1,297,377	(578,236)	(44.6)
Other Expenditures	887,983	849,744	38,239	4.5
Total Expenditures	<u>\$ 30,336,579</u>	<u>\$ 33,285,367</u>	<u>\$ (2,948,788)</u>	(8.9)

Total General Fund expenditures decreased \$2,948,788 or 8.9% from the previous year. Decreases in salaries and employee benefits occurred as a result of reductions in staff and the decrease in capital expenditures is due to the scoreboard lease for fiscal year 2019 as well as the purchase of Chromebooks.

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

In 2019-2020, General Fund revenues and other financing sources exceeded expenditures and other financing uses by \$1,213,034. Therefore, total fund balance increased to \$4,022,647 at June 30, 2020. After deducting statutory restrictions, the unassigned fund balance increased from \$653,108 at June 30, 2019 to \$2,156,517 at June 30, 2020. Unassigned fund balance is the single best measure of overall financial health.

General Fund Budgetary Highlights

Following approval of the budget prior to the beginning of the fiscal year, the District revises the annual operating budget in mid-year. The Board was presented with and adopted a revised General Fund budget in February 2020 and was presented with and adopted a revised budget for all funds in June 2020. These budget amendments typically fall into two categories:

- Implementing budgets for specially funded projects, which include both federal and state grants and reinstating unexpended funds being carried over, and budgeting for clearing accounts.
- Legislation passed subsequent to budget adoption, changes necessitated by collective bargaining agreements, changes in student enrollments, staffing changes, and increases in appropriations for significant unbudgeted costs.

In the case of either budget amendments, depending on how actual revenue and expenditures items are tracking against the preliminary budget amounts, adjustments are proposed to specific categories for review and approval by the school board.

Actual revenues were \$1,118,965 lower than expected, mainly due to lower than expected state revenue.

The actual expenditures were \$1,137,741 lower than budget, mainly due to a decrease in expected salaries and benefits.

While the District's final budget for the General Fund anticipated an increase in fund balance of \$964,008, the actual results for the year show an increase of \$1,213,034, so the ending fund balance was more than budget by \$249,026. The majority of the fund balance in this area consists of Long-Term Facility Maintenance Funds and are allocated to projects related to construction.

DEBT SERVICE FUND

The Debt Service Fund expenditures exceeded revenues by \$377,365 in 2019-2020. The remaining fund balance of \$952,641 is restricted at June 30, 2020.

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

OTHER MAJOR FUNDS

Revenues exceeded expenditures in the Food Service Fund by \$33,378, leaving a fund balance of \$101,920. The governor's Executive Order 20-02 directed school districts to provide child care for tier I and tier II workers and permitted school districts to transfer funds from reserved funds to cover those costs. The school district transferred \$12,913 from Staff Development to Food Service to cover the cost of meals for children of tier I and tier II workers between March 18 and June 09.

The total fund balance of the Community Service Fund decreased by \$51,774. The decrease related to additional costs related to the additional resources needed for the before and after school program. Per the above referenced Executive Order, \$111,340 was transferred from Staff Development to Community Service Fund to help cover the additional costs of required child care for tier I and tier II workers.

From the standpoint of maintaining current operating expenditures within the range of annual revenue and maintaining a sound fund balance, both the Community Service and Food Service Funds continue to operate on a sound financial basis. The District utilizes price increases and expenditure reductions as necessary to bring expenditures and revenues in these funds into balance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2020, the District had invested about \$148,067,000 in a broad range of capital assets, including school buildings, athletic facilities, computer and audio-visual equipment, and school buses (see Table A-7). (More detailed information about capital assets can be found in Note 4 to the financial statements.) Total depreciation expense for the year was approximately \$4,948,000.

**Table A-7
The District's Capital Assets**

	2020	2019	Percentage Change
Land	\$ 509,000	\$ 509,000	-
Construction in Progress	20,600,295	43,197,046	(52.3)
Land Improvements	10,476,617	5,272,220	98.7
Buildings and Improvements	99,438,376	63,846,398	55.7
Equipment	17,042,700	13,195,692	29.2
Less: Accumulated Depreciation	(49,285,620)	(44,571,525)	10.6
Total	<u>\$ 98,781,368</u>	<u>\$ 81,448,831</u>	21.3

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

Long-Term Liabilities

At year-end, the District had \$79,985,000 in general obligation bonds outstanding – a decrease of 3.9% from last year – as shown in Note 5 to the financial statements.

**Table A-8
The District's Long-Term Liabilities**

	2020	2019	Percentage Change
General Obligation Bonds	\$ 79,985,000	\$ 83,210,000	(3.9)%
Net Bond Premium and (Discount)	3,777,103	4,204,893	(10.2)
Obligations Under Capital Leases	1,189,581	1,452,973	(18.1)
Compensated Absences	1,305,893	1,557,672	
Total	<u>\$ 86,257,577</u>	<u>\$ 90,425,538</u>	(4.6)
Long-Term Liabilities:			
Due Within One Year	\$ 3,560,273	\$ 3,908,669	
Due in More Than One Year	82,697,304	86,516,869	
Total	<u>\$ 86,257,577</u>	<u>\$ 90,425,538</u>	

Bond Ratings

The District's bonds presently carry a Moody's "A1" underlying rating with an Enhanced rating of "Aa2".

Limitations on Debt

The state limits the amount of general obligation debt the District can issue to 15% of the assessed value of all taxable property within the District's corporate limits. Our outstanding debt is significantly below this limit – which is currently \$254 million.

FACTORS BEARING ON THE DISTRICT'S FUTURE

North Branch Area Public Schools is dependent on the State of Minnesota for its revenue authority. The District has been unsuccessful in attempts to gain voter approval for an excess operating referendum, and so remains at the basic state funding level. Facing a projected budget deficit, the School Board took action to reduce expenses for the 2020-2021 fiscal year and adopted a structurally balanced budget. The School Board is committed to maintaining a balanced budget and restoring the unassigned General Fund balance to meet the School Board target of a fund balance between 5% and 10%.

The District will strive to maintain its long-standing commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility.

After several years of relatively rapid enrollment decline, the District continues to experience a decline in enrollment and, in the fall of 2018, a charter school opened within the boundary of the school district and contributed to a further enrollment decline. In the fall of 2020, an increased number of families chose to homeschool their children rather than sending their children to school during the COVID-19 pandemic. It is anticipated that families will return to attending public school in future years as the pandemic is addressed and some of the concerns of families resulting from the pandemic are alleviated.

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

FACTORS BEARING ON THE DISTRICT'S FUTURE (CONTINUED)

A demographic study completed in 2009 concluded that growth in the District stopped as a result of the downturn in the economy, particularly the mortgage market. The study concluded that the District will experience continued enrollment declines in the near future. It further suggested that once the economy recovers, enrollment growth is likely to return provided that the development of new residential properties is part of the recovery. Housing starts are increasing and there is a level of optimism regarding reducing enrollment decline and perhaps even experiencing increases in enrollment in the near future. Commercial development has shown signs of improvement with some new commercial enterprises moving into the District, however, some small businesses are being adversely impacted by the COVID-19 pandemic in our local community. Growth potential exists because of the geographic proximity to the Minneapolis/St. Paul metropolitan area on a major interstate corridor. In addition, birth rates within the District have historically been higher than the state average. Enrollment growth will depend on the return of residential development in the District. The District will continue to review these trends closely.

Construction

The District continually monitors enrollments to plan for needed capacity. Current projections suggest that building capacity District-wide appears to be adequate for at least the next decade and until significant new residential development occurs in the District. A facilities and recommissioning study was completed in the 2013-2014 fiscal year, which identified deferred maintenance needs that are too large to be addressed with annual maintenance revenues. An election was held in May 2017 to authorize bonds of \$70,165,000 for deferred maintenance and improvements. The election was successful and the process of making significant capital improvements to existing facilities was very active in FY20 and scheduled to conclude prior to the end of FY21. Updates to mechanical systems, electrical systems and HVAC have significantly improved the functioning and efficiency of the building sites and the majority of spaces will have new furniture by the conclusion of the construction process. An expanded fitness center and gym space was added to the high school and Kindergarten classrooms were added to the Education Center.

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, Independent School District 138, District Office, 38705 Grand Ave., North Branch, Minnesota 55056.

BASIC FINANCIAL STATEMENTS

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
STATEMENT OF NET POSITION
JUNE 30, 2020**

	Governmental Activities
ASSETS	
Cash and Investments	\$ 16,821,313
Receivables:	
Property Taxes	6,276,902
Other Governments	2,293,575
Other	488,591
Prepaid Items	18,796
Inventory	41,939
Due From Other Funds	128,275
Net OPEB Asset	714,006
Capital Assets:	
Land	509,000
Construction in Progress	20,600,295
Other Capital Assets, Net of Depreciation	77,672,073
Total Assets	125,564,765
 DEFERRED OUTFLOWS OF RESOURCES	
Pension Related	13,795,965
OPEB Related	45,612
	13,841,577
 LIABILITIES	
Salaries Payable and Other Payroll Related Items	1,736,004
Accounts, Contracts, and Claims Payable	2,418,195
Accrued Interest	1,218,640
Due to Other Governmental Units	82,004
Unearned Revenue	93,171
Long-Term Liabilities:	
Net Pension Liability	18,813,204
Portion Due Within One Year	3,560,273
Portion Due in More Than One Year	82,697,304
Total Liabilities	110,618,795
 DEFERRED INFLOWS OF RESOURCES	
Pension Related	24,767,796
OPEB Related	321,918
Property Taxes Levied for Subsequent Year	9,135,504
Total Deferred Inflows of Resources	34,225,218
 NET POSITION	
Net Investment in Capital Assets	17,408,337
Restricted for:	
General Fund Operating Capital Purposes	32,149
General Fund State-Mandated Reserves	1,458,731
Food Service	101,920
Community Service	107,869
Other Postemployment Benefits	714,006
Capital Projects - Building Construction	3,006,563
Unrestricted	(28,267,246)
Total Net Position	\$ (5,437,671)

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

Functions	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Total Governmental Activities
Governmental Activities					
Administration	\$ 1,661,592	\$ -	\$ 4,523	\$ -	\$ (1,657,069)
District Support Services	1,536,619	-	5	1,305	(1,535,309)
Regular Instruction	10,905,586	555,498	1,259,235	164,716	(8,926,137)
Vocational Education Instruction	362,514	1,764	33,770	-	(326,980)
Special Education Instruction	6,398,436	615,393	3,080,083	-	(2,702,960)
Instructional Support Services	2,044,460	126,373	1,015,922	149,258	(752,907)
Pupil Support Services	3,236,867	394,495	303,719	-	(2,538,653)
Sites and Buildings	8,494,120	310,485	174	319,214	(7,864,247)
Fiscal and Other Fixed Cost Programs	483,296	-	-	-	(483,296)
Food Service	1,359,985	586,945	769,805	-	(3,235)
Community Service	1,640,049	968,208	230,087	-	(441,754)
Interest and Fiscal Charges on Long-Term Liabilities	2,415,646	-	-	-	(2,415,646)
Total School District	\$ 40,539,170	\$ 3,559,161	\$ 6,697,323	\$ 634,493	(29,648,193)
General Revenues					
Property Taxes Levied for:					
General Purposes					3,450,151
Community Service					218,158
Debt Service					5,254,877
State Aid Not Restricted to Specific Purposes					20,175,573
Earnings on Investments					445,996
Miscellaneous					276,054
Total General Revenues					<u>29,820,809</u>
CHANGE IN NET POSITION					172,616
Net Position - Beginning of Year					(5,935,233)
Change in Accounting Principle					324,946
Net Position - Beginning of Year, as Restated					<u>(5,610,287)</u>
NET POSITION - END OF YEAR					<u><u>\$ (5,437,671)</u></u>

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2020**

	Major Funds					Total Governmental Funds
	General	Food Service	Community Service	Capital Projects	Debt Service	
ASSETS						
Cash and Investments	\$ 5,088,438	\$ 51,634	\$ 211,308	\$ 8,082,108	\$ 2,817,501	\$ 16,250,989
Receivables:						
Current Property Taxes	2,309,994	-	149,604	-	3,586,998	6,046,596
Delinquent Property Taxes	84,979	-	6,095	-	139,232	230,306
Due from Other Minnesota School Districts	208,968	-	-	-	-	208,968
Due from Minnesota Department of Education	1,622,019	23,700	24,747	-	49,867	1,720,333
Due from Federal through Minnesota						
Department of Education	252,804	55,434	-	-	-	308,238
Due from Other Governmental Units	56,036	-	-	-	-	56,036
Other Receivables	141,230	3,871	12,255	331,235	-	488,591
Due from Other Funds	128,275	-	-	-	-	128,275
Prepaid Items	16,519	-	2,277	-	-	18,796
Inventory	11,912	30,027	-	-	-	41,939
Total Assets	<u>\$ 9,921,174</u>	<u>\$ 164,666</u>	<u>\$ 406,286</u>	<u>\$ 8,413,343</u>	<u>\$ 6,593,598</u>	<u>\$ 25,499,067</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE						
Liabilities:						
Salaries Payable	\$ 1,893,332	\$ -	\$ 48,688	\$ -	\$ -	\$ 1,942,020
Accounts and Contracts Payable	495,826	22,998	5,155	1,865,898	-	2,389,877
Due to Other Governmental Units	79,690	983	-	1,331	-	82,004
Unearned Revenue	-	38,765	54,406	-	-	93,171
Total Liabilities	<u>2,468,848</u>	<u>62,746</u>	<u>108,249</u>	<u>1,867,229</u>	<u>-</u>	<u>4,507,072</u>
Deferred Inflows of Resources:						
Property Taxes Levied for Subsequent Year	3,364,459	-	235,036	-	5,536,009	9,135,504
Unavailable Revenue - Delinquent Taxes	65,220	-	4,636	-	104,948	174,804
Total Deferred Inflows of Resources	<u>3,429,679</u>	<u>-</u>	<u>239,672</u>	<u>-</u>	<u>5,640,957</u>	<u>9,310,308</u>
Fund Balance:						
Nonspendable:						
Prepaid Items	16,519	-	2,277	-	-	18,796
Inventory	11,912	30,027	-	-	-	41,939
Restricted:						
Student Activities	182,475	-	-	-	-	182,475
Scholarships	144,112	-	-	-	-	144,112
Staff Development	122,086	-	-	-	-	122,086
Capital Projects Levy	14,548	-	-	-	-	14,548
Operating Capital	32,149	-	-	-	-	32,149
Safe Schools - Crime	130,589	-	-	-	-	130,589
Early Childhood and Family Educations Programs	-	-	100,956	-	-	100,956
Basic Skills Ext Time	38,228	-	-	-	-	38,228
Long-Term Facilities Maintenance	813,587	-	-	3,066,687	-	3,880,274
Medical Assistance	13,106	-	-	-	-	13,106
Other Restricted	-	71,893	-	3,479,427	952,641	4,503,961
Committed:						
Separation/Retirement Benefits	243,901	-	-	-	-	243,901
Assigned:						
Q-Comp	102,918	-	-	-	-	102,918
Unassigned	2,156,517	-	(44,868)	-	-	2,111,649
Total Fund Balance	<u>4,022,647</u>	<u>101,920</u>	<u>58,365</u>	<u>6,546,114</u>	<u>952,641</u>	<u>11,681,687</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 9,921,174</u>	<u>\$ 164,666</u>	<u>\$ 406,286</u>	<u>\$ 8,413,343</u>	<u>\$ 6,593,598</u>	<u>\$ 25,499,067</u>

See accompanying Notes to Basic Financial Statements.

