

**BLUFFVIEW MONTESSORI SCHOOL  
WINONA, MINNESOTA**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2020**

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WINONA, MINNESOTA  
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## **INTRODUCTORY SECTION**

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**BLUFFVIEW MONTESSORI SCHOOL  
WINONA, MINNESOTA  
BOARD OF DIRECTORS AND ADMINISTRATION  
YEAR ENDED JUNE 30, 2020**

**BOARD OF DIRECTORS**

Ann Marie Dunbar	Chairperson
Molly Leifeld	Vice Chair
Katie Kinneberg	Treasurer
Erich Lippman	Secretary
Meghan Booth	Member
Daniel Kirk	Member
Shelly Merchewitz	Member

**ADMINISTRATION**

Henry Schantzen	Head of School
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## **FINANCIAL SECTION**



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Bluffview Montessori School  
Winona, Minnesota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Bluffview Montessori 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 School'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 School'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 Bluffview Montessori School as of June 30, 2020, and the respective changes in financial position and the respective budgetary comparison for the General Fund, Food Service Fund, and Community Service Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Report on Summarized Prior Year Information*

We have previously audited Bluffview Montessori School's 2019 financial statements of the governmental activities and each major fund, and we expressed an unmodified opinion on those audited financial statements in our report dated November 15, 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, TRA Schedule of the School's Proportionate Share of the Net Pension Liability, TRA Schedule of School Contributions, GERS Schedule of the School's Proportionate Share of the Net Pension Liability, and GERS Schedule of School Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bluffview Montessori School's basic financial statements. The Uniform Financial Accounting and Reporting Standards Compliance Table, as required by the Minnesota Department of Education, 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  
Bluffview Montessori School

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2020, on our consideration of Bluffview Montessori School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Bluffview Montessori 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 Bluffview Montessori School's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
November 25, 2020

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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**BLUFFVIEW MONTESSORI SCHOOL  
WINONA, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

This section of Bluffview Montessori School's 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. Certain comparative information between the current year (2020) and the prior year (2019) is required to be presented in the MD&A.

**FINANCIAL HIGHLIGHTS**

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

- The unassigned fund balance of the General Fund is at 33.4% of annual expenditures, after a fund balance increase of \$339,701, as of June 30, 2020.
- Overall General Fund revenues were \$2,401,335 as compared to \$2,345,582 of expenditures.
- Net position of the combined entity decreased by \$169,766 from June 30, 2019.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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



**BLUFFVIEW MONTESSORI SCHOOL  
WINONA, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**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, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two School-wide statements report the School's *net position* and how they have changed. Net position – the difference between the School's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the School's financial health or *position*.

- 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 the school building 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 and administration. 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 the following fund type:

- *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.

**BLUFFVIEW MONTESSORI SCHOOL  
WINONA, MINNESOTA  
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 \$(2,331,454) on June 30, 2020 (see Table A-1).

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

	Governmental Activities as of June 30,		Percentage Change
	2020	2019	
Current and Other Assets	\$ 1,742,233	\$ 1,456,159	19.65 %
Capital Assets	2,565,845	2,667,080	(3.80)
Total Assets	<u>4,308,078</u>	<u>4,123,239</u>	4.48
Deferred Outflows of Resources	1,091,828	1,457,960	(25.11)
Current Liabilities	1,733,566	1,573,033	10.21
Net Pension Liability	1,272,088	1,207,285	5.37
Long-Term Liabilities	3,245,574	3,207,032	1.20
Total Liabilities	<u>6,251,228</u>	<u>5,987,350</u>	4.41
Deferred Inflows of Resources	<u>1,480,132</u>	<u>1,755,537</u>	(15.69)
Net Position:			
Net Investment in Capital Assets	(1,496,910)	(1,468,049)	(1.97)
Restricted	90,818	104,814	(13.35)
Unrestricted	<u>(925,362)</u>	<u>(798,453)</u>	(15.89)
Total Net Position	<u>\$ (2,331,454)</u>	<u>\$ (2,161,688)</u>	(7.85)

The School's financial position is the product of many factors. Total expenses on an entity-wide basis exceeded total revenues by \$169,766. Most of the decrease was in unrestricted net position due to the net effect of change in the School's proportionate share of the net pension liabilities, deferred inflows of resources, and deferred outflows of resources of the unfunded liabilities for the two statewide pension plans in which it participates (TRA and PERA). Therefore, total net position ended the fiscal year at \$(2,331,454).

**BLUFFVIEW MONTESSORI SCHOOL  
WINONA, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

**FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE (CONTINUED)**

**Changes in Net Position**

The School's total revenues were \$2,655,159 for the year ended June 30, 2020 (see Table A-2). State formula aid accounted for 58.5% of total revenue for the year. Approximately 2.8% came from other general revenues combined with investment earnings. The remaining 38.7% came from program revenues.

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

	Governmental Activities for the Fiscal Year Ended June 30,		Percentage Change
	2020	2019	
<b>Revenues</b>			
<u>Program Revenues</u>			
Charges for Services	\$ 197,917	\$ 267,303	(25.96)%
Operating Grants and Contributions	828,746	742,206	11.66
<u>General Revenues</u>			
Unrestricted State Aid	1,554,578	1,546,884	0.50
Investment Earnings	4,559	7,659	(40.48)
Other	69,359	72,056	(3.74)
Total Revenues	<u>2,655,159</u>	<u>2,636,108</u>	0.72
<b>Expenses</b>			
Administration	158,811	110,416	43.83
District Support Services	149,656	141,292	5.92
Regular Instruction	1,076,297	738,200	45.80
Special Education Instruction	483,703	347,277	39.28
Instructional Support Services	144,874	94,383	53.50
Pupil Support Services	52,074	30,446	71.04
Sites and Buildings	240,230	232,070	3.52
Fiscal and Other Fixed Cost Programs	13,671	14,003	(2.37)
Food Service	128,173	116,362	10.15
Community Service	162,970	150,745	8.11
Interest and Fiscal Charges on Long-Term Liabilities	214,466	218,242	(1.73)
Total Expenses	<u>2,824,925</u>	<u>2,193,436</u>	28.79
<b>Change in Net Position</b>	(169,766)	442,672	
Beginning Net Position	(2,161,688)	(2,604,360)	
Ending Net Position	<u>\$ (2,331,454)</u>	<u>\$ (2,161,688)</u>	

The total cost of all programs and services excluding interest and fiscal charges was \$2,824,925. Total expenses exceeded revenues, decreasing net position \$169,766 from the prior year.

