

GLACIAL HILLS ELEMENTARY SCHOOL

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2020

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INTRODUCTORY SECTION

**GLACIAL HILLS ELEMENTARY SCHOOL
BOARD OF DIRECTORS
YEAR ENDED JUNE 30, 2020**

School Board

Officer	Title
Melissa Schultz	Chairperson
Elizabeth Kriesel	Vice Chairperson
Nathan Metz	Treasurer
Kate Aslagson	Secretary
Amber Green	Director
Jessica Magnuson	Director
Beth Aaberg	Director

Building Company

Officer	Title
Nathan Metz	Chairperson
Bob Vaadeland	Vice Chair/Treasurer
Deb Mathias	Secretary

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Directors
Glacial Hills Elementary School
Starbuck, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Glacial Hills Elementary School (the School), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Glacial Hills Elementary School as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited the School's 2019 financial statements of the governmental activities and each major fund, and we expressed unmodified audit opinions on those audited financial statements in our report dated September 16, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 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, budgetary information, the schedule of the School's proportionate share of the net pension liability, the schedule of School contributions, and the notes to the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The Uniform Financial Accounting and Reporting Standards Compliance Table is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Uniform Financial Accounting and Reporting Standards Compliance Table is the responsibility of management and was derived from and relates 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 Uniform Financial Accounting and Reporting Standards Compliance Table is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Board of Directors
Glacial Hills Elementary School

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2020, on our consideration of the School's internal control over financial reporting and on our test 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 School'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 School's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Alexandria, Minnesota
September 29, 2020

REQUIRED SUPPLEMENTARY INFORMATION

**GLACIAL HILLS ELEMENTARY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

This section of Glacial Hills Charter School's (the School) annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year that ended on June 30, 2020. Please read it in conjunction with the School's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2019-20 fiscal year include the following:

- Overall revenues in the Statement of Activities were \$1,441,018 and expenses were \$1,637,020.
- The General Fund balance decreased from \$595,222 to \$514,786.
- The Food Service Fund balance decreased from \$19,383 to \$10,854.
- The Building Company Fund balance increased from \$29,949 to \$66,254.
- The School had an average daily membership of 91.92 students.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are School-wide financial statements that provide both short-term and long-term information about the School's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School, reporting the School's operations in more detail than the School-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.

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

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

School-Wide Statements

The School-wide statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School's assets, deferred outflows of resources, deferred inflows of resources, and liabilities. 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 School-wide statements report the School's net position and how they have changed. Net position — the difference between the School's assets, deferred outflows of resources, deferred inflows of resources, and liabilities — is one way to measure the School's financial health or position.

**GLACIAL HILLS ELEMENTARY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

School-Wide Statements (Continued)

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

In the School-wide financial statements the School's activities are shown in one category:

Governmental activities – All of the School's basic services are included here, such as regular and special education, transportation, administration and food services. State aids finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the School's funds — focusing on its most significant or "major" funds — not the School as a whole. Funds are accounting devices the School 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 School may establish other funds to control and manage money for a blended component unit.

The School has one type of fund:

Governmental funds – All of the School'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 School's programs. Because this information does not encompass the additional long-term focus of the School-wide statements, we provide additional information at the bottom of the governmental funds statements to explain the relationship (or differences) between them.

**GLACIAL HILLS ELEMENTARY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

The School's *combined* net position was a deficit of \$612,941 on June 30, 2020.

The School's Net Position

	Governmental Activities		Percentag Change
	2020	2019	
Current and Other Assets	\$ 726,484	\$ 810,470	(10.4)%
Capital and Noncurrent Assets	929,689	931,214	(0.2)
Total Assets	<u>1,656,173</u>	<u>1,741,684</u>	(4.9)
Deferred Outflows of Resources	<u>869,704</u>	<u>1,059,669</u>	(17.9)
Current Liabilities	189,020	169,964	11.2
Long-Term Liabilities	1,729,038	1,669,626	3.6
Total Liabilities	<u>1,918,058</u>	<u>1,839,590</u>	4.3
Deferred Inflows of Resources	<u>1,220,760</u>	<u>1,378,702</u>	(11.5)
Net Position			
Investment in Capital Assets	50,647	69,425	(27.0)
Restricted	116,502	62,313	87.0
Unrestricted	<u>(780,090)</u>	<u>(548,677)</u>	42.2
Total Net Position	<u>\$ (612,941)</u>	<u>\$ (416,939)</u>	47.0

**GLACIAL HILLS ELEMENTARY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE (CONTINUED)

Changes in Net Position

The decrease in net position occurs as a result of the School's expenses being more than its revenues for the year ended June 30, 2020. A summary of the revenues and expenses is presented in the table below and described in more detail following the table.

	Governmental Activities for the		Total % Change
	Fiscal Year Ended June 30,		
	<u>2020</u>	<u>2019</u>	
REVENUES			
Program Revenues			
Charges for Services	\$ 31,387	\$ 26,760	17.3 %
Operating Grants and Contributions	588,683	593,597	(0.8)
General Revenues			
Unrestricted State Aid	764,117	788,190	(3.1)
Investment Earnings	283	374	(0.2)
Other	56,548	58,150	(2.8)
Total Revenues	<u>1,441,018</u>	<u>1,467,071</u>	(1.8)
EXPENSES			
Administration	140,999	90,246	56.2
District Support Services	115,032	117,290	(1.9)
Regular Instruction	745,575	404,811	84.2
Special Education Instruction	357,294	268,102	33.3
Instructional Support Services	56	367	(84.7)
Pupil Support Services	4,090	-	100.0
Sites and Buildings	96,256	102,299	(5.9)
Food Service	69,527	76,471	(9.1)
Community Service	60,788	57,170	0.1
Interest and Fiscal Charges on Long-Term Liabilities	47,403	49,378	(0.0)
Total Expenses	<u>1,637,020</u>	<u>1,166,134</u>	40.4
INCREASE (DECREASE) IN NET POSITION	(196,002)	300,937	
Net Position - Beginning of Year	<u>(416,939)</u>	<u>(717,876)</u>	
NET POSITION - END OF YEAR	<u>\$ (612,941)</u>	<u>\$ (416,939)</u>	