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
JUNE 30, 2020**

Total Fund Balance for Governmental Funds	\$ 11,681,687
Total fund balance reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:	
Land	509,000
Construction in Progress	20,600,295
Land Improvements, Net of Accumulated Depreciation	6,362,332
Buildings and Improvements, Net of Accumulated Depreciation	63,559,794
Equipment, Net of Accumulated Depreciation	7,749,947
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current-period's expenditures and, therefore, are reported as deferred inflows of resources resources in the funds.	
	174,804
The District's Net Pension Liability and related deferred inflows and outflows are recorded only on the statement of net position. Balances at year-end are:	
Net Pension Liability	(18,813,204)
Deferred Inflows of Resources - Pension Related	(24,767,796)
Deferred Outflows of Resources - Pension Contributions	13,795,965
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	
	(1,218,640)
The District's Net OPEB Asset and related deferred inflows and outflows are recorded only on the statement of net position. Balances year-end are:	
Net OPEB Asset	714,006
Deferred Inflows of Resources - OPEB Related	(321,918)
Deferred Outflows of Resources - OPEB Related	45,612
Internal service funds are used by management to charge the costs of dental insurance services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. Internal service fund net position at year-end is:	
	542,006
Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at year-end are:	
Bonds Payable	(79,985,000)
Unamortized Premiums	(3,777,103)
Obligations Under Capital Leases	(1,189,581)
Compensated Absences Payable	(1,099,877)
Total Net Position of Governmental Activities	\$ (5,437,671)

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
YEAR ENDED JUNE 30, 2020**

	Major Funds					Total Governmental Funds
	General	Food Service	Community Service	Capital Projects	Debt Service	
REVENUES						
Local Sources:						
Property Taxes	\$ 3,435,715	\$ -	\$ 219,559	\$ -	\$ 5,283,494	\$ 8,938,768
Earnings on Investments	66,747	-	-	338,836	40,413	445,996
Other	2,158,929	586,945	968,208	-	-	3,714,082
State Sources	25,272,420	69,958	300,324	-	503,225	26,145,927
Federal Sources	383,992	723,547	-	-	-	1,107,539
Total Revenues	<u>31,317,803</u>	<u>1,380,450</u>	<u>1,488,091</u>	<u>338,836</u>	<u>5,827,132</u>	<u>40,352,312</u>
EXPENDITURES						
Current:						
Administration	1,622,645	-	-	-	-	1,622,645
District Support Services	1,474,636	-	-	-	-	1,474,636
Regular Instruction	11,654,383	-	-	-	-	11,654,383
Vocational Education Instruction	369,093	-	-	-	-	369,093
Special Education Instruction	6,201,126	-	-	-	-	6,201,126
Instructional Support Services	1,562,093	-	-	-	-	1,562,093
Pupil Support Services	3,107,902	-	-	-	-	3,107,902
Sites and Buildings	2,747,131	-	-	-	-	2,747,131
Fiscal and Other Fixed Cost Programs	252,010	-	-	-	-	252,010
Food Service	-	1,359,985	-	-	-	1,359,985
Community Service	-	-	1,651,205	-	-	1,651,205
Capital Projects	-	-	-	3,618,989	-	3,618,989
Capital Outlay	719,141	-	-	17,879,684	-	18,598,825
Debt Service:						
Principal	527,228	-	-	-	3,225,000	3,752,228
Interest and Fiscal Charges	99,191	-	-	-	2,979,497	3,078,688
Total Expenditures	<u>30,336,579</u>	<u>1,359,985</u>	<u>1,651,205</u>	<u>21,498,673</u>	<u>6,204,497</u>	<u>61,050,939</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	981,224	20,465	(163,114)	(21,159,837)	(377,365)	(20,698,627)
OTHER FINANCING SOURCES (USES)						
Proceeds from Sale of Equipment	1,560	-	-	-	-	1,560
Insurance Recovery Proceeds	90,667	-	-	-	-	90,667
Capital Lease Proceeds	263,836	-	-	-	-	263,836
Transfers In	-	12,913	111,340	-	-	124,253
Transfers Out	(124,253)	-	-	-	-	(124,253)
Total Other Financing Sources (Uses)	<u>231,810</u>	<u>12,913</u>	<u>111,340</u>	<u>-</u>	<u>-</u>	<u>356,063</u>
NET CHANGE IN FUND BALANCES	1,213,034	33,378	(51,774)	(21,159,837)	(377,365)	(20,342,564)
Fund Balances - Beginning of Year	2,484,667	68,542	110,139	27,705,951	1,330,006	31,699,305
Change in Accounting Principle	324,946	-	-	-	-	324,946
Fund Balances - Beginning of Year, As Restated	<u>2,809,613</u>	<u>68,542</u>	<u>110,139</u>	<u>27,705,951</u>	<u>1,330,006</u>	<u>32,024,251</u>
FUND BALANCES - END OF YEAR	<u>\$ 4,022,647</u>	<u>\$ 101,920</u>	<u>\$ 58,365</u>	<u>\$ 6,546,114</u>	<u>\$ 952,641</u>	<u>\$ 11,681,687</u>

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
GOVERNMENTAL FUNDS – RECONCILIATION OF THE STATEMENT
OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES
TO STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES
YEAR ENDED JUNE 30, 2020**

Net Change in Fund Balance - Total Governmental Funds \$ (20,342,564)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Outlays	22,308,459
Gain (Loss) on Disposal of Capital Assets	(27,430)
Depreciation Expense	(4,948,492)

Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net position, the lease obligation is reported as a liability. Repayment of capital lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net position.

Other Financing Source - Capital Lease Proceeds	(263,836)
Principal Payments - Capital Leases	527,228

Payment of OPEB benefits are recognized as expenditures at the fund level while the in the net OPEB asset is recognized in the statement of activities. (4,725)

Pension expenditures on the governmental funds are measured by current year employee contributions. Pension expenses on the Statement of Activities are measured by the change in Net Pension Liability and the related deferred inflows and outflows of resources. (1,117,328)

The governmental funds report bond proceeds as financing sources, while repayment of of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities repayment of principal reduces the liability. Also, governmental funds report the effect of bond discounts and premiums when debt is first issued, whereas these amounts are amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of Bond Principal	3,225,000
Change in Accrued Interest Expense - General Obligation Bonds	126,492
Amortization of Bond Premium	427,790

Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current-period's expenditures and, therefore, are unavailable in the funds. (15,582)

In the statement of activities, certain operating expenses - severance benefits and 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 (essentially, the amounts actually paid). 210,096

Internal service funds are used by the District to charge the costs of employee health and dental benefits to individual funds. The net revenue of the internal service funds is reported with governmental activities. 67,508

Change in Net Position of Governmental Activities \$ 172,616

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual Amounts	Over (Under)
	Original	Final		Final Budget
REVENUES				
Local Sources:				
Property Taxes	\$ 3,825,878	\$ 3,495,569	\$ 3,435,715	\$ (59,854)
Earnings on Investments	203,958	116,711	66,747	(49,964)
Other	2,452,663	1,906,300	2,158,929	252,629
State Sources	27,213,260	26,510,018	25,272,420	(1,237,598)
Federal Sources	420,542	408,170	383,992	(24,178)
Total Revenues	<u>34,116,301</u>	<u>32,436,768</u>	<u>31,317,803</u>	<u>(1,118,965)</u>
EXPENDITURES				
Current:				
Administration	1,416,710	1,552,436	1,622,645	70,209
District Support Services	1,786,600	1,500,534	1,474,636	(25,898)
Elementary and Secondary Regular Instruction	12,222,717	12,275,711	11,654,383	(621,328)
Vocational Education Instruction	394,720	411,207	369,093	(42,114)
Special Education Instruction	7,820,683	6,704,095	6,201,126	(502,969)
Community Ed	17,195	-	-	-
Instructional Support Services	2,110,812	1,751,071	1,562,093	(188,978)
Pupil Support Services	2,975,846	3,157,877	3,107,902	(49,975)
Sites and Buildings	3,304,047	2,816,981	2,747,131	(69,850)
Fiscal and Other Fixed Cost Programs	239,377	268,727	252,010	(16,717)
Capital Outlay	1,536,893	244,547	719,141	474,594
Debt Service:				
Principal	580,838	622,110	527,228	(94,882)
Interest and Fiscal Charges	73,792	169,024	99,191	(69,833)
Total Expenditures	<u>34,480,230</u>	<u>31,474,320</u>	<u>30,336,579</u>	<u>(1,137,741)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(363,929)	962,448	981,224	18,776
OTHER FINANCING SOURCES				
Proceeds from Sale of Equipment	27,770	1,560	1,560	-
Insurance Recovery Proceeds	88,903	-	90,667	90,667
Capital Lease Proceeds	289,318	-	263,836	263,836
Transfers Out	1	-	(124,253)	(124,253)
Total Other Financing Sources	<u>405,992</u>	<u>1,560</u>	<u>231,810</u>	<u>230,250</u>
Net Change in Fund Balance	<u>\$ 42,063</u>	<u>\$ 964,008</u>	1,213,034	<u>\$ 249,026</u>
FUND BALANCE				
Beginning of Year			2,484,667	
Change in Accounting Principle			324,946	
Beginning of Year, As Restated			<u>2,809,613</u>	
End of Year			<u>\$ 4,022,647</u>	

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
MAJOR FOOD SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
REVENUES				
Local Sources:				
Other - Primarily Meal Sales	\$ 947,629	\$ 594,302	\$ 586,945	\$ (7,357)
State Sources	77,372	71,300	69,958	(1,342)
Federal Sources	579,286	730,000	723,547	(6,453)
Total Revenues	<u>1,604,287</u>	<u>1,395,602</u>	<u>1,380,450</u>	<u>(15,152)</u>
EXPENDITURES				
Current:				
Food Service	<u>1,578,528</u>	<u>1,406,050</u>	<u>1,359,985</u>	<u>(46,065)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	25,759	(10,448)	20,465	30,913
OTHER FINANCING SOURCES (USES)				
Transfer in	<u>-</u>	<u>-</u>	<u>12,913</u>	<u>12,913</u>
Net Change in Fund Balance	<u>\$ 25,759</u>	<u>\$ (10,448)</u>	<u>33,378</u>	<u>\$ 43,826</u>
FUND BALANCE				
Beginning of Year			<u>68,542</u>	
End of Year			<u>\$ 101,920</u>	

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
MAJOR COMMUNITY SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
REVENUES				
Local Sources:				
Property Taxes	\$ 227,009	\$ 222,640	\$ 219,559	\$ (3,081)
Other - Primarily Tuition and Fees	1,030,273	894,004	968,208	74,204
State Sources	325,901	282,635	300,324	17,689
Total Revenues	<u>1,583,183</u>	<u>1,399,279</u>	<u>1,488,091</u>	<u>88,812</u>
EXPENDITURES				
Current:				
Community Service	<u>1,595,605</u>	<u>1,550,163</u>	<u>1,651,205</u>	<u>101,042</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(12,422)	(150,884)	(163,114)	(12,230)
OTHER FINANCING SOURCES				
Transfer in	<u>-</u>	<u>-</u>	<u>111,340</u>	<u>111,340</u>
Net Change in Fund Balance	<u>\$ (12,422)</u>	<u>\$ (150,884)</u>	<u>(51,774)</u>	<u>\$ 99,110</u>
FUND BALANCE				
Beginning of Year			110,139	
End of Year			<u>\$ 58,365</u>	

NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
PROPRIETARY FUND
INTERNAL SERVICE FUND
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities
	Internal Service Funds
ASSETS	
Current Assets:	
Cash and Investments	\$ 570,324
LIABILITIES	
Current Liabilities:	
Accounts Payable:	
Claims Payable for Dental Benefits	28,318
NET POSITION	
Unrestricted	\$ 542,006

NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
PROPRIETARY FUND
INTERNAL SERVICE FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
YEAR ENDED JUNE 30, 2020

	Governmental Activities
	Internal Service Funds
OPERATING REVENUES	
Charges for Services	\$ 268,497
OPERATING EXPENSES	
Dental Claims	200,989
Operating Income	67,508
Total Net Position - Beginning of Year	474,498
Total Net Position - End of Year	\$ 542,006

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
PROPRIETARY FUND
INTERNAL SERVICE FUND
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020**

	Governmental Activities
	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Interfund Services Provided	\$ 268,497
Payments for Dental Fees and Insurance Claims	(190,271)
Net Cash Provided (Used) by Operating Activities	78,226
 Cash and Cash Equivalents - Beginning of Year	 492,098
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 570,324
 RECONCILIATION OF OPERATING INCOME TO NET	
Operating Income	\$ 67,508
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Decrease in Claims Payable	10,718
Net Cash Provided by Operating Activities	\$ 78,226

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2020**

	<u>Postemployment Benefits Irrevocable Trust Fund</u>
ASSETS	
Cash and Deposits	\$ 254,724
Investments:	
Equities	1,274,860
Fixed Income	1,158,173
Alternative Investments	325,200
Real Assets	<u>199,458</u>
Total Assets	<u>3,212,415</u>
LIABILITIES	
Due to Other Funds	<u>128,275</u>
NET POSITION	
Restricted for Postemployment Benefits Other Than Pensions	<u><u>\$ 3,084,140</u></u>

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2020**

	<u>Postemployment Benefits Irrevocable Trust Fund</u>
ADDITIONS	
Investment Income:	
Net Increase in Fair Value of Investments	\$ 134,943
Interest and Dividends	27,074
Less: Investment Expense	<u>(20,999)</u>
Total Additions	141,018
DEDUCTIONS	
Benefit Payments	128,274
Administrative Expense	<u>43,176</u>
Total Deductions	<u>171,450</u>
Change in Net Position	(30,432)
Net Position - Beginning of Year	<u>3,114,572</u>
Net Position - End of Year	<u><u>\$ 3,084,140</u></u>

NOTES TO BASIC FINANCIAL STATEMENTS

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Independent School District No. 138 (the District) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) 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. This financial report has been prepared in conformity with GASB Statement No. 34.

B. Financial Reporting Entity

The District is an instrumentality of the State of Minnesota established to function as an educational institution. The elected School Board (Board) is responsible for legislative and fiscal control of the District. A Superintendent is appointed by the Board and is responsible for administrative control of the District.

GAAP require that the District's financial statements include all funds, departments, agencies, boards, commissions, and other organizations which are not legally separated from the District. In addition, the District's financial statements are to include all component units - entities for which the District is financially accountable.

Financial accountability includes such aspects as appointing a voting majority of the organization's governing body, significantly influencing the programs, projects, activities or level of services performed or provided by the organization or receiving specific financial benefits from, or imposing specific financial burden on, the organization. There are no other entities for which the District is financially accountable.

C. Basic Financial Statement Presentation

The District-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. The Fiduciary Funds are only reported in the Statement of Fiduciary Net Position at the Fund Financial Statement level.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments 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 items not properly included among program revenues are reported instead as general revenues.

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statement Presentation (Continued)

The District applies restricted resources first when an expense is incurred for purpose for which both restricted and unrestricted net position are available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. Generally, the effect of material interfund activity has been removed from the District-wide financial statements.

Separate fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The fiduciary fund, employee benefit trust fund, is presented in the fiduciary fund financial statements. Since by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, this fund is excluded from the District-wide statements.

The Internal Service Fund is presented in the proprietary fund financial statements. Because the principal users of the internal services are the District's governmental activities, the financial statement of the Internal Service Fund is consolidated into the governmental column when presented in the District-wide financial statements. The cost of these services is reported in the appropriate functional activity.

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

The fiduciary fund, employee benefit trust fund, is presented in the fiduciary fund financial statements. Since by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, this fund is excluded from the District-wide statements.

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amounts 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.

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting

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

1. Revenue Recognition

Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to Minnesota Statutes and GAAP. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition, and other miscellaneous revenue (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.

2. Recording of Expenditures

Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used. Principal and interest on long-term debt issues are recognized on their due dates.