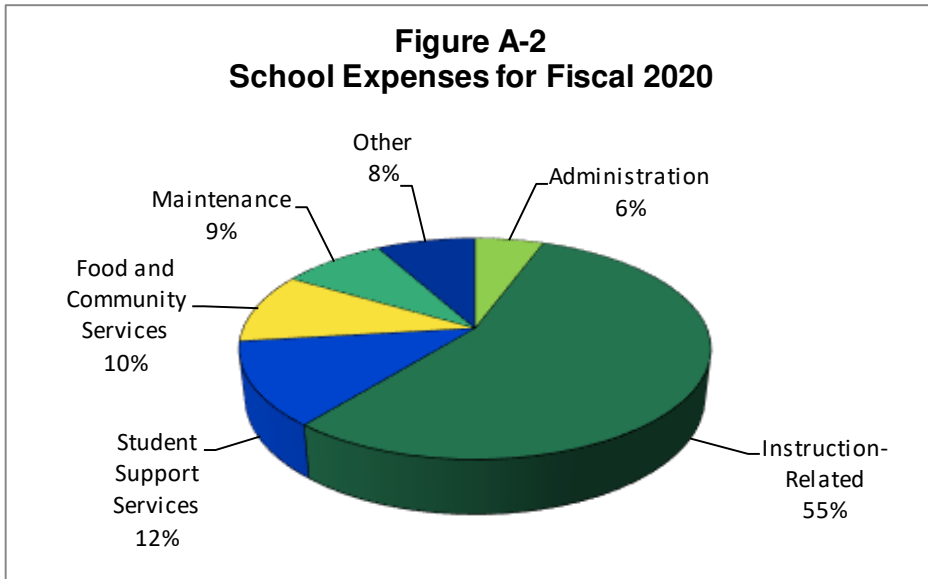
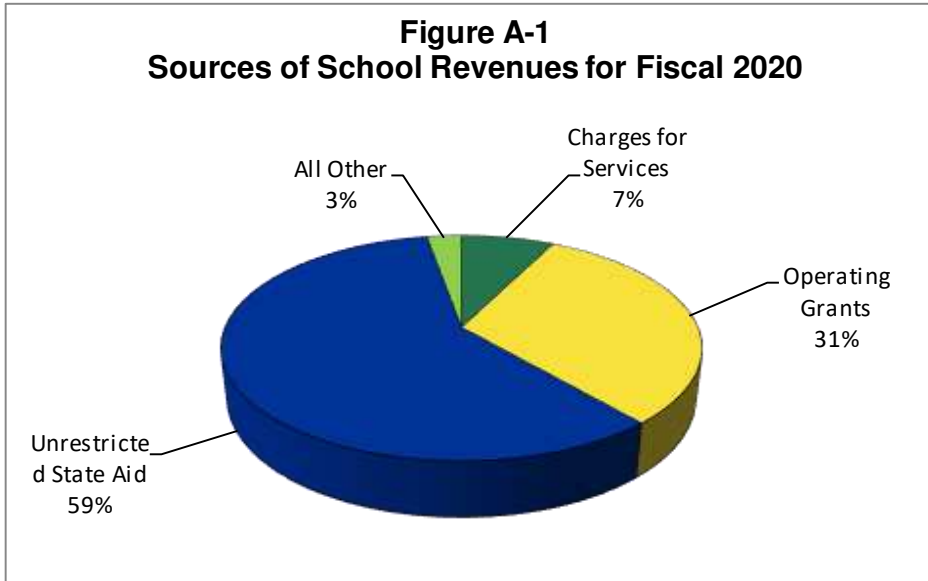
**BLUFFVIEW MONTESSORI SCHOOL  
WINONA, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

**FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE (CONTINUED)**

**Changes in Net Position (Continued)**

The cost of all *governmental* activities this year was \$2,824,925.

- Some of the cost was paid by the users of the School's programs (\$197,917).
- The federal government and private grant funds as well as restricted state aids subsidized certain programs with grants and contributions (\$828,746).
- Most of the School's costs, however, were paid for by unrestricted State Aid (\$1,554,578).



**BLUFFVIEW MONTESSORI SCHOOL  
WINONA, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

**FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE (CONTINUED)**

**Changes in Net Position (Continued)**

All governmental funds include funds received for the general operation of the School, which are used for classroom instruction, as well as funds to support programs such as free and reduced school lunches, and other Federal programs. Funding for the general operation of the School is controlled by the state.

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

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2020	2019		2020	2019	
Administration	\$ 158,811	\$ 110,416	43.83 %	\$ 158,318	\$ 114,791	37.92 %
District Support Services	149,656	141,292	5.92	149,656	141,292	5.92
Regular Instruction	1,076,297	738,200	45.80	926,217	642,760	44.10
Special Education Instruction	483,703	347,277	39.28	113,636	(37,212)	(405.37)
Instructional Support Services	144,874	94,383	53.50	144,474	95,777	50.84
Pupil Support Services	52,074	30,446	71.04	51,874	32,207	61.06
Sites and Buildings	240,230	232,070	3.52	159,315	149,079	6.87
Fiscal and Other Fixed Cost Programs	13,671	14,003	(2.37)	13,671	14,003	(2.37)
Food Service	128,173	116,362	10.15	2,868	5,148	(44.29)
Community Service	162,970	150,745	8.11	70,455	14,528	384.96
Interest and Fiscal Charges on Long-Term Liabilities	214,466	218,242	(1.73)	7,778	11,554	(32.68)
Total	<u>\$ 2,824,925</u>	<u>\$ 2,193,436</u>	28.79	<u>\$ 1,798,262</u>	<u>\$ 1,183,927</u>	51.89

**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 \$1,516,424, which is an increase of \$319,107 from last year's ending fund balance of \$1,197,317.

Revenues for the School's governmental funds were \$2,986,884 while total expenditures were \$2,994,588.

**GENERAL FUND**

The General Fund includes the primary operations of the School in providing educational services to students from Kindergarten through grade 8 including activities and capital outlay projects. General Fund activities also include revenues to provide administrative support for a tuition-based preschool.

Approximately 92% of General Fund operational revenue is controlled by a complex set of state funding formulas resulting in the Board of Directors having no meaningful authority to determine the level of resources. This includes special education state aid that is based upon a cost reimbursement model which typically provides roughly 2/3 of program expenditures during any given year.

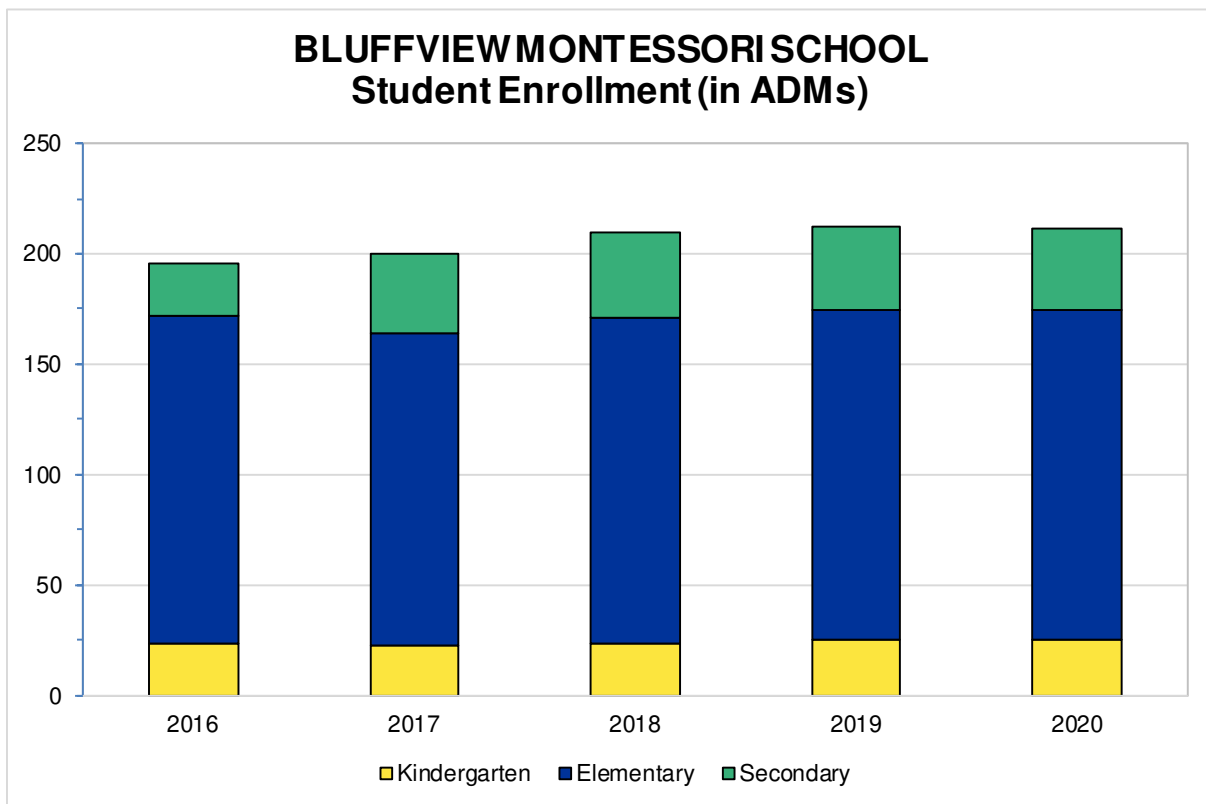
**BLUFFVIEW MONTESSORI SCHOOL  
WINONA, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

