

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2020

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INDEPENDENT SCHOOL DISTRICT NO. 181
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INTRODUCTORY SECTION

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**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
BOARD OF EDUCATION AND ADMINISTRATION
JUNE 30, 2020**

BOARD OF EDUCATION

NAME	TERM ON BOARD EXPIRES	BOARD POSITION
Tom Haglin	December 31, 2022	Chairperson
Bob Nystrom	December 31, 2020	Vice-Chairperson
Charles Black Lance	December 31, 2022	Treasurer
Ruth Nelson	December 31, 2022	Clerk
Sue Kern	December 31, 2020	Director
Reed Campbell	December 31, 2020	Director

ADMINISTRATION

Laine Larson	Superintendent
Heidi Hahn	Assistant Superintendent
Marci Lord	Director of Business Services
Tim Murtha	Director of Teaching and Learning
Cori Reynolds	Director of Community Education
Jennifer Johnson	Director of Special Education
Sarah Porisch	Director of Technology
Alissa Thompson	Director of Food Services
Reid Thiesse	Director of Building and Grounds
District Offices	Independent School District No. 181 Brainerd Public Schools 804 Oak Street Brainerd, MN 56401 (218) 454-6900

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Board of Education
Independent School District No. 181
Brainerd Public Schools
Brainerd, 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. 181 (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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2020, and the respective changes in financial position, and cash flows, where applicable, thereof and the budgetary comparison for 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 15). Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Report on Summarized Comparative Information

We have previously audited the District's 2019 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and we expressed unmodified audit opinions on those audited financial statements in our report dated December 18, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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, the schedule of money weighted rate of return on plan assets, the schedule of the District's proportionate share of the net pension liability, and the schedule of District contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of 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.

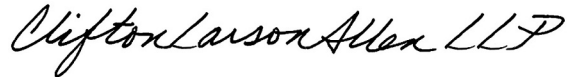
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The individual fund financial statements and the Uniform Financial Accounting and Reporting Standards Compliance Table, as listed in the table of contents, are presented for purposes of additional analysis and are 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 individual fund 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the 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

Brainerd, Minnesota
December 7, 2020

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REQUIRED SUPPLEMENTARY INFORMATION

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**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

This section of Brainerd Public Schools – Independent School District No. 181'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.

FINANCIAL HIGHLIGHTS

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

- District-wide, accrual basis net position increased by approximately \$3,400,000, on revenues of \$110,289,434 compared to expenses of \$106,889,637.
- Total General Fund revenues were approximately \$86,409,539 as compared to \$87,252,365 of expenditures.
- The fund balance of the General Fund increased by approximately \$204,000 from 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-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
 - The governmental funds statements tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
 - Proprietary funds statements (the District's health insurance internal service fund) offer short-term 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.

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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, deferred outflows of resources, 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.
- To assess the overall financial health of the District, you need to consider additional nonfinancial factors such as enrollment trends, 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, state aids, and federal 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).

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements (Continued)

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 reconciling information within the governmental funds statements to explain the relationship (or differences) between the funds.
- Proprietary funds – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.
- The District uses the internal service fund to report activities that provide services for the District's other programs and activities. The District currently has one internal service fund for its self-insured health insurance fund.

Fiduciary funds – The District is the trustee, or fiduciary, for assets that belong to others, such as the District's Postemployment Benefits Irrevocable Trust Fund and the amounts reported for the special education cooperative. 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. We exclude these activities from the District-wide financial statements because the District cannot use these assets to finance its operations.

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's combined net position was a deficit of \$21,946,524 on June 30, 2020. This was an increase from prior year net position deficit balance of \$25,346,321 (see Table A-1).

**Table A-1
The District's Net Position**

	Governmental Activities as of June 30,		Percentage Change
	2020	2019	
Current and Other Assets	\$ 178,522,732	\$ 237,006,636	(24.7)%
Capital and Noncurrent Assets	157,108,875	82,251,858	91.0
Total Assets	<u>335,631,607</u>	<u>319,258,494</u>	5.1
Deferred Outflows of Resources	41,731,644	60,408,795	(30.9)
Current Liabilities	38,662,805	23,007,729	68.0
Long-Term Liabilities	275,540,163	281,428,798	(2.1)
Total Liabilities	<u>314,202,968</u>	<u>304,436,527</u>	3.2
Deferred Inflows of Resources	<u>85,106,807</u>	<u>100,577,083</u>	(15.4)
Net Investment in Capital Assets	21,692,253	28,834,415	(24.8)
Restricted	17,457,227	15,739,711	10.9
Unrestricted	(61,096,004)	(69,920,447)	(12.6)
Total Net Position	<u>\$ (21,946,524)</u>	<u>\$ (25,346,321)</u>	(13.4)

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Position

The District's total revenues were \$110,289,434 for the year ended June 30, 2020. Property taxes and state aid formula accounted for 67% of total revenue for the year. Another 28% came from other program-specific federal and state aid.

**Table A-2
Change in Net Position**

	Governmental Activities		Total % Change
	as of June 30,		
	2020	2019	
Revenues			
<u>Program Revenues</u>			
Charges for Services	\$ 3,973,340	\$ 4,784,162	(16.9)%
Operating Grants and Contributions	29,584,399	26,544,882	11.5
Capital Grants and Contributions	1,073,018	1,095,609	(2.1)
<u>General Revenues</u>			
Property Taxes	24,105,498	19,826,338	21.6
Unrestricted Federal and State Aid	49,995,381	48,249,115	3.6
Investment Earnings	438,597	560,939	(21.8)
Other	1,119,201	984,186	13.7
Total Revenues	110,289,434	102,045,231	8.1
Expenses			
Administration	3,473,644	2,562,249	35.6
District Support Services	2,120,657	1,801,170	17.7
Regular Instruction	37,199,529	23,775,607	56.5
Vocational Education Instruction	1,374,046	827,972	66.0
Special Education Instruction	23,120,103	17,634,324	31.1
Instructional Support Services	6,029,724	4,539,229	32.8
Pupil Support Services	7,205,444	7,150,417	0.8
Sites and Buildings	11,913,511	9,276,311	28.4
Fiscal and Other Fixed Cost Programs	337,304	322,495	4.6
Food Service	3,481,946	3,499,133	(0.5)
Community Service	3,578,911	3,069,624	16.6
Interest and Fiscal Charges on Long-Term Liabilities	7,054,818	8,988,202	(21.5)
Total Expenses	106,889,637	83,446,733	28.1
Increase (Decrease) in Net Position			
Net Position - Beginning of Year	(25,346,321)	(43,944,819)	
Net Position - End of Year	<u>\$ (21,946,524)</u>	<u>\$ (25,346,321)</u>	

Revenues increased in 2020 primarily in taxes and state aid. Expenses increased during fiscal year 2020 due to the shift of funding for the net pension liability and the change in deferred inflows and outflows of resources.

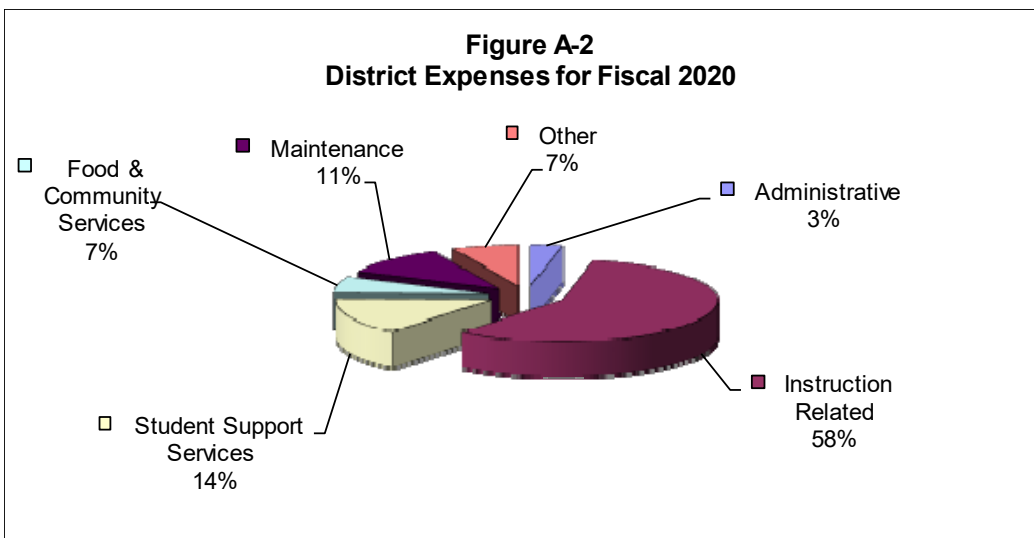
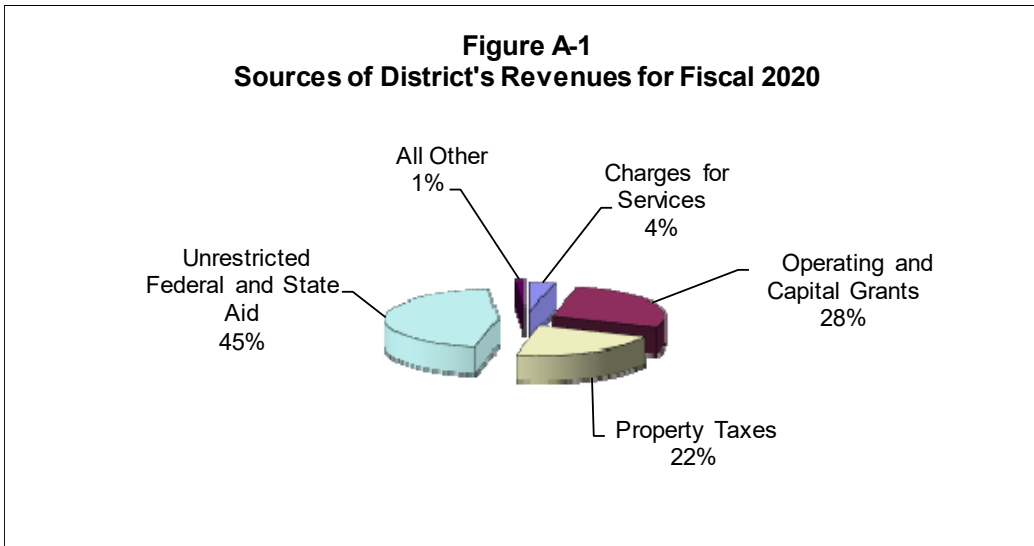
**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Position (Continued)

The cost of all governmental activities this year was \$106,889,637.

- Some of the cost was paid by the users of the District's programs (\$3,973,340).
- The federal and state governments subsidized certain programs with grants and contributions (\$30,657,417).
- The rest of the remaining District's costs were paid by District taxpayers and the taxpayers of our state in property taxes and state aid based on the statewide education aid formula and other miscellaneous revenues.



**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Position (Continued)

Table A-3
Cost and Net Cost of Services

	Total Cost of Services			Net Cost of Services		
	2020	2019	Change	2020	2019	Change
Administration	\$ 3,473,644	\$ 2,562,249	35.6 %	\$ 3,338,068	\$ 2,251,865	48.2 %
District Support Services	2,120,657	1,801,170	17.7	2,110,840	1,813,998	16.4
Regular Instruction	37,199,529	23,775,607	56.5	30,311,643	18,575,817	63.2
Vocational Education Instruction	1,374,046	827,972	66.0	1,310,272	834,699	57.0
Special Education Instruction	23,120,103	17,634,324	31.1	6,530,977	2,979,382	119.2
Instructional Support Services	6,029,724	4,539,229	32.8	5,187,262	3,976,228	30.5
Pupil Support Services	7,205,444	7,150,417	0.8	6,549,117	6,497,924	0.8
Sites and Buildings	11,913,511	9,276,311	28.4	7,973,442	4,360,185	82.9
Fiscal and Other Fixed Cost Programs	337,304	322,495	4.6	337,304	322,495	4.6
Food Service	3,481,946	3,499,133	(0.5)	318,685	(1,049)	(30479.9)
Community Service	3,578,911	3,069,624	16.6	1,301,032	615,581	111.4
Interest and Fiscal Charges on Long-Term Liabilities	7,054,818	8,988,202	(21.5)	6,990,238	8,794,955	(20.5)
Total	\$ 106,889,637	\$ 83,446,733	28.1	\$ 72,258,880	\$ 51,022,080	41.6

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the school district as a whole is further detailed in the governmental funds balance sheet on pages 19 and 20. As the District completed the year, its governmental funds reported combined balances of \$116,289,993, showing a decrease of about \$76,621,000 from prior year.

As detailed in the statement of revenues, expenditures, and changes in fund balances on pages 22 and 23, the District's overall governmental fund revenues increased by approximately 5.09% to a level of \$110,097,740. Expenditures for 2020 increased 50.74% to a level of \$187,766,510; expenditures exceeded revenues. The large decrease in fund balance is due to the spend down of bonds issued in the prior year. Regular Instruction and Vocational Education Instruction total cost of services increased in 2020 due to the change in net pension liability and TRA and PERA direct aid.

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.

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

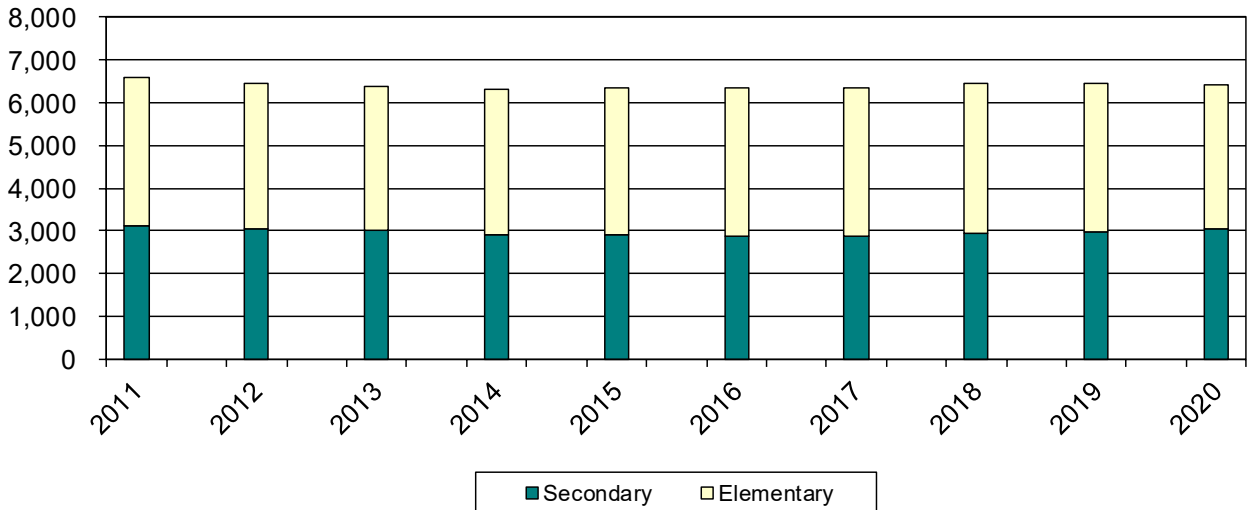
GENERAL FUND (CONTINUED)

The following graph shows the trend in student counts over the past 10 years:

**Table A-4
Student Enrollment (Average Daily Membership)**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Pre-K	86	85	101	107	101	107	115	122	121	149
HCP K	72	73	76	81	94	97	96	102	123	121
Reg K	427	410	394	407	411	378	375	394	307	328
Elementary	2,899	2,877	2,920	2,918	2,946	2,999	3,015	2,972	2,947	2,889
Secondary	3,049	3,009	2,907	2,903	2,884	2,865	2,932	2,977	3,040	3,041
Total Students for Aid	6,533	6,454	6,398	6,416	6,436	6,446	6,533	6,567	6,538	6,528
Percent Change	-1.60%	-1.21%	-0.87%	0.28%	0.31%	0.16%	1.35%	0.52%	-0.44%	-0.15%

**Table A-3
BRAINERD PUBLIC SCHOOLS
Student Enrollment (in ADM's)**



**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

GENERAL FUND (CONTINUED)

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	Amount Increase (Decrease)	Percent Increase (Decrease)
Local Sources				
Property Taxes	\$ 10,277,773	\$ 10,377,299	\$ (99,526)	(1.0)%
Earnings on Investments	181,996	267,069	(85,073)	(31.9)
Other	2,600,013	2,782,663	(182,650)	(6.6)
State Sources	71,307,288	68,852,909	2,454,379	3.6
Federal Sources	2,042,469	2,150,513	(108,044)	(5.0)
Total General Fund Revenue	<u>\$ 86,409,539</u>	<u>\$ 84,430,453</u>	<u>\$ 1,979,086</u>	2.3

Overall, total General Fund revenue increased by \$1,979,086 or 2.3% from the prior year as shown above. This was primarily a result of an increase in state revenues which is largely driven by enrollment and an increase in the state funding formula.