Description of Funds

The existence of the various District funds has been established by the State of Minnesota, Department of Education. The accounts of the district are organized on the basis of funds, each of which is considered a separate accounting entity. A description of the funds included in this report is 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, health and safety projects, and disabled accessibility projects.

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Major Governmental Funds (Continued)

Food Service Special Revenue Fund

The Food Service Fund is used to account for food service revenues and expenditures. Revenues for the Food Service Fund are generated from user fees, federal reimbursements and state aids.

Community Service Special Revenue Fund

The Community Service Fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs, K-6 extended day programs or other similar services. Revenues for the Community Service Fund are generated primarily from user fees, local property taxes and state credits.

Capital Projects

The Capital Projects Fund is used to account for financial resources restricted, committed, or assigned to be used for the acquisition or construction of major capital facilities. The Fund was established for building construction activity authorized by specific voter-approved bond issues.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and payment of, general long-term obligation bond principal, interest, and related costs. The regular debt service account is used for all general obligation bond and energy conservation loan debt service.

Proprietary Fund

Internal Service Fund

The Internal Service Fund accounts for financing of services provided by one department to other departments of the District on a cost-reimbursement basis. The District's Internal Service Fund includes its self-insured dental insurance plan for its employees.

Fiduciary Fund

Postemployment Benefits Irrevocable Trust Fund

This trust fund is used for reporting resources set aside and held in an irrevocable trust arrangement for postemployment benefits. District contributions to this fund must be expensed to an operating fund.

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgeting

Budgets presented in this report for comparison to actual amounts are presented in accordance with GAAP. Each June, the Board adopts an annual budget for the following fiscal year for the General, Food Service, Community Service and Debt Service Funds. The approved budget is published in summary form in the District's legal newspaper. Reported budget amounts represent the amended budget as adopted by the Board. Legal budgetary control is at the fund level.

Procedurally, in establishing the budgetary data reflected in these financial statements, the Superintendent submits to the Board prior to July 1, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means to finance them. The budget is legally enacted by Board action. Revisions to budgeted amounts must be approved by the Board.

Total fund expenditures in excess of the budget require approval of the Board. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at line item levels.

Budget provisions for the Debt Service Fund are set by state law governing required debt service levels.

At the end of each fiscal year, if the General Fund has a net unassigned deficit fund balance, calculated in accordance with the uniform financial accounting and reporting standards for Minnesota school districts which excludes certain restricted balances specified in Minnesota Statutes, exceeding 2.5% of expenditures, a condition referred to as "statutory operating debt" exists. That debt requires retirement through the accumulation of subsequent operating surpluses in accordance with a "special operating plan" approved by the Commissioner of the Department of Education.

F. Cash and Investments

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

Money market investments are short-term, highly liquid debt instruments including commercial paper, banker's acceptances, and U.S. Treasury and agency obligations.

G. Accounts Receivable

Represents amounts receivable from individuals, firms, and corporations for goods and services furnished by the District. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary.

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Inventories

Inventories are recorded using the consumption method of accounting and consist of purchased food, supplies, transportation fuel, 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, and surplus commodities are stated at standardized cost, as determined by the Department of Agriculture.

I. Prepaid Items

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

J. Property Taxes

Property tax levies are established by the Board in December each year and are certified to the County for collection the following calendar year. In Minnesota, counties act as collection agents for all property taxes and are responsible for spreading all levies over taxable property. Such taxes become a lien on January 1. Taxes are generally due on May 15 and October 15 and counties generally remit taxes to Districts at periodic intervals as they are collected. A portion of property taxes levied is paid through state credits which are included in revenue from state sources in the financial statements.

Generally, tax revenue is recognized in the fiscal year ending June 30, following the calendar year in which the tax levy is collectible, while the current calendar year tax levy is recorded as deferred revenue (property taxes levied for subsequent year). The majority of District revenue in the General Fund (and to a lesser extent in the District's Community Service Special Revenue Fund) is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between taxes and state aids by the Legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift."

In accordance with state law, the current tax shift consists of an amount equal to 31% of the District's 2000 Pay 2001 operating referendum levy (frozen at \$124,195) for the District.

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Property Taxes (Continued)

Taxes that 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 unavailable because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material. Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the state which will be recognized as revenue in the next fiscal year beginning July 1, 2020, are included in Property Taxes Levied for Subsequent Year to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

K. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their acquisition value at the date of donation. The District maintains a threshold level of \$2,500 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 statement, 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 purpose by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment.

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.

L. Deferred Outflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period. The District will not recognize the related outflow until a future event occurs.

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. 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 effective interest 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.

N. Accrued Employee Benefits

Sick Pay

Substantially all district employees are entitled to sick leave at various rates. Unused sick leave is a factor in the calculation of an employee's severance pay upon retirement.

Severance and Health Benefits

Severance and health benefits consist of lump sum early retirement incentive payments and post-employment health care benefits. Accounting policies for severance and health benefits are described below.

1. Early Retirement Incentive and Convertible Sick Leave

The District maintains various early retirement incentive payment plans for its employee groups. Each employee group plan contains benefit formulas based on years of service and/or minimum age requirements. No employee can receive early retirement incentive payments exceeding one year's salary. In addition, certain bargaining unit members are eligible to be compensated for unused accumulated sick leave upon termination subject to certain conditions. If early retirement incentive or convertible sick leave payments are owed at year-end, an accrual is made in the governmental fund incurring the liability. The amount of early retirement incentive payment that is based on years of service is not considered vested or recorded as long-term until actual turnover occurs. The amount of early retirement incentive payment that is based on convertible sick leave is recorded as a liability in the long-term debt as it is earned and when it becomes probable that it will vest at some point in the future.

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Accrued Employee Benefits (Continued)

Severance and Health Benefits (Continued)

The District provides a longevity benefit to its principal employee group which begins with 10 or more years of administrative experience with the District. Beginning with the school year in which an administrator reaches the age of 40, the principal is entitled to payment of unused sick leave up to specified maximums. The percentage of unused sick leave that a principal is entitled to payment for increases incrementally from age 40 up to age 55, at which point the principal is entitled to 100% of the specified maximum. The maximum benefit is equal to the administrator's annual salary and is payable in two equal installments upon separation from the District. If early retirement incentive and administrator longevity benefits are owed at year-end based on an event which has occurred prior to year-end, an accrual is made in the governmental fund incurring the liability. The long-term portion of early retirement incentive and administrator experience benefits are recognized as part of severance and health benefits payable. Most of these benefits have been sunset in employment agreements.

2. Postemployment Health Care Benefits

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

O. Deferred Inflows of Resources

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow or resources (revenue) until that time.

P. Unearned Revenue

Unearned revenues are those in which resources are received by the District before it has a legal claim to them. The District has reported unearned revenues for the school lunch deposits, charges for services and unearned grant revenue.

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. 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 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. 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.

R. Statement of Cash Flows

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments with an original maturity from the time of purchase by the District of three months or less to be cash equivalents. The Proprietary Fund's equity in the District-wide cash and investment management pool is considered to be cash equivalents.

S. Fund Balance

In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned, and unassigned fund balances. Nonspendable portions of fund balance are related to prepaids, inventories, long-term receivables, and corpus on any permanent fund. Restricted funds are constrained from outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Education.

The Board of Education passed a resolution authorizing the Superintendent and Director of Business and Human Resources to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the District's policy to use restricted first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned, and unassigned amounts are available, it is the District's policy to use committed first, then assigned, and finally unassigned amounts.

It is also the District's policy to strive to maintain a minimum unassigned fund balance of the General Fund equal to 10% of expenditures. The District considers a balance of less than 5% to be cause for concern, barring unusual or deliberate circumstances. If unassigned fund balance is projected to fall below 5%, the Superintendent will develop a recommendation to the Board to address fund balance as part of the annual budget process.

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Net Position

Net position represents the difference between assets and deferred inflows of resources and liabilities and deferred outflows of resources in the District-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulation depreciation, reduced by the outstanding balance (less any unspent bond proceeds) of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the District-wide financial statement when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY

A. Excess of Expenditures Over Budget

Expenditures exceeded budgeted amounts in the following funds at June 30, 2020:

	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
Special Revenue Fund:			
Community Service Fund	\$ 1,550,163	\$ 1,651,205	\$ 101,042

The overages were considered by District management to be the result of necessary expenditures critical to operations and were approved by the Board.

B. Interfund Transfers

Interfund transfers at June 30, 2020 consisted of the following:

<u>Transfer Out:</u>	<u>Transfer In: General Fund</u>	<u>Reason for Transfer</u>
Food Service Fund	\$ 12,913	Food costs to provide meals to families and transportation costs to distribute the food
Community Service Fund	111,340	Providing childcare for essential workers, busing for childcare
	<u>\$ 124,253</u>	

C. Interfund Due To and Due From

The OPEB debt service fund has an interfund liability at June 30, 2020 in the amount of \$128,275 that is payable to the general fund for postemployment benefits.

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 DEPOSITS AND INVESTMENTS

A. Deposits

The District maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the Statement of Net Position and the balance sheet as "Cash and Investments." In accordance with Minnesota Statutes, the District maintains deposits at financial institutions which are authorized by the School District's Board.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits. Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds. Authorized collateral include: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letter of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust departments of a commercial bank or other financial institution not owned or controlled by the depository.

The District's deposits in various banks at June 30, 2020 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

B. Investments

With the exception of the fiduciary funds held in the District's Other Postemployment Benefit Trust account discussed in Note 3, C, the District may invest its idle funds as authorized by Minnesota Statutes as follows:

- Direct obligations or obligations guaranteed by the United States or its agencies
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less
- General obligations rated "A" or better; revenue obligations rated "AA" or better
- General obligations of the Minnesota Housing Finance Agency rate "A" or better
- Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

- Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by a least two nationally recognized rating agencies, and maturing in 270 days or less
- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories
- Repurchase or reverse purchase agreement and securities lending agreements financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers

At June 30, 2020, the District had the following investments:

	Amount
MN Trust Investment Shares	\$ 5,934,497
Negotiable Certificates of Deposit	200,925
Government Agency	551,948
OPEB Trust	
Money Markets	254,346
Federal Agency	553,197
Corporate Bonds	604,976
Equities	1,274,860
Alternative Investments	524,658
Total Investments	\$ 9,899,407

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities to meet cash requirements for ongoing operations. Information about the sensitivity of the fair values of the District’s investments to market interest rate risk fluctuations is provided by the following table that shows the distribution of the District’s investments by maturity:

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Type	Total	12 Months or Less	13 to 24 Months	25 to 60 Months
Negotiable Certificates of Deposit	\$ 200,925	\$ 200,925	\$ -	\$ -
Government Agency	6,486,445	6,486,445	-	-
OPEB Trust				
Money Markets	254,346	254,346	-	-
Government Obligations	553,197	50,344	184,344	318,509
Corporate Bonds	604,976	20,375	150,279	434,322
Equities	1,274,860	1,274,860	-	-
Alternative Investments	524,658	524,658	-	-
Total	<u>\$ 9,899,407</u>	<u>\$ 8,811,953</u>	<u>\$ 334,623</u>	<u>\$ 752,831</u>

Credit Risk – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The following chart summarizes year-end ratings for the District’s investments as rated by Moody’s Investors Service:

Type	Credit Quality Rating	Amount
MN Trust Investment Shares	AAA	\$ 5,934,497
Negotiable Certificates of Deposit	NR	200,925
Government Agency	NR	551,948
OPEB Trust		
Money Markets	NR	254,346
Federal Agency	AA+	553,197
Corporate Bonds	AAA - BBB	604,976
Alternative Investments	NR	524,658
Equities	NR	1,274,860
Total		<u>\$ 9,899,407</u>

Concentration of Credit Risk – The District places no limit on the amount the District may invest in any one issuer. For the year ended June 30, 2020, none of the individual investments held by the District were over the 5% threshold.

The deposits and investments made up of the following:

Deposits	\$ 10,133,943
OPEB Trust Deposits	378
Investments	6,687,370
OPEB Trust Investments	3,212,037
Total Cash and Investments	<u>\$ 20,033,728</u>

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

The deposits and investments are presented in the financial statements as follows:

Cash and Investments - Statement of Net Position	\$ 16,821,313
Cash and Investments - Statement of Fiduciary Fund Net Position	3,212,415
Total Cash and Investments	\$ 20,033,728

C. Other Postemployment Benefit Trust Account

Fiduciary Funds held in the District's Other Postemployment Benefit Trust account may be invested as authorized by Minnesota Statutes Chapter 356A. The District has further restricted and defined its authorized statute investment parameters within an OPEB Trust investment policy statement as follows:

Following is a list of the permissible assets for the OPEB Trust portfolio:

- *Securities of the U.S. government, its agencies and/or Instrumentality*
- Commercial Paper; Domestic and Eurodollar
- Corporate Notes/Bonds; Domestic and International
- Asset-Backed Securities
- Certificates of Deposit
- Tax-Exempt and Taxable Municipal bonds
- Mortgage-backed securities (U.S. government-backed)
- Domestic Equities traded on a major exchange
- International Equities traded on a U.S. exchange (ADRs)
- Open-ended mutual funds that invest substantially all their assets in the asset classes listed above, such as: money market funds, domestic and foreign equity and fixed income funds
- Alternative funds that employ nontraditional strategies

Asset Allocation

The long-term financial requirements and prudent diversification implies a balanced investment approach. The target asset class allocation and ranges are as follows:

	Allowable Ranges	Approximate Allocation as of 6/30/2020	
Equities	25% - 45%	\$ 1,274,860	39.69%
Fixed Income	25% - 45%	1,158,173	36.06%
Cash Equivalents	N/A	254,346	7.92%
Other	N/A	524,658	16.33%
Total Investments		\$ 3,212,037	

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

D. Fair Value Measurements

The District uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The District follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the District has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

- Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.
- Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.
- Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity’s own assumptions about the assumptions market participants and would use in pricing the asset.