**GENERAL FUND (CONTINUED)**

**Enrollment**

Enrollment is a critical factor in determining revenue with over 80% of General Fund revenue being determined by enrollment. The following chart shows that the number of students remained stable in FY 2020.

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



During fiscal year 2020, the School achieved an average daily membership of 211.46 students. This was the result of a decrease of 1.01 pupil units over the prior year. This number is slightly below the adjusted capacity of 215 students. The School continues to have students on waiting lists. However, these waiting lists do not always coincide with the grade levels where the School has space.

**BLUFFVIEW MONTESSORI SCHOOL  
WINONA, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

**GENERAL FUND (CONTINUED)**

The following schedule presents a summary of General Fund Revenues.

**Table A-5  
General Fund Revenues**

	Year Ended		Change	
	June 30, 2020	June 30, 2019	Increase (Decrease)	Percent Change
Local Sources:				
Earnings on Investments	\$ 64	\$ 55	\$ 9	16.36 %
Other	110,038	113,766	(3,728)	(3.3)
State Sources	2,202,471	2,207,387	(4,916)	(0.2)
Federal Sources	88,762	82,808	5,954	7.2
Total General Fund Revenue	<u>\$ 2,401,335</u>	<u>\$ 2,404,016</u>	<u>\$ (2,681)</u>	<u>(0.1)</u>

Total General Fund Revenue decreased by \$2,681 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.

**Table A-6  
General Fund Expenditures**

	Year Ended		Change	
	June 30, 2019	June 30, 2018	Increase (Decrease)	Percent Change
Salaries	\$ 1,291,748	\$ 1,277,620	\$ 14,128	1.11 %
Employee Benefits	198,540	194,990	3,550	1.8
Purchased Services	700,097	700,184	(87)	(0.0)
Supplies and Materials	84,378	79,532	4,846	6.1
Capital Expenditures	43,225	7,949	35,276	443.8
Other Expenditures	27,594	26,690	904	3.4
Total General Fund Expenditures	<u>\$ 2,345,582</u>	<u>\$ 2,286,965</u>	<u>\$ 58,617</u>	<u>2.6</u>

Total General Fund Expenditures increased \$58,617 from the previous year, mostly related to salary and benefit increases.

In 2019-20, General Fund revenues and other financing sources were greater than expenditures and other financing uses by \$339,701 therefore total fund balance increased to \$1,127,594 as of June 30, 2020.

**BLUFFVIEW MONTESSORI SCHOOL  
WINONA, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

**GENERAL FUND (CONTINUED)**

Unassigned fund balance is the single best measure of overall financial health. The unassigned fund balance of \$783,495 at June 30, 2020 represents 33.4% of annual expenditures or about 17 weeks of operations.

**General Fund Budgetary Highlights**

The budget is approved prior to the beginning of the fiscal year. The School may revise the annual operating budget mid-year. These budget amendments fall into two categories:

- Implementing budgets for specially funded projects, which include both federal and state grants and reinstating unexpended funds being carried over from the prior fiscal year.
- Legislation passed subsequent to budget adoption, changes necessitated by employment agreements, and increases in appropriations for significant unbudgeted costs.

Bluffview revised its budget during fiscal year 2020.

Actual revenues were \$23,140 less than expected, which is a difference of 1.0%, and actual expenditures were \$13,756 under budget, which is a difference of 0.6%.

The School's final budget for the General Fund anticipated an underage in which expenditures and other financing uses would exceed revenues and other financing sources by \$10,928. However, the actual results for the year show revenues and other financing sources exceeding expenditures and other financing uses by \$339,701. This is a \$350,629 variance.

**OTHER MAJOR FUNDS**

The Building Company's fund balance decreased; expenditures exceeded revenues by \$20,594, ending the year with a fund balance of \$388,830. From the standpoint of maintaining current operating expenditures within the range of annual revenue and maintaining a sound fund balance, the Building Company Fund continues to operate on a sound financial basis.

Expenditures exceeded revenues in the Food Service Fund by \$1,368 and the Food Service Fund received a transfer from the General Fund in the amount of \$1,368, ending the year with a fund balance of \$-0- as of June 30, 2020.

Expenditures exceeded revenues in the Community Service Fund by \$41,495 and the Community Service Fund received a transfer from the General Fund in the amount of \$41,495 ending the year with a fund balance of \$-0- as of June 30, 2020.



**BLUFFVIEW MONTESSORI SCHOOL  
WINONA, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2020, the School had invested \$5.13 million in a broad range of capital assets, including a school building, playground apparatus, and computer and audio-visual equipment (see Table A-7.) (More detailed information about capital assets can be found in Note 4 to the financial statements.) Total depreciation expense for the year was \$174,428. Most new capital asset costs were covered by funds collected as part of a major capital campaign that collected private donations.

**Table A-7  
Capital Assets**

	2020	2019	Percentage Change
<b>Charter School</b>			
Land Improvements	\$ 28,323	\$ 21,908	29.3 %
Buildings and Improvements	166,219	164,229	1.2
Equipment	182,953	169,366	8.0
<b>Building Corporation</b>			
Land	663,049	663,049	-
Land Improvements	11,296	11,296	-
Buildings and Improvements	3,985,293	3,946,018	1.0
Equipment	96,233	96,233	-
Less: Accumulated Depreciation	(2,567,521)	(2,405,019)	6.8
Total Capital Assets	<u>\$ 2,565,845</u>	<u>\$ 2,667,080</u>	(3.8)

**Long-Term Liabilities**

At year-end, the School had \$4,410,000 in lease revenue bonds outstanding – a decrease of 2.0% from last year – as shown in Note 5 to Financial Statements. The School also had a \$323,000 Paycheck Protection Program loan outstanding at year-end.