The following schedule presents a summary of General Fund Expenditures:

**Table A-6
General Fund Expenditures**

	Year Ended		Change	
	June 30, 2020	June 30, 2019	Amount of Increase (Decrease)	Percent Increase (Decrease)
Salaries	\$ 47,235,053	\$ 46,509,681	\$ 725,372	1.6 %
Employee Benefits	19,941,757	19,005,005	936,752	4.9
Purchased Services	11,269,179	11,832,088	(562,909)	(4.8)
Supplies and Materials	3,165,906	2,938,427	227,479	7.7
Capital Expenditures	3,439,058	1,909,696	1,529,362	80.1
Other Expenditures	2,201,412	1,259,079	942,333	74.8
Total Expenditures	<u>\$ 87,252,365</u>	<u>\$ 83,453,976</u>	<u>\$ 3,798,389</u>	4.6

Total General Fund expenditures increased \$3,798,389 or 4.6% due to an increase in salaries and benefits and capital expenditures.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget one time. This budget amendment falls into one category:

- Generally speaking, the budget amendment concentrates on students and staff. Actual student counts from the beginning of the school year are tracked and matched against the student enrollment estimates used to project many of the revenue components in the preliminary budget revenue categories. Actual staffing and respective assignments are verified for accuracy against the projected staffing costs used to establish the preliminary budget expense for salaries and benefits and capital expenditures.

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

GENERAL FUND (CONTINUED)

General Fund Budgetary Highlights (Continued)

Depending on how actual revenue and expense items are tracking against the preliminary budget amounts, adjustments are proposed to specific categories for review and approval by the school board.

Actual results differed from budget as follows:

- The District's final budget for the General Fund anticipated that expenditures would exceed revenues by approximately \$1,182,846, actual revenues exceeded actual expenditures by \$203,640.
- Overall, actual revenues were about \$176,000 more than budgeted, representing a .20% variation from budget to actual, primarily due to unexpected tax forfeited sales, donations, and new charges for services.
- The actual expenditures for current year were about \$164,000 under budget, which represents less than .19% of budgeted expenditures.
- The General Fund's fund balance increased by approximately \$204,000. The unassigned fund balance increased by approximately \$114,000, and the restricted fund balances decreased by approximately \$431,000. Nonspendable fund balance increased by approximately \$582,000. Assigned fund balance decreased by approximately \$61,000.

CONSTRUCTION PROJECTS AND DEBT SERVICE

An annual levy is made to fund the bond payments of approximately \$5,220,000 in principal and \$8,490,000 of interest.

INTERNAL SERVICE FUND

The District provides group health insurance and dental insurance for various employee groups through a self-insurance program funded by District contributions and payroll withholding. Medica is the current provider of administrative services for health insurance and Delta Dental is the current provider of administrative services for dental insurance. Revenues for the year ended June 30, 2020 exceeded expenses by approximately \$3,659,000 and net position at year-end totaled approximately \$9,708,000 as compared to annual expenses of approximately \$11,341,000.

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

CAPITAL ASSETS

As shown in the table below, the District has invested \$235,726,838 in a broad range of capital assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices. More detailed information about capital assets can be found in Note 4 to the financial statements. Total depreciation expense for the year was \$4,199,684.

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

	<u>2020</u>	<u>2019</u>	<u>Percentage Change</u>
Land	\$ 4,960,016	\$ 4,565,005	8.7 %
Construction-in-Progress	96,783,178	19,292,540	401.7
Land Improvements	12,546,877	12,546,877	-
Buildings and Improvements	104,711,546	104,711,546	-
Equipment	16,725,221	15,895,152	5.2
Less: Accumulated Depreciation	<u>(78,617,963)</u>	<u>(74,759,262)</u>	5.2
Total	<u><u>\$ 157,108,875</u></u>	<u><u>\$ 82,251,858</u></u>	91.0

Long-Term Liabilities

At year-end, the District had \$204,720,000 in general obligation bonds outstanding, approximately \$3,303,000 in a lease purchase, and about \$2,614,000 in capital leases as shown in Note 5 to the financial statements.

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

	<u>2020</u>	<u>2019</u>	<u>Percentage Change</u>
General Obligation Bonds	\$ 204,720,000	\$ 200,455,000	2.1 %
Net Bond Premium and Discount	10,538,434	11,659,802	(9.6)
Obligations Under Capital Leases	2,614,291	2,521,108	3.7
Certificate of Participation	9,195,000	9,485,000	-3.1%
Lease Purchases	<u>3,302,781</u>	<u>3,596,392</u>	(8.2)
Total	<u><u>\$ 230,370,506</u></u>	<u><u>\$ 227,717,302</u></u>	1.2
Long-Term Debt			
Due Within One Year	\$ 6,498,053	\$ 6,632,925	
Due in More Than One Year	<u>223,872,453</u>	<u>230,569,377</u>	
Total	<u><u>\$ 230,370,506</u></u>	<u><u>\$ 237,202,302</u></u>	

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

FACTORS BEARING ON THE DISTRICT'S FUTURE

With the exception of voter-approved excess capital referendums, the District is mostly dependent on the state of Minnesota for its revenue authority.

The general education per pupil formula is the method by which school districts receive the majority of their financial support. This source of funding is primarily state aid and, as such, school districts rely heavily on the State of Minnesota for educational resources.

As the state economy followed national trends during the downturn from 2009 – 2012, increased funding from the state was very limited and at a level that was insufficient in meeting the instructional program needs and increasing operating costs. The district responded to these financial challenges by taking appropriate expense reduction steps to bring relative stability to its budget and maintain an adequate amount in fund reserves. With recent increases in education funding from the state, the District's operating results have improved and allowed for an increase in its fund reserves, better positioning itself for continued financial stability in the future.

With continued proactive and prudent management of expenses, combined with the effects of increased funding from the state and increasing trends in enrollment, the District is well-positioned to achieve stability in its operating budget going forward.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, 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 Business Services, Independent School District No. 181, 804 Oak Street, Brainerd, Minnesota 56401.

BASIC FINANCIAL STATEMENTS

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**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
STATEMENT OF NET POSITION
JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)**

	Governmental Activities	
	2020	2019
ASSETS		
Cash and Investments	\$ 150,629,781	\$ 201,572,148
Cash Held by Fiscal Agent	3,039,760	10,160,708
Receivables:		
Property Taxes	12,653,686	11,231,283
Other Governments	8,140,046	9,401,128
Other	242,906	318,110
Prepaid Items	1,264,197	527,106
Net OPEB Asset	1,515,050	2,678,894
Inventories	152,470	122,515
Due from Other Funds	884,836	994,744
Capital Assets:		
Land	4,960,016	4,565,005
Construction in Progress	96,783,178	19,292,540
Other Capital Assets, Net of Depreciation	55,365,681	58,394,313
Total Assets	335,631,607	319,258,494
DEFERRED OUTFLOWS OF RESOURCES		
OPEB Related	1,690,262	1,703,048
Pension Related	40,041,382	58,705,747
Total Deferred Outflows of Resources	41,731,644	60,408,795
LIABILITIES		
Current Liabilities:		
Salary and Benefits Payable	2,614,774	2,841,486
Accounts and Contracts Payable	24,881,324	8,696,690
Accrued Interest	3,596,090	3,687,560
Due to Other Governmental Units	539,932	577,994
Unearned Revenue	231,155	278,814
Total Current Liabilities	31,863,275	16,082,544
Long-Term Liabilities:		
Net Pension Liability	51,529,176	50,720,887
Net Supplemental Pension Liability	138,534	138,534
Portion Due Within One Year	6,799,530	6,925,185
Portion Due in More Than One Year	223,872,453	230,569,377
Total Long-Term Liabilities	282,339,693	288,353,983
Total Liabilities	314,202,968	304,436,527

See accompanying Notes to Financial Statements.

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)**

	Governmental Activities	
	<u>2020</u>	<u>2019</u>
DEFERRED INFLOWS OF RESOURCES		
Gain on Refunding	\$ 1,830,491	\$ 2,073,260
Pension Related	60,702,380	75,575,505
OPEB Related	141,973	274,018
Property Taxes Levied for Subsequent Year	22,431,963	22,654,300
Total Deferred Inflows of Resources	<u>85,106,807</u>	<u>100,577,083</u>
NET POSITION		
Net Investment in Capital Assets	21,692,253	28,834,415
Restricted for:		
General Fund Operating Capital Purposes	1,531,157	1,121,870
General Fund State-Mandated Reserves	3,263,547	3,951,576
Food Service	282,808	541,910
Community Service	1,233,133	1,640,286
Capital Projects	6,591,772	5,653,047
Cash Held by Fiscal Agent	3,039,760	10,160,708
Other Postemployment Benefits	1,515,050	2,678,894
Unrestricted	<u>(61,096,004)</u>	<u>(79,929,027)</u>
Total Net Position	<u><u>\$ (21,946,524)</u></u>	<u><u>\$ (25,346,321)</u></u>

See accompanying Notes to Financial Statements.

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)**

Functions	2020				2019	
	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating	Capital	Total Governmental Activities	Total Governmental Activities
			Grants and Contributions	Grants and Contributions		
Governmental Activities						
Administration	\$ 3,473,644	\$ -	\$ 32,156	\$ 103,420	\$ (3,338,068)	\$ (2,251,865)
District Support Services	2,120,657	9,000	817	-	(2,110,840)	(1,813,998)
Regular Instruction	37,199,529	1,132,508	5,441,113	314,265	(30,311,643)	(18,575,817)
Vocational Education Instruction	1,374,046	58,500	5,274	-	(1,310,272)	(834,699)
Special Education Instruction	23,120,103	278,966	16,310,160	-	(6,530,977)	(2,979,382)
Instructional Support Services	6,029,724	5,713	398,731	438,018	(5,187,262)	(3,976,228)
Pupil Support Services	7,205,444	-	647,888	8,439	(6,549,117)	(6,497,924)
Sites and Buildings	11,913,511	8,282	3,722,911	208,876	(7,973,442)	(4,360,185)
Fiscal and Other Fixed Cost Programs	337,304	-	-	-	(337,304)	(322,495)
Food Service	3,481,946	1,045,126	2,118,135	-	(318,685)	1,049
Community Service	3,578,911	1,435,245	842,634	-	(1,301,032)	(615,581)
Interest and Fiscal Charges on Long-Term Liabilities	7,054,818	-	64,580	-	(6,990,238)	(8,794,955)
Total School District	<u>\$ 106,889,637</u>	<u>\$ 3,973,340</u>	<u>\$ 29,584,399</u>	<u>\$ 1,073,018</u>	<u>(72,258,880)</u>	<u>(51,022,080)</u>
General Revenues						
Property Taxes Levied for:						
General Purposes					10,442,287	10,591,019
Community Service					557,687	568,042
Debt Service					13,105,524	8,667,277
State Aid Not Restricted to Specific Purposes					49,995,381	48,249,115
Earnings on Investments					438,597	560,939
Miscellaneous					1,119,201	984,186
Total General Revenues					<u>75,658,677</u>	<u>69,620,578</u>
CHANGE IN NET POSITION					3,399,797	18,598,498
Net Position - Beginning of Year					<u>(25,346,321)</u>	<u>(43,944,819)</u>
NET POSITION - END OF YEAR					<u>\$ (21,946,524)</u>	<u>\$ (25,346,321)</u>

See accompanying Notes to Financial Statements.

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)**

ASSETS	Major Funds		
	General	Food Service	Community Service
Cash and Investments	\$ 12,403,520	\$ 296,462	\$ 1,444,714
Cash Held by Fiscal Agent	152,552	-	-
Receivables:			
Current Property Taxes	5,368,019	-	271,275
Delinquent Property Taxes	157,786	-	9,512
Due from Other Minnesota School Districts	118,377	-	-
Due from Minnesota Department of Education	6,286,824	-	89,576
Due from Federal through Minnesota Department of Education	1,507,093	-	12,272
Due from Other Governmental Units	46,615	-	35,000
Other Receivables	241,511	915	156
Due from Other Funds	884,836	-	-
Prepaid Items	942,335	-	1,005
Inventory	27,463	125,007	-
Total Assets	<u>\$ 28,136,931</u>	<u>\$ 422,384</u>	<u>\$ 1,863,510</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Salary and Benefits Payable	\$ 2,452,771	\$ 89,961	\$ 72,042
Accounts and Contracts Payable	1,614,051	5,958	3,700
Due to Other Minnesota School Districts	125,632	-	-
Due to Other Governmental Units	412,314	-	1,622
Unearned Revenue	160,198	43,657	27,300
Total Liabilities	<u>4,764,966</u>	<u>139,576</u>	<u>104,664</u>
DEFERRED INFLOWS OF RESOURCES			
Property Taxes Levied for Subsequent Year	9,174,145	-	525,713
Unavailable Revenue - Delinquent Taxes	122,892	-	9,512
Total Deferred Inflows of Resources	<u>9,297,037</u>	<u>-</u>	<u>535,225</u>
FUND BALANCE			
Nonspendable:			
Prepaid Items	942,335	-	1,005
Inventory	27,463	125,007	-
Restricted:			
Student Activities	215,200	-	-
Operating Capital	1,531,157	-	-
Learning and Development	535,211	-	-
Safe Schools - Crime	479,874	-	-
Community Education Programs	-	-	344,665
Early Childhood and Family Educations Programs	-	-	699,866
School Readiness	-	-	178,085
Adult Basic Education	-	-	-
Staff Development	649,254	-	-
Long-Term Facilities Maintenance (LTFM)	1,231,456	-	-
Projects Funded by Certificates of Lease Purchase	-	-	-
Other Restricted	152,552	157,801	-
Assigned:			
Q Comp	565,008	-	-
Other	125,536	-	-
Unassigned	7,619,882	-	-
Total Fund Balances	<u>14,074,928</u>	<u>282,808</u>	<u>1,223,621</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 28,136,931</u>	<u>\$ 422,384</u>	<u>\$ 1,863,510</u>

See accompanying Notes to Financial Statements.

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
BALANCE SHEET – GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)**

Major Funds (Continued)		Total Governmental Funds	
Capital Projects	Debt Service	2020	2019
\$ 117,297,394	\$ 8,831,357	\$ 140,273,447	\$ 194,506,706
2,887,208	-	3,039,760	10,160,708
-	6,669,391	12,308,685	10,774,741
-	177,703	345,001	456,542
-	-	118,377	183,737
-	44,289	6,420,689	7,323,152
-	-	1,519,365	1,745,973
-	-	81,615	148,266
324	-	242,906	318,110
-	-	884,836	994,744
297,794	-	1,241,134	527,106
-	-	152,470	122,515
<u>\$ 120,482,720</u>	<u>\$ 15,722,740</u>	<u>\$ 166,628,285</u>	<u>\$ 227,262,300</u>
\$ -	\$ -	\$ 2,614,774	\$ 2,841,486
22,586,652	-	24,210,361	7,681,158
-	-	125,632	155,624
364	-	414,300	422,370
-	-	231,155	278,814
<u>22,587,016</u>	<u>-</u>	<u>27,596,222</u>	<u>11,379,452</u>
-	12,732,105	22,431,963	22,654,300
-	177,703	310,107	317,371
<u>-</u>	<u>12,909,808</u>	<u>22,742,070</u>	<u>22,971,671</u>
297,794	-	1,241,134	527,106
-	-	152,470	122,515
-	-	215,200	-
-	-	1,531,157	1,121,870
-	-	535,211	550,205
-	-	479,874	229,178
-	-	344,665	516,012
-	-	699,866	711,473
-	-	178,085	258,821
-	-	-	12,089
-	-	649,254	801,245
19,208,995	-	20,440,451	31,136,801
2,099,290	-	2,099,290	8,584,424
76,289,625	2,812,932	79,412,910	140,081,677
-	-	565,008	631,015
-	-	125,536	120,606
-	-	7,619,882	7,506,140
<u>97,895,704</u>	<u>2,812,932</u>	<u>116,289,993</u>	<u>192,911,177</u>
<u>\$ 120,482,720</u>	<u>\$ 15,722,740</u>	<u>\$ 166,628,285</u>	<u>\$ 227,262,300</u>

See accompanying Notes to Financial Statements.

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**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT
OF NET POSITION – GOVERNMENTAL ACTIVITIES
JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)**

	2020	2019
Total Fund Balance for Governmental Funds	\$ 116,289,993	\$ 192,911,177
Total net position 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	4,960,016	4,565,005
Construction-in-Progress	96,783,178	19,292,540
Land Improvements, Net of Accumulated Depreciation	4,230,000	4,746,138
Buildings and Improvements, Net of Accumulated Depreciation	46,922,935	49,905,521
Equipment, Net of Accumulated Depreciation	4,212,746	3,742,654
OPEB trust assets net of the OPEB liability and related deferred inflows and outflows are recorded only on the statement of net position. Balances at year-end are:		
OPEB Trust Assets	1,515,050	2,678,894
Deferred Inflows of Resources - OPEB Related	(141,973)	(274,018)
Deferred Outflows of Resources - OPEB Related	1,690,262	1,678,435
The Net Supplemental Pension Liability and related deferred inflow and outflows are recorded only on the statement of net position. Balances at year-end are:		
Net Supplemental Pension Liability	(138,534)	(138,534)
Deferred Inflows of Resources - Pension Related	(1,197)	(1,347)
Deferred Outflows of Resources - Pension Related	22,150	24,613
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	(51,529,176)	(50,720,887)
Deferred Inflows of Resources - Pension Related	(60,701,183)	(75,574,158)
Deferred Outflows of Resources - Pension Related	40,019,232	58,705,747
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 in the funds.		
	310,107	317,371
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		
	(3,596,090)	(3,687,560)
Internal service fund is used by management to charge the costs of health and dental insurance services to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net position. Internal service fund net position at year-end is:		
	9,708,434	6,049,910
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	(204,720,000)	(219,425,000)
Unamortized Premiums	(10,539,735)	(11,661,800)
Unamortized Discounts	1,301	1,998
Gain on Refunding Bond	(1,830,491)	(2,073,260)
Certificates of Participation	(9,195,000)	-
Obligations Under Capital Leases	(2,614,291)	(2,521,108)
Lease Purchase Payable	(3,302,781)	(3,596,392)
Compensated Absences Payable	(301,477)	(292,260)
Total Net Position of Governmental Activities	<u>\$ (21,946,524)</u>	<u>\$ (25,346,321)</u>

See accompanying Notes to Financial Statements.