Assets measured at fair value on a recurring basis:

Type	Level 1	Level 2	Level 3	Total
Government/Agency Obligations	\$ 551,948	\$ -	\$ -	\$ 551,948
Corporate Bonds	604,976	-	-	604,976
Federal Agency	553,197	-	-	553,197
Equity Securities	1,274,860	-	-	1,274,860
Alternative Investments	336,060	188,598	-	524,658
CD's	-	200,925	-	200,925
Total	<u>\$ 3,321,041</u>	<u>\$ 389,523</u>	<u>\$ -</u>	<u>\$ 3,710,564</u>

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 509,000	\$ -	\$ -	\$ 509,000
Construction in Progress	43,197,046	21,498,673	(44,095,424)	20,600,295
Total Capital Assets, Not Being Depreciated	43,706,046	21,498,673	(44,095,424)	21,109,295
Capital Assets, Being Depreciated:				
Land Improvements	5,272,220	5,204,397	-	10,476,617
Buildings and Improvements	63,846,398	35,591,978	-	99,438,376
Equipment	13,195,692	4,108,835	(261,827)	17,042,700
Total Capital Assets, Being Depreciated	82,314,310	44,905,210	(261,827)	126,957,693
Accumulated Depreciation for:				
Land Improvements	(3,691,944)	(422,341)	-	(4,114,285)
Buildings and Improvements	(32,629,439)	(3,249,143)	-	(35,878,582)
Equipment	(8,250,142)	(1,277,008)	234,397	(9,292,753)
Total Accumulated Depreciation	(44,571,525)	(4,948,492)	234,397	(49,285,620)
Total Capital Assets, Being Depreciated, Net	37,742,785	39,956,718	(27,430)	77,672,073
Governmental Activities Capital Assets, Net	<u>\$ 81,448,831</u>	<u>\$ 61,455,391</u>	<u>\$ (44,122,854)</u>	<u>\$ 98,781,368</u>

Depreciation expense was charged to functions of the District as follows:

Governmental Activities	
Administration	\$ 695
District Support Services	66,844
Regular Instruction	2,126,462
Vocational Education Instruction	1,546
Special Education Instruction	1,489
Instructional Support Services	73,087
Pupil Support Services	215,706
Sites and Buildings	2,461,728
Community Service	935
Total Depreciation Expense, Governmental Activities	<u>\$ 4,948,492</u>

NOTE 5 LONG-TERM LIABILITIES

The District has issued general obligation school building bonds and has obtained construction loans from the state of Minnesota to finance the construction of capital facilities or to refinance previous bond issues. Assets of the Debt Service Fund, together with scheduled future tax levies are dedicated for the retirement of these bonds and loans. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

A. Components of Long-Term Debt

Issue Date	Net Interest Rate	Original Issue	Final Maturity	Principal Outstanding	
				Due Within One Year	Total
5/1/2012	4.00% - 5.00%	\$ 15,380,000	2/1/2022	\$ 1,675,000	\$ 3,230,000
11/16/2016	2.00% - 2.25%	1,770,000	2/1/2031	120,000	1,435,000
11/9/2017	2.00% - 3.25%	67,590,000	2/1/2043	130,000	67,590,000
11/9/2017	1.79% - 2.64%	2,260,000	2/1/2025	360,000	1,905,000
7/19/2018	3.00%	6,385,000	2/1/2029	575,000	5,825,000
Total General Obligation Bonds				2,860,000	79,985,000
Bond Premium - Net				-	3,777,103
Lease Purchase Obligations:					
Building Improvements				120,219	449,662
Scoreboard Lease				48,585	217,249
Loeffler Lease				65,367	174,078
Chromebook Lease				103,031	103,031
All Lines Lease				72,983	72,983
Staff Laptop Lease				13,607	27,213
K2 Capital Group Lease				70,465	145,365
Total Leases Purchase Obligations				494,257	1,189,581
Compensated Absences Payable				206,016	1,305,893
				<u>\$ 3,560,273</u>	<u>\$ 86,257,577</u>

B. Minimum Debt Payments

Minimum annual principal and interest payments required to retire long-term debt are as follows:

Year Ending June 30,	General Obligation Bonds Payable		Capital Lease Payable	
	Principal	Interest	Principal	Interest
2021	\$ 2,860,000	\$ 2,842,818	\$ 494,257	\$ 64,859
2022	2,970,000	2,729,618	338,347	40,107
2023	3,080,000	2,616,928	227,286	18,591
2024	3,210,000	2,488,798	129,691	6,342
2025	3,345,000	2,354,159	-	-
2026 - 2030	16,745,000	9,594,933	-	-
2031 - 2035	16,275,000	6,469,682	-	-
2036 - 2040	18,765,000	3,839,332	-	-
2041 - 2043	12,735,000	830,346	-	-
Total	<u>\$ 79,985,000</u>	<u>\$ 33,766,614</u>	<u>\$ 1,189,581</u>	<u>\$ 129,899</u>

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

C. Description of Long-Term Debt

1. General Obligation School Building Bonds

These bonds were issued to finance acquisition and/or construction/improvement of capital facilities. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies are dedicated for the retirement of these bonds. Total deferred tax levies available to retire bond principal and interest payable at June 30, 2020 are \$129,087,687. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota Statute.

On November 9, 2017, the District issued \$67,590,000 in General Obligation School Building Bonds, Series 2017A. These bonds were issued to provide finance for the acquisition and betterment of school sites and facilities. The interest rate on the bond is 2.00% to 3.25% and will mature in 2043.

2. General Obligation Refunding Bonds

On May 1, 2012, the District issued \$15,380,000 General Obligation Refunding Bonds, Series 2012A to refund (in 2014) the 2003A General Obligation School Building Bond and 2004A General Obligation School Building Bond, dated May 8, 2003 and April 14, 2004. The interest rates on the new bonds range from 4.00% to 5.00%.

3. General Obligation Taxable OPEB Bonds

On November 9, 2017, the District issued \$2,260,000 General Obligation OPEB Refunding Bonds, Series 2017B to refund the General Obligation Taxable OPEB Bond, Series 2009A. The interest rates on the new bonds range from 1.79% to 2.64%, compared with rates of 2.00% to 5.25% on the 2009A Bonds.

4. General Obligation Capital Facilities Bonds

On November 16, 2016, the District issued \$1,770,000 General Obligation Capital Facilities Bonds, Series 2016A. These bonds were issued to finance the acquisition and installation of energy efficient equipment and energy improvements across the District's existing facilities. Repayment of the principal will be in fifteen annual installments, plus variable interest at 2.00% to 2.25%.

5. General Obligation Facilities Maintenance Bonds

On July 19, 2018, the District issued \$6,385,000 General Obligation Facilities Maintenance Bonds, Series 2018A. These bonds were issued to fund the acquisition and betterment of projects included in the District's ten-year facility plan. Repayment of the principal will be in 10 annual installments, plus interest at 3.00%.

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

C. Description of Long-Term Debt (Continued)

6. Capital Leases

On September 30, 2008, the District entered into a lease agreement for building improvements. The new lease qualified as a capital lease under GAAP. The initial lease is in the amount of \$1,403,094. The lease requires semiannual payments of \$71,197 for 15 years. Total accumulated depreciation as of the fiscal year ended June 30, 2020 was \$308,681.

On August 1, 2015, the District entered into a lease agreement for a scoreboard. The initial lease of the scoreboard is in the amount of \$216,117 which requires 49 monthly payments of \$3,889. Total accumulated depreciation as of the fiscal year ended June 30, 2020 was \$216,117.

On December 1, 2017, the District entered into a lease purchase agreement with Loffler for copier and printer equipment. The initial lease was in the amount of \$315,787 bearing interest at 8.26%. The lease requires monthly payments of \$6,442 for five years. Total accumulated depreciation as of the fiscal year ended June 30, 2020 was \$189,472.

On July 26, 2018, the District entered into a lease purchase agreement with U.S. Bank Equipment Finance for additional Chromebooks. The initial lease is in the amount of \$308,158 bearing interest of 4.4%. The lease requires three annual payments of \$107,675. Total accumulated depreciation as of the fiscal year ended June 30, 2020 was \$205,439.

On November 11, 2018, the District entered into a lease purchase agreement with Lease Finance Group, Inc. for a scoreboard. The initial lease is in the amount of \$327,286 bearing interest at 7.5%. The lease requires annual payments of \$64,833 for six years. Total accumulated depreciation as of the fiscal year ended June 30, 2020 was \$109,095.

On April 10, 2019, the District entered into a lease with All-Lines Leasing for cleaning equipment. The initial lease is in the amount of \$218,949. The lease requires annual payments of \$72,983 for three years and carries no interest. Total accumulated depreciation as of the fiscal year ended June 30, 2020 was \$145,967.

On May 10, 2019, the District entered into a lease with K2 Capital Group for equipment. The initial lease is in the amount of \$223,016. The lease requires annual payments of \$79,615 for three years and carries an interest rate of 6.12%. Total accumulated depreciation as of the fiscal year ended June 30, 2020 was \$74,339.

**NORTH BRANCH PUBLIC SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

C. Description of Long-Term Debt (Continued)

6. Capital Leases (Continued)

On June 20, 2020, the District entered into a lease with Hewlett-Packard Financial Services Company for staff laptops. The initial lease is in the amount of \$40,820. The lease requires annual payments of \$13,607 for three years and carries no interest. Total accumulated depreciation as of the fiscal year ended June 30, 2020 was \$13,607.

The assets acquired through the capital lease are as follows:

Buildings and Improvements	\$ 1,403,094
Leased Equipment	1,650,134
Less: Accumulated Depreciation	<u>(1,262,717)</u>
Total	<u><u>\$ 1,790,511</u></u>

D. Changes in Long-Term Debt

	June 30, 2019	Additions	Retirements	June 30, 2020
Bonds Payable	\$ 83,210,000	\$ -	\$ 3,225,000	\$ 79,985,000
Bond Premium	4,204,893	-	427,790	3,777,103
Lease Purchase Obligations	1,452,973	263,836	527,228	1,189,581
Compensated Absences Payable - Net	1,557,672	-	251,779	1,305,893
Total	<u><u>\$ 90,425,538</u></u>	<u><u>\$ 263,836</u></u>	<u><u>\$ 4,431,797</u></u>	<u><u>\$ 86,257,577</u></u>

NOTE 6 RESTRICTED, COMMITTED, AND ASSIGNED FUND BALANCE

Certain portions of fund balance 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. In addition, certain portions of fund balance have been committed and assigned by the District for specific purposes.

A. Restricted for Staff Development

In accordance with state statute, represents available resources dedicated exclusively for staff development.

B. Restricted for Student Activities

Represents available resources to be used for extracurricular activity funds raised by students.

**NORTH BRANCH PUBLIC SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6 RESTRICTED, COMMITTED, AND ASSIGNED FUND BALANCE (CONTINUED)

C. Restricted for Scholarships

The fund balance restriction represents accumulated resources available to provide scholarships for students.

D. Restricted for Capital Projects Levy

Represents tax levies to be used for capital projects.

E. Restricted for Operating Capital

Represents tax levies and state aid in the General Fund to be used for purchase of equipment and facilities.

F. Restricted for Safe Schools

Represents resources available from the safe schools levy to be used for providing a safe environment within the District.

G. Restricted for Early Childhood and Family Education Programs

This fund balance restriction represents accumulated resources available to provide services for early childhood and family education programming.

H. Restricted for Basic Skills Ext Time

Represents resources to be used for extended time activities according to state statute.

I. Restricted for Long-Term Facilities Maintenance (LTFM)

This restriction represents available resources to be used for LTFM projects in accordance with the 10 year capital plan.

J. Restricted for Medical Assistance

Represents available resources to be used for Medical Assistance expenditures.

K. Restricted for Other Purposes

Restricted for other purposes represents amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

**NORTH BRANCH PUBLIC SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6 RESTRICTED, COMMITTED, AND ASSIGNED FUND BALANCE (CONTINUED)

L. Committed for Separation/Retirement Benefits

This commitment represents resources segregated by the District for the payment of retirement benefits.

M. Assigned for Q-Comp

This assignment represents resources from aid and levy revenue to support expenditures for the Quality Compensation program.

NOTE 7 PENSION PLANS

A. Plan Description

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

1. General Employees Retirement Plan (General Employees Plan)

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

2. Teachers Retirement Fund (TRA)

The Teacher's Retirement Association (TRA) is an administrator of a multiemployer, 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 Defined Contribution Plan (DCP) administered by the state of Minnesota.

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 7 PENSION PLANS (CONTINUED)

B. Benefits Provided

PERA and TRA provide 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.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants.

1. General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% of average salary for each of the first 10 years of service, and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% 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% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. 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.

2. TRA Benefits

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.

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 7 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefits (Continued)

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 I	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 of Service 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 Services Years are July 1, 2006 or After	1.9% per Year

With these provisions:

- (a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- (b) 3.0% per year early retirement reduction factor for all years under normal retirement age.
- (c) Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

or,

Tier II Benefits

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

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

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 7 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefits (Continued)

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.

C. Contributions

1. General Employees Plan Contributions

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 6.5% of their annual covered salary in fiscal year 2020. The District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the General Employees Plan for the Plan's fiscal year ended June 30, 2020, were \$375,509. The District's contributions were equal to the required contributions for each year as set by state statute.

2. TRA Contributions

Per Minnesota Statutes, Chapter 354 rates for the fiscal year for coordinated were 7.50% for the employee and 7.92% for the employer. Basic rates were 11.00% for the employee and 11.92% for the employer. The District's contributions to TRA for the plan's fiscal year ended June 30, 2020, were \$960,875. The District's contributions were equal to the required contributions for each year as set by state statute.

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 7 PENSION PLANS (CONTINUED)

D. Pension Costs

1. General Employees Plan Pension Costs

At June 30, 2020, the District reported a liability of \$4,146,582 for its proportionate share of the General Employees Plan'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 nonemployer contributing District 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 \$128,828, for a total net pension liability of \$4,275,410 associated with the District. 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 .075% which was a decrease of .0155% from its proportionate share measured as of June 30, 2018.

There were no provision changes during the measurement period.

For the year ended June 30, 2020, the District recognized pension expense of \$230,144 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional \$9,648 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At June 30, 2020, the District reported its proportionate share of General Employees Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual	\$ 114,916	\$ -
Changes in Actuarial Assumptions	-	325,924
Net Difference Between Projected and Actual	-	420,305
Changes in Proportion	-	829,156
District Contributions Subsequent to the	375,509	-
Total	<u>\$ 490,425</u>	<u>\$ 1,575,385</u>

**NORTH BRANCH PUBLIC SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 7 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Plan Pension Costs (Continued)

\$375,509 reported as deferred outflows of resources related to pensions resulting from District contributions to General Employees Plan 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 General Employees Plan pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Pension Expense Amount</u>
2021	\$ (519,790)
2022	(623,214)
2023	(324,146)
2024	6,681

2. TRA Pension Costs

At June 30, 2020, the District reported a liability of \$14,666,622 for its proportionate share of TRA's 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 .2301% at the end of the measurement period and .2430% for the beginning of the period.

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:

<u>Description</u>	<u>Amount</u>
District's Proportionate Share of the TRA Net	\$ 14,666,622
State's Proportionate Share of TRA's Net	
Pension Liability Associated with the District	1,298,143
Total	<u>\$ 15,964,765</u>

**NORTH BRANCH PUBLIC SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 7 PENSION PLANS (CONTINUED)

C. Pension Costs (Continued)

2. TRA Pension Costs (Continued)

For the year ended June 30, 2020, the District recognized pension expense of \$2,207,878. It also recognized \$98,674 as a decrease to pension expense and negative grant revenue 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:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual	\$ 2,085	\$ 356,142
Changes in Actuarial Assumptions	12,342,580	19,457,178
Net Difference Between Projected and Actual	-	1,215,391
Changes in Proportion	-	2,163,700
District Contributions Subsequent to the	960,875	-
Total	<u>\$ 13,305,540</u>	<u>\$ 23,192,411</u>

\$960,875 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 will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2021	\$ 350,517
2022	(566,062)
2023	(6,022,617)
2024	(4,379,711)
2025	(229,873)

The District's total pension expense for all plans for the year ended June 30, 2020 was \$2,546,164.

**NORTH BRANCH PUBLIC SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 7 PENSION PLANS (CONTINUED)

E. Actuarial Assumptions

The total pension liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions:

Assumptions	PERA	TRA
Inflation	2.50%	2.50%
Salary Growth	3.25%	2.85% for 9 years and 3.25%, thereafter
Investment Rate of Return	7.50%	7.50%

PERA salary increases were based on a service-related table. PERA 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. PERA cost of living benefit increases for retirees are assumed to be 1.25% per year for the General Employees Plan.

TRA pre-retirement mortality rates were based on 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. Postretirement mortality rates were based on 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 projections uses the MP-2015 scale. Post-disability mortality rates were based on the RP-2014 disables retiree mortality table, without adjustment. TRA cost of living benefit increases 1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.

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:

General Employees Fund

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.

TRA

- There were no changes in actuarial assumptions for plan provisions for TRA in 2019.

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 7 PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

The State Board of Investment, which manages the investments of PERA and TRA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis 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 arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	36.0 %	5.10 %
International Stocks	17.0	5.90
Bonds (Fixed Income)	20.0	0.75
Alternative Assets (Private Markets)	25.0	5.90
Cash	2.0	-
Total	100 %	

F. Discount Rate

The discount rate used to measure the PERA General Employees Plan pension liability in 2019 was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at rates set in Minnesota statutes. Based on that assumption, each of the pension plan's fiduciary net position 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.