**Table A-8  
Long-Term Liabilities**

	2020	2019	Percentage Change
Lease Revenue Bonds	\$ 4,410,000	\$ 4,500,000	(2.0)%
PPP Loan Payable	323,000	-	N/A
Net Pension Liability	1,272,088	1,207,285	5.4
Severance Benefits Payable	3,706	4,317	(14.2)
Total Long-Term Liabilities	<u>\$ 6,008,794</u>	<u>\$ 5,711,602</u>	5.2
Long-Term Liabilities:			
Due Within One Year	\$ 219,044	\$ 90,000	143.4
Due in More Than One Year	5,789,750	5,621,602	3.0
Total	<u>\$ 6,008,794</u>	<u>\$ 5,711,602</u>	5.2

**BLUFFVIEW MONTESSORI SCHOOL  
WINONA, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

**FACTORS BEARING ON THE SCHOOL'S FUTURE**

The School is dependent on the state of Minnesota for its revenue authority. Recent experience demonstrates that legislated revenue increases have been helpful to meet instructional program needs and increased costs due to inflation. State revenues are based primarily on the number of students enrolled. The School continues to budget conservatively and reach out for donations to help offset the impact to the budget.

The School continues to strive to maintain its long-standing commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility. This goal of excellence remains in fiscal year 2020 as the board adopted a balanced budget that will continue to project a growing fund balance.

**CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our constituents, state oversight agencies, lenders, customers, legislative leaders, 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 Brenda Kes at BerganKDV at 22488 Chippendale Avenue, Farmington, Minnesota 55024, 651-463-2233, ext. 6861.

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## **BASIC FINANCIAL STATEMENTS**

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**BLUFFVIEW MONTESSORI SCHOOL  
WINONA, MINNESOTA  
STATEMENT OF NET POSITION  
JUNE 30, 2020  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)**

	Governmental Activities	
	2020	2019
<b>ASSETS</b>		
Cash and Investments	\$ 1,090,718	\$ 715,399
Cash with Fiscal Agent	379,073	411,465
Receivables:		
Other Governments	245,463	292,617
Other	6,079	3,959
Prepaid Items	20,900	32,719
Capital Assets:		
Land and Construction in Progress	663,049	663,049
Other Capital Assets, Net of Depreciation	1,902,796	2,004,031
Total Assets	4,308,078	4,123,239
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Loss on Refunding	65,295	77,167
Pension Related	1,026,533	1,380,793
Total Deferred Outflows of Resources	1,091,828	1,457,960
<b>LIABILITIES</b>		
Salaries Payable	159,813	172,367
Accounts and Contracts Payable	63,193	72,547
Accrued Interest Payable	16,625	16,906
Unearned Revenue	2,803	13,928
Long-Term Liabilities:		
Net Pension Liability	1,272,088	1,207,285
Other Long-Term Liabilities Due Within One Year	219,044	90,000
Other Long-Term Liabilities Due in More Than One Year	4,517,662	4,414,317
Total Liabilities	6,251,228	5,987,350
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Inflows - Pensions	1,480,132	1,755,537
<b>NET POSITION</b>		
Net Investment in Capital Assets	(1,496,910)	(1,468,049)
Restricted for:		
State Mandated Reserves	563	-
Building Company Debt Service	90,255	104,814
Unrestricted	(925,362)	(798,453)
Total Net Position	\$ (2,331,454)	\$ (2,161,688)

See accompanying Notes to Financial Statements.

**BLUFFVIEW MONTESSORI SCHOOL  
WINONA, MINNESOTA  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2020  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2019)**

Functions	2020			Net (Expense) Revenue and Change in Net Position	2019 Net (Expense) Revenue and Change in Net Position
	Expenses	Program Revenues			
		Charges for Services	Operating Grants and Contributions	Total Governmental Activities	Total Governmental Activities
<b>Governmental Activities</b>					
Administration	\$ 158,811	\$ -	\$ 493	\$ (158,318)	\$ (114,791)
District Support Services	149,656	-	-	(149,656)	(141,292)
Regular Instruction	1,076,297	66,168	83,912	(926,217)	(642,760)
Special Education Instruction	483,703	-	370,067	(113,636)	37,212
Instructional Support Services	144,874	-	400	(144,474)	(95,777)
Pupil Support Services	52,074	-	200	(51,874)	(32,207)
Sites and Buildings	240,230	-	80,915	(159,315)	(149,079)
Fiscal and Other Fixed Cost Programs	13,671	-	-	(13,671)	(14,003)
Food Service	128,173	39,688	85,617	(2,868)	(5,148)
Community Service	162,970	92,061	454	(70,455)	(14,528)
Interest and Fiscal Charges on Long-Term Liabilities	214,466	-	206,688	(7,778)	(11,554)
Total School District	<u>\$ 2,824,925</u>	<u>\$ 197,917</u>	<u>\$ 828,746</u>	(1,798,262)	(1,183,927)
<b>General Revenues</b>					
				1,554,578	1,546,884
State Aid Not Restricted to Specific Purposes				4,559	7,659
Earnings on Investments				69,359	72,056
Miscellaneous				<u>1,628,496</u>	<u>1,626,599</u>
Total General Revenues					
<b>Change in Net Position</b>				(169,766)	442,672
Net Position - Beginning				(2,161,688)	(2,604,360)
<b>Net Position - Ending</b>				<u>\$ (2,331,454)</u>	<u>\$ (2,161,688)</u>

See accompanying Notes to Financial Statements.

**BLUFFVIEW MONTESSORI SCHOOL  
WINONA, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2020  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)**

	Major Funds				Total Governmental Funds	
	General	Food Service	Community Service	Building Company	2020	2019
<b>ASSETS</b>						
Cash and Investments	\$ 1,053,457	\$ 3,766	\$ 9,960	\$ 23,535	\$ 1,090,718	\$ 715,399
Cash with Fiscal Agent	-	-	-	379,073	379,073	411,465
Receivables:						
Due from Minnesota Department of Education	217,105	3,214	-	-	220,319	267,031
Due from Federal through Minnesota Department of Education	25,144	-	-	-	25,144	25,586
Due from Other Funds	13,801	-	-	-	13,801	10,335
Other Receivables	5,456	614	-	9	6,079	3,959
Prepays	20,536	350	-	14	20,900	32,719
Total Assets	<u>\$ 1,335,499</u>	<u>\$ 7,944</u>	<u>\$ 9,960</u>	<u>\$ 402,631</u>	<u>\$ 1,756,034</u>	<u>\$ 1,466,494</u>
<b>LIABILITIES AND FUND BALANCE</b>						
Liabilities:						
Salaries Payable	\$ 84,103	\$ 6,341	9,960	\$ -	\$ 100,404	108,909
Payroll Deductions and Employer Contributions Payable	59,409	-	-	-	59,409	63,458
Accounts and Contracts Payable	63,193	-	-	-	63,193	72,547
Due to Other Funds	-	-	-	13,801	13,801	10,335
Unearned Revenue	1,200	1,603	-	-	2,803	13,928
Total Liabilities	<u>207,905</u>	<u>7,944</u>	<u>9,960</u>	<u>13,801</u>	<u>239,610</u>	<u>269,177</u>
Fund Balance:						
Nonspendable:						
Prepays	20,536	350	-	14	20,900	32,719
Restricted for:						
Safe Schools	563	-	-	-	563	-
PPP Loan	323,000	-	-	-	323,000	-
Building Company Debt Service	-	-	-	388,816	388,816	409,410
Unassigned	783,495	(350)	-	-	783,145	755,188
Total Fund Balance	<u>1,127,594</u>	<u>-</u>	<u>-</u>	<u>388,830</u>	<u>1,516,424</u>	<u>1,197,317</u>
Total Liabilities and Fund Balance	<u>\$ 1,335,499</u>	<u>\$ 7,944</u>	<u>\$ 9,960</u>	<u>\$ 402,631</u>	<u>\$ 1,756,034</u>	<u>\$ 1,466,494</u>

See accompanying Notes to Financial Statements.