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)**

	<u>Major Funds</u>		
	<u>General</u>	<u>Food Service</u>	<u>Community Service</u>
REVENUES			
Local			
Property Taxes	\$ 10,277,773	\$ -	\$ 561,825
Earnings on Investments	181,996	5,938	25,906
Other	2,600,013	1,049,626	1,534,235
State Sources	71,307,288	157,949	886,193
Federal Sources	<u>2,042,469</u>	<u>1,960,186</u>	<u>12,272</u>
Total Revenues	86,409,539	3,173,699	3,020,431
EXPENDITURES			
Current			
Administration	3,199,807	-	-
District Support Services	2,052,252	-	-
Regular Instruction	33,812,319	-	-
Vocational Education Instruction	1,216,691	-	-
Special Education Instruction	21,564,313	-	-
Instructional Support Services	5,042,937	-	-
Pupil Support Services	6,997,956	-	-
Sites and Buildings	7,588,406	-	-
Fiscal and Other Fixed Cost Programs	337,304	-	-
Food Service	-	3,423,987	-
Community Service	-	-	3,295,128
Capital Outlay	3,439,058	8,814	129,438
Debt Service			
Principal	1,498,715	-	-
Interest and Fiscal Charges	<u>502,607</u>	<u>-</u>	<u>-</u>
Total Expenditures	87,252,365	3,432,801	3,424,566
Excess (Deficiency) of Revenues Over (Under) Expenditures	(842,826)	(259,102)	(404,135)
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	-	-	-
Bond Refunding Payment	-	-	-
Proceeds from Sale of Bonds and COPs	-	-	-
Proceeds from Capital Leases	1,008,287	-	-
Refunding Bond Premium	-	-	-
Premium on Sale of Bonds	-	-	-
Sale of Capital Assets	38,179	-	1,120
Total Other Financing Sources (Uses)	<u>1,046,466</u>	<u>-</u>	<u>1,120</u>
NET CHANGE IN FUND BALANCE	203,640	(259,102)	(403,015)
Fund Balance - Beginning of Year	<u>13,871,288</u>	<u>541,910</u>	<u>1,626,636</u>
FUND BALANCE - END OF YEAR	<u>\$ 14,074,928</u>	<u>\$ 282,808</u>	<u>\$ 1,223,621</u>

See accompanying Notes to Financial Statements.

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)**

<u>Major Funds (Continued)</u>		<u>Total Governmental Funds</u>	
<u>Capital Projects - Building Construction</u>	<u>Debt Service</u>	<u>2020</u>	<u>2019</u>
\$ -	\$ 13,140,684	\$ 23,980,282	\$ 19,623,505
3,825,933	84,569	4,124,342	5,091,751
-	-	5,183,874	5,926,388
-	442,885	72,794,315	69,982,050
-	-	4,014,927	4,137,740
<u>3,825,933</u>	<u>13,668,138</u>	<u>110,097,740</u>	<u>104,761,434</u>
-	-	3,199,807	3,259,447
-	-	2,052,252	1,847,323
-	-	33,812,319	33,634,806
-	-	1,216,691	1,101,965
-	-	21,564,313	20,941,686
-	-	5,042,937	4,395,562
-	-	6,997,956	7,052,106
11,182,327	-	18,770,733	24,855,553
-	-	337,304	322,495
-	-	3,423,987	3,613,187
-	-	3,295,128	3,449,390
68,763,904	-	72,341,214	6,411,356
-	5,220,000	6,718,715	8,219,256
-	8,490,547	8,993,154	5,456,026
<u>79,946,231</u>	<u>13,710,547</u>	<u>187,766,510</u>	<u>124,560,158</u>
(76,120,298)	(42,409)	(77,668,770)	(19,798,724)
-	-	-	25,940
-	-	-	(25,940)
-	-	-	(31,960,000)
-	-	-	73,555,000
-	-	1,008,287	1,099,531
-	-	-	2,517,501
-	-	-	3,020,604
-	-	39,299	700
<u>-</u>	<u>-</u>	<u>1,047,586</u>	<u>48,233,336</u>
(76,120,298)	(42,409)	(76,621,184)	28,434,612
<u>174,016,002</u>	<u>2,855,341</u>	<u>192,911,177</u>	<u>164,476,565</u>
<u>\$ 97,895,704</u>	<u>\$ 2,812,932</u>	<u>\$ 116,289,993</u>	<u>\$ 192,911,177</u>

See accompanying Notes to Financial Statements.

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES –
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)**

	2020	2019
Net Change in Fund Balance-Total Governmental Funds	\$ (76,621,184)	\$ 28,434,612
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.		
Capital Outlays	79,057,225	21,397,742
Net Depreciated Value of Disposed Assets	(524)	(2,917)
Depreciation Expense	(4,199,684)	(4,304,218)
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.		
Proceeds from Capital Lease	(1,008,287)	(1,099,531)
Change in Accrued Interest Expense - Capital Leases	14,167	(9,699)
Principal Payments - Capital Leases	915,104	605,636
Payment of OPEB benefits are recognized as expenditures at the fund level while the change in the net OPEB asset, and the related deferred inflows and outflows resources are recognized in the statement of net position.		
	(1,019,972)	(699,771)
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.		
	(4,621,829)	17,944,644
Payment of supplemental net pension expenses are recognized at the fund level while the change in the net supplemental net pension liability and the related deferred inflows and outflows of resources are recognized in the statement of net position.		
	(2,313)	9,888
The governmental funds report bond proceeds as financing sources, while repayment 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 and repayment of principal reduces the liability. Also, governmental funds report the effect of 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:		
Net Bond (Premium) Discount	-	(5,538,105)
Gain on Refunding Bond	-	(2,073,260)
Proceeds From Sale of Bonds	-	(73,555,000)
Payment on Lease Purchase Agreement	293,611	283,620
Repayment of Bond Principal	5,220,000	7,330,000
Repayment of Certificates of Participation	290,000	-
Repayment of Refunding Bonds	-	31,960,000
Change in Accrued Interest Expense - General Obligation Bonds and Lease Purchase	77,303	(2,915,919)
Amortization of Loss on Refunding	-	(57,004)
Amortization of Gain on Refunding	242,769	98,011
Amortization of Bond Premium	1,122,065	1,247,165
Amortization of Bond Discount	(697)	(796)
Delinquent property taxes receivable will be collected next year, but are not available soon enough to pay for the current-period's expenditures and, therefore, are unavailable in the funds.		
	(7,264)	20,333
In the statement of activities, compensated absences are measured on the accrual basis. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).		
	(9,217)	(37,075)
Internal service fund is used by the District to charge the costs of the employee health and dental benefits to individual funds. The net gain (loss) of the internal service fund is reported with governmental activities.		
	<u>3,658,524</u>	<u>(439,858)</u>
Change in Net Position of Governmental Activities	<u>\$ 3,399,797</u>	<u>\$ 18,598,498</u>

See accompanying Notes to Financial Statements.

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local Sources:				
Property Taxes	\$ 9,424,216	\$ 10,040,684	\$ 10,277,773	\$ 237,089
Earnings on Investments	150,000	200,000	181,996	(18,004)
Other	2,697,666	2,318,390	2,600,013	281,623
State Sources	71,133,245	71,590,374	71,307,288	(283,086)
Federal Sources	<u>2,012,773</u>	<u>2,084,527</u>	<u>2,042,469</u>	<u>(42,058)</u>
Total Revenues	<u>85,417,900</u>	<u>86,233,975</u>	<u>86,409,539</u>	<u>175,564</u>
EXPENDITURES				
Current:				
Administration	3,229,357	3,322,599	3,199,807	(122,792)
District Support Services	1,769,358	1,907,305	2,052,252	144,947
Elementary and Secondary Regular Instruction	32,960,217	35,206,691	33,812,319	(1,394,372)
Vocational Education Instruction	1,170,312	1,275,200	1,216,691	(58,509)
Special Education Instruction	20,906,410	21,275,509	21,564,313	288,804
Instructional Support Services	4,710,749	4,966,461	5,042,937	76,476
Pupil Support Services	9,884,405	7,515,486	6,997,956	(517,530)
Sites and Buildings	7,190,242	7,897,568	7,588,406	(309,162)
Fiscal and Other Fixed Cost Programs	320,000	320,000	337,304	17,304
Capital Outlay	1,279,389	1,689,912	3,439,058	1,749,146
Debt Service:				
Principal	1,040,009	1,528,595	1,498,715	(29,880)
Interest and Fiscal Charges	<u>185,027</u>	<u>511,495</u>	<u>502,607</u>	<u>(8,888)</u>
Total Expenditures	<u>84,645,475</u>	<u>87,416,821</u>	<u>87,252,365</u>	<u>(164,456)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	772,425	(1,182,846)	(842,826)	340,020
OTHER FINANCING SOURCES (USES)				
Capital Lease Proceeds	-	-	1,008,287	1,008,287
Sale of Capital Assets	-	-	38,179	38,179
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>1,046,466</u>	<u>1,046,466</u>
NET CHANGE IN FUND BALANCE	<u>\$ 772,425</u>	<u>\$ (1,182,846)</u>	203,640	<u>\$ 1,386,486</u>
Fund Balance - Beginning of Year			<u>13,871,288</u>	
FUND BALANCE - END OF YEAR			<u>\$ 14,074,928</u>	

See accompanying Notes to Financial Statements.

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local Sources:				
Earnings on Investments	\$ 6,000	\$ 10,000	\$ 5,938	\$ (4,062)
Other - Primarily Meal Sales	1,494,000	1,408,000	1,049,626	(358,374)
State Sources	209,000	209,000	157,949	(51,051)
Federal Sources	1,980,000	1,972,174	1,960,186	(11,988)
Total Revenues	<u>3,689,000</u>	<u>3,599,174</u>	<u>3,173,699</u>	<u>(425,475)</u>
EXPENDITURES				
Current:				
Food Service	3,517,498	3,549,672	3,423,987	(125,685)
Capital Outlay	15,000	-	8,814	8,814
Total Expenses	<u>3,532,498</u>	<u>3,549,672</u>	<u>3,432,801</u>	<u>(116,871)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 156,502</u>	<u>\$ 49,502</u>	(259,102)	<u>\$ (308,604)</u>
Fund Balance - Beginning of Year			<u>541,910</u>	
FUND BALANCE - END OF YEAR			<u>\$ 282,808</u>	

See accompanying Notes to Financial Statements.

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
COMMUNITY SERVICE FUND
YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local Sources:				
Property Taxes	\$ 560,815	\$ 560,815	\$ 561,825	\$ 1,010
Earnings on Investments	30,000	40,000	25,906	(14,094)
Other - Primarily Tuition and Fees	1,902,741	1,911,241	1,534,235	(377,006)
State Sources	858,588	872,943	886,193	13,250
Federal Sources	7,997	12,273	12,272	(1)
Total Revenues	<u>3,360,141</u>	<u>3,397,272</u>	<u>3,020,431</u>	<u>(376,841)</u>
EXPENDITURES				
Current:				
Community Service	3,696,003	3,802,265	3,295,128	(507,137)
Capital Outlay	133,000	137,000	129,438	(7,562)
Total Expenditures	<u>3,829,003</u>	<u>3,939,265</u>	<u>3,424,566</u>	<u>(514,699)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(468,862)	(541,993)	(404,135)	137,858
OTHER FINANCING SOURCES				
Sale of Capital Assets	-	-	1,120	1,120
NET CHANGE IN FUND BALANCE	<u>\$ (468,862)</u>	<u>\$ (541,993)</u>	(403,015)	<u>\$ 138,978</u>
Fund Balance - Beginning of Year			<u>1,626,636</u>	
FUND BALANCE - END OF YEAR			<u>\$ 1,223,621</u>	

See accompanying Notes to Financial Statements.

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
STATEMENT OF NET POSITION
INTERNAL SERVICE FUND
JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)**

	2020	2019
ASSETS		
Cash and Cash Equivalents	\$ 10,356,334	\$ 7,065,442
Prepays	23,063	-
Total Current Assets	10,379,397	7,065,442
LIABILITIES		
Claims Payable	670,963	1,015,532
NET POSITION		
Unrestricted Net Position	\$ 9,708,434	\$ 6,049,910

See accompanying Notes to Financial Statements.

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
INTERNAL SERVICE FUND
YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)**

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Charges for Services	\$ 14,873,339	\$ 12,439,692
OPERATING EXPENSES		
Insurance Claims and Administration	11,321,453	13,047,958
Wellness Expenses from Insurance Administrator	20,000	25,519
Total Operating Expenses	<u>11,341,453</u>	<u>13,073,477</u>
OPERATING INCOME (LOSS)	3,531,886	(633,785)
NONOPERATING INCOME (EXPENSES)		
Earnings on Investments	101,638	168,927
Wellness Funding from Insurance Administrator	25,000	25,000
Total Nonoperating Income (Expenses)	<u>126,638</u>	<u>193,927</u>
CHANGE IN NET POSITION	3,658,524	(439,858)
Net Position - Beginning of Year	<u>6,049,910</u>	<u>6,489,768</u>
NET POSITION - END OF YEAR	<u>\$ 9,708,434</u>	<u>\$ 6,049,910</u>

See accompanying Notes to Financial Statements.

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND
YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)**

	Governmental Activities - Internal Service Funds	
	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from District	\$ 14,873,339	\$ 12,439,692
Cash Payments for Insurance and Other Operating Expenses	(11,709,085)	(13,119,685)
Net Cash Provided (Used) by Operating Activities	<u>3,164,254</u>	<u>(679,993)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	101,638	168,927
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Wellness Funding Received from Insurance Administrator	<u>25,000</u>	<u>25,000</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,290,892	(486,066)
Cash and Cash Equivalents - Beginning of Year	<u>7,065,442</u>	<u>7,551,508</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 10,356,334</u>	<u>\$ 7,065,442</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 3,531,886	\$ (633,785)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Decrease in Claims Payable	(344,569)	(46,208)
Increase in Prepays	(23,063)	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 3,164,254</u>	<u>\$ (679,993)</u>

See accompanying Notes to Financial Statements.

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
STATEMENT FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2020**

	Postemployment Benefits Irrevocable Trust Fund	Custodial Fund
	<u> </u>	<u> </u>
ASSETS		
Cash and Deposits	\$ 446,463	\$ -
Investments:		
Fixed Income	13,405,078	-
Equities	7,961,211	-
Receivables:		
Due from Other Minnesota School Districts	-	944,936
Due from Local	-	140
Interest	46,148	-
Prepaid Items	-	31,416
Total Assets	<u>21,858,900</u>	<u>976,492</u>
 LIABILITIES		
Accounts Payable	-	3,781
Salary and Benefits Payable	-	24,729
Due to General Fund	-	884,836
Total Liabilities	<u>-</u>	<u>913,346</u>
 NET POSITION		
Restricted for Postemployment Benefits other than Pensions	21,858,900	-
Held in Trust	-	63,146
Total Net Position	<u><u>\$ 21,858,900</u></u>	<u><u>\$ 63,146</u></u>

See accompanying Notes to Financial Statements.

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
STATEMENT CHANGES IN FIDUCIARY NET POSITION
POSTEMPLOYMENT BENEFITS IRREVOCABLE TRUST FUND
YEAR ENDED JUNE 30, 2020**

	Postemployment Benefits Irrevocable Trust Fund	Custodial Fund
ADDITIONS		
Local Sources	\$ -	\$ 2,595,890
Federal Sources	-	13,488
Charges for Service	-	944,939
Investment Income:		
Net Increase (Decrease) in Fair Value of Investments	572,106	-
Interest and Dividends	613,794	-
Less Investment Expense	(111,454)	-
Net Investment Income	<u>1,074,446</u>	<u>-</u>
Total Additions	1,074,446	3,554,317
DEDUCTIONS		
Supplies and Materials	-	3,558,484
OPEB Health Insurance Payments	1,861,763	-
Total Deductions	<u>1,861,763</u>	<u>3,558,484</u>
CHANGE IN NET POSITION	(787,317)	(4,167)
Net Position - Beginning of Year	22,646,217	-
Change in Accounting Principle	-	67,313
Net Position - Beginning of Year, As Restated	<u>22,646,217</u>	<u>67,313</u>
NET POSITION - END OF YEAR	<u>\$ 21,858,900</u>	<u>\$ 63,146</u>

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

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**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Independent School District No. 181 (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (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.