The discount rate used to measure the TRA pension liability was 7.5%. 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).

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 7 PENSION PLANS (CONTINUED)

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 one percentage point lower or one percentage point higher than the current discount rate:

Description	1% Decrease	Current Discount Rate	1% Increase in Discount Rate
<u>General Employees Plan Discount Rate</u>	6.50%	7.50%	8.50%
District's Proportionate Share of the General Employees Plan Net Pension Liability	\$ 6,816,758	\$ 4,146,582	\$ 1,941,821
<u>TRA Discount Rate</u>	6.50%	7.50%	8.50%
District's Proportionate Share of the TRA Net Pension Liability	\$ 23,382,182	\$ 14,666,622	\$ 7,480,772

H. Pension Plan Fiduciary Net Position

Detailed information about General Employees Plan's fiduciary's net position is available in a separately-issued PERA financial report. That report may be obtained on the Internet at www.mnpera.org.

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 #400, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-2409 or 1-800-657-3669.

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN

A. Plan Description

The District operates and administers a single-employer defined benefit plan (the Plan) that provides health and dental insurance to eligible employees and their spouses through the District's health insurance plan. There are 321 active participants, 3 spouse participants and 12 retired participants. Benefit and eligibility provisions are established through negotiations between the District and various unions representing District employees and are renegotiated each two-year bargaining period. The Plan does not issue a publicly available financial report. The Plan does not have a separate board other than the board of education.

**NORTH BRANCH PUBLIC SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

B. Funding Policy

District has assets in a qualified irrevocable trust which is included as a fiduciary fund in these financial statements. The District's investment policy is to follow state statutes as listed in Note 3. The District is assumed to make no future contributions to the trust. Benefit payments equal to the annual direct subsidy plus implicit subsidy are assumed to be made from the trust. Contribution requirements are negotiated between the District and union representatives. For fiscal year 2020, the District made no contributions to the plan. All current year benefits were paid from the District's OPEB Trust Fund.

C. Net OPEB Liability (Asset) of the District

The components of the net OPEB liability (asset) of the District at June 30, 2020, were as follows:

Total OPEB Liability	\$ 2,370,134
Plan Fiduciary Net Position	3,084,140
District's Net OPEB Liability (Asset)	<u>\$ (714,006)</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	130%

D. Actuarial Methods and Assumptions

The long-term expected rate of return on OPEB plan investments that are expected to be used to finance the payment of benefits, to the extent that (1) the OPEB plan's fiduciary net position is projected to be sufficient to make projected benefit payments and (2) OPEB plan assets are expected to be invested using a strategy to achieve that return, and a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale), to the extent that the conditions above are not met.

The District's net OPEB liability (asset) was measured as of June 30, 2020, and the total OPEB liability (asset) used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2018. Liabilities in this report were calculated as of the valuation date and rolled forward to the measurement date using standard actuarial roll-forward techniques.

The total OPEB liability was determined by an actuarial valuation as of July 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	3.00%
Investment Rate of Return	4.40%
Health Care Trend Rates	6.25% Decreasing to 5.00% Over 5 Years

**NORTH BRANCH PUBLIC SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

D. Actuarial Methods and Assumptions (Continued)

Mortality rates were based on the RP-2014 white collar mortality tables with projected mortality improvements based on scale MP-2017 generational improvement scale, and other adjustments.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of the Teacher Retirement Association of Minnesota actuarial experience study for the period July 1, 2008 to June 30, 2014.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage (or target allocation, if available) and by adding expected inflation (2.50%). Best estimates of geometric real and nominal rates of return for each major asset class included in the OPEB plan's asset allocation as of the measurement date are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Class Return</u>
Equities	35.20 %	- %
Fixed Income	35.30	-
Cash	19.00	-
Other	10.50	-
Total	<u>100.00 %</u>	
Net Assumed Investment Return (Weighted Avg, Rounded to 1/4%)		<u>4.40 %</u>

The discount rate used to measure the total OPEB liability was 3.80%. The projection of cash flows and OPEB trust assets used to determine the discount rate were based on recent employer contribution history and their stated funding policy. The OPEB trust's long-term assumed investment return was used to discount projected benefit payments for as long as projected trust assets are available to fund OPEB payments. Once projected trust assets are exhausted, the municipal bond index rate was applied to the remaining expected benefit payments.

The expected employer asset return is based on the long-term expected return on short-term/cash-equivalent assets using our capital market assumption model.

Since the most recent valuation, the following changes have been made:

- The discount rate was changed from 4.30% to 3.80%.
- The long-term expected return on assets was changed from 4.70% to 4.40%.

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

E. Changes in the Net OPEB Liability (Asset)

	Increase (Decrease)		
	Total	Plan Fiduciary	Net
	OPEB Liability	Net Position	OPEB Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2019	\$ 2,241,711	\$ 3,114,572	\$ (872,861)
Changes for the Year:			
Service Cost	105,290	-	105,290
Interest	98,193	-	98,193
Assumption Changes	53,215	-	53,215
Differences Between Expected and Actual Experience	-	(13,293)	13,293
Net Investment Return	-	137,042	(137,042)
Benefit Payments	(128,275)	(128,275)	-
Administrative Expense	-	(25,906)	25,906
Net Changes	<u>128,423</u>	<u>(30,432)</u>	<u>158,855</u>
Balances at June 30, 2020	<u>\$ 2,370,134</u>	<u>\$ 3,084,140</u>	<u>\$ (714,006)</u>

The following presents the net OPEB liability (asset) of the District, as well as what the District's net OPEB liability (asset) would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease (2.80%)	Discount Rate (3.80%)	1% Increase (4.80%)
Net OPEB Liability (Asset)	\$ (588,739)	\$ (714,006)	\$ (837,210)

The following presents the net OPEB liability (asset) of the District, as well as what the District's net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are 1% lower (5.50% decreasing to 4.00% over 6 years) or 1% higher (7.5% decreasing to 6.00% over 6 years) than the current healthcare cost trend rates:

	5.25% Decreasing to 4.00% Over 5 Years	6.25% Decreasing to 5.00% Over 5 Years	7.25% Decreasing to 6.00% Over 5 Years
Medical Trend Rate			
Net OPEB Liability (Asset)	\$ (834,864)	\$ (714,006)	\$ (574,807)

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

E. Changes in the Net OPEB Liability (Asset) (Continued)

For the year ended June 30, 2020, the District recognized OPEB expense of \$4,725. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Liability	\$ -	\$ 263,235
Change of Assumptions	45,612	17,004
Net Difference Between Projected and Actual Investment Earnings	-	41,679
Total	<u>\$ 45,612</u>	<u>\$ 321,918</u>

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

Year Ended June 30,	Future Recognition
2021	\$ (87,619)
2022	(56,067)
2023	(48,226)
2024	(46,535)
2025	(45,456)
Thereafter	7,597
Total	<u>\$ (276,306)</u>

NOTE 9 FLEXIBLE BENEFIT PLAN

The District has a flexible benefit plan which is classified as a “cafeteria 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 health care and dependent care benefits.

Before the beginning of the plan year, which is October 1 to September 30, 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 plan, whether or not such contributions have been made.

Payments of insurance premiums (health and dental) are made by the District directly to the designated insurance companies. These payments are made on a monthly basis and are accounted for in the General Fund.

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 9 FLEXIBLE BENEFIT PLAN (CONTINUED)

Amounts withheld for medical reimbursement and dependent care are held for the benefit of the flexible benefit plan. All assets of the plan are administered by an employee of the District. Payments are made by the District to participating employees upon submitting a request for reimbursement of eligible expenses incurred by the participant. The medical reimbursement and dependent care activity is included in the financial statements in the General Fund.

All plan property 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 health care and dependent care expenses incurred by the participants. The District believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

NOTE 10 DEFINED CONTRIBUTION PLAN

The District provides eligible employees future retirement benefits through the District's 403(b) Plan (the Plan). Employees of the District are eligible to participate in the Plan commencing on the date of their employment. Eligible employees may elect to have a percentage of their pay contributed to the Plan. Some employees are eligible to receive a District match of employee contributions up to the qualifying amounts set forth in their respective collective bargaining agreements. Contributions are invested in tax-deferred annuities selected and owned by Plan participants. The District contributions for the years ended June 30, 2020, 2019, and 2018 were \$244,295, \$236,345, \$212,031, respectively. The related employee contributions were \$597,572, \$575,222, and \$576,374 for the years ended June 30, 2020, 2019, and 2018, respectively.

NOTE 11 COMMITMENTS AND CONTINGENCIES

Federal and State Programs

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

Commitments

As of June 30, 2020, the District had outstanding commitments with various vendors in the amount of \$5,311,120. These commitments are related to construction contracts.

Operating Lease

The District entered into an operating lease with 4 Point 0 School Services of North Branch Inc. to provide student transportation services. The District also leased their busses as part of this agreement. The lease is effective July 1, 2018 through June 30, 2020. The lessee agrees to pay the District \$150,000 each year for annual lease of the vehicles.

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 12 DENTAL SELF-INSURANCE PLAN

The District maintains an Internal Service Fund to account for and finance a self-insurance program for dental benefits. Accordingly, the District has not purchased outside insurance for the risks of losses to which it is exposed. District management believes it is more economical to manage its risks internally and set aside assets for claim settlement. The Internal Service Fund currently services all claims and risk of loss to which the District is exposed for dental expenses.

Participants in the program make premium payments to the fund based on the insurance premium. The excess amount received above current year claims is used to establish a reserve for future claims.

District liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing a claim liability does not necessarily result in an exact amount. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. There is a possibility for loss if claims are in excess of the premiums collected. The District does not believe this occurrence would have a material financial effect on the District. The District held \$570,324 in cash and investments at June 30, 2020 for payment of claims.

There has been no significant reduction in insurance coverage from the previous year in any of the District's policies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

Changes in the balances of claim liabilities during fiscal year 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Beginning of Fiscal Year Liability - July 1,	\$ 17,600	\$ 21,150
Current Year Claims, Changes in Estimates and Other Charges	200,989	215,427
Payments to Dental Care Providers	<u>(190,271)</u>	<u>(218,977)</u>
End of Fiscal Year Liability - June 30,	<u>\$ 28,318</u>	<u>\$ 17,600</u>

**NORTH BRANCH PUBLIC SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 13 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance coverage for such risks. The District purchases workers compensation insurance from Employers Mutual Insurance Company. The District pays an annual premium to Employers Mutual Insurance Company for its insurance coverage.

There has been no significant reduction in insurance coverage from the previous year in any of the District's policies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 14 RESTATEMENT

During fiscal year ended June 30, 2020, the District adopted GSAB Statement No. 84, *Fiduciary Activities*. As a result of the implementation of this standard, the District reported a restatement for the change in accounting principle of \$324,946 for the general fund and governmental activities and \$145,814 for the private-purpose trust fund.

Description	General Fund	Governmental Activities	Private-Purpose Trust
Fund Balance/Net Position, June 30, 2019, as Previously Reported	\$ 2,484,667	\$ (5,935,233)	\$ 145,814
Change in Accounting Principle	324,946	324,946	(145,814)
Fund Balance/Net Position, June 30, 2019, as Restated	<u>\$ 2,809,613</u>	<u>\$ (5,610,287)</u>	<u>\$ -</u>

REQUIRED SUPPLEMENTARY INFORMATION

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY (ASSET) AND
RELATED RATIOS
LAST FOUR FISCAL YEARS**

	2020	2019	2018	2017
Total OPEB Liability (Asset)				
Service Cost	\$ 105,290	\$ 94,096	\$ 118,980	\$ 119,345
Interest	98,192	112,235	112,795	114,479
Changes of Benefit Terms	-	-	-	-
Differences Between Expected and Actual Experience	-	(368,529)	-	-
Changes of Assumptions	53,215	(2,896)	(26,138)	-
Benefit Payments	(128,275)	(339,244)	(317,871)	(234,057)
Net Change in Total OPEB Liability	128,422	(504,338)	(112,234)	(233)
Total OPEB Liability - Beginning	2,241,711	2,746,049	2,858,283	2,858,516
Total OPEB Liability - Ending (a)	\$ 2,370,133	\$ 2,241,711	\$ 2,746,049	\$ 2,858,283
Plan Fiduciary Net Position				
Contributions - Employer	\$ -	\$ -	\$ -	\$ 1,262
Net Investment Income	137,041	164,353	162,475	317,045
Differences Between Expected and Actual Experience	(13,293)	-	55,347	-
Benefit Payments	(128,275)	(339,244)	(317,871)	(234,057)
Administrative Expense	(25,906)	(27,052)	(40,352)	(16,546)
Net Change in Plan Fiduciary Net Position	(30,433)	(201,943)	(140,401)	67,704
Plan Fiduciary Net Position - Beginning	3,114,572	3,316,515	3,456,916	3,389,212
Plan Fiduciary Net Position - Ending (b)	\$ 3,084,139	\$ 3,114,572	\$ 3,316,515	\$ 3,456,916
District's Net OPEB Liability (Asset) - Ending (a) - (b)	\$ (714,006)	\$ (872,861)	\$ (570,466)	\$ (598,633)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	130.13%	138.94%	120.77%	120.94%
Covered-Employee Payroll	\$ 17,398,253	\$ 16,891,508	\$ 18,465,734	\$ 17,927,897
District's Net OPEB Liability (Asset) as a Percentage of Covered Payroll	-4.10%	-5.17%	-3.09%	-3.34%

The District implement GASB Statement Nos. 74 and 75 in fiscal year 2017, and the above table will be expanded to 10 years of information as the information becomes available.

**NORTH BRANCH PUBLIC SCHOOLS
 INDEPENDENT SCHOOL DISTRICT NO. 138
 SCHEDULE OF MONEY WEIGHTED RATE OF RETURN ON OPEB PLAN ASSETS
 LAST FOUR FISCAL YEARS**

Year	Annual Money-Weighted Rate of Return, Net of Investment Expense
2020	5.00%
2019	5.80%
2018	6.30%
2017	-1.40%

The District implemented GASB Statement Nos. 74 and 75 in fiscal year 2017, and the above table will be expanded to 10 years of information as the information becomes available.

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST SIX MEASUREMENT PERIODS**

	Measurement Date <u>June 30, 2019</u>	Measurement Date <u>June 30, 2018</u>	Measurement Date <u>June 30, 2017</u>	Measurement Date <u>June 30, 2016</u>	Measurement Date <u>June 30, 2015</u>	Measurement Date <u>June 30, 2014</u>
PERA						
District's Proportion of the Net Pension Liability	0.0750%	0.0905%	0.0935%	0.0941%	0.0927%	0.0932%
District's Proportionate Share of the Net Pension Liability	\$ 4,146,582	\$ 5,020,569	\$ 5,968,978	\$ 7,640,453	\$ 4,804,195	\$ 4,378,069
State's Proportionate Share of the Net Pension Liability	128,828	164,739	75,020	99,757	-	-
District's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability	<u>\$ 4,275,410</u>	<u>\$ 5,185,308</u>	<u>\$ 6,043,998</u>	<u>\$ 7,740,210</u>	<u>\$ 4,804,195</u>	<u>\$ 4,378,069</u>
District's Covered Payroll	<u>\$ 5,300,213</u>	<u>\$ 6,089,760</u>	<u>\$ 6,026,107</u>	<u>\$ 5,871,013</u>	<u>\$ 5,355,413</u>	<u>\$ 4,890,875</u>
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	78.23%	82.44%	99.05%	130.14%	89.71%	89.52%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.23%	79.53%	75.90%	68.91%	78.20%	78.75%
TRA						
District's Proportion of the Net Pension Liability	0.2301%	0.2430%	0.2565%	0.2574%	0.2587%	0.2574%
District's Proportionate Share of the Net Pension Liability	\$ 14,666,622	\$ 15,262,986	\$ 51,202,053	\$ 61,396,042	\$ 16,003,154	\$ 11,860,807
State's Proportionate Share of the Net Pension Liability Associated with District	1,298,143	1,434,000	4,949,626	6,162,560	1,962,723	834,368
Total of District's and State's Proportionate Share of the Net Pension Liability	<u>\$ 15,964,765</u>	<u>\$ 16,696,986</u>	<u>\$ 56,151,679</u>	<u>\$ 67,558,602</u>	<u>\$ 17,965,877</u>	<u>\$ 12,695,175</u>
District's Covered Payroll	<u>\$ 13,315,383</u>	<u>\$ 13,668,027</u>	<u>\$ 13,700,893</u>	<u>\$ 13,387,387</u>	<u>\$ 13,129,392</u>	<u>\$ 11,744,179</u>
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	110.15%	111.67%	373.71%	458.61%	121.89%	100.99%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.21%	78.07%	51.57%	44.88%	76.80%	81.50%

Information is presented prospectively and an accumulation of 10 years will be provided as the information becomes available.