**BLUFFVIEW MONTESSORI SCHOOL  
WINONA, MINNESOTA  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET POSITION  
JUNE 30, 2020  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)**

	2020	2019
<b>Total Fund Balance for Governmental Funds</b>	<b>\$ 1,516,424</b>	<b>\$ 1,197,317</b>
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land	663,049	663,049
Land Improvements, Net of Accumulated Depreciation	12,585	7,570
Buildings and Improvements, Net of Accumulated Depreciation	1,816,013	1,935,463
Equipment, Net of Accumulated Depreciation	74,198	60,998
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		
	(16,625)	(16,906)
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:		
Net Pension Liability	(1,272,088)	(1,207,285)
Deferred Inflows of Resources - Pensions	(1,480,132)	(1,755,537)
Deferred Outflows of Resources - Pensions	1,026,533	1,380,793
Long-term liabilities that pertain to governmental funds, including revenue bonds and loans 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:		
Revenue Bonds Payable	(4,410,000)	(4,500,000)
Refunding Loss	65,295	77,167
Paycheck Protection Program Loan Payable	(323,000)	-
Severance Payable	(3,706)	(4,317)
<b>Total Net Position of Governmental Activities</b>	<b><u>\$ (2,331,454)</u></b>	<b><u>\$ (2,161,688)</u></b>

See accompanying Notes to Financial Statements.

**BLUFFVIEW MONTESSORI SCHOOL  
WINONA, MINNESOTA  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2020**

**(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2019)**

	Major Funds				Total Governmental	
	General	Food Service	Community Service	Building Company	2020	2019
<b>REVENUES</b>						
Local Sources:						
Earnings and Investments	\$ 64	\$ -	\$ -	\$ 4,495	\$ 4,559	\$ 7,659
Other	110,038	41,188	112,239	342,010	605,475	688,229
State Sources	2,202,471	7,962	-	-	2,210,433	2,213,211
Federal Sources	88,762	77,655	-	-	166,417	132,290
Total Revenues	<u>2,401,335</u>	<u>126,805</u>	<u>112,239</u>	<u>346,505</u>	<u>2,986,884</u>	<u>3,041,389</u>
<b>EXPENDITURES</b>						
Current:						
Administration	147,772	-	-	-	147,772	144,074
District Support Services	129,252	-	-	20,404	149,656	141,326
Elementary and Secondary Regular Instruction	855,521	-	-	-	855,521	846,626
Special Education Instruction	449,870	-	-	-	449,870	449,043
Instructional Support Services	134,167	-	-	-	134,167	124,309
Pupil Support Services	44,436	-	-	-	44,436	45,083
Sites and Buildings	527,668	-	-	53,820	581,488	557,545
Fiscal and Other Fixed Cost Programs	13,671	-	-	-	13,671	14,003
Food Service	-	128,173	-	-	128,173	116,362
Community Service	-	-	153,734	-	153,734	182,460
Capital Outlay	43,225	-	-	-	43,225	7,949
Debt Service:						
Principal	-	-	-	90,000	90,000	90,000
Interest and Fiscal Charges	-	-	-	202,875	202,875	206,688
Total Expenditures	<u>2,345,582</u>	<u>128,173</u>	<u>153,734</u>	<u>367,099</u>	<u>2,994,588</u>	<u>2,925,468</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	55,753	(1,368)	(41,495)	(20,594)	(7,704)	115,921
<b>OTHER FINANCING SOURCES (USES)</b>						
Insurance Recovery	3,811	-	-	-	3,811	-
Paycheck Protection Program Loan Proceeds	323,000	-	-	-	323,000	-
Transfers In	-	1,368	41,495	-	42,863	9,689
Transfers Out	(42,863)	-	-	-	(42,863)	(9,689)
Total Other Financing Sources	<u>283,948</u>	<u>1,368</u>	<u>41,495</u>	<u>-</u>	<u>326,811</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	339,701	-	-	(20,594)	319,107	115,921
<b>FUND BALANCES</b>						
Beginning of Year	787,893	-	-	409,424	1,197,317	1,081,396
End of Year	<u>\$ 1,127,594</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 388,830</u>	<u>\$ 1,516,424</u>	<u>\$ 1,197,317</u>

See accompanying Notes to Financial Statements.

**BLUFFVIEW MONTESSORI SCHOOL  
WINONA, MINNESOTA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2020  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2019)**

	2020	2019
<b>Net Change in Fund Balance - Total Governmental Funds</b>	<b>\$ 319,107</b>	<b>\$ 115,921</b>

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

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

Capital Outlays	73,193	4,719
Depreciation Expense	(174,428)	(173,539)

Pension expenditures in the governmental funds are measured by current year employer contributions. Pension expenses on the statement of activities are measured by the change in the net pension liability and the related deferred inflows and outflows of resources.

	(143,658)	416,723
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The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of Bond Principal	90,000	90,000
Paycheck Protection Program Loan Proceeds	(323,000)	-
Change in Accrued Interest - Lease Revenue Bonds	281	318
Amortization of Bond Refunding Loss	(11,872)	(11,872)

In the statement of activities, certain operating expenses - severance benefits - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).

Change in Severance Payable	611	402
Total	<b>\$ (169,766)</b>	<b>\$ 442,672</b>

See accompanying Notes to Financial Statements.

**BLUFFVIEW MONTESSORI SCHOOL  
WINONA, MINNESOTA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
<b>REVENUES</b>				
Local Sources:				
Earnings and Investments	\$ 609	\$ 609	\$ 64	\$ (545)
Other	123,814	105,867	110,038	4,171
State Sources	2,188,008	2,202,242	2,202,471	229
Federal Sources	94,189	115,757	88,762	(26,995)
Total Revenues	<u>2,406,620</u>	<u>2,424,475</u>	<u>2,401,335</u>	<u>(23,140)</u>
<b>EXPENDITURES</b>				
Current:				
Administration	167,248	146,599	147,772	1,173
District Support Services	156,805	122,427	129,252	6,825
Elementary and Secondary Regular Instruction	878,769	850,984	855,521	4,537
Special Education Instruction	419,837	426,858	449,870	23,012
Instructional Support Services	151,149	156,995	134,167	(22,828)
Pupil Support Services	50,642	52,417	44,436	(7,981)
Sites and Buildings	523,973	544,134	527,668	(16,466)
Fiscal and Other Fixed Cost Programs	16,969	16,969	13,671	(3,298)
Capital Outlay	13,732	41,955	43,225	1,270
Total Expenditures	<u>2,379,124</u>	<u>2,359,338</u>	<u>2,345,582</u>	<u>(13,756)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	27,496	65,137	55,753	(9,384)
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance Recovery	-	-	3,811	3,811
Paycheck Protection Program Loan Proceeds	-	-	323,000	323,000
Transfers Out	(17,265)	(76,065)	(42,863)	33,202
Total Other Financing Sources (Uses)	<u>(17,265)</u>	<u>(76,065)</u>	<u>283,948</u>	<u>360,013</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 10,231</u>	<u>\$ (10,928)</u>	339,701	<u>\$ 350,629</u>
<b>FUND BALANCE</b>				
Beginning of Year			787,893	
End of Year			<u>\$ 1,127,594</u>	

See accompanying Notes to Financial Statements.