B. Financial Reporting Entity

The District is an instrumentality of the state of Minnesota established to function as an educational institution. The elected Board of Education (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.

U.S. Generally Accepted Accounting Principles (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. These financial statements include all funds of the District. 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 of the financial activities of the District, except for the fiduciary funds. The Fiduciary Funds are only reported in the statements 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 segment is 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.

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
NOTES TO 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 a purpose for which both restricted and unrestricted net position is 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. Fiduciary funds are presented in the fiduciary fund financial statements by type. The District has one custodial fund and one trust fund.

The Internal Service Fund is presented in the proprietary fund financial statements. Because the principal user of the internal services is the District's governmental activities, the financial statement of the internal service fund is consolidated into the governmental column when presented in the government-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 source of operating revenue of the District's internal service fund is the District's operating funds for health insurance premiums related to District employees. Operating expenses for the internal service fund include the cost of medical benefits, re-insurance premiums, and third-party administration fees. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Fiduciary Funds are presented in the fiduciary fund financial statements by type (custodial and trust). Since by definition these assets are being held for the benefit of a third-party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the District, these funds are not incorporated into the District-wide statements.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-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.

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

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 U.S. generally accepted accounting principles. 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 used for revenues other than property taxes.

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.

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Description of 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 – Building Construction Fund

The Capital Projects – Building Construction Fund is used to account for financial resources 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.

Proprietary Fund

Internal Service Fund

The Internal Service Fund accounts for financing of goods or services provided by one department to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The Internal Service Fund accounts for the financing of services provided by one department to other departments of the District on a cost reimbursement basis. The District's Internal Service Fund reflects the activities of its self-insured health insurance plan for its employees.

Fiduciary Funds

Custodial Fund

The Custodial Fund was established to account for cash and other assets held by the District in a custodial capacity. This fund is used to account for transactions relating to the special education cooperative in which the District has a custodial relationship.

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

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.

E. Budgeting

Budgets presented in this report for comparison to actual amounts are presented in accordance with U.S. generally accepted accounting principles. Each June, the Board of Education adopts an annual budget for the following fiscal year for the General, Food Service, Community Service, and Debt Service Funds. An annual budget is adopted for the Capital Projects – Building Construction Fund when there are projects taking place. The approved budget is published in summary form in the District’s legal newspaper by November 30 of each year. Reported budgeted amounts represent the amended budget as adopted by the Board of Education. 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 of Education 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 of Education action. Revisions to budgeted amounts must be approved by the Board of Education.

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

Budgeted amounts include interim budget amendments that increased and decreased revenue and expenditure budgets as follows:

<u>Revenues and Transfers In</u>	<u>Original Budget</u>	<u>Amendments</u>	<u>Amended Budget</u>
General Fund	\$ 85,417,900	\$ 816,075	\$ 86,233,975
Special Revenue Funds:			
Food Service Fund	3,689,000	(89,826)	3,599,174
Community Service Fund	3,360,141	37,131	3,397,272
<u>Expenditures and Transfers Out</u>			
General Fund	84,645,475	2,771,346	87,416,821
Special Revenue Funds:			
Food Service Fund	3,532,498	17,174	3,549,672
Community Service Fund	3,829,003	110,262	3,939,265

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgeting (Continued)

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 unreserved deficit fund balance, calculated in accordance with the uniform financial accounting and reporting standards for Minnesota school districts which excludes certain reserves specified in Minnesota Statutes, exceeding 2.5% of expenditures, a condition referred to as "statutory operating debt" exists. That debt requires retirement through 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. The Trust Fund, Internal Service Funds, and the escrowed assets are not included in this pool.

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. The only receivables not expected to be collected within one year are property taxes receivable.

H. Inventories

Inventories are recorded using the consumption method of accounting and consist of purchased food, supplies, and surplus commodities received from the federal government. Food and supply purchases are recorded at invoice cost, computed on a first-in, first-out method, 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 prepaid items. Expenses are allocated over the periods benefited.

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Property Taxes

Property tax levies are established by the Board of Education 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. The county spreads all levies over taxable property. Such taxes become a lien on January 1. Taxes are due on May 15 and October 15. The county generally remits taxes to the District at periodic intervals as they are collected. A portion of property taxes levied is paid by through various state tax 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 inflow of resources (property taxes levied for subsequent year).

The majority of District revenue in the General and Special Revenue Funds 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 the Debt Service Fund, all property taxes collected in a calendar year are recorded as revenue in the fiscal year which begins July 1 of that calendar year.

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 \$381,871) advance recognized as revenue each year with no corresponding state aid adjustment. Certain other portions of the District's 2019 Pay 2020 levy, normally revenue for the 2019-20 fiscal year, are also advance recognized as June 30, 2020, as required by state statute to match revenue with the same fiscal year as the related expenditures.

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 the Property Taxes Levied for Subsequent Year account to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 generally 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 20 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 report 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.

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 amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, 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.

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Accrued Employee Benefits

Sick Pay

Substantially, all District employees are entitled to sick leave at various rates. No sick leave is paid out at termination.

Vacation Pay

The secretarial, custodial, superintendent and the nonunion employees are the only groups to accrue vacation. Secretarial and custodial have to be down to one year's accumulation by a specified date according to their contract or they lose it. Any unused vacation at termination is paid out. The nonunion employees all vary from contract to contract, and either state a limit or that there is no limit on the amount of carryover of vacation and any unused vacation at termination is paid out.

Severance and Other Postretirement Benefits

Severance and other postretirement benefit liabilities are paid by the General and Special Revenue Funds. Annual payments to retire the severance benefits liability have not been determined and will depend on actual employee turnover.

Severance benefits consist of lump sum retirement payments, and postemployment health care benefits. Accounting policies for severance and health benefits are described below:

1. Severance Payments at Retirement

The District maintains various retirement payment plans for its employee groups. Each employee group plan contains benefit formulas based on years of service and/or minimum age requirements. Generally, the District makes payments to an independent trustee who administers a health reimbursement account for each retiree, thus this liability is considered to be related to postemployment benefits and is included in the OPEB liability.

2. Postemployment Health Care Benefits

The District provides postemployment retirement benefits to pay health insurance premiums for certain retired District personnel. Eligible administrative personnel hired prior to January 1, 2009 receive health insurance benefits to age 70. Eligible administrative personnel hired after January 1, 2009 receive health insurance benefits to age 65. Eligible teaching staff hired prior to January 1, 2009, receive health insurance benefits to Medicare eligible age. Teaching staff hired after January 1, 2009 do not receive postemployment health insurance benefits. Other qualified staff hired prior to March 1, 2010, also receive health insurance benefits to Medicare eligible age. Other staff hired after March 1, 2010 do not receive postemployment health insurance benefits.

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Accrued Employee Benefits (Continued)

2. Postemployment Health Care Benefits (Continued)

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 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 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. 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.

Q. 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 unearned grant revenue, donations, charges for services, and school lunch deposits.

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.

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Cash and Investments Held by Fiscal Agent

Cash and Investments held with fiscal agent are cash and cash equivalents whose use is limited by legal requirements such as a bond indenture.

T. 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 prepaid items and inventories. 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 Director of Business Services to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts. Positive unassigned fund balance can only be reported in the General Fund, and all other funds only report negative unassigned 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 fund balance.

It is also the District's policy to strive to maintain a minimum unassigned General Fund balance of 5% of the annual budgeted expenditures and an optimal operating range of 5 to 7%.

U. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources in the District-wide, Proprietary Fund, and Fiduciary Fund 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 and any deferred items related to debt. 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

Interfund Balances

The General Fund showed a due from other funds of \$884,836 which was due from the Custodial Fund. This balance was to cover negative cash as of the end of the year.

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
NOTES TO 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 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.

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.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School 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 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 idle funds as authorized by Minnesota Statutes Chapter 118A as follows:

- Direct obligations or obligations guaranteed by the United States or its agencies;
- Shares of investment companies registered under the Investment Act of 1940 and received the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less;
- General obligations rated "A" or better; revenue obligations rated "AA" or better;
- General obligations of the Minnesota Housing Finance Agency rate "A" or better;

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

- Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System;
- Commercial paper issued by United States bank 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 and 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, excluding its Postemployment Benefits Irrevocable Trust Fund, had the following investments. (See separate investment disclosures for the Benefits Trust Fund at Note 3, C):

	Amount
Minnesota School District Liquid Asset Fund	
Plus (MSDLAF+)	\$ 19,832,813
US Treasury	52,960,473
Money Market	31,938,256
U.S. Agency	13,274,189
Muni	5,810,545
Corporate Note	1,556,949
Total Investments	\$ 125,373,225

The MSDLAF+ is an external investment pool (Pool) that is managed to maintain a dollar-weighted average portfolio maturity of no greater than 60 days and seeks to maintain a constant net asset value per share of \$1.00. The Pool elects to measure its investments at amortized cost in accordance with accounting statements issued by the Government Accounting Standards Board. The Pool has no restrictions on cash withdrawals or deposits.

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Credit Risk – 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 District’s policy is that the obligations at the time of purchase must be rated at the highest classification by at least two of the three standard rating services. The following chart summarizes year-end ratings for the District’s investments as rated by Moody’s Investors Service:

Type	Credit Quality Rating	Amount
MSDLAF+	AA+ - A-1	\$ 19,832,813
Municipal Bonds	NR	1,875,012
Money Market	AAA	31,938,256
U.S. Agency	AAA - AA+	13,274,189
U.S. Treasury	AAA - AA+	52,960,473
Municipal Bonds	AA+	1,412,812
Municipal Bonds	AA-	187,891
Municipal Bonds	AA	2,028,991
Municipal Bonds	A+	95,729
Municipal Bonds	A	210,110
Corporate Note	AAA	1,556,949
Total		<u>\$ 125,373,225</u>

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. The District’s investment policies do not limit the maturities of investments; however, when purchasing investments the District considers such things as interest rates and cash flow needs.

Type	Total	12 Months or Less	12 to 24 Months	25 to 60 Months	More than 60 Months
MSDLAF+	\$ 19,832,813	\$ 19,832,813	\$ -	\$ -	\$ -
U.S. Treasury	52,960,473	30,697,421	22,263,052	-	-
U.S. Agency	13,274,189	13,171,707	102,482	-	-
Money Market	31,938,256	31,938,256	-	-	-
Municipal Bonds	5,810,545	2,816,515	1,989,216	-	1,004,814
Corporate Note	1,556,949	1,556,949	-	-	-
Total	<u>\$ 125,373,225</u>	<u>\$ 100,013,661</u>	<u>\$ 24,354,750</u>	<u>\$ -</u>	<u>\$ 1,004,814</u>

Concentration of Credit Risk – The investment policy of the District contains no limitation on the amount that can be invested in any one issuer beyond that stipulated by Minnesota Statutes.

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

The District's deposits (\$36,285,295), investments (\$125,373,225), irrevocable OPEB trust investments (\$13,682,191) are presented in the financial statements as follows:

Cash and Investments - Statement of Net Position	\$ 153,669,541
Cash and Investments - OPEB Trust	<u>21,812,752</u>
Total Cash and Investments	<u><u>\$ 175,482,293</u></u>

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:D

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

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

C. Other Postemployment Benefit Trust Account (Continued)

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:

	Long-Term Target	Allowable Ranges	Actual Allocation as of June 30, 2020	
Money Market/Cash Equivalent	N/A	N/A	\$ 446,463	2%
Domestic Fixed Income	55%	50-70%	13,405,078	61%
Foreign Fixed Income	5%	0-10%	-	0%
Total Fixed Income	60%	50-70%	13,405,078	61%
U.S. Stocks	30%	20-35%	5,364,454	24.5%
Foreign Stocks	5%	0-10%	2,596,757	12%
Total Equity	35%	20-40%	7,961,211	36.5%
Alternative Investments	5%	0-10%	-	0%
Accrued Interest			46,148	0.5%
Total Investments and Accrued Interest			<u>\$ 21,858,900</u>	100%

Approximate breakdown of fixed income securities is as follows:

<u>Sector Distribution</u>		
Treasury	\$ 485,400	4%
Federal Agency	4,933,548	37%
Bond Mutual Funds	182,280	1%
Corporate Bonds	6,592,263	49%
Municipal Bonds	1,211,587	9%
Total	<u>\$ 13,405,078</u>	100%

Credit Quality Standards

Any individual fixed income security purchased or retained in an account must have a rating of at least BBB-/ Baa3 (i.e., investment grade or above) as determined by at least one Nationally Recognized Statistical Rating Organization (NRSRO). Non-U.S. dollar denominated and below-investment grade obligations may be purchased only if held in a mutual fund.

Industry concentrations within the corporate, municipal revenue and asset-backed sectors should generally be limited to no more than 25% of an account's fixed income portfolio. In general, fixed income portfolios of individual securities will be well diversified and constructed to reflect the District's risk and return requirements, and will be comprised of investment grade securities.

**BRAINERD PUBLIC SCHOOLS
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

C. Other Postemployment Benefit Trust Account (Continued)

Bond Mutual Funds are not rated and therefore are not included in the table listed below.

<u>Quality Distribution Ratings</u>		
Govt/AAA	\$ 245,850	2%
AA	5,662,893	42%
A	2,876,665	22%
BBB	3,925,495	29%
NR	694,175	5%
Total	<u>\$ 13,405,078</u>	<u>100%</u>

Fixed Income – Maturity Restrictions

Duration of the portfolio will be the duration of the OPEB obligation.

Approximate maturities of fixed income securities are as follows:

<u>Duration Distribution</u>		
0-1 Years	\$ 1,176,234	9%
1-3 Years	2,983,975	22%
3-5 Years	4,083,078	30%
5-7 Years	2,510,160	19%
7-10 Years	1,905,655	14%
>10 Years	745,976	6%
Total	<u>\$ 13,405,078</u>	<u>100%</u>

Issuer Concentration Policy

No single security, with the exception of a security issued by the U.S. Government, its Agencies and/or Instrumentalities, shall at the time of purchase constitute more than 5% of the value of the portfolio.

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.

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

D. Fair Value Measurements (Continued)

Financial assets and liabilities recorded on the combined statement 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. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities’ relationship to benchmark quoted prices and recently published security specific trading levels.

Level 3 – Financial asset 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 a pricing the asset.

Assets measured at fair value on a recurring basis:

Type	Level 1	Level 2	Level 3	Total
Statement of Net Position				
U.S. Agency	\$ -	\$ 13,274,189	\$ -	\$ 13,274,189
Corporate Note	-	1,556,949	-	1,556,949
U.S. Treasury	-	52,960,473	-	52,960,473
Municipal Bonds	5,810,545	-	-	5,810,545
OPEB Trust				
Mortgage Backed Securities (MBS)	-	2,607,379	-	2,607,379
Government/Agency Obligations	209,531	2,674,251	-	2,883,782
Corporate Bonds	-	6,532,947	-	6,532,947
Municipal Obligations	-	1,199,115	-	1,199,115
Mutual Funds/ETFs	181,855	-	-	181,855
Total	\$ 6,201,931	\$ 80,805,303	\$ -	87,007,234

**BRAINERD PUBLIC SCHOOLS
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NOTES TO 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	\$ 4,565,005	\$ 395,011	\$ -	\$ 4,960,016
Construction-in-Progress	19,292,540	77,490,638	-	96,783,178
Total Capital Assets, Not Being Depreciated	23,857,545	77,885,649	-	101,743,194
Capital Assets, Being Depreciated:				
Land Improvements	12,546,877	-	-	12,546,877
Buildings and Improvements	104,711,546	-	-	104,711,546
Equipment	15,895,152	1,171,576	(341,507)	16,725,221
Total Capital Assets, Being Depreciated	133,153,575	1,171,576	(341,507)	133,983,644
Accumulated Depreciation for:				
Land Improvements	(7,800,739)	(516,138)	-	(8,316,877)
Buildings and Improvements	(54,806,025)	(2,982,586)	-	(57,788,611)
Equipment	(12,152,498)	(700,960)	340,983	(12,512,475)
Total Accumulated Depreciation	(74,759,262)	(4,199,684)	340,983	(78,617,963)
Total Capital Assets, Being Depreciated, Net	58,394,313	(3,028,108)	(524)	55,365,681
Governmental Activities Capital Assets, Net	<u>\$ 82,251,858</u>	<u>\$ 74,857,541</u>	<u>\$ (524)</u>	<u>\$ 157,108,875</u>

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

Governmental Activities	
Administration	\$ 159,196
District Support Services	65,854
Regular Instruction	1,500,068
Vocational Education Instruction	74,236
Special Education Instruction	1,300,341
Instructional Support Services	153,141
Pupil Support Services	340,178
Sites and Buildings	390,929
Community Service	215,741
Total Depreciation Expense, Governmental Activities	<u>\$ 4,199,684</u>