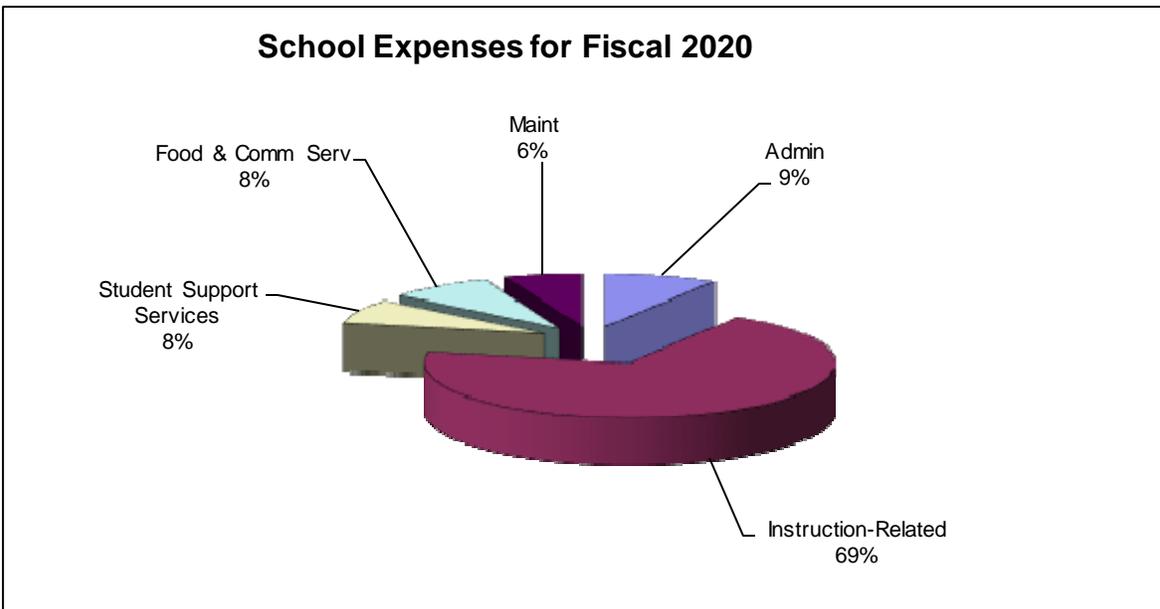
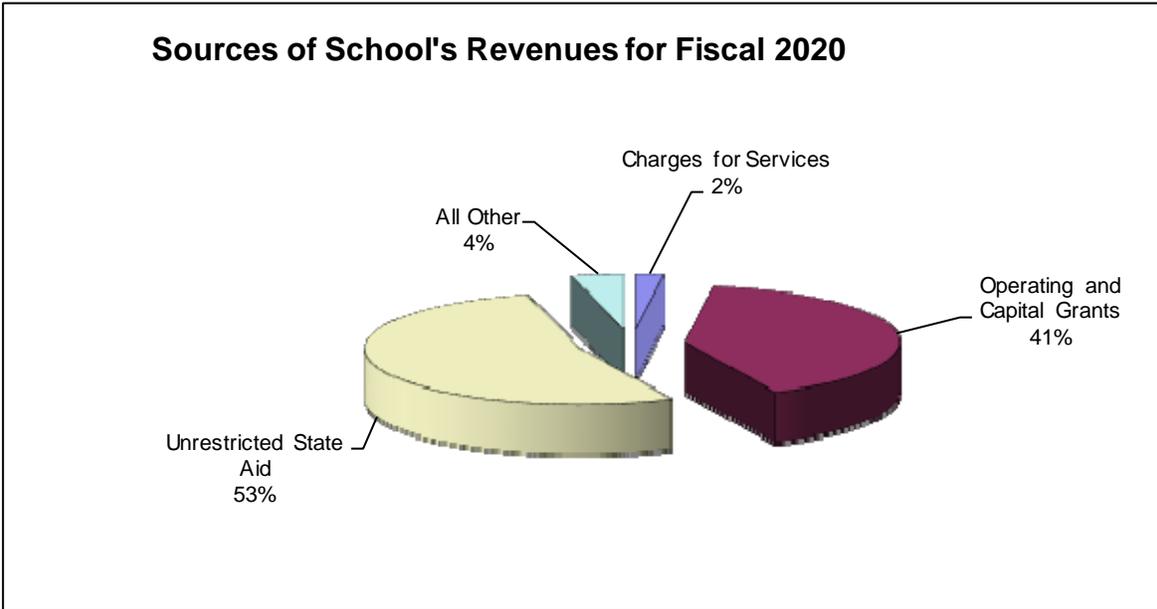
The total cost of all programs and services was \$1,637,020. Total expenses exceeded revenues, decreasing net position \$196,002 from the prior year. The decrease in net position is due to an increase in pension expense caused by an increase net pension liability.

**GLACIAL HILLS ELEMENTARY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE (CONTINUED)

The cost of all *governmental* activities this year was \$1,637,020.

- Some of the cost was paid by the users of the School's programs \$31,387.
- The federal government subsidized certain programs with grants and contributions \$588,683.
- Most of the School's costs were paid for by state aid, special education, investment earnings, and other revenues.



**GLACIAL HILLS ELEMENTARY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE (CONTINUED)

All governmental funds include not only funds received for the general operation of the School, which are used for classroom instruction, but also includes resources from the entrepreneurial-type fund of Food Service. Funding for the general operation of the School is controlled by the state and the School does not have the latitude to allocate money received in Food Services to enhance classroom instruction resources.

Total and Net Cost of Services

	Total Cost of Services		%	Net Cost of Services		%
	2020	2019		2020	2019	
Administration	\$ 140,999	\$ 90,246	56.2 %	\$ 140,374	\$ 94,894	47.9 %
District Support Services	115,032	117,290	(1.9)	115,032	117,290	(1.9)
Regular Instruction	745,575	404,811	84.2	663,005	340,095	94.9
Special Education Instruction	357,294	268,102	33.3	17,707	(97,655)	(118.1)
Instructional Support Services	56	367	(84.7)	54	378	(85.7)
Pupil Support Services	4,090	-	100.0	4,090	-	100.0
Sites and Buildings	96,256	102,299	(5.9)	33,559	39,330	(14.7)
Food Service	69,527	76,471	(9.1)	8,529	5,890	44.8
Community Service	60,788	57,170	0.1	34,600	45,555	(0.2)
Interest and Fiscal Charges on Long-Term Liabilities	47,403	49,378	(0.0)	-	-	N/A
Total	\$ 1,637,020	\$ 1,166,134	40.4	\$ 1,016,950	\$ 545,777	86.3

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

The financial performance of the School as a whole is reflected in its governmental funds as well. As the School completed the year, its governmental funds reported a *combined* fund balance of \$591,894 which is \$52,660 below the 2018-19 ending fund balance of \$644,554.

Revenues for the School's governmental funds were \$1,571,932, while total expenditures were \$1,645,577.

GENERAL FUND

The General Fund includes the primary operations of the School in providing educational services to students from kindergarten through grade 6, including facility lease.

Approximately 92% of General Fund operational revenue is controlled by a complex set of state and federal funding formulas resulting in the local school board having no meaningful authority to determine the level of resources. This includes special education state aid that is based upon a cost reimbursement model, and special education tuition revenue now paid through the state aid. Federal dollars provided operational revenue funding several federal programs, title grants, federal special education revenue, and student nutrition programs as per federal program statutes.

**GLACIAL HILLS ELEMENTARY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

GENERAL FUND (CONTINUED)

The following schedule presents a summary of General Fund Revenues.

General Fund Revenues

	Year Ended		Change	
	June 30, 2020	June 30, 2019	Increase (Decrease)	Percent
Local Sources				
Earnings on Investments	\$ 283	\$ 374	\$ (91)	N/A
Other	105,494	73,967	31,527	42.6
State Sources	1,155,002	1,261,931	(106,929)	(8.5)
Federal Sources	91,453	88,740	2,713	3.1
Total General Fund Revenue	<u>\$ 1,352,232</u>	<u>\$ 1,425,012</u>	<u>\$ (72,780)</u>	(5.1)

Total General Fund Revenue decreased by \$72,780 or 5.1% from the previous year. Basic general education revenue is determined by multiple complex state formulas, largely enrollment driven, and consists of a specified minimum amount with variables such as socioeconomic indicators driving additional funding. For Minnesota charter schools the majority of all funding is made up of general education aid, special education aid and charter school lease aid. Other revenue consists of federal and private grant funding that is often expenditure driven.

The following schedule presents a summary of General Fund Expenditures.

General Fund Expenditures

	Year Ended		Change	
	June 30, 2020	June 30, 2019	Increase (Decrease)	Percent
Salaries	\$ 823,755	\$ 812,269	\$ 11,486	1.4 %
Employee Benefits	180,067	173,414	6,653	3.8
Purchased Services	291,346	278,878	12,468	4.5
Supplies and Materials	59,783	37,717	22,066	58.5
Capital Expenditures	4,872	16,357	(11,485)	(70.2)
Other Expenditures	46,045	42,846	3,199	7.5
Total Expenditures	<u>\$ 1,405,868</u>	<u>\$ 1,361,481</u>	<u>\$ 44,387</u>	3.3

Total General Fund Expenditures increased by \$44,387 or 3.3% from the previous year. This increase can be attributed to an increase in salaries due to cost of living adjust along with an increase in purchased services for fees paid to accounting firm and an increase in supplies in materials with purchase new math curriculums.

**GLACIAL HILLS ELEMENTARY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

GENERAL FUND (CONTINUED)

General Fund Budgetary Highlights

Actual revenues were \$57,604 more than expected. Budgeting is done using a conservative ADM figure, due to the at-risk student population and additional medical assistance aid received.

The actual expenditures were \$14,461 over budget. Regular Instruction costs anticipated for the School were more than projected.