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
LAST SEVEN FISCAL YEARS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
PERA							
Contractually Required Contribution	\$ 375,509	\$ 397,516	\$ 456,732	\$ 451,958	\$ 440,326	\$ 401,656	\$ 354,588
Contributions in Relation to the Contractually Required Contribution	(375,509)	(397,516)	(456,732)	(451,958)	(440,326)	(401,656)	(354,588)
Contribution Deficiency (Excess)	<u>\$ -</u>						
District's Covered Payroll	\$ 5,006,787	\$ 5,300,213	\$ 6,089,760	\$ 6,026,107	\$ 5,871,013	\$ 5,355,413	\$ 4,890,875
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.25%
TRA							
Contractually Required Contribution	\$ 960,875	\$ 1,026,616	\$ 1,025,102	\$ 1,027,567	\$ 1,004,054	\$ 984,624	\$ 822,095
Contributions in Relation to the Contractually Required Contribution	(960,875)	(1,026,616)	(1,025,102)	(1,027,567)	(1,004,054)	(984,624)	(822,095)
Contribution Deficiency (Excess)	<u>\$ -</u>						
District's Covered Payroll	\$ 12,132,260	\$ 13,315,383	\$ 13,668,027	\$ 13,700,893	\$ 13,387,387	\$ 13,129,392	\$ 11,744,179
Contributions as a Percentage of Covered Payroll	7.92%	7.71%	7.50%	7.50%	7.50%	7.50%	7.00%

Information is presented prospectively and an accumulation of 10 years will be provided as information becomes available.

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

**NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS**

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended June 30:

2019

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreased 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 in Actuarial Assumption

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed postretirement benefit increase was changed from 1.0% per year through 2044 and 2.50% per year thereafter to 1.25% 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% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, 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% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50% 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.

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

**NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2017

Changes in Actuarial Assumption

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and nonvested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability, and 3.0% for nonvested deferred member liability.
- The assumed postretirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5 % 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 in Actuarial Assumptions

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

Changes in Actuarial Plan Provisions

- There have been no changes since the prior valuation.

2015

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2035 and 2.50% per year thereafter to 1.00% per year for all years.
- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate changed from 7.90% to 7.50%.
- 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% to 3.25% for payroll growth and 2.50% for inflation.

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

**NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2015 (Continued)

Changes in Plan Provisions

- There have been no changes since the prior valuation.

The following changes were reflected in the valuation performed on behalf of the Teachers Retirement Association for the year ended June 30:

2019

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- 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.

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

**NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2018 (Continued)

Changes in Plan Provisions (Continued)

- 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 0% 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 4 years, (7.92% in 2019, 8.13% 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 in Actuarial Assumptions

- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- Adjustment 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 nonvested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The COLA was not assumed to increase to 2.5%, but remain at 2.0% for all future years.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 3.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for 10 years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016

Changes in Actuarial Assumptions

- The cost of living adjustment was not assumed to increase (it remained at 2.0% for all future years).
- The price inflation assumption was lowered from 3.0% to 2.75%.

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

**NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2016 (Continued)

Changes in Actuarial Assumptions (Continued)

- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes at 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 6 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 while collar annuitant table, male rates set back 3 years and female rates set back 3 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 adjustments.
- 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 forms of payment at retirement were made.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015

Changes in Actuarial Assumptions

- The cost of living adjustment was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2015.
- The investment return assumption was changed from 8.25% to 8.0%.

Changes in Plan Provisions

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

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2014

Changes in Actuarial Assumptions

- The cost of living adjustment was assumed to increase from 2.0% annually to 2.5% annually once the legally specified criteria was met. This was estimated to occur July 1, 2031.

Changes in Plan Provisions

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

NOTE 2 CHANGES IN SIGNIFICANT OTHER POSTEMPLOYMENT BENEFIT PLAN PROVISION, ACTUARIAL METHODS, AND ASSUMPTIONS

The following assumption change was made for the measurement date June 30, 2020:

- The discount rate was changed from 4.30% to 3.80%.
- The long-term expected return on assets was changed from 4.70% to 4.40%.

The following plan change was made for the measurement date June 30, 2020:

- None

The following assumption changes were made for the measurement date June 30, 2019:

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The discount rate was changed from 4.20% to 4.30%.

The following plan change was made for the measurement date June 30, 2019:

- None

The following assumption changes were made for the measurement date June 30, 2018:

- The discount rate was changed from 4.00% to 4.20%.

The following plan change was made for the measurement date June 30, 2018:

- None

SUPPLEMENTARY INFORMATION

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
JUNE 30, 2020**

	Audit	UFARS	Audit-UFARS		Audit	UFARS	Audit-UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenues	\$ 31,408,470	\$ 31,408,469	\$ 1	Total Revenues	\$ 338,836	\$ 338,836	\$ -
Total Expenditures	\$ 30,336,579	\$ 30,336,578	\$ 1	Total Expenditures	\$ 21,498,673	\$ 21,498,673	\$ -
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	\$ 28,431	\$ 28,431	\$ -	460 Nonspendable Fund Balance	\$ -	\$ -	\$ -
<i>Restricted/Reserved:</i>				<i>Restricted/Reserved:</i>			
401 Student Activities	\$ 182,475	\$ 182,475	\$ -	407 Capital Projects Levy	\$ -	\$ -	\$ -
402 Scholarships	\$ 144,112	\$ 144,112	\$ -	409 Alternative Fac. Program	\$ -	\$ -	\$ -
403 Staff Development	\$ 122,086	\$ 122,086	\$ -	461 LTFM	\$ 3,066,687	\$ 3,066,687	\$ -
407 Capital Project Levy	\$ 14,548	\$ 14,548	\$ -	<i>Restricted:</i>			
409 Alternative Facilities	\$ -	\$ -	\$ -	464 Restricted Fund Balance	\$ 3,479,427	\$ 3,479,428	\$ (1)
413 Projects Funded by COP/LP	\$ -	\$ -	\$ -	<i>Unassigned:</i>			
414 Operating Debt	\$ -	\$ -	\$ -	463 Unassigned Fund Balance	\$ -	\$ -	\$ -
416 Levy Reduction	\$ -	\$ -	\$ -	07 DEBT SERVICE			
417 Excess Taconite Building Maint. Funds	\$ -	\$ -	\$ -	Total Revenues	\$ 5,384,963	\$ 5,384,963	\$ -
423 Certain Teacher Programs	\$ -	\$ -	\$ -	Total Expenditures	\$ 5,798,391	\$ 5,798,391	\$ -
424 Operating Capital	\$ 32,149	\$ 32,149	\$ -	<i>Nonspendable:</i>			
426 \$25 Taconite	\$ -	\$ -	\$ -	460 Nonspendable Fund Balance	\$ -	\$ -	\$ -
427 Disabled Accessibility	\$ -	\$ -	\$ -	<i>Restricted/Reserved:</i>			
428 Learning & Development	\$ -	\$ -	\$ -	425 Bond Refundings	\$ -	\$ -	\$ -
434 Area Learning Center	\$ -	\$ -	\$ -	451 QZAB and QSCB Payments	\$ -	\$ -	\$ -
435 Contracted Alt. Programs	\$ -	\$ -	\$ -	<i>Restricted:</i>			
436 St. Approved Alt. Prog.	\$ -	\$ -	\$ -	464 Restricted	\$ 827,461	\$ 827,462	\$ (1)
438 Gifted & Talented	\$ -	\$ -	\$ -	<i>Unassigned:</i>			
441 Basic Skills	\$ -	\$ -	\$ -	463 Unassigned Fund Balance	\$ -	\$ -	\$ -
445 Career and Technical Programs	\$ -	\$ -	\$ -	08 TRUST			
449 Safe Schools Levy	\$ 130,589	\$ 130,589	\$ -	Total Revenues	\$ -	\$ -	\$ -
450 Pre-Kindergarten	\$ -	\$ -	\$ -	Total Expenditures	\$ -	\$ -	\$ -
451 QZAB and QSCB Payments	\$ -	\$ -	\$ -	422 Net Position	\$ -	\$ -	\$ -
452 OPEB Liab. Not in Trust	\$ -	\$ -	\$ -	09 AGENCY			
459 Basic Skills Ext Time	\$ 38,228	\$ 38,228	\$ -	<i>Unrestricted: Should Always Be -0-</i>			
467 LTFM	\$ 813,587	\$ 813,587	\$ -	422 Unassigned	\$ -	\$ -	\$ -
472 Medical Assistance	\$ 13,106	\$ 13,106	\$ -	20 INTERNAL SERVICE			
<i>Restricted:</i>				Total Revenues	\$ 268,497	\$ 268,497	\$ -
464 Restricted Fund Balance	\$ -	\$ -	\$ -	Total Expenditures	\$ 200,989	\$ 200,989	\$ -
<i>Committed:</i>				422 Net Position	\$ 542,006	\$ 542,006	\$ -
418 Committed for Separation	\$ 243,901	\$ 243,901	\$ -	25 OPEB REVOCABLE TRUST			
461 Committed Fund Balance	\$ -	\$ -	\$ -	Total Revenues	\$ -	\$ -	\$ -
<i>Assigned:</i>				Total Expenditures	\$ -	\$ -	\$ -
462 Assigned Fund Balance	\$ 102,918	\$ 102,918	\$ -	422 Net Position	\$ -	\$ -	\$ -
<i>Unassigned:</i>				45 OPEB IRREVOCABLE TRUST			
422 Unassigned	\$ 2,156,517	\$ 2,156,518	\$ (1)	Total Revenues	\$ 141,018	\$ 141,018	\$ -
02 FOOD SERVICE				Total Expenditures	\$ 171,450	\$ 171,451	\$ (1)
Total Revenues	\$ 1,380,450	\$ 1,380,451	\$ (1)	422 Net Position	\$ 3,084,140	\$ 3,084,140	\$ -
Total Expenditures	\$ 1,359,985	\$ 1,359,985	\$ -	47 OPEB DEBT SERVICE			
<i>Nonspendable:</i>				Total Revenues	\$ 442,169	\$ 442,168	\$ 1
460 Nonspendable Fund Balance	\$ 30,027	\$ 30,027	\$ -	Total Expenditures	\$ 406,106	\$ 406,106	\$ -
<i>Restricted/Reserved:</i>				<i>Nonspendable:</i>			
452 OPEB Liab. Not in Trust	\$ -	\$ -	\$ -	460 Nonspendable Fund Balance	\$ -	\$ -	\$ -
464 Restricted Fund Balance	\$ 71,893	\$ 71,893	\$ -	<i>Restricted:</i>			
<i>Unassigned:</i>				425 Bond Refundings	\$ -	\$ -	\$ -
463 Unassigned Fund Balance	\$ -	\$ -	\$ -	464 Restricted Fund Balance	\$ 125,180	\$ 125,179	\$ 1
04 COMMUNITY SERVICE				<i>Unassigned:</i>			
Total Revenues	\$ 1,488,091	\$ 1,488,088	\$ 3	463 Unassigned Fund Balance	\$ -	\$ -	\$ -
Total Expenditures	\$ 1,651,205	\$ 1,651,202	\$ 3	03 COMMUNITY SERVICE			
<i>Nonspendable:</i>				Total Revenues	\$ 1,488,091	\$ 1,488,088	\$ 3
460 Nonspendable Fund Balance	\$ 2,277	\$ 2,277	\$ -	Total Expenditures	\$ 1,651,205	\$ 1,651,202	\$ 3
<i>Restricted/Reserved:</i>				<i>Nonspendable:</i>			
426 \$25 Taconite	\$ -	\$ -	\$ -	460 Nonspendable Fund Balance	\$ 2,277	\$ 2,277	\$ -
431 Community Education	\$ (6,730)	\$ (6,730)	\$ -	<i>Restricted/Reserved:</i>			
432 E.C.F.E.	\$ 100,956	\$ 100,956	\$ -	426 \$25 Taconite	\$ -	\$ -	\$ -
444 School Readiness	\$ (14,655)	\$ (14,655)	\$ -	431 Community Education	\$ (6,730)	\$ (6,730)	\$ -
447 Adult Basic Education	\$ -	\$ -	\$ -	432 E.C.F.E.	\$ 100,956	\$ 100,956	\$ -
452 OPEB Liab. Not in Trust	\$ -	\$ -	\$ -	444 School Readiness	\$ (14,655)	\$ (14,655)	\$ -
<i>Restricted:</i>				447 Adult Basic Education	\$ -	\$ -	\$ -
464 Restricted Fund Balance	\$ -	\$ -	\$ -	452 OPEB Liab. Not in Trust	\$ -	\$ -	\$ -
<i>Unassigned:</i>				<i>Restricted:</i>			
463 Unassigned Fund Balance	\$ (23,483)	\$ (23,483)	\$ -	464 Restricted Fund Balance	\$ -	\$ -	\$ -

* Amounts differ from those reported on the fund-level balance sheet due to the need to reclassify negative restricted fund balance to unassigned fund balance for the CAFR.