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5 LONG-TERM LIABILITIES

A. Components of General Long-Term Debt

Description of Issue	Issue Date	Interest Rate	Original Issue	Final Maturity	Principal Outstanding
School Building Bonds:					
Series 2018A	6/27/2018	2%	\$ 143,110,000	2/1/2044	\$ 142,810,000
Series 2018C	12/6/2018	5%	20,325,000	2/1/2028	17,950,000
Capital Facilities:					
Series 2013A	3/19/2013	0.40 - 1.95%	1,240,000	2/1/2024	515,000
Series 2018D	12/6/2018	3.25-5%	14,200,000	2/1/2039	13,960,000
Series 2019A	5/16/2019	3-5%	20,255,000	2/1/2035	20,255,000
Alternative Facilities:					
Series 2013B	6/11/2013	2%	2,120,000	2/1/2024	2,120,000
OPEB Bonds:					
Series 2018B Refunding	12/6/2018	2.9-4%	9,290,000	2/1/2023	7,110,000
Total General Obligation Bonds					204,720,000
Certificates of Participation	5/22/2019	3-5%	9,485,000	4/1/2034	9,195,000
Capital Lease Payable:					
Buildings - Refunded	5/28/2014	1 - 2.35%	2,175,000	2/1/2022	520,000
Franklin Building	2/15/2008	5%	718,553	2/21/2028	236,356
Lowell LULA Elevator	7/13/2015	3%	400,000	2/1/2022	121,026
Mowing Equipment	7/5/2017	5%	153,109	7/5/2022	78,189
Custodial Equipment	9/27/2018	5%	93,856	9/1/2021	40,653
Student I-Pads	5/9/2019	N/A	145,980	7/1/2022	109,485
Student Chromebooks	6/20/2019	1%	617,110	7/1/2022	461,610
Planetarium Equipment	9/5/2018	11%	242,585	8/1/2020	124,475
Marco Copiers	8/1/2020	7%	374,287	9/1/2023	288,497
Chromebook/Dynabook	5/28/2020	7.24 - 7.49%	634,000	6/1/2024	634,000
Total Capital Leases					2,614,291
Lease Purchase Payable:					
Lease Purchase Series 2014	03/13/14	4%	3,020,702	2/1/2029	1,297,234
Lease Purchase Series 2015	5/19/2015	3%	1,835,000	2/1/2030	2,005,547
Total Lease Purchases					3,302,781
Compensated Absences Payable					301,477
Total Long-Term Liabilities					\$ 220,133,549

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

B. Minimum Debt Payments

Minimum annual principal and interest payments required to retire long-term debt, not including compensated absences payable are as follows:

Year Ending June 30,	General Obligation Bonds Payable		Capital Leases Payable		Lease Purchases		Certificate of Participation	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 4,910,000	\$ 8,565,035	\$ 969,093	\$ 68,800	\$ 303,960	\$ 112,212	\$ 315,000	\$ 365,850
2022	4,985,000	8,351,670	771,284	40,743	314,680	101,492	515,000	350,100
2023	5,270,000	8,124,990	481,668	23,850	325,786	90,386	535,000	324,350
2024	5,525,000	7,863,235	267,591	13,757	337,292	78,880	565,000	297,600
2025	5,615,000	7,626,300	31,702	5,678	349,212	66,960	595,000	269,350
2026-2030	32,650,000	33,218,850	92,953	6,729	1,671,851	142,987	3,445,000	883,750
2031-2035	42,030,000	25,185,850	-	-	-	-	3,225,000	245,400
2036-2040	55,070,000	16,031,650	-	-	-	-	-	-
2041-2044	48,665,000	4,704,000	-	-	-	-	-	-
Total	<u>\$ 204,720,000</u>	<u>\$ 119,671,580</u>	<u>\$ 2,614,291</u>	<u>\$ 159,557</u>	<u>\$ 3,302,781</u>	<u>\$ 592,917</u>	<u>\$ 9,195,000</u>	<u>\$ 2,736,400</u>

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. Deferred future years' tax levies available to retire bond principal and interest payable at June 30, 2020 are approximately \$350,265,909. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota Statutes.

2. General Obligation School Building Refunding Bonds

On December 6, 2018, the District issued \$20,325,000 General Obligation Refunding Bonds, Series 2018C to refund (in 2018) the 2010A General Obligation School Building Bonds, dated March 10, 2010. The refunding was undertaken to reduce total debt service payments in the amount of \$302,458 over the next four years, and resulted in economic gain of \$306,874.

3. General Obligation Taxable OPEB Refunding Bonds

On December 6, 2018, the District issued \$9,290,000 General Obligation Taxable OPEB Refunding Bonds, Series 2018B. The proceeds are to refinance the 2009A General Obligation OPEB Bonds. The refunding was undertaken to reduce total debt service payment in the amounts of \$348,374 over the next four years, and resulted in economic gain of \$323,085.

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

C. Description of Long-Term Debt (Continued)

4. General Obligation Facilities Maintenance Bonds

On December 3, 2018, the District issued \$14,200,000 General Obligation Facilities Maintenance Bonds, Series 2018D. The proceeds are to be used to provide funds for facility maintenance projects included in the ten-year facility plan of the District. Repayment of the principal will be in one annual installment, plus 40 semi-annual fixed interest payments at 3.25% to 5.00%, commencing February 1, 2039.

5. General Obligation Facilities Maintenance and Tax Abatement Bonds

On May 16, 2019, the District issued \$20,255,000 General Obligation Facilities Maintenance and Tax Abatement Bonds, Series 2019A. The proceeds are to be used to provide funds for facility maintenance projects included in the ten-year facility plan of the District and parking lot construction and improvements. Repayment of the principal will be in one annual installment, plus 31 semi-annual fixed interest payments at 3% to 5%, commencing February 1, 2035.

6. Certificates of Participation

On May 22, 2019, the District issued \$9,485,000 Certificates of Participation, Series 2019B. The proceeds are to be used to finance building additions at district sites and facilities.

7. Other Long-Term Debt

On March 13, 2014, the District entered into a lease-purchase agreement with Capital One Funding, LLC in the amount of \$3,020,702, bearing interest at 3.87% to finance capital projects. Repayment of the lease will occur in 30 semi-annual installments of \$133,011 commencing August 8, 2014. The proceeds were used to finance improvements made to the lower-site activity fields.

On May 19, 2015, the District entered into a fifteen-year lease agreement with Kinetic Leasing in the amount of \$1,835,000, bearing interest at 2.87% to finance the Riverside addition. Repayment of the lease will occur with \$75,075 payments occurring twice a year starting August 1, 2015. The proceeds were used to finance the addition to the Riverside School Building.

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

C. Description of Long-Term Debt (Continued)

8. Capital Lease Obligations

Buildings

On July 2, 2014, the District refunded its 2002A Lease Revenue Bonds with a remaining balance of \$2,265,000 by issuing Lease Revenue Refunding Bonds, Series 2014A for \$2,175,000 bearing interest at 1.00% to 2.35%. Repayment will be in one annual installment, plus 15 semi-annual interest payments commencing February 1, 2015. The original proceeds were used for the purchase of and improvements to the Area Education Center facility.

On February 15, 2008, the District entered into a twenty-year lease with Artspace Brainerd Limited Partnership in the amount of \$718,553, bearing interest at 5.15% to finance the acquisition of additional gymnasium space. Lease terms call for a \$250,000 down payment and monthly lease payments of \$3,115 commencing April 1, 2008.

On July 13, 2015, the District entered into a seven-year lease with Kinetic Leasing, Inc. in the amount of \$400,000, bearing interest at 2.88% for an elevator in the Lowell Elementary School. Monthly lease payments of \$31,350 commenced on August 1, 2015.

Equipment

On July 5, 2017, the District entered into a six-year lease agreement with TCF Equipment Finance in the amount of \$153,109; bearing interest at 4.876% to finance mowing equipment. Repayment of the lease will occur with a \$28,665 down payment and annual lease payments of \$28,665 commencing July 5, 2018.

On November 18, 2018, the District entered into a three-year lease-purchase agreement with All-Lines Leasing, in the amount of \$93,856, bearing interest at 5.01% to finance various custodial equipment across the District. Repayment of the lease will occur in monthly payments of \$2,802.

On May 9, 2019, the District entered into a four-year lease-purchase agreement with Apple Financial Services, in the amount of \$145,980, with no interest, to finance I-Pads for the District. Since the equipment is under the capitalization threshold of the District, these items were not added as capital assets.

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

C. Description of Long-Term Debt (Continued)

8. Capital Lease Obligations (Continued)

Equipment (Continued)

On June 20, 2019, the District entered into a four-year lease-purchase agreement with Vantage Financial, LLC, in the amount of \$617,110, bearing interest at 0.53% to finance chrome-books for the District. Since the equipment is under the capitalization threshold of the District, these items were not added as capital assets.

On September 5, 2018, the District entered into a two-year lease-purchase agreement with National Cooperative Leasing, in the amount of \$242,585, bearing interest at 12.1% to finance various planetarium equipment for the District.

On August 1, 2020, the District entered into a five-year lease purchase agreement with Marco in the amount of \$374,287, bearing no interest on the first installment and 7.32% thereafter to finance its copiers and printers across the District. Repayment of the lease will occur in five annual installments of \$85,790, commencing September 1, 2020.

On May 28, 2020, the District entered into a four-year lease agreement with Vantage Financial, LLC in the amount of \$634,000; bearing interest at 7.24 to 7.49% to finance laptop computers for the teachers. Repayment of the lease will occur with a \$26,434 down payment and 36 monthly lease payments of \$26,434 commencing July 1, 2020 and 12 monthly lease payments of \$13,217 commencing July 1, 2023.

Assets acquired through capital leases, are summarized as follows:

Land	\$	148,509
Buildings and Improvements		4,930,592
Equipment		1,274,338
Less: Accumulated Depreciation		<u>(4,102,177)</u>
Total		<u><u>\$ 2,251,262</u></u>

D. Changes in Long-Term Debt

	June 30, 2019	Net Additions	Retirements	June 30, 2020	Due Within One Year
General Obligation Bonds	\$ 209,940,000	\$ -	\$ 5,220,000	\$ 204,720,000	\$ 4,910,000
Net Bond Premiums (Discount)	11,659,802	-	1,121,368	10,538,434	-
Capital Leases	2,521,108	1,008,287	915,104	2,614,291	969,093
Certificate of Participation	9,485,000	-	290,000	9,195,000	315,000
Lease Purchases	3,596,392	-	293,611	3,302,781	303,960
Subtotal	<u>237,202,302</u>	<u>1,008,287</u>	<u>7,840,083</u>	<u>230,370,506</u>	<u>6,498,053</u>
Compensated Absences	292,260	348,315	339,098	301,477	301,477
Total	<u><u>\$ 237,494,562</u></u>	<u><u>\$ 1,356,602</u></u>	<u><u>\$ 8,179,181</u></u>	<u><u>\$ 230,671,983</u></u>	<u><u>\$ 6,799,530</u></u>

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
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JUNE 30, 2020**

NOTE 6 RESTRICTED FUND BALANCES

A. Restricted for Operating Capital

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

B. Restricted for Student Activities

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

C. Restricted for Learning and Development

Represents the available general education revenues for learning and development, which is mainly for reducing the pupil-to-staff ratio.

D. Restricted for Safe Schools – Crime Levy

Represents the unspent resources from the crime levy to be used for crime prevention, student and staff safety and violence prevention measures.

E. Restricted for Community Education

Represents the resources available to provide programming such as: nonvocational, recreational and leisure time activities, programs for adults with disabilities, noncredit summer programs, adult basic education programs, youth development and youth service programming, early childhood family education, and extended day programs.

F. Restricted for Early Childhood and Family Education

Represents the resources available to provide for services for Early Childhood Family Education programming.

G. Restricted for School Readiness

Represents the resources available to provide for School Readiness Program.

H. Restricted for Adult Basic Education

Represents the balance of carryover monies for all activity involving Adult Basic Education.

I. Restricted for Staff Development

Represents cumulative unspent staff development dollars.

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6 RESTRICTED FUND BALANCES (CONTINUED)

J. Restricted for Long-term Facilities Maintenance (LTFM)

Represents available resources to be used for LTFM projects in accordance with the 10-year capital plan.

K. Restricted for Certificates of Lease Purchase Agreements

Represents the June 30 balance in the building construction fund for projects funded by certificates of lease purchase agreements.

L. 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.

Other Restricted:	
Cash Held by Fiscal Agent	\$ 152,552
Food Service	157,801
Capital Projects	76,289,625
Debt Service	2,812,932
Total Other Restricted	<u>\$ 79,412,910</u>

NOTE 7 ASSIGNED FUND BALANCES

Assigned for Q Comp

Represents amount set aside for Q Comp expenditures.

Other assigned fund balances are listed below:

Other Assigned:	
FMS School Store	\$ 46,936
Reading Recovery	4,056
Robotics	3,387
Fiber Partner	67,631
FMS Book Fair	109
FMS Yearbook	3,417
Total Other Assigned	<u>\$ 125,536</u>

**BRAINERD PUBLIC SCHOOLS
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 8 PENSION PLANS

A. Plan Description

The District participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA) and Teachers Retirement Fund (TRA). PERA's and TRA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's 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. General Employees Plan 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 multiple employer, cost-sharing, defined benefit retirement fund. TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with Minnesota Statutes, Chapters 354 and 356. TRA is a separate statutory entity and administered by a Board of Trustees. The Board consists of four active members, one retired member and three statutory officials.

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

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.

**BRAINERD PUBLIC SCHOOLS
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 8 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

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.

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.

**BRAINERD PUBLIC SCHOOLS
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 8 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefits (Continued)

Tier 1 Benefits

<u>Tier 1</u>	<u>Step Rate Formula</u>	<u>Percentage</u>
Basic	First Ten Years of Service	2.2% per Year
	All Years After	2.7% per Year
Coordinated	First Ten Years 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 Statutes. Smaller reductions, more favorable to the member, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

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

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

**BRAINERD PUBLIC SCHOOLS
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 8 PENSION PLANS (CONTINUED)

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 6.50% of their annual covered salary in fiscal year 2020 and the District was required to contribute 7.50% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2020, were \$993,029. The District's contributions were equal to the required contributions as set by state statute.

2. TRA Contributions

Per Minnesota Statutes, Chapter 354 rates for the fiscal year for coordinated were 7.5% 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 \$3,211,268. The District's contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

1. General Employees Plan Pension Costs

At June 30, 2020, the District reported a liability of \$10,537,847 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2019. The State of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$327,486, for a total net pension liability of \$10,865,333 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 .1906% which was an increase of .0026% from its proportionate share measured as of June 30, 2018.

There were no provision changes during the measurement period.

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NOTE 8 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Plan Pension Costs (Continued)

For the year ended June 30, 2020, the District recognized pension expense of \$1,339,503 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional \$24,526 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 292,043	\$ -
Changes in Actuarial Assumptions		828,281
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	-	1,068,135
Changes in Proportion	180,795	32,202
District Contributions Subsequent to the Measurement Date	993,029	-
Total	<u>\$ 1,465,867</u>	<u>\$ 1,928,618</u>

\$993,029 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30.</u>	Pension Expense Amount
2021	\$ (478,362)
2022	(823,888)
2023	(170,512)
2024	16,982

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JUNE 30, 2020**

NOTE 8 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs

At June 30, 2020 the District reported a liability of \$40,991,329 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 .6431% at the end of the measurement period and .6415% at 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:

Description	Amount
District's Proportionate Share of the TRA Net Pension Liability	\$ 40,991,329
State's Proportionate Share of TRA's Net Pension Liability Associated with the District	3,627,609
Total	\$ 44,618,938

For the year ended June 30, 2020, the District recognized pension expense of \$7,430,016. It also recognized \$275,737 as pension expense for the support provided by direct aid.

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

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NOTE 8 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs (Continued)

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 5,828	\$ 995,349
Changes in Actuarial Assumptions	34,495,928	54,380,310
Net Difference Between Projected and Actual Investment Earnings	-	3,396,906
Changes in Proportion	840,341	-
District Contributions Subsequent to the Measurement Date	3,211,268	-
Total	<u>\$ 38,553,365</u>	<u>\$ 58,772,565</u>

Year Ended June 30.	Pension Expense Amount
2021	\$ 2,657,766
2022	96,045
2023	(15,268,060)
2024	(10,865,360)
2025	(50,859)

The District's total pension expense for all plans for the year ended June 30, 2020 was \$9,069,782.

E. Actuarial Assumptions

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

Assumptions	General Employees Plan	TRA
Inflation	2.50% per Year	2.50%
Active Member Payroll Growth	3.25% per Year	2.85% for 9 years and 3.25%, thereafter
Investment Rate of Return	7.50%	7.50%

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NOTE 8 PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

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 use 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.

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NOTE 8 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 on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	36.0 %	5.10 %
International Equity	17.0	5.90
Bonds	20.0	0.75
Alternative Assets	25.0	5.90
Cash	2.0	-
Totals	<u>100.0 %</u>	

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).

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NOTE 8 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 in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
General Employees Plan Discount Rate	6.50%	7.50%	8.50%
District's Proportionate Share of the General Employees Plan Net Pension Liability	\$ 17,323,653	\$ 10,537,847	\$ 4,934,815
TRA Discount Rate	6.50%	7.50%	8.50%
District's Proportionate Share of the TRA Net Pension Liability	\$ 65,350,201	\$ 40,991,329	\$ 20,907,798

H. Pension Plan Fiduciary Net Position

Detailed information about the 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 1-800-652-9026.

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN

A. Plan Description

The District operates a single-employer retiree 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 931 active participants and 102 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.