OTHER MAJOR FUNDS

Food Service Fund showed expenditures exceeding revenues, creating a decrease in fund balance of \$8,259. A yearly goal is to increase student participation in the breakfast and lunch program.

Community Service Fund expended \$53,676 during the current year and revenue of \$26,876, showing a decrease in fund balance. A transfer in from the General Fund zeroed out fund balance as of the end of the year.

The Building Company expended \$116,506 during the current year. The Building Company also had \$152,811 of revenue, which includes \$20,985 of debt proceeds.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2020, the School had a range of capital assets, including computer and audio-visual equipment, classroom equipment and playground equipment. Upgrades of computer and technology continue to be a priority. GHES Building Company had capital asset additions that included a new water heater. Total depreciation expense for the year was \$43,947.

The School's Capital Assets

	2020	2019	Percentage Change
GHES Building Company			
Land	\$ 39,022	\$ 39,022	%
Buildings and Improvements	939,938	936,538	0.4
Glacial Hills Elementary School			
Equipment	121,524	121,524	
Less: Accumulated Depreciation	(170,795)	(126,848)	34.6
Total	<u>\$ 929,689</u>	<u>\$ 970,236</u>	(4.2)

**GLACIAL HILLS ELEMENTARY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Liabilities

At year-end, the School had a net amount of \$879,042 in notes payable as well as a net pension liability of \$901,800.

The District's Long-Term Liabilities

	2020	2019
Notes Payable	\$ 879,042	\$ 900,811
Net Pension Liability	901,800	809,170
Total	\$ 1,780,842	\$ 1,709,981
Long-Term Liabilities:		
Due Within One Year	\$ 51,804	\$ 40,355
Due in More Than One Year	1,729,038	809,170
Total	\$ 1,780,842	\$ 849,525

FACTORS BEARING ON THE SCHOOL'S FUTURE

The School no longer receives start-up funds from the state and federal governments. The School will continue to receive lease aid from the state of Minnesota.

The School has strong community support and the enrollment projection is to remain or continue to increase in the coming years.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Independent School District No. 4168, 610 West 6th Street, Starbuck, Minnesota 56381.

BASIC FINANCIAL STATEMENTS

GLACIAL HILLS ELEMENTARY SCHOOL
STATEMENT OF NET POSITION
JUNE 30, 2020
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2019)

	Governmental Activities	
	2020	2019
ASSETS		
Cash and Investments	\$ 628,767	\$ 627,404
Receivables:		
Other Governments	87,342	131,752
Other	8,493	9,415
Inventories	1,882	2,877
Land	39,022	39,022
Other Capital Assets, Net of Depreciation	890,667	931,214
Total Assets	1,656,173	1,741,684
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related	869,704	1,059,669
LIABILITIES		
Salaries and Payroll Deductions Payable	128,882	126,631
Accounts Payable	5,708	263
Accrued Interest	2,626	2,715
Long-Term Liabilities:		
Portion Due Within One Year	51,804	40,355
Portion Due in More Than One Year	827,238	860,456
Net Pension Liability	901,800	809,170
Total Liabilities	1,918,058	1,839,590
DEFERRED INFLOWS OF RESOURCES		
Pension Related	1,220,760	1,378,702
NET POSITION		
Investment in Capital Assets	50,647	69,425
Restricted for:		
State-Mandated Reserves	31,617	-
Food Service	10,854	19,383
Debt Payments	74,031	42,930
Unrestricted	(780,090)	(548,677)
Total Net Position	\$ (612,941)	\$ (416,939)

See accompanying Notes to Financial Statements.

**GLACIAL HILLS ELEMENTARY SCHOOL
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)**

Functions	2020				Net (Expense) Revenue and Change in Net Position	
	Expenses	Program Revenues			Total	
		Charges for Services	Operating	Capital	Governmental Activities	
			Grants and Contributions	Grants and Contributions		
				2020	2019	
GOVERNMENTAL ACTIVITIES						
Administration	\$ 140,999	\$ -	\$ 625	\$ -	\$ (140,374)	\$ (94,894)
School Support Services	115,032	-	-	-	(115,032)	(117,290)
Regular Instruction	745,575	-	82,570	-	(663,005)	(340,095)
Special Education Instruction	357,294	-	339,587	-	(17,707)	97,655
Instructional Support Services	56	-	2	-	(54)	(378)
Pupil Support Services	4,090	-	-	-	(4,090)	-
Sites and Buildings	96,256	-	62,697	-	(33,559)	(39,330)
Food Service	69,527	15,199	45,799	-	(8,529)	(5,890)
Community Service	60,788	16,188	10,000	-	(34,600)	(45,555)
Interest and Fiscal Charges on Long-Term Liabilities	47,403	-	47,403	-	-	-
Total School	<u>\$ 1,637,020</u>	<u>\$ 31,387</u>	<u>\$ 588,683</u>	<u>\$ -</u>	<u>(1,016,950)</u>	<u>(545,777)</u>
GENERAL REVENUES						
State Aid Not Restricted to Specific Purposes					764,117	788,190
Earnings on Investments					283	374
Miscellaneous					56,548	58,150
Total General Revenues					<u>820,948</u>	<u>846,714</u>
CHANGE IN NET POSITION					(196,002)	300,937
Net Position - Beginning of Year					<u>(416,939)</u>	<u>(717,876)</u>
NET POSITION - END OF YEAR					<u>\$ (612,941)</u>	<u>\$ (416,939)</u>

See accompanying Notes to Financial Statements.

**GLACIAL HILLS ELEMENTARY SCHOOL
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)**

	Major Funds				Total Governmental	
	General	Food Service	Community Service	Building Company	Funds	
					2020	2019
ASSETS						
Cash and Investments	\$ 530,619	\$ 9,143	\$ 7,074	\$ 81,931	\$ 628,767	\$ 627,404
Receivables:						
Due from Minnesota Department of Education	82,067	-	-	-	82,067	130,290
Due from Federal through Minnesota Department of Education	-	-	-	-	-	1,462
Due from Other Entities	5,275	-	-	-	5,275	-
Other Receivables	8,493	-	-	-	8,493	9,415
Prepaid Items	10,403	-	-	-	10,403	15,696
Inventory	-	1,882	-	-	1,882	2,877
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 636,857</u>	<u>\$ 11,025</u>	<u>\$ 7,074</u>	<u>\$ 81,931</u>	<u>\$ 736,887</u>	<u>\$ 787,144</u>
LIABILITIES AND FUND BALANCE						
Liabilities:						
Salaries and Payroll Deductions Payable	\$ 121,808	\$ -	\$ 7,074	\$ -	\$ 128,882	\$ 126,631
Accounts Payable	263	171	-	5,274	5,708	263
Unearned Revenue	-	-	-	10,403	10,403	15,696
Total Liabilities	<u>122,071</u>	<u>171</u>	<u>7,074</u>	<u>15,677</u>	<u>144,993</u>	<u>142,590</u>
Fund Balance:						
Nonspendable:						
Inventory	-	1,882	-	-	1,882	2,877
Prepaid Items	10,403	-	-	-	10,403	15,696
Restricted:						
Debt Payments	-	-	-	66,254	66,254	29,949
Medical Assistance	31,617	-	-	-	31,617	-
Food Service	-	8,972	-	-	8,972	16,506
Unassigned	472,766	-	-	-	472,766	579,526
Total Fund Balance	<u>514,786</u>	<u>10,854</u>	<u>-</u>	<u>66,254</u>	<u>591,894</u>	<u>644,554</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balance	<u>\$ 636,857</u>	<u>\$ 11,025</u>	<u>\$ 7,074</u>	<u>\$ 81,931</u>	<u>\$ 736,887</u>	<u>\$ 787,144</u>

See accompanying Notes to Financial Statements.