OTHER INFORMATION

**NORTH BRANCH PUBLIC SCHOOLS
 INDEPENDENT SCHOOL DISTRICT NO. 138
 BOND SCHEDULES
 JUNE 30, 2020
 (UNAUDITED)**

\$15,380,000 G.O. Building Refunding Bonds, Series 2012A, Issued 5/1/12

<u>Due Date</u>	<u>Rate %</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Due</u>	<u>Deferred Tax Levy</u>
08/01/20		\$ -	\$ 80,750	\$ 80,750	
02/01/21	5.000	1,675,000	80,750	1,755,750	\$ 1,928,325
08/01/21		-	38,875	38,875	
02/01/22	5.000	1,555,000	38,875	1,593,875	1,714,388
Totals		<u>\$ 3,230,000</u>	<u>\$ 239,250</u>	<u>\$ 3,469,250</u>	<u>\$ 3,642,713</u>

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
BOND SCHEDULES (CONTINUED)
JUNE 30, 2020
(UNAUDITED)**

\$1,770,000 G.O. Capital Facilities Bonds, Series 2016A, Issued 11/16/2016

<u>Due Date</u>	<u>Rate %</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Due</u>	<u>Deferred Tax Levy</u>
08/01/20		\$ -	\$ 14,881	\$ 14,881	
02/01/21	2.000	120,000	14,881	134,881	\$ 157,250
08/01/21		-	13,681	13,681	
02/01/22	2.000	120,000	13,680	133,680	154,729
08/01/22		-	12,481	12,481	
02/01/23	2.000	120,000	12,481	132,481	152,210
08/01/23		-	11,281	11,281	
02/01/24	2.000	125,000	11,281	136,281	154,940
08/01/24		-	10,031	10,031	
02/01/25	2.000	125,000	10,031	135,031	152,315
08/01/25		-	8,781	8,781	
02/01/26	2.000	130,000	8,781	138,781	154,940
08/01/26		-	7,481	7,481	
02/01/27	2.000	135,000	7,481	142,481	157,460
08/01/27		-	6,131	6,131	
02/01/28	2.000	135,000	6,131	141,131	154,625
08/01/28		-	4,781	4,781	
02/01/29	2.250	140,000	4,781	144,781	157,040
08/01/29		-	3,206	3,206	
02/01/30	2.250	140,000	3,206	143,206	153,733
08/01/30		-	1,631	1,631	
02/01/31	2.250	145,000	1,631	146,631	155,675
Totals		<u>\$ 1,435,000</u>	<u>\$ 188,731</u>	<u>\$ 1,623,731</u>	<u>\$ 1,704,917</u>

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
BOND SCHEDULES (CONTINUED)
JUNE 30, 2020
(UNAUDITED)**

\$67,590,000 G.O. School Building Bonds, Series 2017A, Issued 11/9/17

Due Date	Rate %	Principal	Interest	Total Due	Deferred Tax Levy
08/01/20		\$ -	\$ 1,216,027	\$ 1,216,027	
02/01/21	2.000	130,000	1,216,027	1,346,027	\$ 2,690,157
08/01/21		-	1,214,727	1,214,727	
02/01/22	2.000	335,000	1,214,727	1,549,727	2,902,677
08/01/22		-	1,211,377	1,211,377	
02/01/23	5.000	1,970,000	1,211,377	3,181,377	4,612,392
08/01/23		-	1,162,127	1,162,127	
02/01/24	5.000	2,070,000	1,162,127	3,232,127	4,613,967
08/01/24		-	1,110,377	1,110,377	
02/01/25	5.000	2,170,000	1,110,377	3,280,377	4,610,292
08/01/25		-	1,056,127	1,056,127	
02/01/26	5.000	2,410,000	1,056,127	3,466,127	4,748,367
08/01/26		-	995,877	995,877	
02/01/27	5.000	2,530,000	995,877	3,525,877	4,747,842
08/01/27		-	932,627	932,627	
02/01/28	5.000	2,655,000	932,627	3,587,627	4,746,267
08/01/28		-	866,252	866,252	
02/01/29	4.000	2,790,000	866,252	3,656,252	4,748,629
08/01/29		-	810,452	810,452	
02/01/30	4.000	2,900,000	810,452	3,710,452	4,746,949
08/01/30		-	752,452	752,452	
02/01/31	4.000	3,015,000	752,452	3,767,452	4,745,899
08/01/31		-	692,152	692,152	
02/01/32	3.000	3,135,000	692,152	3,827,152	4,745,269
08/01/32		-	645,127	645,127	
02/01/33	3.000	3,230,000	645,127	3,875,127	4,746,267
08/01/33		-	596,677	596,677	
02/01/34	3.000	3,325,000	596,677	3,921,677	4,744,272
08/01/34		-	546,802	546,802	
02/01/35	3.000	3,425,000	546,802	3,971,802	4,744,534
08/01/35		-	495,427	495,427	
02/01/36	3.000	3,530,000	495,427	4,025,427	4,746,897
08/01/36		-	442,477	442,477	
02/01/37	3.100	3,635,000	442,477	4,077,477	4,745,952
08/01/37		-	386,134	386,134	
02/01/38	3.100	3,750,000	386,134	4,136,134	4,748,381
08/01/38		-	328,009	328,009	
02/01/39	3.125	3,865,000	328,009	4,193,009	4,747,069
08/01/39		-	267,619	267,619	
02/01/40	3.150	3,985,000	267,619	4,252,619	4,746,250
08/01/40		-	204,855	204,855	
02/01/41	3.200	4,110,000	204,855	4,314,855	4,745,696
08/01/41		-	139,095	139,095	
02/01/42	3.250	4,245,000	139,095	4,384,095	4,749,350
08/01/42		-	71,175	71,175	
02/01/43	3.250	4,380,000	71,175	4,451,175	4,748,468
Totals		<u>\$ 67,590,000</u>	<u>\$ 32,287,942</u>	<u>\$ 99,877,942</u>	<u>\$ 104,871,843</u>

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
BOND SCHEDULES (CONTINUED)
JUNE 30, 2020
(UNAUDITED)**

\$2,260,000 G.O. OPEB Refunding Bonds, Series 2017B, Issued 11/9/17

<u>Due Date</u>	<u>Rate %</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Due</u>	<u>Deferred Tax Levy</u>
08/01/20		\$ -	\$ 22,376	\$ 22,376	
02/01/21	2.000	360,000	22,376	382,376	\$ 424,990
08/01/21		-	18,776	18,776	
02/01/22	2.200	370,000	18,776	388,776	427,930
08/01/22		-	14,706	14,706	
02/01/23	2.350	380,000	14,706	394,706	429,883
08/01/23		-	10,240	10,240	
02/01/24	2.510	390,000	10,240	400,240	431,004
08/01/24		-	5,346	5,346	
02/01/25	2.640	405,000	5,346	410,346	436,477
Totals		<u>\$ 1,905,000</u>	<u>\$ 142,888</u>	<u>\$ 2,047,888</u>	<u>\$ 2,150,284</u>

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
BOND SCHEDULES (CONTINUED)
JUNE 30, 2020
(UNAUDITED)**

\$6,385,000 G.O. Facilities Maintenance Bonds, Series 2018A, Issued 7/19/18

<u>Due Date</u>	<u>Rate %</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Due</u>	<u>Deferred Tax Levy</u>
08/01/20		\$ -	\$ 87,375	\$ 87,375	
02/01/21	3.000	575,000	87,375	662,375	\$ 787,238
08/01/21		-	78,750	78,750	
02/01/22	3.000	590,000	78,750	668,750	784,875
08/01/22		-	69,900	69,900	
02/01/23	3.000	610,000	69,900	679,900	787,290
08/01/23		-	60,750	60,750	
02/01/24	3.000	625,000	60,750	685,750	783,825
08/01/24		-	51,375	51,375	
02/01/25	3.000	645,000	51,375	696,375	785,138
08/01/25		-	41,700	41,700	
02/01/26	3.000	665,000	41,700	706,700	785,820
08/01/26		-	31,725	31,725	
02/01/27	3.000	685,000	31,725	716,725	785,873
08/01/27		-	21,450	21,450	
02/01/28	3.000	705,000	21,450	726,450	785,295
08/01/28		-	10,875	10,875	
02/01/29	3.000	725,000	10,875	735,875	784,088
Totals		<u>\$ 5,825,000</u>	<u>\$ 907,800</u>	<u>\$ 6,732,800</u>	<u>\$ 7,069,442</u>

SINGLE AUDIT AND OTHER REQUIRED REPORTS



**INDEPENDENT AUDITORS' 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***

Board of Education
Independent School District No. 138
North Branch Public Schools
North Branch, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 138 (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 19, 2020.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify 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 deficiency described in the accompanying schedule of findings and questioned costs as item 2020-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2020-002 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 determination of financial statement amounts. However, providing an opinion on compliance or other matters 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 that are required to be reported under *Government Auditing Standards*.

The District’s Response to Finding

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

Purpose of this Report

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



CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 19, 2020



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

Board of Education
Independent School District No. 138
North Branch Public Schools
North Branch, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Independent School District No. 138's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2020. The District's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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



CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 19, 2020

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020**

Federal Agency/ Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures	Passed Through to Subrecipients
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through Minnesota Department of Education:				
Child Nutrition Cluster:				
Noncash Assistance (Commodities):				
National School Lunch Program	10.555	1-0138-000	\$ 112,225	\$ -
Cash Assistance:				
National School Breakfast Program	10.553	1-0138-000	48,630	-
National School Lunch Program	10.555	1-0138-000	253,920	-
Summer Food Service Program for Children	10.559	1-0138-000	308,772	-
Cash Assistance Subtotal			<u>611,322</u>	<u>-</u>
Total Clustered Programs			<u>723,547</u>	
Total Child Nutrition Cluster/U.S. Department of Agriculture			723,547	-
U.S. DEPARTMENT OF EDUCATION				
Passed Through Minnesota Department of Education:				
Carl Perkins	84.048	N/A	2,524	-
Title II, Part A - Improving Teacher Quality	84.367	S367A190022	47,728	-
Title I, Part A	84.010	S010A190023A	225,958	-
Title IV, Part A - Student Support and Academic Enrichment	84.424	S424A190024	3,186	-
Passed Through St. Croix River Education District:				
Special Education Cluster:				
Special Education	84.027	H027A190087	101,841	-
Special Education Preschool Grants	84.173	H173A190086	2,755	-
Special Education Cluster Subtotal			<u>104,596</u>	<u>-</u>
Total U.S. Department of Education			<u>383,992</u>	<u>-</u>
Total Federal Awards Expended			<u>\$ 1,107,539</u>	<u>\$ -</u>

Notes to Schedule of Expenditures of Federal Awards:

Note 1:

The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by Independent School District No. 138.

Note 2:

The expenditures on this schedule are on the modified accrual basis of accounting, which is described in Note 1 to the basic financial statements of the District. The District elected not to use the 10% de minimis indirect costs rate as allowed under Uniform Guidance.

Note 3:

N/A - The pass-through entity identifying number is unknown.

Note 4:

The total of CFDA #10.555 is \$366,145



INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Education
Independent School District No. 138
North Branch Public Schools
North Branch, 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 *Governmental Auditing Standards* issued by the Comptroller of the United States, the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 138 (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's financial statements as listed in the table of contents and have issued our report thereon dated November 19, 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, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters.

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for School Districts*, and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 19, 2020

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? x yes no
 - Significant deficiency(ies) identified? x yes none reported
3. Noncompliance material to financial statements noted? yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? yes x no
 - Significant deficiency(ies) identified? yes x none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes x no

Identification of Major Federal Programs

CFDA Number(s)

10.555, 10.553, 10.559

Name of Federal Program or Cluster

Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

 yes x no

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

Section II – Financial Statement Findings

2020 – 001 – Financial Statement Preparation

Type of Finding:

- Material Weakness in Internal Control Over Financial Reporting

Condition: The District does not have an internal control policy in place over annual financial reporting that would enable management to prepare its annual financial statements and related footnote disclosures are complete and presented in accordance with GAAP.

Criteria: Management is responsible for establishing and maintaining internal controls and for the fair presentation of the financial statements including the related disclosures, in conformity with U.S. generally accepted accounting principles (GAAP).

Context: Management has informed us that they do not have an internal control policy in place over the annual financial reporting and that they do not have the necessary staff capacity to prepare the annual financial statements including footnote disclosures.

Effect: The potential exists that a material misstatement of the annual financial statements could occur and not be prevented or detected by the District's internal controls.

Cause: The District relies on the audit firm to prepare the annual financial statements and related footnote disclosures. However, management has reviewed and approved the annual financial statements and the related footnote disclosures.

Repeat Finding: The finding was a repeat finding from the prior year identified as finding 2019-001.

Recommendation: Management should continue to evaluate its internal staff capacity to determine if an internal control policy over the annual financial reporting is beneficial.

Views of Responsible Officials and Planned Corrective Action: There is no disagreement with the finding. The District will continue to rely upon the audit firm to prepare the financial statements; however, the District has established internal control procedures to document the annual review of the financial statements.

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

Section II – Financial Statement Findings (Continued)

2020 – 002 – Budgeting Process

Type of Finding:

- Significant Deficiency in Internal Control Over Financial Reporting

Condition: The District did not have accurate budgeted amounts in the general ledger software. The amounts in the software did not match the board approved amounts. Therefore the board was receiving inaccurate budget to actual reports.

Criteria: The board approves the budget as part of the District’s internal control structure and relies on the budget throughout the year for monitoring financial reporting and performance.

Context: Management has informed us that a new tool was utilized to import the budget into the general ledger software. However, that tool did not import the budget correctly and management did not correct it nor did they have the detailed records to correct it. During the past two years, the District worked at length with representatives from the District’s budget planning software company to correct identified errors in the budget. Unfortunately, staff at the software company changed on multiple occasions and school district staff were often working with representatives inexperienced in Minnesota’s school funding system. Known errors were corrected, yet this audit identified errors despite working through issues with software company representatives.

Effect: The potential exists that a material misstatement of the annual financial statements could occur and not be prevented or detected by the District’s internal controls. The board could be relying on inaccurate financial data and make decisions that they would not otherwise make if they were presented with the correct budget.

Cause: Changes in management over the last few fiscal years and multiple office moves throughout the year caused inconsistency in the way records were stored and tracked. Accurate records were not consistently maintained for budget adjustments. The District experienced difficulty in filling the position of Director of Human Resources and Finance following a long-standing employee’s retirement. After two postings and the assistance of a search firm, with a looming deadline, the District necessarily hired an individual with limited experience in school finance, yet extensive experience in educational administration. The school district has since changed personnel. The current Director of Business Services is undergoing extensive training in finance and has a mentor provided by the Minnesota Association of School Business Officials. The now-retired former Director provides oversight through regularly scheduled meetings and the new Director of Business Services has demonstrated strong commitment to learning all processes and procedures necessary to provide accurate information to the school board. The Superintendent closely monitors the activities of the department and provides support to the Director.

Repeat Finding: The finding was a repeat finding from the prior year identified as finding 2019-002.

Recommendation: We recommend that management thoroughly review the budgeted balances that are imported into Skyward to ensure they match what has been approved by the board.

Views of Responsible Officials and Planned Corrective Action: There is no disagreement with the finding. The District will review the budget that was entered for fiscal year 2021 to ensure correct amounts are reported to the board.

**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

Section IV – Findings and Questioned Costs – State Programs

None noted.



**NORTH BRANCH PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 138
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
CORRECTIVE ACTION PLAN
JUNE 30, 2020**

The North Branch Public Schools (the District) respectfully submits the following corrective action plan for the year ended June 30, 2020.

The audit was performed by CliftonLarsonAllen LLP, 14275 Golf Course Drive, Suite 300, Brainerd, Minnesota for the year ended June 30, 2020.

The findings from the June 30, 2020 Schedule of Findings and Questioned Costs is discussed below. The finding is numbered consistent with the number assigned in the schedule.

FINDINGS – FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESS

2020-001 FINANCIAL STATEMENT PREPARATION

Recommendation:

Management should continue to evaluate their internal staff capacity to determine if an internal control policy over the annual financial reporting is beneficial.

Explanation of disagreement with audit findings:

There is no disagreement with the audit finding.

Actions planned in response to the finding:

The District will continue to rely upon the audit firm to prepare the financial statements; however, the District has established internal control procedures to document the annual review of the financial statements.

Name of the contact person responsible for corrective action:

Todd Tetzlaff, Director of Business Services.

Planned completion date for corrective action:

The corrective action plan will be implemented beginning with the audit for the year ending June 30, 2020.

SIGNIFICANT DEFICIENCY

2020-002 Budgeting Process

Recommendation:

Management should review the budget that is entered in Skyward so that when budget to actual, or other budgeting reports are ran from the system, they match the Board approved budget amounts.

Explanation of disagreement with audit findings:

There is no disagreement with the audit finding.

Actions planned in response to the finding:

The District will continue to monitor and review the information that is input into 5Cast (budget software), and subsequently entered into Skyward to ensure accurate reporting data. This had been corrected as of the beginning of the next fiscal year.

Name of the contact person responsible for corrective action:

Todd Tetzlaff, Director of Business Services.

Planned completion date for corrective action:

The corrective action plan will be implemented beginning with the audit for the year ending June 30, 2021.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2020**

The North Branch Public Schools respectfully submit the following summary schedule of prior audit findings for the year ended June 30, 2020.

Audit period: July 1, 2018 – June 30, 2019

The findings from the prior audit's schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year.