**BRAINERD PUBLIC SCHOOLS
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NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

B. Funding Policy

The District has assets designated for OPEB. These assets are 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 did not make 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	\$ 20,343,850
Plan Fiduciary Net Position	21,858,900
District's net OPEB Liability (Asset)	<u>\$ (1,515,050)</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	107%

D. Actuarial Methods and Assumptions

The discount rate is based on 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. To the extent fiduciary net position is insufficient to finance the payment of benefits, the rate must be blended with 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).

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, which was rolled forward to the measurement date of June 30, 2020. Liabilities in this report were calculated as of the valuation date and rolled forward to the measurement date using standard actuarial roll-forward techniques.

**BRAINERD PUBLIC SCHOOLS
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NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

D. Actuarial Methods and Assumptions (Continued)

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	5.00%
Medical Trend Rates	6.25% Decreasing to 5.00% over 5 Years
Dental Trend Rates	4.00%

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

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2017 to June 30, 2018.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These 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>
Domestic Equity	30.00%	N/A
International Equity	5.00%	N/A
Domestic Fixed Income	55.00%	N/A
Foreign Fixed Income	5.00%	N/A
Alternative Investments	5.00%	N/A
Net Assumed Investment Return (Weighted Avg, Rounded to 1/4%)		5.00%

The discount rate used to measure the total OPEB liability was 4.00%. 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 OEPB payments.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

D. Actuarial Methods and Assumptions (Continued)

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 GASB 74/75 valuation, the following changes have been made:

- The discount rate was changed from 4.40% to 4.00%.
- The Administrators' severance benefit which was previously paid to a 403(b) plan so was valued under GASB 73 is now being paid to an HRA so is being included under GASB 75. This change impacts all Administrators except the Assistant Superintendent and one Confidential employee.
- The Superintendent is now eligible for OPEB subsidies when she attains age 60. The subsidies include full district paid single medical premiums for Plan H, single dental premiums, and an annual contribution of \$3,000 to an HRA, all payable until age 65. Also, if the Superintendent's spouse is eligible for Medicare, the district will pay the premium for a Medicare Supplement Plan until the Superintendent attains age 65. Lastly, the Superintendent is eligible to receive 50% of her salary, payable to an HRA, once she completed three years of service.

E. Changes in the Net OPEB Liability (Asset)

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
	(a)	(b)	(a) - (b)
Balances at June 30, 2019	\$ 19,967,323	\$ 22,646,217	\$ (2,678,894)
Changes for the Year:			
Service Cost	817,386	-	817,386
Interest	874,009	-	874,009
Assumption Changes	417,019	-	417,019
Plan Changes	129,876	-	129,876
Projected Investment Return		1,132,311	(1,132,311)
Differences between Expected and Actual Experience	-	(57,865)	57,865
Benefit Payments	(1,861,763)	(1,861,763)	-
Net Changes	376,527	(787,317)	1,163,844
Balances at June 30, 2020	<u>\$ 20,343,850</u>	<u>\$ 21,858,900</u>	<u>\$ (1,515,050)</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 (3.0%)	Discount Rate (4.0%)	1% Increase (5.0%)
Net OPEB Liability (Asset)	\$ (458,216)	\$ (1,515,050)	\$ (2,549,351)

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NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

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

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% point lower (5.25% decreasing to 4.00%) or 1% point higher (7.25% decreasing to 6.00%) and dental cost trend rates that are 1% point lower (3.00%) or 1% point higher (5.00%) than the current healthcare and dental cost trend rates:

	1% Decrease (Medical 5.25% decreasing to 4.00%, Dental 3.00%)	Current Trend Rates (6.25% decreasing to 5.00%, Dental 4.00%)	1% Increase (7.25% decreasing to 6.00%, Dental 5.00%)
Net OPEB Liability (Asset)	\$ (3,186,435)	\$ (1,515,050)	\$ 382,997

For the year ended June 30, 2020, the District recognized OPEB expense of \$1,019,972. 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	\$ 799,168	\$ -
Change of Assumptions	891,094	132,670
Net Difference Between Projected and Actual Investment Earnings	-	9,303
Total	\$ 1,690,262	\$ 141,973

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	\$ 331,016
2022	389,209
2023	341,805
2024	416,760
2025	69,499
Total	\$ 1,548,289

At June 30, 2020, the District had no outstanding receivable or payable amounts from the Trust.

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JUNE 30, 2020**

NOTE 10 SUPPLEMENTAL BENEFIT PLAN

A. Plan Description

The District provides a defined benefit supplemental pension benefit to certain eligible employees. All of the pension benefits are based on contractual agreements with employee groups. These contractual agreements do not include any specific contribution or funding requirements.

Currently, there are 29 active employees who are eligible to receive benefits under the plan as of July 1, 2018. The pension benefit minimum is 12 days per year of service times the daily rate. Payments are made as lump sum payments. Some contracts also reduce the pension benefits by the total matching contribution made by the District to the employee's qualified retirement account over the course of that individual's employment with the District.

B. Funding Policy

Payments under the plan are made on a pay-as-you go basis. There are no invested plan assets accumulated for payment of future benefits. The General Fund is used for funding of all pension/retirement benefits. The employer makes all contributions.

C. Total Pension Liability

The District recognizes its total pension liability, rather than a net pension liability. In order for the District to recognize a net pension liability, assets must be accumulated in a trust that meets the following criteria:

- Contributions from the employer and nonemployer contributing entities, and the earnings thereon, must be irrevocable.
- Pension plan assets must be dedicated to providing pensions to Plan members in accordance with benefit terms.
- Pension plan assets must be legally protected from the creditors of employer, nonemployer contributing entities, the Plan administrator, and the Plan members.

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NOTE 10 SUPPLEMENTAL BENEFIT PLAN (CONTINUED)

C. Total Pension Liability (Continued)

No assets are accumulated in a trust that meets all of the above criteria. Accordingly, the District's total pension liability is not reduced by any assets accumulated in a trust that meets the criteria, and the District must report its total pension liability.

Total Pension Liability - June 30, 2019	\$	138,534
Changes for the Year:		
Service Cost		-
Interest		-
Assumption Changes		-
Plan Changes		-
Differences between Expected and Actual Experience		-
Benefit Payments		-
Net Changes		-
Total Pension Liability - June 30, 2020	\$	138,534

D. Pension Costs

For the year ended June 30, 2020, the District recognized pension expense of \$2,313. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions or Other Inputs	<u>\$ 22,150</u>	<u>\$ 1,197</u>

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

<u>Year Ending June 30,</u>	Pension Expense
2021	\$ 2,313
2022	2,313
2023	2,313
2024	2,313
2025	2,313
Thereafter	9,388
Total	<u>\$ 20,953</u>

**BRAINERD PUBLIC SCHOOLS
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JUNE 30, 2020**

NOTE 10 SUPPLEMENTAL BENEFIT PLAN (CONTINUED)

E. Actuarial Methods and Assumptions

The actuarial total pension liability was determined as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	July 1, 2018, rolled forward to June 30, 2020
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry Age, Level Percentage of Pay
Discount Rate	3.10%
Inflation	2.50%
Salary Increases	3.00%
Retirement Age	55
Mortality	RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale

F. Discount Rate

The discount rate used to measure the total pension liability was 3.10%. The discount rate is based on the estimated yield of 20-Year AA-rated municipal bonds.

G. Total Pension Liability Sensitivity

The following presents the District's total pension liability, calculated using the discount rate of 3.10%, as well as what the District's total pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.10%) or one percentage point higher (4.10%) than the current rate:

	1% Decrease (2.10%)	Current Discount Rate (3.10%)	1% Increase (4.10%)
Total Pension Liability	<u>\$ 142,630</u>	<u>\$ 138,534</u>	<u>\$ 134,306</u>

NOTE 11 SELF INSURANCE

A. Health Insurance

The District provides group health insurance for various employees through a self-insurance program which is funded by District contributions and employee payroll withholding. The funds are deposited into an employee benefit trust account from which all claims plus a processing fee are charged. Stop-loss coverage is in effect for individual claims exceeding \$175,000. The current net aggregate limits claims to approximately \$15,499,467 for the contract period ended August 31, 2020.

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
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JUNE 30, 2020**

NOTE 11 SELF INSURANCE (CONTINUED)

A. Health Insurance (Continued)

Claims payable include provisions for claims reported and claims incurred but not reported. The provision for reported claims is determined by estimating the amount which will ultimately be paid each claimant. The provision for claims incurred but not yet reported is estimated based on District experience since the inception of the program. Changes in the balances of claim liabilities during fiscal year 2020 were as follows:

	Year Ended	
	2020	2019
Beginning of Fiscal Year Liability - Beginning of Year	\$ 990,284	\$ 1,054,325
Current Year Claims and Administration	11,218,337	12,724,512
Payments to Health Care Providers	<u>(11,555,430)</u>	<u>(12,788,553)</u>
Balance at Fiscal Year End - End of Year	<u>\$ 653,191</u>	<u>\$ 990,284</u>

B. Dental Insurance

The District provides group Dental insurance for various employees through a self-insurance program which is funded by District contributions and employee payroll withholding. The funds are deposited into an employee benefit trust account from which all claims plus a processing fee are charged.

Claims payable include provisions for claims reported and claims incurred but not reported. The provision for reported claims is determined by estimating the amount which will ultimately be paid each claimant. The provision for claims incurred but not yet reported is estimated based on District experience since the inception of the program. Changes in the balances of claim liabilities during fiscal year 2020 were as follows:

	Year Ended	
	2020	2019
Beginning of Fiscal Year Liability - Beginning of Year	\$ 25,248	\$ 19,446
Current Year Claims and Administration	103,115	323,445
Payments to Health Care Providers	<u>(110,591)</u>	<u>(317,643)</u>
Balance at Fiscal Year End - End of Year	<u>\$ 17,772</u>	<u>\$ 25,248</u>

**BRAINERD PUBLIC SCHOOLS
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NOTES TO FINANCIAL STATEMENTS
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NOTE 12 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 \$574,227, \$580,655, \$620,093, respectively. The related employee contributions were \$1,629,069, \$1,603,866, and \$1,620,966 for the years ended June 30, 2020, 2019, and 2018, respectively.

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; natural disasters and workers compensation. The District purchases commercial insurance coverage for such risks except for employee health insurance, which is self-insured by the District.

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 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 funds. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial. The financial assistance received is subject to an audit pursuant to Uniform Guidance or audits by the grantor agency.

Construction Commitments

The District has several active construction projects as of December 31, 2020. These projects are being funded by taxes, CIP bonds, and intergovernmental revenues from the state and federal governments. A summary of the District's construction commitments is shown in the table below:

Spent To Date	Remaining Commitment
\$ 85,470,041	\$ 74,653,204

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 15 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 \$67,313 for the custodial fund.

NOTE 16 SUBSEQUENT EVENTS

On November 12, 2020, the District issued \$15,225,000 in General Obligation Facilities Maintenance Bonds, Series 2020A.

The District also requested \$282,203 of CARES funding from Crow Wing County for expenses that occurred in fiscal year 2020. The District received approval November 2020.

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REQUIRED SUPPLEMENTARY INFORMATION

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**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
SCHEDULE OF CHANGES IN THE DISTRICT'S SUPPLEMENTAL PENSION LIABILITY AND
RELATED RATIOS
JUNE 30, 2020**

Total Pension Liability - June 30,	2020	2019	2018	2017
	\$ 138,534	\$ 123,659	\$ 152,376	\$ 160,054
Service Cost	-	8,291	6,037	6,364
Interest	-	4,190	4,059	4,558
Assumption Changes	-	1,519	(1,647)	-
Plan Changes	-	18	-	-
Differences between Expected and Actual				
Experience	-	25,557	-	-
Benefit Payments	-	(24,700)	(37,166)	(18,600)
Net Changes	-	14,875	(28,717)	(7,678)
Total Pension Liability - Ending	\$ 138,534	\$ 138,534	\$ 123,659	\$ 152,376
Covered Employee Payroll	\$ 3,198,162	\$ 3,198,162	\$ 2,858,757	\$ 2,858,757
District's Net OPEB Liability as a Percentage of Covered Employee Payroll	4%	4%	4%	5%

The District implemented GASB Statement No. 73 in fiscal year 2017 and the above table will be expanded to 10 years of information as the information becomes available.

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY (ASSET)
AND RELATED RATIOS
JUNE 30, 2020**

	2020	2019	2018	2017
Total OPEB Liability				
Service Cost	\$ 817,386	\$ 728,439	\$ 670,268	\$ 683,508
Interest	874,009	884,088	857,960	879,813
Plan Changes	129,876	-	-	-
Differences Between Expected and Actual Experience	-	1,198,752	-	-
Changes of Assumptions	417,019	815,371	(265,345)	-
Benefit Payments	<u>(1,861,763)</u>	<u>(1,924,004)</u>	<u>(1,936,697)</u>	<u>(2,111,654)</u>
Net Change in Total OPEB Liability	376,527	1,702,646	(673,814)	(548,333)
Total OPEB Liability - Beginning	19,967,323	18,264,677	18,938,491	19,486,824
Total OPEB Liability - Ending (a)	<u>\$ 20,343,850</u>	<u>\$ 19,967,323</u>	<u>\$ 18,264,677</u>	<u>\$ 18,938,491</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ -	\$ -	\$ -	\$ 242,900
Projected Investment Return	1,132,311	1,316,407	1,210,837	1,228,310
Differences between Expected and Actual Experience	(57,865)	-	(237,073)	290,991
Benefit Payments	(1,861,763)	(1,924,004)	(1,936,697)	(2,111,654)
Administrative Expense	-	-	-	-
Net Change in Plan Fiduciary Net Position	(787,317)	(607,597)	(962,933)	(349,453)
Plan Fiduciary Net Position - Beginning	22,646,217	23,253,814	24,216,747	24,566,200
Plan Fiduciary Net Position - Ending (b)	<u>\$ 21,858,900</u>	<u>\$ 22,646,217</u>	<u>\$ 23,253,814</u>	<u>\$ 24,216,747</u>
District's Net OPEB Liability - Ending (a) - (b)	\$ (1,515,050)	\$ (2,678,894)	\$ (4,989,137)	\$ (5,278,256)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	107.45%	113.42%	127.32%	127.87%
Covered Employee Payroll	\$ 47,071,732	\$ 45,700,711	\$ 42,976,691	\$ 40,509,653
District's Net OPEB Liability as a Percentage of Covered Employee Payroll	(3.22)%	(5.86)%	(11.61)%	(13.03)%

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.

**BRAINERD PUBLIC SCHOOLS
 INDEPENDENT SCHOOL DISTRICT NO. 181
 SCHEDULE OF MONEY WEIGHTED RATE OF RETURN ON PLAN ASSETS
 JUNE 30, 2020**

<u>Year</u>	Annual Money Weighted Rate of Return, Net of Investment
2020	4.70%
2019	5.70%
2018	4.00%
2017	1.10%

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.

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2020**

	Measurement Date					
	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
PERA						
District's Proportion of the Net Pension Liability	0.1906%	0.1880%	0.1890%	0.1851%	0.1879%	0.2058%
District's Proportionate Share of the Net Pension Liability	\$ 10,537,847	\$ 10,429,469	\$ 12,065,635	\$ 15,029,202	\$ 9,737,953	\$ 9,667,453
State's Proportionate Share of the Net Pension Liability Associated with the District	<u>327,486</u>	<u>342,164</u>	<u>151,722</u>	<u>196,269</u>	<u>-</u>	<u>-</u>
Total District's Proportionate Share of the Net Pension Liability and State's Proportionate Share of the Net Pension Liability	\$ 10,865,333	\$ 10,771,633	\$ 12,217,357	\$ 15,225,471	\$ 9,737,953	\$ 9,667,453
District's Covered Payroll	\$ 13,153,680	\$ 12,580,213	\$ 12,147,480	\$ 11,193,133	\$ 11,038,651	\$ 10,796,201
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	82.60%	85.62%	100.58%	136.03%	88.22%	89.54%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.23%	79.50%	75.90%	68.91%	78.20%	78.75%
TRA						
District's Proportion of the Net Pension Liability	0.6431%	0.6415%	0.6402%	0.6301%	0.6221%	0.6616%
District's Proportionate Share of the Net Pension Liability	\$ 40,991,329	\$ 40,291,418	\$ 127,795,533	\$ 150,293,884	\$ 38,483,038	\$ 30,486,052
State's Proportionate Share of the Net Pension Liability Associated with the District	<u>3,627,609</u>	<u>3,785,490</u>	<u>12,353,829</u>	<u>15,084,592</u>	<u>4,720,268</u>	<u>2,144,524</u>
Total District's Proportionate Share of the Net Pension Liability and State's Proportionate Share of the Net Pension Liability	\$ 44,618,938	\$ 44,076,908	\$ 140,149,362	\$ 165,378,476	\$ 43,203,306	\$ 32,630,576
District's Covered Payroll	\$ 37,685,642	\$ 33,800,547	\$ 34,465,227	\$ 31,129,173	\$ 31,568,351	\$ 30,197,434
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	118.40%	130.40%	406.64%	531.27%	121.90%	100.96%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.21%	78.07%	51.57%	44.88%	76.80%	81.50%

NOTE: Information prior to 2014 is unavailable.