**GLACIAL HILLS ELEMENTARY SCHOOL
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
JUNE 30, 2020
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2019)**

	2020	2019
Total Fund Balance for Governmental Funds	\$ 591,894	\$ 644,554
<p>Total net position reported for governmental activities in the statement of net position is different because:</p> <p>Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of:</p>		
Land	39,022	39,022
Buildings and Improvements, Net of Accumulated Depreciation	839,615	874,102
Equipment, Net of Accumulated Depreciation	51,052	57,112
<p>The School's Net Pension Liability and related deferred inflows and outflows are recorded only on the statement of net position. Balances at year-end are:</p>		
Net Pension Liability	(901,800)	(809,170)
Deferred Inflows of Resources - Pension Related	(1,220,760)	(1,378,702)
Deferred Outflows of Resources - Pension Related	869,704	1,059,669
<p>Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.</p>		
	(2,626)	(2,715)
<p>Long-term liabilities that pertain to governmental funds, including notes 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:</p>		
Notes Payable	(879,042)	(900,811)
Total Net Position of Governmental Activities	\$ (612,941)	\$ (416,939)

See accompanying Notes to Financial Statements.

**GLACIAL HILLS ELEMENTARY SCHOOL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)**

	Major Funds				Total Governmental Funds	
	General	Food Service	Community Service	Building Company	2020	2019
REVENUES						
Local Sources:						
Earnings on Investments	\$ 283	\$ -	\$ -	\$ -	\$ 283	\$ 374
Other	105,494	15,199	16,876	131,826	269,395	235,557
State Sources	1,155,002	5,084	10,000	-	1,170,086	1,267,504
Federal Sources	91,453	40,715	-	-	132,168	138,603
Total Revenues	<u>1,352,232</u>	<u>60,998</u>	<u>26,876</u>	<u>131,826</u>	<u>1,571,932</u>	<u>1,642,038</u>
EXPENDITURES						
Current:						
Administration	126,521	-	-	-	126,521	123,409
District Support Services	111,089	-	-	-	111,089	102,718
Regular Instruction	620,666	-	-	-	620,666	567,861
Special Education Instruction	335,533	-	-	-	335,533	347,796
Instructional Support Services	2	-	-	-	2	441
Pupil Support Services	3,676	-	-	-	3,676	-
Sites and Buildings	203,509	-	-	1,875	205,384	240,401
Food Service	-	69,058	-	-	69,058	77,494
Community Service	-	-	53,676	-	53,676	47,170
Capital Outlay	4,872	469	-	24,385	29,726	29,713
Debt Service:						
Principal	-	-	-	42,754	42,754	38,467
Interest and Fiscal Charges	-	-	-	47,492	47,492	49,413
Total Expenditures	<u>1,405,868</u>	<u>69,527</u>	<u>53,676</u>	<u>116,506</u>	<u>1,645,577</u>	<u>1,624,883</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(53,636)	(8,529)	(26,800)	15,320	(73,645)	17,155
OTHER FINANCING SOURCES (USES)						
Notes Payable Proceeds	-	-	-	20,985	20,985	-
Transfers In	-	-	26,800	-	26,800	35,555
Transfers Out	(26,800)	-	-	-	(26,800)	(35,555)
Total Other Financing Sources (Uses)	<u>(26,800)</u>	<u>-</u>	<u>26,800</u>	<u>20,985</u>	<u>20,985</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(80,436)	(8,529)	-	36,305	(52,660)	17,155
Fund Balances - Beginning of Year	<u>595,222</u>	<u>19,383</u>	<u>-</u>	<u>29,949</u>	<u>644,554</u>	<u>627,399</u>
FUND BALANCES - END OF YEAR	<u>\$ 514,786</u>	<u>\$ 10,854</u>	<u>\$ -</u>	<u>\$ 66,254</u>	<u>\$ 591,894</u>	<u>\$ 644,554</u>

See accompanying Notes to Financial Statements.

**GLACIAL HILLS ELEMENTARY SCHOOL
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)**

	2020	2019
Net Change in Fund Balance-Total Governmental Funds	\$ (52,660)	\$ 17,155
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>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.</p>		
Capital Outlays	3,400	17,409
Depreciation Expense	(43,947)	(44,268)
<p>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.</p>		
	(124,653)	272,139
<p>The governmental funds report notes payable proceeds as financing sources, while repayment of notes payable 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 issuance costs and premiums when debt is first issued, whereas these amounts are deferred and 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 notes payable and related items is as follows:</p>		
Notes Payable Proceeds	(20,985)	-
Principal Payments - Notes Payable	42,754	38,467
Change in Accrued Interest - Notes Payable	89	35
Change in Net Position of Governmental Activities	\$ (196,002)	\$ 300,937

See accompanying Notes to Financial Statements.

**GLACIAL HILLS ELEMENTARY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Glacial Hills Elementary School (the School) 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. The GASB pronouncements are recognized as accounting principles generally accepted in the United States of America for state and local governments.

B. Financial Reporting Entity

Glacial Hills Elementary School (the School) is a nonprofit entity under Section 501(c)(3) of the Internal Revenue Code and is operating as a Charter School. The School is established by the state of Minnesota in accordance with Minnesota Statutes and began operating December 11, 2006 pursuant to applicable Minnesota laws and statutes. The School is sponsored by the Osprey Wilds Environmental Learning Center under the terms of a four-year agreement covering the period July 1, 2020 through June 30, 2025. The primary objectives of the School are to improve pupil-learning opportunities for pupils in the Starbuck, Minnesota area.

Aside from its sponsorship, the Audubon Center of the North Woods has no authority, control, power, or administrative responsibilities over Glacial Hills Elementary School. Therefore, the School is not considered a component of the Osprey Wilds Environmental Learning Center.

Accounting Principles Generally Accepted in the United States of America (GAAP) require that the School's financial statements include all funds, departments, agencies, boards, commissions, and other organizations which are not legally separated from the School. In addition, the School's financial statements are to include all component units — entities for which the School 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 School.

Based on these criteria, there is one organization that is considered to be a component unit of the School. GHES Building Company is a Minnesota nonprofit corporation holding IRS classification as a 501(c)(3) tax-exempt organization which was created to own the real estate and building that is leased by the School for its operations. GHES Building Company is governed by a separate board appointed by the Board of the School. Although it is legally separate from the School, GHES Building Company is reported as if it were part of the School (as a blended component unit) because its sole purpose is to acquire, construct, and own an educational site which is leased to the School.

**GLACIAL HILLS ELEMENTARY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Financial Reporting Entity (Continued)

No separate financial statements for GHES Building Company are issued. All long-term debt related to the purchase of the building and property and all capital assets related to the school site are the responsibility of and are under the ownership of GHES Building Company.

C. Basic Financial Statement Presentation

The School-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the reporting government as a whole. These statements include all the financial activities of the School.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

The School applies restricted resources first when an expense is incurred for 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. Generally, the effect of material interfund activity has been removed from the School-wide financial statements.

Separate fund financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial 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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

**GLACIAL HILLS ELEMENTARY SCHOOL
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. State revenue is recognized in the year to which it applies according to Minnesota Statutes and accounting principles generally accepted in the United States of America. 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 and other miscellaneous revenue are recorded as revenues when received because they are generally not measurable until then. A six-month availability period is generally used for other fund revenue.
2. Recording of Expenditures – Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements incurred in advance of the year in which the item is to be used.

Description of Funds

The existence of the various School funds has been established by the state of Minnesota, Department of Education. The accounts of the School are organized on the basis of funds, each of which is considered a separate accounting entity. Descriptions of the funds included in this report are as follows:

Major Governmental Funds

General Fund – The General Fund is used to account for all financial resources except those required to be accounted for in another fund. It includes all revenues and expenditures for general operation, special education programs, transportation, and capital expenditures.

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 activity, nonpublic pupils, veterans, adult or early childhood programs, or similar services. Revenues for the Community Service Fund are generated primarily from user fees and state credits.

Building Company Fund – The Building Company Fund is used to account for all activities of the GHES Building Company, a blended component unit, including the proceeds and uses of resources received to own an educational site for the School. Primary sources of revenue in the building company are from rent received and interest earnings.