**BLUFFVIEW MONTESSORI SCHOOL  
WINONA, MINNESOTA  
FOOD SERVICE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
<b>REVENUES</b>				
Local Sources:				
Other - Primarily Meal Sales	\$ 59,352	\$ 59,352	\$ 41,188	\$ (18,164)
State Sources	6,045	6,045	7,962	1,917
Federal Sources	37,672	44,672	77,655	32,983
Total Revenues	<u>103,069</u>	<u>110,069</u>	<u>126,805</u>	<u>16,736</u>
<b>EXPENDITURES</b>				
Current:				
Food Service	<u>108,403</u>	<u>123,628</u>	<u>128,173</u>	<u>4,545</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(5,334)	(13,559)	(1,368)	12,191
<b>OTHER FINANCING SOURCES</b>				
Transfers In	<u>5,334</u>	<u>5,334</u>	<u>1,368</u>	<u>(3,966)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ (8,225)</u>	-	<u>\$ 8,225</u>
<b>FUND BALANCE</b>				
Beginning of Year			-	
End of Year			<u>\$ -</u>	

See accompanying Notes to Financial Statements.

**BLUFFVIEW MONTESSORI SCHOOL  
WINONA, MINNESOTA  
COMMUNITY SERVICE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
<b>REVENUES</b>				
Local Sources:				
Other - Primarily Tuition and Fees	\$ 168,225	\$ 109,400	\$ 112,239	\$ 2,839
<b>EXPENDITURES</b>				
Current:				
Community Service	180,156	180,156	153,734	(26,422)
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(11,931)	(70,756)	(41,495)	29,261
<b>OTHER FINANCING SOURCES</b>				
Transfers In	11,931	70,731	41,495	(29,236)
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ (25)</u>	-	<u>\$ 25</u>
<b>FUND BALANCE</b>				
Beginning of Year			-	
End of Year			<u>\$ -</u>	

See accompanying Notes to Financial Statements.

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**BLUFFVIEW MONTESSORI SCHOOL  
WINONA, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

The financial statements of Bluffview Montessori 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 GAAP for state and local governments.

**B. Financial Reporting Entity**

Bluffview Montessori School (the School) is a Charter School and was formed December 22, 1992 through an agreement with Independent School District No. 861 in accordance with Minnesota Statutes and began operating March 1, 1993 pursuant to applicable Minnesota laws and statutes. The School is authorized by Winona Area Public Schools – and operates under a five-year charter school contract extending through June 30, 2021. GAAP requires that the School's financial statements include all funds, departments, agencies, boards, commissions, and other organizations which are not legally separate from the School. In addition, the School's financial statements are to include all component units – entities for which the School is financially accountable.

Bluffview Montessori School is a nonprofit corporation. Their primary objectives are to foster and promote learning through outcome-based education as well as to provide before school and after school care.

Financial accountability includes such aspects as appointing a voting majority of the organization's governing body, significantly influencing the programs, projects, activities, level of services performed or provided by the organization or receiving specific financial benefits from, or imposing specific financial burdens on, the organization. These financial statements include all funds and account groups of the School.

Based on these criteria, there is one organization that is considered to be a component unit of the School. BMS Building Corporation (BMS) is a Minnesota nonprofit corporation holding Internal Revenue Service classification as a 501(c)(3) tax-exempt organization which owns the real estate and building that is leased by the School for its operations. BMS is governed by a separate board appointed by the board of the School. Although it is legally separate from the School, BMS 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. No separate financial statements for BMS are issued. All long-term debt related to the purchase of the building and property and all fixed assets related to the school site are the responsibility of and are under the ownership of BMS.

Aside from its authorizer role, Winona Area Public Schools, has no authority, control, power, or administrative responsibilities over Bluffview Montessori School. Therefore, the School is not considered a component unit of Winona Area Public Schools.



**BLUFFVIEW MONTESSORI SCHOOL  
WINONA, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 are 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 School-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.

**BLUFFVIEW MONTESSORI SCHOOL  
WINONA, MINNESOTA  
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 GAAP. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales 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 or liabilities incurred in advance of the year in which the item is to be used. Principal and interest on long-term debt issues are recognized on their due dates.

Unearned revenues are those in which resources are received by the School before it has a legal claim to them. The School has reported unearned revenues for fees paid toward fiscal 2021 activities.

E. Description of Funds

As required by state statute, the School operates as a nonprofit corporation under Minnesota Statutes §317A. However, state law also requires that the School comply with Uniform Financial Accounting and Reporting Standards for Minnesota School Districts (UFARS) which mandates the use of a governmental fund accounting structure. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. A description of the funds included in this report is as follows:

*Major Governmental Funds*

General Fund – The General Fund is used to account for all financial resources except those required to be accounted for in another fund. It includes 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 the School’s food service revenues and expenditures. The major revenue sources for this fund are state and federal meal reimbursements in addition to meal sales.

**BLUFFVIEW MONTESSORI SCHOOL  
WINONA, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

E. Description of Funds (Continued)

*Major Governmental Funds (Continued)*

Community Service Special Revenue Fund – The Community Service Fund is used to account for the revenues and expenditures of the pre-school portion of Bluffview. The major source of revenue for this fund is fees charged for providing the pre-school services.

Building Corporation Special Revenue Fund – The Building Corporation Fund accounts for all activities of the Bluffview Montessori Building Corporation. This includes accounting for the proceeds and uses of resources borrowed for the purpose of purchasing and building the school site, the receipt of lease payments from Bluffview Montessori School, as well as the debt service payments required under the terms of the related long-term Revenue Bonds.

F. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

G. Income Taxes

The School is classified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC) and comparable sections of the Minnesota income tax statutes.

H. Budgeting

Budgets presented in this report for comparison to actual amounts are presented in accordance with GAAP. Each June, the Board of Directors adopts an annual budget for the following fiscal year for the General, Food Service, and Community Service Funds. The Building Corporation does not adopt an annual budget and is not required to do so. 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 Coordinator submits to the School Board prior to July 1, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means to finance them. The budget is legally enacted by Board 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.

**BLUFFVIEW MONTESSORI SCHOOL  
WINONA, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

H. Budgeting (Continued)

Budgeted amounts include a mid-year budget amendment that changed revenue and expenditure budgets as follow:

	Original Budget	Amendments	Amended Budget
<u>Revenues</u>			
General Fund	\$ 2,406,620	\$ 17,855	\$ 2,424,475
Special Revenue Funds:			
Food Service Fund	103,069	7,000	110,069
Community Service Fund	168,225	(58,825)	109,400
<u>Expenditures</u>			
General Fund	\$ 2,379,124	\$ (19,786)	\$ 2,359,338
Special Revenue Funds:			
Food Service Fund	108,403	15,225	123,628
Community Service Fund	180,156	-	180,156

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

I. Cash and Investments

Cash and investments consist of checking accounts, certificates of deposit, savings account, and cash on hand.

J. Cash and Investments Held by Trustee

Cash and investments held by trustee consist of mutual funds, treasury funds, and money market funds held by an escrow agent for the purpose of providing debt service payments on the Revenue Bonds used to obtain the site for the school as well as the construction of the school building.

K. 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.

**BLUFFVIEW MONTESSORI SCHOOL  
WINONA, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

L. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments. Expense is allocated over the periods benefitted.