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
SCHEDULE OF DISTRICT 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	\$ 993,029	\$ 986,526	\$ 943,516	\$ 911,061	\$ 839,485	\$ 815,148	\$ 782,726
Contributions in Relation to the Contractually Required Contribution	<u>(993,029)</u>	<u>(986,526)</u>	<u>(943,516)</u>	<u>(911,061)</u>	<u>(839,485)</u>	<u>(815,148)</u>	<u>(782,726)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 13,240,387	\$ 13,153,680	\$ 12,580,213	\$ 12,147,480	\$ 11,193,133	\$ 11,038,651	\$ 10,796,201
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.50%	7.38%	7.25%
TRA							
Contractually Required Contribution	\$ 3,211,268	\$ 2,905,563	\$ 2,535,041	\$ 2,584,892	\$ 2,334,688	\$ 2,367,880	\$ 2,113,775
Contributions in Relation to the Contractually Required Contribution	<u>(3,211,268)</u>	<u>(2,905,563)</u>	<u>(2,535,041)</u>	<u>(2,584,892)</u>	<u>(2,334,688)</u>	<u>(2,367,880)</u>	<u>(2,113,775)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 40,546,313	\$ 37,685,642	\$ 33,800,547	\$ 34,465,227	\$ 31,129,173	\$ 31,568,351	\$ 30,197,434
Contributions as a Percentage of Covered Payroll	7.92%	7.71%	7.50%	7.50%	7.50%	7.50%	7.00%

NOTE: Information is presented prospectively and an accumulation of 10 years will be provided.

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

NOTE 1 LEGAL COMPLIANCE – BUDGETS

The budget and the actual amounts are both prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

NOTE 2 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.

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

**NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2018 (Continued)

Changes in Plan Provisions (Continued)

- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

Changes 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.

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

**NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

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.

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.

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

**NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2018 (Continued)

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.
- 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.

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

**NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2017 (Continued)

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%.
- 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 white 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, 2037.
- The investment return assumption was changed from 8.25% to 8.0%.

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2015 (Continued)

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.

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

For the year ended June 30, 2020, the following changes were made:

- The discount rate was changed from 4.40% to 4.00%.
- The Administrators' severance benefit which was previously paid to a 403(b) plan so was valued under GASB 73 is now being paid to an HRA so is being included under GASB 75. This change impacts all Administrators except the Assistant Superintendent and one Confidential employee.
- The Superintendent is now eligible for OPEB subsidies when she attains age 60. The subsidies include full district paid single medical premiums for Plan H, single dental premiums, and an annual contribution of \$3,000 to an HRA, all payable until age 65. Also, if the Superintendent's spouse is eligible for Medicare, the district will pay the premium for a Medicare Supplement Plan until the Superintendent attains age 65. Lastly, the Superintendent is eligible to receive 50% of her salary, payable to an HRA, once she completed three years of service.

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

NOTE 3 CHANGES IN SIGNIFICANT OTHER POSTEMPLOYMENT BENEFIT PLAN PROVISION, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

For the year ended June 30, 2019, the following changes were made:

- The discount rate was changed from 4.60% to 4.40%.
- The health care trend rates were change 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 trend on board contributions was changed from the same as the health care trend rates to 7.3% for two years and then the same as the remaining health care trend rates.

For the year ended June 30, 2018, the following changes were made:

- The discount rate was changed from 4.60% to 4.90%.

For the year ended June 30, 2017, the following changes were made:

- The actuarial cost method changed from using the Projected Unit Credit cost method to the Entry Age Normal level percentage of pay cost method.
- The discount rate was changed from 5.00% to 4.60%.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- The withdrawal table for all employees and retirement table for only employees eligible to retire with Rule of 90 also were updated.

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SUPPLEMENTARY INFORMATION

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**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
BALANCE SHEET
GENERAL FUND
JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)**

ASSETS	<u>2020</u>	<u>2019</u>
Cash and Investments	\$ 12,403,520	\$ 10,714,800
Cash Held by Fiscal Agent	152,552	152,128
Receivables:		
Current Property Taxes	5,368,019	4,311,504
Delinquent Property Taxes	157,786	230,029
Due from Other Funds	884,836	994,744
Due from Other Minnesota School Districts	118,377	183,737
Due from Minnesota Department of Education	6,286,824	7,225,912
Due from Federal through the Minnesota Department of Education	1,507,093	1,737,127
Due from Other Governmental Units	46,615	113,266
Accounts and Interest Receivable	241,511	317,275
Prepaid Items	942,335	346,603
Inventories	27,463	41,350
	<u>28,136,931</u>	<u>26,368,475</u>
Total Assets	\$ 28,136,931	\$ 26,368,475
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
LIABILITIES		
Salary and Benefits Payable	\$ 2,452,771	\$ 2,602,373
Accounts and Contracts Payable	1,614,051	286,960
Due to Other Minnesota School Districts	125,632	155,624
Due to Other Governmental Units	412,314	420,460
Unearned Revenue	160,198	174,670
Total Liabilities	<u>4,764,966</u>	<u>3,640,087</u>
DEFERRED INFLOWS OF RESOURCES		
Property Taxes Levied for Subsequent Year	9,174,145	8,766,242
Unavailable Revenue - Delinquent Taxes	122,892	90,858
Total Deferred Inflows of Resources	<u>9,297,037</u>	<u>8,857,100</u>
FUND BALANCES (DEFICIT)		
Nonspendable:		
Prepaid Items	942,335	346,603
Inventory	27,463	41,350
Restricted:		
Student Activities	215,200	-
Operating Capital	1,531,157	1,121,870
Learning and Development	535,211	550,205
Safe Schools - Crime	479,874	229,178
Staff Development	649,254	801,245
Long-Term Facilities Maintenance (LTFM)	1,231,456	2,370,948
Other Restricted	152,552	152,128
Assigned:		
Q Comp	565,008	631,015
Other	125,536	120,606
Unassigned	7,619,882	7,506,140
Total Fund Balances	<u>14,074,928</u>	<u>13,871,288</u>
	<u>\$ 28,136,931</u>	<u>\$ 26,368,475</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 28,136,931	\$ 26,368,475

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)**

	2020		Over (Under) Final Budget	2019
	Final Budget	Actual Amounts		Actual Amounts
REVENUES				
Local Sources:				
Property Taxes	\$ 10,040,684	\$ 10,277,773	\$ 237,089	\$ 10,377,299
Earnings on Investments	200,000	181,996	(18,004)	267,069
Other	2,318,390	2,600,013	281,623	2,782,663
State Sources	71,590,374	71,307,288	(283,086)	68,852,909
Federal Sources	2,084,527	2,042,469	(42,058)	2,150,513
Total Revenues	86,233,975	86,409,539	175,564	84,430,453
EXPENDITURES				
Current:				
Administration:				
Salaries	2,137,058	2,066,247	(70,811)	2,088,471
Employee Benefits	1,090,866	1,062,286	(28,580)	1,090,422
Purchased Services	46,400	28,264	(18,136)	35,872
Supplies and Materials	13,750	14,318	568	17,290
Capital Expenditures	-	-	-	232
Other Expenditures	34,525	28,692	(5,833)	27,392
Total Administration	3,322,599	3,199,807	(122,792)	3,259,679
District Support Services:				
Salaries	870,889	920,620	49,731	876,207
Employee Benefits	404,460	382,854	(21,606)	350,152
Purchased Services	404,556	436,200	31,644	348,768
Supplies and Materials	213,400	300,711	87,311	264,755
Capital Expenditures	82,260	223,418	141,158	6,582
Other Expenditures	14,000	11,867	(2,133)	7,441
Total District Support Services	1,989,565	2,275,670	286,105	1,853,905
Elementary and Secondary				
Regular Instruction:				
Salaries	22,816,532	22,133,762	(682,770)	22,117,090
Employee Benefits	9,135,913	8,388,914	(746,999)	8,034,620
Purchased Services	1,959,896	1,954,135	(5,761)	2,254,052
Supplies and Materials	1,286,550	1,320,587	34,037	1,215,489
Capital Expenditures	74,900	73,998	(902)	449,623
Other Expenditures	7,800	14,921	7,121	13,555
Total Elementary and Secondary Regular Instruction	35,281,591	33,886,317	(1,395,274)	34,084,429

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (CONTINUED)
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)**

	2020		Over (Under) Final Budget	2019
	Final Budget	Actual Amounts		Actual Amounts
EXPENDITURES (Continued)				
Current: (Continued)				
Vocational Education Instruction:				
Salaries	\$ 812,974	\$ 800,990	\$ (11,984)	\$ 693,226
Employee Benefits	397,220	377,892	(19,328)	312,145
Purchased Services	22,100	6,222	(15,878)	9,015
Supplies and Materials	42,906	31,077	(11,829)	87,339
Capital Expenditures	-	18,335	18,335	4,051
Other Expenditures	-	510	510	240
Total Vocational Education Instruction	1,275,200	1,235,026	(40,174)	1,106,016
Special Education Instruction:				
Salaries	14,012,981	14,095,922	82,941	13,751,380
Employee Benefits	6,386,596	6,575,931	189,335	6,316,060
Purchased Services	650,079	672,344	22,265	674,824
Supplies and Materials	132,853	132,361	(492)	118,152
Capital Expenditures	27,500	1,135	(26,365)	10,044
Other Expenditures	93,000	87,755	(5,245)	81,270
Total Special Education Instruction	21,303,009	21,565,448	262,439	20,951,730
Instructional Support Services:				
Salaries	2,879,560	2,934,934	55,374	2,671,528
Employee Benefits	1,080,439	1,135,079	54,640	1,032,160
Purchased Services	507,417	296,891	(210,526)	201,480
Supplies and Materials	489,545	667,749	178,204	479,524
Capital Expenditures	-	1,018,461	1,018,461	805,006
Other Expenditures	9,500	8,284	(1,216)	10,870
Total Instructional Support Services	4,966,461	6,061,398	1,094,937	5,200,568
Pupil Support Services:				
Salaries	1,784,485	1,593,708	(190,777)	1,511,165
Employee Benefits	733,332	793,467	60,135	693,784
Purchased Services	4,862,731	4,539,319	(323,412)	4,773,087
Supplies and Materials	134,809	69,806	(65,003)	72,960
Capital Expenditures	65,970	34,888	(31,082)	207,024
Other Expenditures	129	1,656	1,527	1,110
Total Pupil Support Services	7,581,456	7,032,844	(548,612)	7,259,130

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (CONTINUED)
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)**

	2020		Over (Under) Final Budget	2019
	Final Budget	Actual Amounts		Actual Amounts
EXPENDITURES (Continued)				
Current: (Continued)				
Sites and Buildings:				
Salaries	\$ 2,737,537	\$ 2,688,870	\$ (48,667)	\$ 2,800,614
Employee Benefits	1,274,368	1,225,334	(49,034)	1,175,662
Purchased Services	3,256,386	2,998,500	(257,886)	3,212,495
Supplies and Materials	604,277	629,297	25,020	682,918
Capital Expenditures	1,439,282	2,068,823	629,541	427,134
Other Expenditures	<u>25,000</u>	<u>46,405</u>	<u>21,405</u>	<u>37,679</u>
Total Sites and Buildings	<u>9,336,850</u>	<u>9,657,229</u>	<u>320,379</u>	<u>8,336,502</u>
Fiscal and Other Fixed Cost Programs:				
Purchased Services	320,000	337,304	17,304	322,495
Debt Service:				
Principal Payments	1,528,595	1,498,715	(29,880)	889,256
Interest Payments	<u>511,495</u>	<u>502,607</u>	<u>(8,888)</u>	<u>190,266</u>
Total Debt Service	<u>2,040,090</u>	<u>2,001,322</u>	<u>(38,768)</u>	<u>1,079,522</u>
Total Expenditures	<u>87,416,821</u>	<u>87,252,365</u>	<u>(164,456)</u>	<u>83,453,976</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,182,846)	(842,826)	340,020	976,477
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	-	-	(25,940)
Proceeds from Capital Leases	-	1,008,287	1,008,287	1,099,531
Sale of Capital Assets	-	<u>38,179</u>	<u>38,179</u>	<u>700</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>1,046,466</u>	<u>1,046,466</u>	<u>1,074,291</u>
NET CHANGE IN FUND BALANCE	<u>\$ (1,182,846)</u>	203,640	<u>\$ 1,386,486</u>	2,050,768
Fund Balance - Beginning of Year		<u>13,871,288</u>		<u>11,820,520</u>
FUND BALANCE - END OF YEAR		<u>\$ 14,074,928</u>		<u>\$ 13,871,288</u>

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
BALANCE SHEET
FOOD SERVICE FUND
JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)**

	2020	2019
ASSETS		
Cash and Investments	\$ 296,462	\$ 572,402
Accounts and Interest Receivable	915	-
Inventory	125,007	81,165
Total Assets	\$ 422,384	\$ 653,567
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Salary and Benefits Payable	\$ 89,961	\$ 93,592
Accounts and Contracts Payable	5,958	5,912
Unearned Revenue - Charges for Services	43,657	12,153
Total Liabilities	139,576	111,657
FUND BALANCE		
Nonspendable:		
Inventory	125,007	81,165
Restricted:		
Other Restricted	157,801	460,745
Total Fund Balances	282,808	541,910
Total Liabilities and Fund Balance	\$ 422,384	\$ 653,567

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)**

	2020		Over (Under) Final Budget	2019
	Final Budget	Actual Amounts		Actual Amounts
REVENUES				
Local Sources:				
Earnings on Investments	\$ 10,000	\$ 5,938	\$ (4,062)	\$ 14,936
Other - Primarily Meal Sales	1,408,000	1,049,626	(358,374)	1,337,301
State Sources	209,000	157,949	(51,051)	196,559
Federal Sources	1,972,174	1,960,186	(11,988)	1,978,381
Total Revenues	3,599,174	3,173,699	(425,475)	3,527,177
EXPENDITURES				
Current:				
Salaries	1,033,089	1,040,408	7,319	1,031,178
Employee Benefits	670,008	648,420	(21,588)	644,256
Purchased Services	79,300	63,961	(15,339)	80,187
Supplies and Materials	1,767,275	1,670,918	(96,357)	1,857,356
Capital Expenditures	-	8,814	8,814	-
Other Expenditures	-	280	280	210
Total Expenditures	3,549,672	3,432,801	(116,871)	3,613,187
NET CHANGE IN FUND BALANCE	\$ 49,502	(259,102)	\$ (308,604)	(86,010)
Fund Balance - Beginning of Year		541,910		627,920
FUND BALANCE - END OF YEAR		\$ 282,808		\$ 541,910

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
BALANCE SHEET
COMMUNITY SERVICE FUND
JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)**

	2020	2019
ASSETS		
Cash and Investments	\$ 1,444,714	\$ 1,929,466
Receivables		
Current Property Taxes	271,275	257,595
Delinquent Property Taxes	9,512	13,650
Due from Minnesota Department of Education	89,576	80,907
Due from Federal Government through the Minnesota Department of Education	12,272	8,846
Due from Other Governmental Units	35,000	35,000
Accounts and Interest Receivable	156	835
Prepaid Items	1,005	121,977
Total Assets	\$ 1,863,510	\$ 2,448,276
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
LIABILITIES		
Salary and Benefits Payable	\$ 72,042	\$ 145,521
Accounts and Contracts Payable	3,700	6,934
Due to Other Governmental Units	1,622	1,578
Unearned Revenue - Charges for Services	27,300	91,991
Total Liabilities	104,664	246,024
DEFERRED INFLOWS OF RESOURCES		
Property Taxes Levied for Subsequent Year	525,713	561,966
Unavailable Revenue - Delinquent Taxes	9,512	13,650
Total Deferred Inflows of Resources	535,225	575,616
FUND BALANCES		
Nonspendable:		
Prepaid Items	1,005	121,977
Restricted:		
Community Education Programs	344,665	516,012
Early Childhood and Family Education Programs	699,866	711,473
School Readiness	178,085	258,821
Adult Basic Education	-	12,089
Other Restricted	-	6,264
Total Fund Balances	1,223,621	1,626,636
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,863,510	\$ 2,448,276

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
COMMUNITY SERVICE FUND
YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)**

	2020		Over (Under) Final Budget	2019
	Final Budget	Actual Amounts		Actual Amounts
REVENUES				
Local Sources:				
Property Taxes	\$ 560,815	\$ 561,825	\$ 1,010	\$ 568,845
Earnings on Investments	40,000	25,906	(14,094)	55,692
Other - Primarily Tuition and Fees	1,911,241	1,534,235	(377,006)	1,806,424
State Sources	872,943	886,193	13,250	769,198
Federal Sources	12,273	12,272	(1)	8,846
Total Revenues	3,397,272	3,020,431	(376,841)	3,209,005
EXPENDITURES				
Current:				
Salaries	2,495,634	2,256,497	(239,137)	2,283,899
Employee Benefits	926,593	756,366	(170,227)	764,053
Purchased Services	203,192	137,948	(65,244)	161,811
Supplies and Materials	168,486	140,938	(27,548)	237,234
Other Expenditures	8,360	3,379	(4,981)	2,393
Capital Outlay	137,000	129,438	(7,562)	6,300
Total Expenditures	3,939,265	3,424,566	(514,699)	3,455,690
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(541,993)	(404,135)	137,858	(246,685)
OTHER FINANCING SOURCES				
Transfer In	-	-	-	25,940
Sale of Capital Assets	-	1,120	1,120	-
Total Other Financing Sources	-	1,120	1,120	25,940
NET CHANGE IN FUND BALANCE	\$ (541,993)	(403,015)	\$ 138,978	(220,745)
Fund Balance - Beginning of Year		1,626,636		1,847,381
FUND BALANCE - END OF YEAR		\$ 1,223,621		\$ 1,626,636