**GLACIAL HILLS ELEMENTARY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgeting

Budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America. Each June, the Board of Directors adopts an annual budget for the following fiscal year for the General, Food Service, and Community Service Funds. No budget is prepared for the School Building Fund. Reported budget amounts represent the amended budget as adopted by the Board of Directors. Legal budgetary control is at the fund level.

Procedurally, in establishing the budgetary data reflected in these financial statements, the School Administrator submits to the Board of Directors 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 Directors action. Revisions to budgeted amounts must be approved by the Board of Directors.

Total fund expenditures in excess of the budget require approval of the Board of Directors. 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 a mid-year budget amendment that changed revenues and expenditures budget as follows:

<u>Revenues</u>	Original Budget	Amendments	Amended Budget
General Fund	\$ 1,309,784	\$ (15,156)	\$ 1,294,628
Special Revenue Funds			
Community Service Fund	32,650	2,650	35,300
 <u>Expenditures</u>			
General Fund	1,392,884	(1,477)	1,391,407
Special Revenue Funds			
Community Service Fund	41,069	17,492	58,561

F. Cash and Investments

Cash balances consist of demand deposits and short-term investments with original maturities of three months or less. Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Interest revenue for the current year was recorded in the General Fund.

Interest earned was not allocated from the General Fund to other funds because of their insignificant cash balances.

**GLACIAL HILLS ELEMENTARY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Accounts Receivable

Represents amounts receivable from individuals, firms, and corporations for goods and services furnished by the School. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary. All receivables are expected to be collected within one year.

H. 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.

I. 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 School maintains a threshold level of \$1,000 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 School-wide financial statement, but are not reported in the Fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the School, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 5 to 20 years for equipment and 25 years for buildings and building improvements.

The School 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 improvable property.

J. Deferred Outflows of Resources

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

K. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. In the fund financial statements, the face amount of debt issued is reported as other financing sources.

**GLACIAL HILLS ELEMENTARY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. 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 PERA and 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 refund are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. Deferred Inflows of Resources

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

N. Fund Balance

In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned, and unassigned fund balances. Nonspendable portions of fund balance relate to prepaids, inventories, long-term receivables, and corpus on any permanent fund. Restricted funds are constrained from outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Directors. The Board of Director passed a resolution authorizing the School Board to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts. When expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the School'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 School's policy to use committed first, then assigned, and finally unassigned fund balance.

O. Net Position

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

The School-wide statement of net position reports \$116,502 of restricted net position, all of which is restricted for food service, state-mandated reserves, and the building company.

**GLACIAL HILLS ELEMENTARY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Summarized Comparative Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government’s financial statements for the year ended June 30, 2019, from which the summarized information was derived.

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY

A. Excess of Expenditures Over Budget

Expenditures exceeded budgeted amounts in the following funds:

	Budget	Expenditures	Excess
General Fund	\$ 1,391,407	\$ 1,405,868	\$ 14,461

The overage above was considered by the School’s management to be the result of necessary expenditures critical to operations. All overages were approved by the School Board.

NOTE 3 DEPOSITS AND INVESTMENTS

A. Deposits

Custodial Credit Risk – Custodial credit risk for deposits is the risk that in the event of a bank failure, the School’s deposits may not be returned to it. The School 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 School’s deposits in banks at June 30, 2020 were \$628,624. At June 30, 2020, the School’s deposits in the banks were entirely covered by deferral depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

**GLACIAL HILLS ELEMENTARY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

The School may also invest idle funds as authorized by Minnesota Statutes as follows:

- Direct obligations or obligations guaranteed by the United States or its agencies.
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, 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 13 months or less.
- General obligations rated "A" or better; revenue obligations rated "AA" or better.
- General obligations of the Minnesota Housing Finance Agency rate "A" or better.
- Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
- Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by a least two nationally recognized rating agencies, and maturing in 270 days or less.
- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories.
- Repurchase or reverse purchase agreement and securities lending agreements financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

At June 30, 2020, the School had no investments.

**GLACIAL HILLS ELEMENTARY SCHOOL
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				
Building Company				
Land	\$ 39,022	\$ -	\$ -	\$ 39,022
Capital Assets, Being Depreciated				
Building Company				
Buildings and Improvements	936,538	3,400	-	939,938
Charter School				
Equipment	121,524	-	-	121,524
Total Capital Assets, Being Depreciated	1,058,062	3,400	-	1,061,462
Accumulated Depreciation for				
Building Company				
Buildings and Improvements	(62,436)	(37,887)	-	(100,323)
Charter School				
Equipment	(64,412)	(6,060)	-	(70,472)
Total Accumulated Depreciation	(126,848)	(43,947)	-	(170,795)
Total Capital Assets, Being Depreciated, Net	931,214	(40,547)	-	890,667
Governmental Activities Capital Assets, Net	\$ 970,236	\$ (40,547)	\$ -	\$ 929,689

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

Governmental Activities	
Regular Instruction	\$ 40,919
Instructional Support Services	120
Pupil Support Services	899
Sites and Buildings	2,009
Total Depreciation Expense, Governmental Activities	<u>\$ 43,947</u>

**GLACIAL HILLS ELEMENTARY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5 LONG-TERM LIABILITIES

A. Components of Long-Term Debt

Issue Date	Net Interest Rate	Original Issue	Final Maturity	Principal Outstanding	
				Due Within One Year	Total
11/3/2017	5.17%	\$ 450,000	11/1/2042	\$ 10,260	\$ 425,716
11/3/2017	5.50%	672,930	11/16/2024	32,217	439,336
9/13/2019	0.00%	20,985	12/13/2021	9,327	13,990
Total Notes Payable				<u>\$ 51,804</u>	<u>\$ 879,042</u>

B. Minimum Debt Payments

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

Year Ending June 30,	Notes Payable	
	Principal	Interest
2021	\$ 51,804	\$ 95,403
2022	49,472	43,071
2023	47,307	40,573
2024	49,863	38,017
2025	311,933	26,420
2026 - 2030	74,112	87,549
2031 - 2035	96,272	65,389
2036 - 2040	125,048	36,613
2041 - 2043	73,231	4,899
Total	<u>\$ 879,042</u>	<u>\$ 437,934</u>

C. Description of Long-Term Debt

On November 3, 2017, the Building Company received two notes payable in order to finance the acquisition of the building in which the School operates in.

On September 13, 2019, the Building Company received a note payable in order to finance the acquisition and installation of LED lights in the building in which the School operates in.

D. Changes in Long-Term Debt

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Notes Payable	<u>\$ 900,811</u>	<u>\$ 20,985</u>	<u>\$ 42,754</u>	<u>\$ 879,042</u>	<u>\$ 51,804</u>

**GLACIAL HILLS ELEMENTARY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6 PENSION PLANS

A. Plan Description

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

1. General Employees Retirement Plan (General Employees Plan)

All full-time and certain part-time employees of the School, 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 (DCR) 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.

**GLACIAL HILLS ELEMENTARY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6 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 percent 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 1.0% 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 Benefit

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.

**GLACIAL HILLS ELEMENTARY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefit (Continued)

Tier I Benefits

Tier 1	Step Rate Formula	Percentage
Basic	First Ten Years of Service	2.2% per Year
	All Years After	2.7% per Year
Coordinated	First Ten Years 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 Service Years are July 1, 2006 or After	1.9% per Year

With these provisions:

- a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or years of allowable service.
- (b) 3% 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.

**GLACIAL HILLS ELEMENTARY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefit (Continued)

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

C. Contributions

1. General Employees Plan Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature. Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2020. The School was required to contribute 7.5% for Coordinated Plan members in fiscal year 2020. The School's contributions to the General Employees Plan for the Plan's fiscal year ended June 30, 2020 were \$9,880. The School's contributions were equal to the required contributions for each year as set by state statute.

2. TRA Contributions

Per Minnesota Statutes, Chapter 354 rates for the fiscal year for coordinated were 7.5% for the employee and 7.92% for the employer. Basic rates were 11.00% for the employee and 11.92% for the employer. The School's contributions to TRA for the Plan's fiscal year ended June 30, 2020, were \$58,570. The School'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 \$105,047 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2019. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$3,167. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the District's proportionate share was 0.0019% which was the same percent from its proportionate share measured as of June 30, 2018.