FINDINGS – FINANCIAL STATEMENT

Prior Year Reference Number: 2019-001

Condition:

The District does not have an internal control policy over annual financial reporting that would enable management to prepare its annual financial statements and related footnote disclosures are complete and presented in accordance with U.S. generally accepted accounting principles (GAAP).

Status:

See Finding 2020-001 in the June 30, 2020 audit report of the District.

Reason for Finding's Recurrence:

The District is not able to resolve this finding due to the District relying on the audit firm to prepare the annual financial statements and related footnote disclosures. However, they have reviewed and approved the annual financial statements and related footnote disclosures.

Corrective Action:

The District continues to work at preparing information needed for financial statement disclosures.

See Finding 2020-001 in the June 30, 2020 audit report of the District.

Prior Year Reference Number: 2019-002

Condition:

The District did not have accurate budgeted amounts in the general ledger software. The amounts in the software did not match the board approved amounts. Therefore the board was receiving inaccurate budget to actual reports.

Status:

See Finding 2020-001 in the June 30, 2020 audit report of the District.

Reason for Finding's Recurrence:

The District is not able to resolve this finding due to the District changing software during the year and the budget was not updated correctly in their general ledger software.

Corrective Action:

The District has corrected this finding through using another software program for budgeting purposes.

If involved agencies have any questions regarding this plan, please call Todd Tetzlaff at 651-674-1009.

Sincerely yours,

North Branch Public Schools

A handwritten signature in black ink, appearing to read 'T. Tetzlaff', written over a horizontal line.

Todd Tetzlaff, Director of Business Services

2019-20 Worlds Best Workforce Report

WBWF
Statute

Update

Next Steps

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School Board Presentation | December 10, 2020
David Treichel, Director of Teaching and Learning

Striving for the World's Best Workforce

1. All children are ready to start kindergarten
2. All third-graders can read at grade level
3. All achievement gaps between students are closed
4. All students are ready for career and/or postsecondary education
5. All students graduate from high school

WBWF
Statute



—

“MDE understands this past school year (2019-2020) ended under unique circumstances due to the COVID-19 pandemic. Therefore, we are providing reporting options that reflect this disruption in your ability to appropriately report annual progress.”

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Minnesota Department of Education, 11/20

**WBWF
Statute**

**All children are
ready to start
Kindergarten**



Screen at 3



All third graders can read at grade level

Students meet or exceed their reading growth goal as measured by FAST aReading



All achievement and opportunity gaps between students are closed

Eliminate gaps in participation and success in learning opportunities for students receiving special education services and students receiving free and/or reduced lunches



**All students are
ready for career
and/or
post-secondary
education**



The percentage of students meeting all four college readiness benchmarks on the ACT



**All students
graduate from
high school**



The percentage of
students earning
their diplomas in
four years

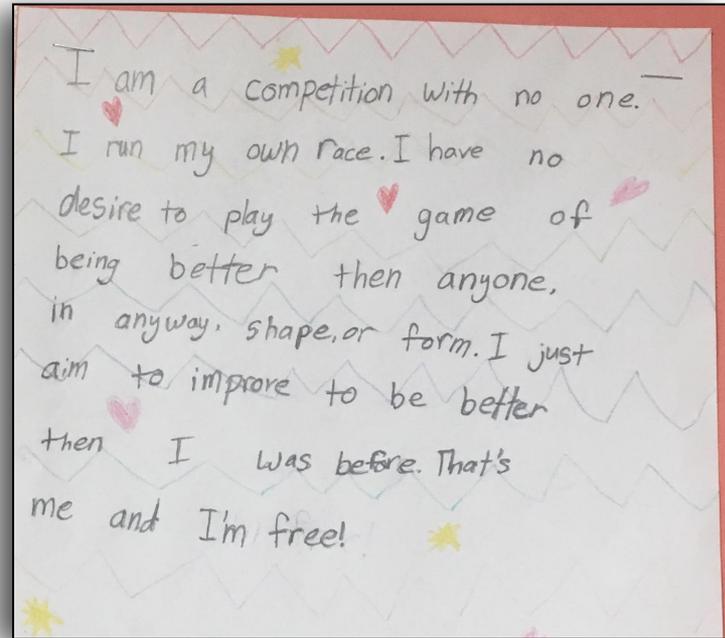


Community Engagement: Multiple Measures of Student Success

Focus on the Student Experience

- Multiple metrics
- Student ownership of their learning
- Aligned to post secondary goals and individual interest

Next Steps



**RESOLUTION ESTABLISHING COMBINED POLLING PLACES
FOR MULTIPLE PRECINCTS AND
DESIGNATING HOURS DURING WHICH THE POLLING
PLACES WILL REMAIN OPEN FOR VOTING
FOR SCHOOL DISTRICT ELECTIONS NOT HELD
ON THE DAY OF A STATEWIDE ELECTION**

BE IT RESOLVED by the School Board of Independent School District No. 138, State of Minnesota, as follows:

1. Pursuant to Minnesota Statutes, Section 205A.11, the precincts and polling places for school district elections are those precincts or parts of precincts located within the boundaries of the school district which have been established by the cities or towns located in whole or in part within the school district. The board hereby confirms those precincts and polling places so established by those municipalities.

2. Pursuant to Minnesota Statutes, Section 205A.11, the board may establish a combined polling place for several precincts for school district elections not held on the day of a statewide election. **Each combined polling place must be a polling place that has been designated by a county or municipality.** The following combined polling places are established to serve the precincts specified for all school district special and general elections not held on the same day as a statewide election:

Combined Polling Place: Precinct B – Main Street Church, 6500 Main Street, North Branch, MN 55056
Name and address of combined polling place

"This combined polling place serves all territory in Independent School District No. 138 located in located in the City of Harris, the City of Stacy and the City of North Branch, and Fish Lake, Sunrise, Amador, Chisago Lakes, Lent and Wyoming Townships, all in Chisago County, Minnesota; and North Branch and Oxford Townships in Isanti County, Minnesota.

3. Pursuant to Minnesota Statutes, Section 205A.09, the polling places will remain open for voting for school district elections not held on the same day as a statewide election between the hours of 7:00 o'clock a.m. and 8:00 o'clock p.m.

4. The clerk is directed to file a certified copy of this resolution with the county auditors of each of the counties in which the school district is located, in whole or in part, within thirty (30) days after its adoption.

5. As required by Minnesota Statutes, Section 204B.16, Subdivision 1a, the clerk is hereby authorized and directed to give written notice of new polling place locations to each affected household with at least one registered voter in the school district whose school district polling place location has been changed. The notice must be a nonforwardable notice mailed at least twenty-five (25) days before the date of the first election to which it will apply. A notice that is returned as undeliverable must be forwarded immediately to the appropriate county auditor, who shall change the registrant's status to "challenged" in the statewide registration system.

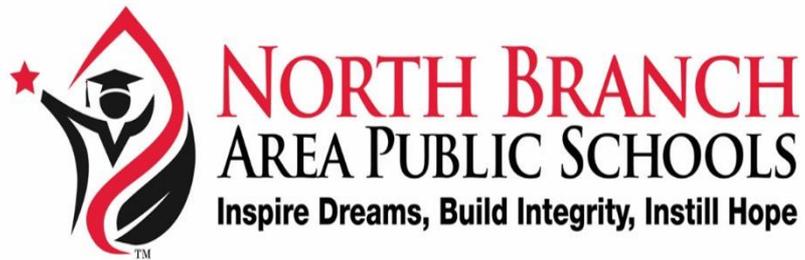


#celebrate138

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Property Tax Levy 2020



December 10, 2020

Topics

- Budget summary
- Property tax levy
- Public comment

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Timeline

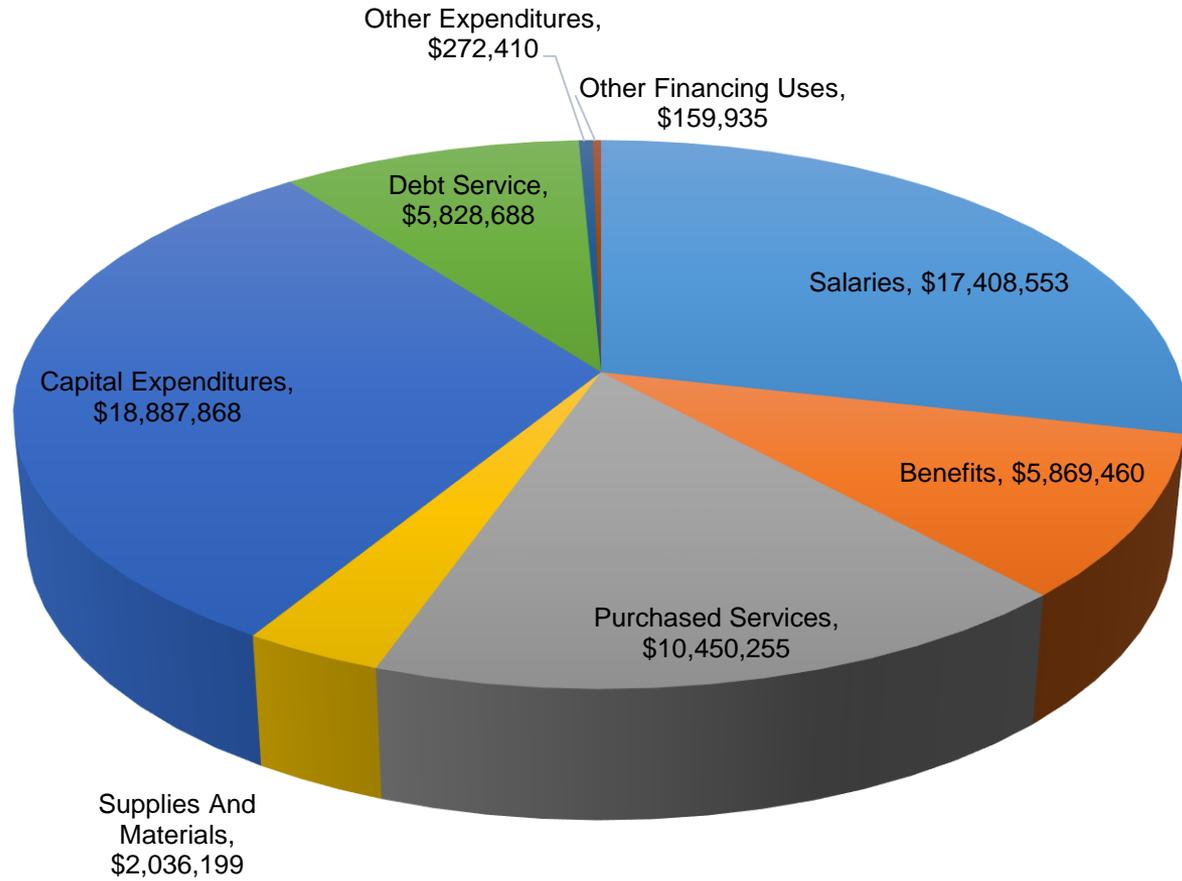
- 2020 Levy, Payable 2021
 - For -
- 2021-2022 School Year

Fund	General Fund FY 20 Audited			
	Beginning Fund Balance	Revenue	Expenses	Ending Fund Balance
Unassigned	\$653,108	\$27,937,886	\$26,434,477	\$2,156,517
Assigned				
Q Qomp	\$155,430		\$52,512	\$102,918
Designated				
Severance	\$284,509		\$40,608	\$243,901
Reserved / Restricted				
All Categories	\$1,619,150	\$3,735,980	\$3,864,250	\$1,490,880
Nonspendable	\$97,416	\$0	\$68,985	\$28,431
Total All General Funds	\$2,809,613	\$31,673,866	\$30,460,832	\$4,022,647

All Funds: 2019 – 2020 Revenues, Expenses, Fund Balances

	Food Service Fund	Community Service Fund	Building Construction Fund	Debt Service Fund	Trust Fund	Internal Service Fund	Postemployment Benefits Irrevocable Trust Fund
REVENUES							
Local	(0)	1,187,765	338,836	4,885,001	119,699	268,497	141,018
State	69,959	300,323	0	499,962	0	0	0
Federal	723,547	0	0	0	0	0	0
Other	599,858	111,340	0	0	0	0	0
TOTAL REVENUE	1,393,364	1,599,428	338,836	5,384,963	119,699	268,497	141,018
EXPENDITURES							
Salaries	19,513	1,053,041	100,919	0	0	0	0
Benefits	3,079	257,976	42,777	0	0	200,989	128,275
Purchased Services	704,189	268,323	3,420,783	0	0	0	43,176
Supplies And Materials	633,204	65,794	86,737	0	0	0	0
Capital Expenditures	0	0	17,842,683	0	0	0	0
Debt Service	0	0	0	5,798,391	0	0	0
Other Expenditures	0	6,068	4,774	0	121,400	0	0
Other Financing Uses	0	0	0	0	0	0	0
TOTAL EXPENDITURES	1,359,985	1,651,202	21,498,673	5,798,391	121,400	200,989	171,451
SURPLUS / (DEFICIT)	33,379	(51,774)	(21,159,837)	(413,428)	(1,701)	67,508	(30,432)
FUND BALANCE							
Beginning of Period	68,542	110,139	27,705,952	1,240,890	145,813	474,498	3,114,572
End of Period	101,921	58,365	6,546,115	827,462	144,112	542,006	3,084,140

Expenditures by Object



Employees by Type

FTE Employee Type	'18-'19	'19-'20	'20-'21	% of Total
Teachers	171	154	154	52%
Administrator/Supervisor	14	12	13	4%
12-Month Support Staff	31	29	25	9%
9-Month Support Staff	110	97	87	29%
Custodian Staff	20	19	19	6%
Total	346	311	298	

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Property Tax Levy

- School board authority to levy comes from:
 - Legislature
 - Local voters

State of Minnesota Levy Components

- Levies
 - Formulas established by legislature
 - Formula changes impact levy amounts
 - Based on estimates
- Adjustments for prior years
- Abatement adjustments
- Equalized levies increase and decrease with tax base

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Additional Factors Beyond School District Levy

- City/Townships Taxes
- County Taxes
- Changes to Property Valuation

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PROPOSED PAY '21 LEVY CERTIFICATION FOR NORTH BRANCH

Fund	Pay '21 Levy Limit	Increase (Decrease)	Percent Change
General	4,024,750	386,196	10.61
Community Education	231,498	(-3,505)	(-1.49)
General Debt Service	4,730,000	(-401,178)	(-7.82)
OPEB Debt Service	411,831	7,787	1.93
TOTAL	9,398,079	(-10,700)	(-.11)

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Summary

- Property values are increasing, however, debt service is decreasing
- Total levy estimated to **decrease** by \$10,700
- Impact on taxpayers varies

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Levy Timeline

- December
 - Certification by School Board before December 31

- May
 - First half tax payments due

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Property Tax Levy

- Questions?

Property Tax Levy

- Public Comment
- Contact school district for questions about school district levy
- Todd Tetzlaff

ttetzlaf@isd138.org

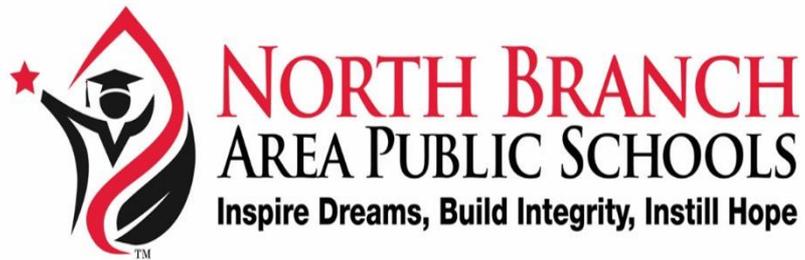
651 674-1009



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Property Tax Levy 2020



December 12, 2019