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
BALANCE SHEET
BUILDING CONSTRUCTION FUND
JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)**

	2020	2019
ASSETS		
Cash and Investments	\$ 117,297,394	\$ 171,330,580
Cash Held by Fiscal Agent	2,887,208	10,008,580
Local Receivables	324	-
Prepaid Items	297,794	58,526
Total Assets	\$ 120,482,720	\$ 181,397,686
FUND BALANCES		
LIABILITIES		
Accounts and Contracts Payable	\$ 22,586,652	\$ 7,381,352
Due to Other Governmental Units	364	332
Total Liabilities	22,587,016	7,381,684
FUND BALANCES		
Nonspendable:		
Prepaid Items	297,794	58,526
Restricted:		
LTFM	19,208,995	28,765,853
Projects Funded by Certificates of Lease Purchase	2,099,290	8,584,424
Construction	76,289,625	136,607,199
Total Fund Balances	97,895,704	174,016,002
Total Liabilities and Fund Balances	\$ 120,482,720	\$ 181,397,686

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUILDING CONSTRUCTION FUND
YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)**

	<u>2020</u>	<u>2019</u>
REVENUES		
Local Sources:		
Earnings on Investments	\$ 3,825,933	\$ 4,506,492
EXPENDITURES		
Current:		
Sites and Buildings	11,182,327	16,946,185
Capital Outlay	<u>68,763,904</u>	<u>4,495,360</u>
Total Expenditures	<u>79,946,231</u>	<u>21,441,545</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(76,120,298)	(16,935,053)
OTHER FINANCING SOURCES		
Proceeds from Sale of Bonds and COPs	-	43,405,068
Premium on Sale of Bonds	-	<u>3,020,604</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>46,425,672</u>
NET CHANGE IN FUND BALANCE	(76,120,298)	29,490,619
Fund Balance - Beginning of Year	<u>174,016,002</u>	<u>144,525,383</u>
FUND BALANCE - END OF YEAR	<u>\$ 97,895,704</u>	<u>\$ 174,016,002</u>

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
BALANCE SHEET
DEBT SERVICE FUND
JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)**

	2020	2019
ASSETS		
Cash and Investments	\$ 8,831,357	\$ 9,959,458
Receivables:		
Current Property Taxes	6,669,391	6,205,642
Delinquent Property Taxes	177,703	212,863
Due from Minnesota Department of Education	44,289	16,333
Total Assets	\$ 15,722,740	\$ 16,394,296
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
DEFERRED INFLOWS OF RESOURCES		
Property Taxes Levied for Subsequent Years	\$ 12,732,105	\$ 13,326,092
Deferred Revenue - Delinquent Taxes	177,703	212,863
Total Deferred Inflows of Resources	12,909,808	13,538,955
FUND BALANCES		
Restricted:		
Restricted for Debt Service	2,812,932	2,855,341
Total Deferred Inflows of Resources and Fund Balances	\$ 15,722,740	\$ 16,394,296

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)**

	<u>2020</u>		<u>Over (Under) Final Budget</u>	<u>2019</u>
	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>		<u>Actual Amounts</u>
REVENUES				
Local Sources:				
Property Tax	\$ 13,298,241	\$ 13,140,684	\$ (157,557)	\$ 8,677,361
Earnings on Investments	135,000	84,569	(50,431)	247,562
State Sources	<u>443,125</u>	<u>442,885</u>	<u>(240)</u>	<u>163,384</u>
Total Revenues	<u>13,876,366</u>	<u>13,668,138</u>	<u>(208,228)</u>	<u>9,088,307</u>
EXPENDITURES				
Debt Service:				
Bond Principal	5,220,000	5,220,000	-	7,330,000
Bond Interest	<u>8,512,131</u>	<u>8,490,547</u>	<u>(21,584)</u>	<u>5,265,760</u>
Total Expenditures	<u>13,732,131</u>	<u>13,710,547</u>	<u>(21,584)</u>	<u>12,595,760</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	144,235	(42,409)	(186,644)	(3,507,453)
OTHER FINANCING SOURCES (USES)				
Bond Refunding Payments	-	-	-	(31,960,000)
Proceeds from Sale of Bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,667,433</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>707,433</u>
NET CHANGE IN FUND BALANCE	<u>\$ 144,235</u>	(42,409)	<u>\$ (186,644)</u>	(2,800,020)
Fund Balance - Beginning of Year		<u>2,855,341</u>		<u>5,655,361</u>
FUND BALANCE - END OF YEAR		<u>\$ 2,812,932</u>		<u>\$ 2,855,341</u>

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
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	\$ 86,409,539	\$ 86,409,539	\$ -	Total Revenues	\$ 3,825,933	\$ 3,825,933	\$ -
Total Expenditures	\$ 87,252,365	\$ 87,252,366	\$ (1)	Total Expenditures	\$ 79,946,231	\$ 79,946,234	\$ (3)
<i>Non Spendable:</i>				<i>Non Spendable:</i>			
460 Non Spendable Fund Balance	\$ 969,798	\$ 969,798	\$ -	460 Non Spendable Fund Balance	\$ 297,794	\$ 297,794	\$ -
<i>Restricted/Reserve:</i>				<i>Restricted/Reserve:</i>			
401 Student Activities	\$ 215,200	\$ 215,200	\$ -	407 Capital Projects Levy	\$ -	\$ -	\$ -
403 Staff Development	\$ 649,254	\$ 649,254	\$ -	413 Project Funded by COP	\$ 2,099,290	\$ 2,099,290	\$ -
407 Capital Project Levy	\$ -	\$ -	\$ -	467 LTFM	\$ 19,208,995	\$ 19,208,995	\$ -
408 Cooperative Rev.	\$ -	\$ -	\$ -	<i>Restricted:</i>			
409 Deferred Maintenance	\$ -	\$ -	\$ -	464 Restricted Fund Balance	\$ 76,289,625	\$ 76,289,625	\$ -
414 Operating Debt	\$ -	\$ -	\$ -	<i>Unassigned:</i>			
416 Levy Reduction	\$ -	\$ -	\$ -	463 Unassigned Fund Balance	\$ -	\$ -	\$ -
419 Encumbrances	\$ -	\$ -	\$ -				
423 Certain Teacher Programs	\$ -	\$ -	\$ -	07 DEBT SERVICE			
424 Operating Capital	\$ 1,531,157	\$ 1,531,157	\$ -	Total Revenues	\$ 11,128,048	\$ 11,128,048	\$ -
426 \$25 Taconite	\$ -	\$ -	\$ -	Total Expenditures	\$ 11,176,423	\$ 11,176,422	\$ 1
427 Disabled Accessibility	\$ -	\$ -	\$ -	<i>Non Spendable:</i>			
428 Learning & Development	\$ 535,211	\$ 535,211	\$ -	460 Non Spendable Fund Balance	\$ -	\$ -	\$ -
434 Area Learning Center	\$ -	\$ -	\$ -	<i>Restricted/Reserve:</i>			
435 Contracted Alt. Programs	\$ -	\$ -	\$ -	425 Bond Refundings	\$ -	\$ -	\$ -
436 St. Approved Alt. Prog.	\$ -	\$ -	\$ -	451 QZAB Payments	\$ -	\$ -	\$ -
438 Gifted & Talented	\$ -	\$ -	\$ -	<i>Restricted:</i>			
441 Basic Skills	\$ -	\$ -	\$ -	464 Restricted Fund Balance	\$ 2,155,799	\$ 2,155,799	\$ -
443 Telecomm. Access Cost	\$ -	\$ -	\$ -	<i>Unassigned</i>			
446 First Grade Preparedness	\$ -	\$ -	\$ -	463 Unassigned Fund Balance	\$ -	\$ -	\$ -
449 Safe Schools Levy	\$ 479,874	\$ 479,874	\$ -				
450 Pre-Kindergarten	\$ -	\$ -	\$ -	08 TRUST			
451 QZAB Payments	\$ -	\$ -	\$ -	Total Revenues	\$ -	\$ -	\$ -
452 OPEB Liab. Not in Trust	\$ -	\$ -	\$ -	Total Expenditures	\$ -	\$ -	\$ -
453 Unfunded Sev & Retirement Levy	\$ -	\$ -	\$ -	422 Net Position	\$ -	\$ -	\$ -
467 LTFM	\$ 1,231,456	\$ 1,231,456	\$ -				
<i>Restricted:</i>				18 CUSTODIAL FUND			
464 Restricted Fund Balance	\$ 152,552	\$ 152,552	\$ -	Total Revenues	\$ 3,554,317	\$ 3,554,317	\$ -
<i>Assigned:</i>				Total Expenditures	\$ 3,558,484	\$ 3,558,484	\$ -
462 Assigned Fund Balance	\$ 690,544	\$ 690,544	\$ -	464 Restricted	\$ 63,146	\$ 63,146	\$ -
<i>Unassigned:</i>							
422 Unassigned Fund Balance	\$ 7,619,882	\$ 7,619,881	\$ 1	20 INTERNAL SERVICE			
				Total Revenues	\$ 14,999,977	\$ 14,999,976	\$ 1
02 FOOD SERVICE				Total Expenditures	\$ 11,341,453	\$ 11,341,452	\$ 1
Total Revenues	\$ 3,173,699	\$ 3,173,697	\$ 2	422 Net Position	\$ 9,708,434	\$ 9,708,434	\$ -
Total Expenditures	\$ 3,432,801	\$ 3,432,799	\$ 2				
<i>Non Spendable:</i>				25 OPEB REVOCABLE TRUST			
460 Non Spendable Fund Balance	\$ 125,007	\$ 125,007	\$ -	Total Revenues	\$ -	\$ -	\$ -
<i>Restricted</i>				Total Expenditures	\$ -	\$ -	\$ -
452 OPEB Liab. Not in Trust	\$ -	\$ -	\$ -	422 Net Position	\$ -	\$ -	\$ -
464 Restricted Fund Balance	\$ 157,801	\$ 157,800	\$ 1				
<i>Unassigned:</i>				45 OPEB IRREVOCABLE TRUST			
463 Unassigned Fund Balance	\$ -	\$ -	\$ -	Total Revenues	\$ 1,185,900	\$ 1,185,900	\$ -
				Total Expenditures	\$ 1,973,217	\$ 1,973,217	\$ -
				422 Net Position	\$ 21,858,900	\$ 21,858,900	\$ -
04 COMMUNITY SERVICE				47 OPEB DEBT SERVICE			
Total Revenues	\$ 3,020,431	\$ 3,020,432	\$ (1)	Total Revenues	\$ 2,540,090	\$ 2,540,090	\$ -
Total Expenditures	\$ 3,424,566	\$ 3,424,567	\$ (1)	Total Expenditures	\$ 2,534,124	\$ 2,534,124	\$ -
<i>Non Spendable:</i>				<i>Non Spendable:</i>			
460 Non Spendable Fund Balance	\$ 1,005	\$ 1,005	\$ -	460 Non Spendable Fund Balance	\$ -	\$ -	\$ -
<i>Restricted/Reserve:</i>				<i>Restricted:</i>			
426 \$25 Taconite	\$ -	\$ -	\$ -	425 Bond Refundings	\$ -	\$ -	\$ -
431 Community Education	\$ 344,665	\$ 344,666	\$ (1)	464 Restricted Fund Balance	\$ 657,133	\$ 657,133	\$ -
432 E.C.F.E.	\$ 699,866	\$ 699,866	\$ -	<i>Unassigned:</i>			
444 School Readiness	\$ 178,085	\$ 178,085	\$ -	463 Unassigned Fund Balance	\$ -	\$ -	\$ -
447 Adult Basic Education	\$ -	\$ -	\$ -				
452 OPEB Liab. Not in Trust	\$ -	\$ -	\$ -				
<i>Restricted:</i>							
464 Restricted Fund Balance	\$ -	\$ -	\$ -				
<i>Unassigned</i>							
463 Unassigned Fund Balance	\$ -	\$ -	\$ -				

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SINGLE AUDIT AND OTHER REQUIRED REPORTS

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**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. 181
Brainerd Public Schools
Brainerd, 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. 181 (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 December 7, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

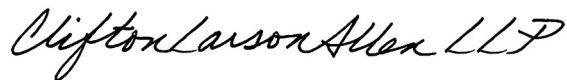
As part of obtaining reasonable assurance about whether the District’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

The District’s Response to the Finding

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

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

Brainerd, Minnesota
December 7, 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. 181
Brainerd Public Schools
Brainerd, Minnesota

Report on Compliance for Each Major Federal Program

We have audited the Independent School District No. 181'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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



CliftonLarsonAllen LLP

Brainerd, Minnesota
December 7, 2020

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
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	Pass-Through to Subrecipients
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through Minnesota Department of Education:				
Fresh Fruit and Vegetable Program	10.582	1-0181-000	\$ 11,708	
Child Nutrition Cluster:				
Noncash Assistance (Commodities):				
National School Lunch Program	10.555	1-0181-000	232,943	
Cash Assistance:				
School Breakfast Program	10.553	1-0181-000	\$ 298,815	
National School Lunch Program	10.555	1-0181-000	954,506	
After School Snack Program	10.555	1-0181-000	21,905	
Commodity Cash Rebate Program	10.555	1-0181-000	1,218	
Summer Food Service Program	10.559	1-0181-000	439,091	
Cash Assistance Subtotal			<u>1,715,535</u>	\$ -
Total Child Nutrition Cluster			<u>1,948,478</u>	-
Total U.S. Department of Agriculture			1,960,186	-
U.S. DEPARTMENT OF EDUCATION				
Passed Through Minnesota Department of Education:				
Cash Assistance:				
Adult Basic Education Formula Revenue	84.002	N/A	12,272	-
Title II, Part A - Improving Teacher Quality	84.367	S367A190022	175,250	-
Title VII - Indian Education	84.060	N/A	20,258	-
Title I, Part A	84.010	S010A190023A	1,222,296	-
Title I, Part D	84.412	N/A	241,945	-
Nonclustered Programs Subtotal				
Passed Through Paul Bunyan Education Co-op				
Special Education Cluster:				
Special Education	84.027	H027A190087	328,893	
Discretionary Professional Development	84.027	H027A190087	18,736	
Individuals with Disabilities Education Act Part B				
Section 611 Discretionary Comprehensive System of Personnel Development - CSPD	84.027	S367A190022	10,609	
Special Education Preschool Grants	84.173	H173A190086	218	
Special Education Cluster Subtotal			<u>358,456</u>	-
Individuals with Disabilities Education Act Part C				
Regional IEIC Grant for Children Ages Birth to 2	84.181	1-6050-061	4,199	-
Total Passed Through Paul Bunyan Education Co-op			<u>362,655</u>	-
Passed Through Freshwater Education District				
Carl Perkins Vocational and Applied Technology	84.048	1-6004-000	20,065	-
Total U.S. Department of Education			<u>2,054,741</u>	-
Total Federal Awards Expended			<u>\$ 4,014,927</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. 181.

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 has not elected 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 \$1,210,572. The total of CFDA #84.027 is \$358,238.



INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Education
Independent School District No. 181
Brainerd Public Schools
Brainerd, 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 respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 181 (the District), Minnesota, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's financial statements as listed in the table of contents and have issued our report thereon dated December 7, 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 except as described in the schedule of findings and questioned costs as item 2020-002. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters.

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

The purpose of this report is solely to describe the scope of our testing of compliance 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

Brainerd, Minnesota
December 7, 2020

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

Section I – Summary of Auditors’ Results

Type of auditor’s report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported

Type of auditors’ report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes X no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555, and 10.559	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

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

Section II – Findings and Questioned Costs – Financial Statements

Finding 2020-001 – Financial Statement Preparation

Type of Finding: Material weakness in internal control over financial reporting.

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).

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

Cause/Context: Management has informed us that they do not have an internal control policy or procedures 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. 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.

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.

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

Recommendation: Management should continue to evaluate their internal staff capacity to determine if an internal control policy or procedures over the annual financial reporting is cost beneficial to the District.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

There is no disagreement with the finding.

Section III – Findings and Questioned Costs – Major Federal Awards

NONE

**BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

Section IV – Findings and Questioned Costs – Minnesota Legal Compliance

Finding 2020-002 – Prompt Payment of Bills

Criteria: Minnesota Statute §471.425 states that all bills must be paid within 35 days of receipt of the invoice or pay interest of 1.5% per month.

Condition and Context: For 2 of 25 disbursements tested, the District did not pay the invoice within the requirements of state statute.

Cause: Invoices/receipts were not submitted timely to the Business Services department.

Effect: The District was not in compliance with state statutes at year-end.

Recommendation: We recommend the District reiterate policies and procedures around disbursements to ensure prompt payment.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

There is no disagreement with the finding.