**GLACIAL HILLS ELEMENTARY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6 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 \$5,330 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional \$237 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 School 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	\$ 2,911	\$ -
Changes in Actuarial Assumptions	-	8,257
Difference Between Projected and Actual Earnings on Pension Plan Investments	-	10,648
Changes in Proportion School Contributions Subsequent to the Measurement Date	7,622	19,321
	9,880	-
Total	<u>\$ 20,413</u>	<u>\$ 38,226</u>

The \$9,880 reported as deferred outflows of resources related to pensions resulting from School 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:

Year Ending June 30,	Pension Expenses Amount
2021	\$ (7,643)
2022	(18,116)
2023	(2,103)
2024	169

**GLACIAL HILLS ELEMENTARY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs

At June 30, 2020, the School reported a liability of \$796,753 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 School's proportion of the net pension liability was based on the School'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 School's proportionate share was .0125% at the end of the measurement period and .0112% for the beginning of the period.

The pension liability amount reflected a reduction due to direct aid provided to TRA. The amount recognized by the School 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 School were as follows:

Description	Amount
School's Proportionate Share of the TRA Net Pension Liability	\$ 796,753
State's Proportionate Share of TRA's Net Pension Liability Associated with the School	70,510
Total	\$ 867,263

For the year ended June 30, 2020, the District recognized pension expense of \$351,084. It also recognized \$5,360 as an increase to pension expense for the support provided by direct aid.

**GLACIAL HILLS ELEMENTARY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs (Continued)

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 113	\$ 19,355
Changes in Actuarial Assumptions	670,501	1,056,991
Difference Between Projected and Actual Earnings on Pension Plan Investments	-	66,022
Changes in Proportion	120,107	40,166
School Contributions Subsequent to the Measurement Date	58,570	-
Total	<u>\$ 849,291</u>	<u>\$ 1,182,534</u>

The \$58,570 reported as deferred outflows of resources related to pensions resulting from School contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to TRA will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expenses Amount
2021	\$ 62,578
2022	12,786
2023	(284,315)
2024	(201,809)
2025	18,947

The School's total pension expense for all plans for the year ended June 30, 2020 was \$362,011.

**GLACIAL HILLS ELEMENTARY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6 PENSION PLANS (CONTINUED)

E. Actuarial Assumptions

The total pension liability in the June 30, 2019, 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 10 years and 3.25%, thereafter
Investment Rate of Return	7.50%	7.50%

PERA Salary increases were based on a service-related table. PERA mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. PERA cost of living benefit increases after retirement 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 6 years and female rates set back 5 years. Generational projection uses the MP-2015 scale. Post-retirement mortality rates were based on 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. Post-disability mortality rates were based on the RP-2014 disabled 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 occurred in 2019 for PERA:

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed post-retirement 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 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 per year through 2031.

**GLACIAL HILLS ELEMENTARY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6 PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

There were no changes in actuarial assumptions in 2019 for TRA.

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

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

**GLACIAL HILLS ELEMENTARY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6 PENSION PLANS (CONTINUED)

F. Discount Rate (Continued)

The discount rate used to measure the total General Employees Plan pension liability in 2019 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The discount rate used to measure the TRA pension liability was 7.50%. There was no change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 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 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).

G. Pension Liability Sensitivity

The following presents the School'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 School'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
<u>General Employees Plan Discount Rate</u>	6.50%	7.50%	8.50%
School's Proportionate Share of the General Employees Plan Net Pension Liability	\$ 172,691	\$ 105,047	\$ 49,193
<u>TRA Discount Rate</u>	6.50%	7.50%	8.50%
School's Proportionate Share of the TRA Net Pension Liability	\$ 1,270,219	\$ 796,753	\$ 406,387

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 1-800-657-3669.

**GLACIAL HILLS ELEMENTARY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 7 COMMITMENTS AND CONTINGENCIES

Federal and State Programs

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

Sponsorship Agreement

The School's agreement with their sponsor is for a four-year period expiring at the end of the 2024-25 school year. The agreement calls for annual payments to the sponsor; the fee for the 2019-2020 school year totaled \$8,873.

Lease Commitments and Terms

On June 21, 2017, the School entered into a lease agreement with the State Bank of Delano to lease the education site. The lease with the State Bank of Delano is a one-year agreement. The lease calls for monthly payments. This lease was eliminated in November of 2017 when GHES Building Company bought the building from the State Bank of Delano.

The net lease cost for the School for fiscal year 2019-20 under the terms of the lease agreement with the State Bank of Delano was \$124,830. The School qualified for an estimated \$124,830 in state charter school lease aid for fiscal 2020 base on a statutory cap of \$1,314 per pupil unit served. This entitlement is subject to proration by the Minnesota Department of Education to the extent the overall funding that has been provided is insufficient to meet all amounts owed to Minnesota charter schools.

The school leases its main educational site at 610 West 6th Street, Starbuck, Minnesota from the GHES Building Company (a blended component unit). Under the terms of the lease agreement the lease term is for the period beginning November 3, 2017 and ending June 30, 2052. The School has an option to extend the lease term 10 times for an option of five years each on the same lease terms or as agreed upon with the Building Company.

The net annual base rent for the term of the lease agreement is directly tied to the debt service requirements of the GHES Building Company, including amounts held in escrow as part of the respective loan agreements. In addition, the School is responsible for all interior and exterior repair and maintenance costs as well as all utility costs.

The total amount of rent incurred by the School to GHES Building Company under the terms of the main lease agreement and which qualified for lease aid was \$124,830 for fiscal year 2020. The total amount of rent incurred by the School was \$124,830. The School qualified for charter school lease aid based on a statutory cap of 90% of the lower of actual UFASRS lease expenditures or the MDE approved net lease amount or \$124,830. This entitlement is subject to proration by the Minnesota Department of Education to the extent the overall funding that has been provided is insufficient to meet all amounts owed to Minnesota charter schools. Future amounts to be requested for state lease aid from the Minnesota Department of Education may vary due to financing arrangements, which are subject to change.

**GLACIAL HILLS ELEMENTARY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 7 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Lease Commitments and Terms (Continued)

A schedule of lease commitments is as follows:

<u>Year Ending June 30,</u>	<u>Scheduled Lease Payments</u>
2021	\$ 147,207
2022	92,543
2023	87,880
2024	87,880
2025	338,353
2026 - 2030	161,661
2031 - 2035	161,661
2036 - 2040	161,661
2041 - 2043	78,130
Total	<u>\$ 1,316,976</u>

The School's ability to make payments under its lease agreements is dependent on its revenues which are in turn, largely dependent on sufficient enrollments being served at the School and on sufficient state aids per student being authorized and received from the state of Minnesota. The School believes that its enrollments and aid entitlements will be sufficient to meet the lease obligations as they become due.

NOTE 8 OPERATING LEASE

The School leases office equipment under noncancelable leases expiring January 5, 2023. Net rent payments for the year ended June 30, 2020, were approximately \$5,402. Future minimum lease payments for these leases for years ending June 30 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 5,402
2022	5,402
2023	2,701
Total	<u>\$ 13,505</u>

NOTE 9 RISK MANAGEMENT

The School 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 School purchases commercial insurance coverage for such risks.