M. 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 \$500 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 by the School, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 10 to 20 years for equipment and 40 to 50 years on buildings.

Capital assets not being depreciated include land.

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.

N. Unearned Revenue

Unearned revenues are those in which resources are received by the School before it has a legal claim to them. The School has reported unearned revenues for funds received in fiscal year 2020 related to fiscal year 2021 activities.

O. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School has one item that qualifies for reporting in this category related to pensions and one item that qualifies that relates to a refunding bond issue.

**BLUFFVIEW MONTESSORI SCHOOL  
WINONA, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

O. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School has one item that qualifies for reporting in this category related to pensions.

P. 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. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Q. Severance Payable

Upon terminating employment with the School, employees receive a benefit payment equal to \$10 per day for unused personal leave time, up to a maximum payment of 10% of the employee's annual salary. At June 30, 2020, unpaid severance payable of \$3,706 is recorded in the statement of net position.

R. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and Teachers Retirement Association (TRA) and additions to/deductions from PERA's and TRA's fiduciary net position have been determined on the same basis as they are reported by PERA and TRA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**BLUFFVIEW MONTESSORI SCHOOL  
WINONA, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

S. Fund Balance

In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned, and unassigned fund balances. Nonspendable portions of fund balance are amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact such as amounts related to prepaids, inventories, long-term receivables, and corpus on any permanent fund.

Restricted funds are constrained from outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Directors. The Board of Directors chose not to pass a resolution authorizing anyone to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts.

Although the School Board has not adopted a spending prioritization policy for restricted fund balance, the School applies restricted resources first when an expense is incurred for purpose for which both restricted and unrestricted fund balance is available. The default spending priority per GASB Statement No. 54 for unrestricted fund balance is when an expenditure is incurred for purposes for which committed, assigned and unassigned amounts are available, committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

T. 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 any of the past three fiscal years.

U. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources 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 used 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 their use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

**BLUFFVIEW MONTESSORI SCHOOL  
WINONA, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

V. Summarized Comparative Data

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 GAAP. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended **June 30, 2019**, from which the summarized information was derived. Certain comparative information has been reclassified to conform with the current year presentation.

**NOTE 2 STEWARDSHIP AND ACCOUNTABILITY**

A. Interfund Transfers

The School had the following interfund transfers for the year ended June 30, 2020:

	Transfers In	Transfers Out
General Fund	\$ -	\$ 42,863
Special Revenue Funds:		
Food Service Fund	1,368	-
Community Service Fund	41,495	-
Total	\$ 42,863	\$ 42,863

B. Interfund Balances

The School had the following interfund balances at June 30, 2020:

	Due from Other Fund	Due to Other Fund
General Fund	\$ 13,801	\$ -
Special Revenue Fund:		
Building Company Fund	-	13,801
Total	\$ 13,801	\$ 13,801

The interfund balance between the General Fund and BMS Building Corporation Fund was related to payments by the General Fund to be reimbursed by the BMS Building Corporation Fund. All balances are expected to be repaid within one year.



**BLUFFVIEW MONTESSORI SCHOOL  
WINONA, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 2 STEWARDSHIP AND ACCOUNTABILITY (CONTINUED)**

C. Excess of Expenditures Over Budget

Expenditures exceeded the budgeted amount in the following fund at June 30, 2020.

	Budget	Expenditures	Excess
Special Revenue Funds:			
Food Service Fund	\$ 123,628	\$ 128,173	\$ 4,545

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

**NOTE 3 DEPOSITS AND INVESTMENTS**

A. Deposits

Custodial Credit Risk – Custodial credit risk is the risk that in the event of 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.

The School maintains a cash and investment pool that is available for use by all funds. Each fund type’s portion of this pool is displayed on the balance sheet as "Cash and Investments". In accordance with applicable Minnesota Statutes, the School maintains deposits at depository banks authorized by the Board of Directors.

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.

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

B. Investments

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

**BLUFFVIEW MONTESSORI SCHOOL  
WINONA, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

B. Investments (Continued)

- General obligations of the Minnesota Housing Finance Agency rated “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 the following investments:

	Amortized Cost
Morgan Stanley Institutional Liquidity Funds - Govt Fund #8352	\$ 379,073

The Morgan Stanley Institutional Liquidity Funds Government Portfolio #8352 is a money market fund, and the investments are valued at amortized cost. The amortized cost method of valuation values a security at its cost on the date of purchase and thereafter assumes a constant amortization to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the market value of instruments.

Credit Risk – The Morgan Stanley Institutional Liquidity Funds Government Portfolio #8352 is rated AAAM by Standard and Poor’s.

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

Cash and Investments - Statement of Net Position	\$ 1,090,718
Cash and Investments Held by Trustee - Statement of Net Position	379,073
Total Cash and Investments	\$ 1,469,791

**BLUFFVIEW MONTESSORI SCHOOL  
WINONA, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

C. Fair Value Measurements

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

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

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

*Level 1* – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

*Level 2* – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

*Level 3* – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.

The School did not hold any investments measured at fair value as of June 30, 2020. The money market fund investments held by the Building Company's escrow agent are valued at amortized cost.

**BLUFFVIEW MONTESSORI SCHOOL  
WINONA, MINNESOTA  
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
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated:				
<b>Building Company</b>				
Land	\$ 663,049	\$ -	\$ -	\$ 663,049
Capital Assets, Being Depreciated:				
<b>Building Company</b>				
Land Improvements	11,296	-	-	11,296
Buildings and Improvements	3,946,018	39,275	-	3,985,293
Furniture and Equipment	96,233	-	-	96,233
<b>Charter School</b>				
Land Improvements	21,908	6,415	-	28,323
Building and Improvements	164,229	1,990	-	166,219
Furniture and Equipment	169,366	25,513	(11,926)	182,953
Total Capital Assets, Being Depreciated	4,409,050	73,193	(11,926)	4,470,317
Accumulated Depreciation for:				
<b>Building Company</b>				
Land Improvements	(11,296)	-	-	(11,296)
Buildings and Improvements	(2,086,188)	(150,407)	-	(2,236,595)
Furniture and Equipment	(58,548)	(5,423)	-	(63,971)
<b>Charter School</b>				
Land Improvements	(14,338)	(1,400)	-	(15,738)
Building and Improvements	(88,596)	(10,308)	-	(98,904)
Furniture and Equipment	(146,053)	(6,890)	11,926	(141,017)
Total Accumulated Depreciation	(2,405,019)	(174,428)	11,926	(2,567,521)
Total Capital Assets, Being Depreciated, Net	2,004,031	(101,235)	-	1,902,796
Governmental Activities Capital Assets, Net	<u>\$ 2,667,080</u>	<u>\$ (101,235)</u>	<u>\$ -</u>	<u>\$ 2,565,845</u>

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

<b>Governmental Activities</b>	
Regular Instruction	\$ 143,395
Instructional Support Services	1,697
Pupil Support Services	645
Sites and Buildings	28,691
Total Depreciation Expense, Governmental Activities	<u>\$ 174,428</u>

**BLUFFVIEW MONTESSORI SCHOOL  
WINONA, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 5 LONG-TERM LIABILITIES**

A. Components of Long-Term Liabilities

The following is a summary of debt outstanding during the year ended June 30, 2020:

Issue Date	Net Interest Rate	Original Issue	Final Maturity	Principal Outstanding	
				Due Within One Year	Total
6/1/2016	3.75% - 4.75%	\$ 4,750,000	6/1/2046	\$ 95,000	\$ 4,410,000
Severance Benefits Payable				-	3,706
Total Long-Term Liabilities				<u>\$ 95,000</u>	<u>\$ 4,413,706</u>

Lease Revenue Bond Mortgage Loan (2016 Series A & B) – On June 1, 2016, Bluffview Montessori School (BMS) Building Corporation obtained a \$4,750,000 loan from lease revenue bond proceeds sold by the Port Authority of Winona, Minnesota with interest rates ranging from 3.75% to 4.75% to refund \$4,495,000 of outstanding 2007 Series Bonds and to finance improvements of the existing facilities, including the acquisition and installation of kitchen equipment and improvements to the School's play fields and landscaping. The Port Authority of Winona, Minnesota issued two separate bond issues as follows: \$4,520,000 of nontaxable lease revenue bonds (Series 2016A) and \$230,000 of taxable lease revenue bonds (Series 2016B).