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

REQUIRED SUPPLEMENTARY INFORMATION

**GLACIAL HILLS ELEMENTARY SCHOOL
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
REVENUES				
Local Sources:				
Earnings on Investments	\$ -	\$ -	\$ 283	\$ 283
Other	65,914	65,614	105,494	39,880
State Sources	1,168,539	1,139,422	1,155,002	15,580
Federal Sources	75,331	89,592	91,453	1,861
Total Revenues	<u>1,309,784</u>	<u>1,294,628</u>	<u>1,352,232</u>	<u>57,604</u>
EXPENDITURES				
Current:				
Administration	131,013	131,013	126,521	(4,492)
District Support Services	102,255	102,255	111,089	8,834
Regular Instruction	602,768	602,442	620,666	18,224
Special Education Instruction	330,701	330,701	335,533	4,832
Instructional Support Services	-	-	2	2
Pupil Support Services	-	-	3,676	3,676
Sites and Buildings	226,147	224,996	203,509	(21,487)
Capital Outlay	-	-	4,872	4,872
Total Expenditures	<u>1,392,884</u>	<u>1,391,407</u>	<u>1,405,868</u>	<u>14,461</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	-	(26,800)	(26,800)
NET CHANGE IN FUND BALANCE	<u>\$ (83,100)</u>	<u>\$ (96,779)</u>	(80,436)	<u>\$ 16,343</u>
Fund Balance - Beginning of Year			<u>595,222</u>	
FUND BALANCE - END OF YEAR			<u>\$ 514,786</u>	

See accompanying Notes to Required Supplementary Information.

**GLACIAL HILLS ELEMENTARY SCHOOL
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local Sources:				
Other - Primarily Meal Sales	\$ 18,000	\$ 18,000	\$ 15,199	\$ (2,801)
State Sources	8,500	8,500	5,084	(3,416)
Federal Sources	41,500	41,500	40,715	(785)
Total Revenues	<u>68,000</u>	<u>68,000</u>	<u>60,998</u>	<u>(7,002)</u>
EXPENDITURES				
Current:				
Food Service	73,575	73,575	69,058	(4,517)
Capital Outlay	3,425	3,425	469	(2,956)
Total Expenditures	<u>77,000</u>	<u>77,000</u>	<u>69,527</u>	<u>(7,473)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (9,000)</u>	<u>\$ (9,000)</u>	(8,529)	<u>\$ 471</u>
Fund Balance - Beginning of Year			<u>19,383</u>	
FUND BALANCE - END OF YEAR			<u>\$ 10,854</u>	

See accompanying Notes to Required Supplementary Information.

**GLACIAL HILLS ELEMENTARY SCHOOL
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
COMMUNITY SERVICE FUND
YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
REVENUES				
Local Sources:				
Other - Primarily Tuition and Fees	\$ 32,650	\$ 25,300	\$ 16,876	\$ (8,424)
State Sources	-	10,000	10,000	-
Total Revenues	<u>32,650</u>	<u>35,300</u>	<u>26,876</u>	<u>(8,424)</u>
EXPENDITURES				
Current:				
Community Service	41,069	58,561	53,676	(4,885)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,419)	(23,261)	(26,800)	(3,539)
OTHER FINANCING SOURCES (USES)				
Transfer In	-	-	26,800	26,800
NET CHANGE IN FUND BALANCE	<u><u>\$ (8,419)</u></u>	<u><u>\$ (23,261)</u></u>	-	<u><u>\$ 23,261</u></u>
Fund Balance - Beginning of Year			-	
FUND BALANCE - END OF YEAR			<u><u>\$ -</u></u>	

See accompanying Notes to Required Supplementary Information.

**GLACIAL HILLS ELEMENTARY SCHOOL
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
JUNE 30, 2020**

	Measurement Date <u>June 30, 2019</u>	Measurement Date <u>June 30, 2018</u>	Measurement Date <u>June 30, 2017</u>
PERA			
School's Proportion of the Net Pension Liability	0.0019%	0.0019%	0.0025%
School's Proportionate Share of the Net Pension Liability	\$ 105,047	\$ 105,404	\$ 159,598
State's Proportionate Share of the Net Pension Liability Associated with the School	<u>3,167</u>	<u>3,524</u>	<u>1,986</u>
Total School's Proportionate Share of the Net Pension Liability and State's Proportionate Share of the Net Pension Liability	\$ 108,214	\$ 108,928	\$ 161,584
School's Covered Payroll	\$ 146,934	\$ 125,894	\$ 163,107
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	73.65%	86.52%	99.07%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.23%	79.50%	75.90%
TRA			
School's Proportion of the Net Pension Liability	0.0125%	0.0112%	0.0117%
School's Proportionate Share of the Net Pension Liability	\$ 796,753	\$ 703,766	\$ 2,335,532
State's Proportionate Share of the Net Pension Liability Associated with the School	<u>70,510</u>	<u>66,121</u>	<u>225,223</u>
Total School's Proportionate Share of the Net Pension Liability and State's Proportionate Share of the Net Pension Liability	\$ 867,263	\$ 769,887	\$ 2,560,755
School's Covered Payroll	\$ 617,691	\$ 603,027	\$ 648,080
School's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	128.99%	116.71%	360.38%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.21%	78.07%	51.57%

NOTE: Information prior to 2014 is unavailable. Information is presented prospectively and an accumulation of 10 years will be provided.

**GLACIAL HILLS ELEMENTARY SCHOOL
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY (CONTINUED)
JUNE 30, 2020**

Measurement Date	Measurement Date	Measurement Date
June 30, 2016	June 30, 2015	June 30, 2014
0.0020%	0.0024%	0.0023%
\$ 162,390	\$ 124,380	\$ 108,042
<u>2,094</u>	<u>-</u>	<u>-</u>
\$ 164,484	\$ 124,380	\$ 108,042
\$ 124,120	\$ 142,035	\$ 119,202
132.52%	87.57%	90.64%
68.91%	78.20%	78.75%
0.0113%	0.0113%	0.0111%
\$ 2,695,320	\$ 699,017	\$ 511,480
<u>269,795</u>	<u>85,835</u>	<u>36,040</u>
\$ 2,965,115	\$ 784,852	\$ 547,520
\$ 571,427	\$ 577,546	\$ 526,400
471.68%	121.03%	97.17%
44.88%	76.77%	81.50%

See accompanying Notes to Required Supplementary Information.

**GLACIAL HILLS ELEMENTARY SCHOOL
SCHEDULE OF SCHOOL CONTRIBUTIONS
LAST TEN FISCAL YEARS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
General Employees Fund			
Contractually Required Contribution	\$ 9,880	\$ 11,020	\$ 9,442
Contributions in Relation to the Contractually Required Contribution	(9,880)	(11,020)	(9,442)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered Payroll	\$ 131,734	\$ 146,934	\$ 125,894
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%
TRA			
Contractually Required Contribution	\$ 58,570	\$ 47,624	\$ 45,227
Contributions in Relation to the Contractually Required Contribution	(58,570)	(47,624)	(45,227)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered Payroll	\$ 739,520	\$ 617,691	\$ 603,027
Contributions as a Percentage of Covered Payroll	7.92%	7.71%	7.50%

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

**GLACIAL HILLS ELEMENTARY SCHOOL
SCHEDULE OF SCHOOL CONTRIBUTIONS (CONTINUED)
LAST TEN FISCAL YEARS**

2017	2016	2015	2014
\$ 12,233	\$ 9,309	\$ 10,499	\$ 8,642
(12,233)	(9,309)	(10,499)	(8,642)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 163,107	\$ 124,120	\$ 142,035	\$ 119,202
7.50%	7.50%	7.39%	7.25%
\$ 48,606	\$ 42,857	\$ 43,316	\$ 36,848
(48,606)	(42,857)	(43,316)	(36,848)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 648,080	\$ 571,427	\$ 577,546	\$ 526,400
7.50%	7.50%	7.50%	7.00%

See accompanying Notes to Required Supplementary Information.

**GLACIAL HILLS ELEMENTARY SCHOOL
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 EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following funds had expenditures in excess of budget for the year ended June 30, 2020:

	Budget	Expenditures	Excess
General Fund	\$ 1,391,407	\$ 1,405,868	\$ 14,461

The overage above is considered by the School's management to be the result of necessary expenditures critical to operations. The School Board approved all overages.

NOTE 3 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 post-retirement 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.

**GLACIAL HILLS ELEMENTARY SCHOOL
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

**NOTE 3 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2018(Continued)

Changes in Plan Provisions (Continued)

- Postretirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50% beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

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 post-retirement 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 post-retirement 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.

**GLACIAL HILLS ELEMENTARY SCHOOL
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

**NOTE 3 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.

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.

**GLACIAL HILLS ELEMENTARY SCHOOL
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

**NOTE 3 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2018 (Continued)

Changes in Plan Provisions (Continued)

- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 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 non-vested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The COLA was not assumed to increase to 2.5%, but remain at 2.0% for all future years.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 3.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for 10 years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016

Changes in Actuarial Assumptions

- The cost of living adjustment was not assumed to increase (it remained at 2.0% for all future years).
- The price inflation assumption was lowered from 3.0% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%

**GLACIAL HILLS ELEMENTARY SCHOOL
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

**NOTE 3 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2016 (Continued)

Changes in Actuarial Assumptions (Continued)

- 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 six years and female rates set back five years. Generational projection uses the MP-2015 scale.
- The post-retirement mortality assumption was changed to the RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
- The post-disability mortality assumption was changed to the RP-2014 disabled retiree mortality table, without 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%.

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.

SUPPLEMENTARY INFORMATION

**GLACIAL HILLS ELEMENTARY SCHOOL
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	\$ 1,352,232	\$ 1,352,232	\$ -	Total Revenues	\$ -	\$ -	\$ -
Total Expenditures	1,405,868	1,405,869	(1)	Total Expenditures	-	-	-
<i>Non Spendable:</i>				<i>Non Spendable:</i>			
460 Non Spendable Fund Balance	10,403	10,403	-	460 Non Spendable Fund Balance	-	-	-
<i>Restricted/Reserved:</i>				<i>Restricted/Reserved:</i>			
403 Staff Development	-	-	-	407 Capital Projects Levy	-	-	-
405 Deferred Maintenance	-	-	-	409 Alternative Fac. Program	-	-	-
406 Health & Safety	-	-	-	413 Projects Funded by COP/LP	-	-	-
407 Capital Project Levy	-	-	-	<i>Restricted:</i>			
408 Cooperative Programs	-	-	-	464 Restricted Fund Balance	-	-	-
409 Alternative Facilities	-	-	-	<i>Unassigned:</i>			
413 Projects Funded by COP/LP	-	-	-	463 Unassigned Fund Balance	-	-	-
414 Operating Debt	-	-	-				
416 Levy Reduction	-	-	-	07 DEBT SERVICE			
417 Excess Taconite Building Maint. Funds	-	-	-	Total Revenues	-	-	-
423 Certain Teacher Programs	-	-	-	Total Expenditures	-	-	-
424 Operating Capital	-	-	-	<i>Non Spendable:</i>			
426 \$25 Taconite	-	-	-	460 Non Spendable Fund Balance	-	-	-
427 Disabled Accessibility	-	-	-	<i>Restricted/Reserved:</i>			
428 Learning & Development	-	-	-	425 Bond Refundings	-	-	-
434 Area Learning Center	-	-	-	451 QZAB and QSCB Payments	-	-	-
435 Contracted Alt. Programs	-	-	-	<i>Restricted:</i>			
467 LTFM	-	-	-	464 Restricted	-	-	-
472 Medical Assistance	31,617	31,617	-	<i>Unassigned</i>			
438 Gifted & Talented	-	-	-	463 Unassigned Fund Balance	-	-	-
441 Basic Skills	-	-	-				
445 Career and Technical Programs	-	-	-	08 TRUST			
449 Safe Schools Levy	-	-	-	Total Revenues	-	-	-
450 Pre-Kindergarten	-	-	-	Total Expenditures	-	-	-
451 QZAB and QSCB Payments	-	-	-	422 Net Position	-	-	-
452 OPEB Liab. Not in Trust	-	-	-				
453 Unfunded Sev & Retirement Levy	-	-	-	09 AGENCY			
<i>Restricted:</i>				<i>Unrestricted: Should Always Be -0-</i>			
464 Restricted Fund Balance	-	-	-	422 Unassigned	-	-	-
<i>Committed:</i>							
418 Committed for Separation	-	-	-	20 INTERNAL SERVICE			
461 Committed Fund Balance	-	-	-	Total Revenues	-	-	-
<i>Assigned:</i>				Total Expenditures	-	-	-
462 Assigned Fund Balance	-	-	-	422 Net Position	-	-	-
<i>Unassigned:</i>							
422 Unassigned	472,766	472,765	1	25 OPEB REVOCABLE TRUST			
				Total Revenues	-	-	-
02 FOOD SERVICE				Total Expenditures	-	-	-
Total Revenues	60,998	60,996	2	422 Net Position	-	-	-
Total Expenditures	69,527	69,525	2				
<i>Non Spendable:</i>				45 OPEB IRREVOCABLE TRUST			
460 Non Spendable Fund Balance	1,882	1,882	-	Total Revenues	-	-	-
<i>Restricted/Reserved:</i>				Total Expenditures	-	-	-
452 OPEB Liab. Not in Trust	-	-	-	422 Net Position	-	-	-
464 Restricted Fund Balance	8,972	8,972	-				
<i>Unassigned:</i>				47 OPEB DEBT SERVICE			
463 Unassigned Fund Balance	-	-	-	Total Revenues	-	-	-
				Total Expenditures	-	-	-
04 COMMUNITY SERVICE				<i>Non Spendable:</i>			
Total Revenues	26,876	26,876	-	460 Non Spendable Fund Balance	-	-	-
Total Expenditures	53,676	53,676	-	<i>Restricted:</i>			
<i>Non Spendable:</i>				425 Bond Refundings	-	-	-
460 Non Spendable Fund Balance	-	-	-	464 Restricted Fund Balance	-	-	-
<i>Restricted/Reserved:</i>				<i>Unassigned</i>			
426 \$25 Taconite	-	-	-	463 Unassigned Fund Balance	-	-	-
431 Community Education	-	-	-				
432 E.C.F.E.	-	-	-				
444 School Readiness	-	-	-				
447 Adult Basic Education	-	-	-				
452 OPEB Liab. Not in Trust	-	-	-				
<i>Restricted:</i>							
464 Restricted Fund Balance	-	-	-				
<i>Unassigned:</i>							
463 Unassigned Fund Balance	-	-	-				

OTHER REQUIRED REPORTS



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Glacial Hills Elementary School
Starbuck, 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 and each major fund of Glacial Hills Elementary School (the School), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 29, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School'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 School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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 School'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 certain deficiencies in internal control, described in the accompanying schedule of findings and responses as finding 2020-001 that we consider to be a material weakness.

Compliance and Other Matters

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

The School's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Alexandria, Minnesota
September 29, 2020



INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Directors
Glacial Hills Elementary School
Starbuck, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Glacial Hills Elementary School (the School) as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the charter school's basic financial statements, and have issued our report thereon dated September 29, 2020.

In connection with our audit, nothing came to our attention that caused us to believe that Glacial Hills Elementary School failed to comply with the provisions of the uniform financial accounting and reporting standards and charter schools sections of the *Minnesota Legal Compliance Audit Guide for Charter Schools*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they related to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the School's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters.

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

CliftonLarsonAllen LLP

Alexandria, Minnesota
September 29, 2020

**GLACIAL HILLS ELEMENTARY SCHOOL
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2020**

MATERIAL WEAKNESSES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

FINDING: 2020-001 LIMITED SEGREGATION OF DUTIES

Condition/Context: Due to the limited size of the School's business office staff, the School has limited segregation of duties.

Criteria: Generally, a system of internal control contemplates separation of duties such that no individual has responsibility to execute a transaction, have physical access to the related assets, and have responsibility or authority to record the transaction.

Effect: Lack of segregation of accounting duties increases the risk of misstatements caused by error or fraud.

Repeat Finding: Yes – Finding 2019-001.

Cause: Limited number of staff in the business office.

Recommendation: We recommend that School management review its processes and procedures to identify areas that are lacking separation of duties and create new processes and procedures to eliminate this lack of separation.

Views of Responsible Officials: There is no disagreement with the audit finding. The District will continue to review and make improvements to its internal controls on an ongoing basis, and attempt to maximize the segregation of duties in all areas within the limits of staff available.

OTHER ITEMS FOR CONSIDERATION – MINNESOTA LEGAL COMPLIANCE

None noted