The resulting loan is payable in monthly installments of principal and interest beginning December 1, 2016 through June 1, 2046. The note is split to pay annual interest rates of 3.75%, 4.236%, 4.375%, 4.5%, and 4.75%, the rates of the related lease revenue bonds and is secured by a mortgage agreement covering the related land, school building, and building contents, as well as the assignment of all lease revenue. The loan is also guaranteed by Bluffview Montessori School.

**BLUFFVIEW MONTESSORI SCHOOL  
WINONA, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 5 LONG-TERM LIABILITIES (CONTINUED)**

**A. Components of Long-Term Liabilities (Continued)**

The School has pledged certain revenues in order to provide additional security for the timely payments of amounts due under the Lease. These revenues consists of all funds received by the School from the state of Minnesota with respect to general student funding, state building lease aid payments, state distributions of federal Title I funds, or any other funding sources, after deduction of all such operating expenses of the School (including the current expenses for staff and administrative salaries and benefits) required under law to provide educational program expenditures.

The total pledged revenue reported by the School for the year ended June 30, 2020 amounted to \$1,834,497, of which \$342,010 (or 18.6%) was remitted during the current year as lease payments to the Building Company.

In May 2020, the School obtained a Paycheck Protection Program loan through Merchants Bank. The loan carries an interest rate of 1% and matures May 7, 2022, though part or all of the loan is eligible to be forgiven.

Following are maturities of general long-term debt for the School and BMS Building Corporation for each of the next five years and thereafter ended June 30:

Year Ending June 30,	Lease Revenue Bonds Payable		PPP Loan Payable	
	Principal	Interest	Principal	Interest
2021	\$ 95,000	199,500	\$ 124,044	\$ 3,198
2022	100,000	195,938	198,956	996
2023	105,000	192,188	-	-
2024	105,000	188,250	-	-
2025	110,000	184,313	-	-
2026-2030	625,000	850,388	-	-
2031-2035	780,000	697,800	-	-
2036-2040	980,000	502,100	-	-
2041-2045	1,230,000	247,000	-	-
Thereafter	280,000	13,300	-	-
Total	<u>\$ 4,410,000</u>	<u>\$ 3,270,776</u>	<u>\$ 323,000</u>	<u>\$ 4,194</u>

Resources for the payment of severance payable included in long-term liabilities are provided by the General Fund.

**B. Changes in Long-Term Debt**

	June 30, 2019	Additions	Retirements	June 30, 2020	Principal Due Within One Year
Bonds Payable	\$ 4,500,000	\$ -	\$ 90,000	\$ 4,410,000	\$ 95,000
PPP Loan Payable	-	323,000	-	323,000	124,044
Severance Benefits Payable	4,317	-	611	3,706	-
Total	<u>\$ 4,504,317</u>	<u>\$ 323,000</u>	<u>\$ 90,611</u>	<u>\$ 4,736,706</u>	<u>\$ 219,044</u>

**BLUFFVIEW MONTESSORI SCHOOL  
WINONA, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 6 RESTRICTED FUND BALANCES**

Certain portions of fund balance are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities, or as required by other outside parties. The following is a summary of the restricted fund balances for the governmental funds:

**Restricted for Building Company Debt Service**

Represents amounts that are to be used to satisfy the debt service payments on the Lease Revenue Bond Mortgage Loan.

**Restricted for Safe Schools**

Represents amounts that unspent from the Safe Schools allocation.

**Restricted for PPP Loan**

Represents resources received from obtaining a Paycheck Protection Program loan to cover certain allowable expenditures.

**NOTE 7 DEFINED BENEFIT PENSION PLANS**

Substantially all employees of the School are required by state law to belong to pension plans administered by Teachers' Retirement Association (TRA) or Public Employees' Retirement Association (PERA), all of which are administered on a statewide basis. Disclosures relating to these plans follow:

A. Plan Description

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

**1. General Employees Retirement Plan (GERF)**

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.

**BLUFFVIEW MONTESSORI SCHOOL  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

A. Plan Description (Continued)

**2. Teachers Retirement Fund (TRA)**

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 TRA-covered educational institutions maintained by the state are required to be TRA members (except those employed by St. Paul Schools or MN State Colleges and Universities). Educators first hired by Minnesota State may elect either TRA coverage or coverage through the Defined Contribution Plan (DCP) administered by the State of Minnesota.

B. Benefits Provided

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

**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 Plan members is 1.2% of average salary for each of the first 10 years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.



**BLUFFVIEW MONTESSORI SCHOOL  
WINONA, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

B. Benefits Provided (Continued)

**2. TRA Benefits**

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

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

*Tier I Benefits*

Tier I	Step Rate Formula	Percentage
Basic	First Ten Years of Service	2.2% per Year
	All Years After	2.7% per Year
Coordinated	First Ten Years if Service Years Are Up to July 1, 2006	1.2% per Year
	First Ten Years if Service Years Are July 1, 2006 or After	1.4% per Year
	All Other Years of Service if Service Years Are Up to July 1, 2006	1.7% per Year
	All Other Years of Service if Service Years Are July 1, 2006 or After	1.9% per Year

or

*Tier II Benefits*

With these provisions:

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

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

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

**BLUFFVIEW MONTESSORI SCHOOL  
WINONA, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

B. Benefits Provided (Continued)

**2. TRA Benefits (Continued)**

*Tier II Benefits (Continued)*

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

C. Contributions

**1. General Employees Fund Contributions**

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature. Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2020 and the School was required to contribute 7.50% for Coordinated Plan members. The School's contributions to the General Employees Fund for the plan's fiscal year ended June 30, 2020 were \$30,440. 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 sets the contribution rates for employees and employers. Rates for fiscal year 2020 were:

	2020	
	Employee	Employer
Basic	11.00 %	11.92 %
Coordinated	7.50	7.92

The School's contributions to TRA for the plan's fiscal year ended June 30, 2020 were \$68,341. The School's contributions were equal to the required contributions for each year as set by state statute.

**BLUFFVIEW MONTESSORI SCHOOL  
WINONA, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

D. Pension Costs

**1. General Employees Fund Pension Costs**

At June 30, 2020, the School reported a liability of \$309,611 for its proportionate share of the GERF's net pension liability. The School's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 million to the fund in 2019. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the School totaled \$9,666. The School's 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 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, 2020, the School's proportion was .0056%, which was the same as its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the School recognized pension expense of \$45,286 for its proportionate share of the General Employees Fund's pension expense.

At June 30, 2020, the School reported its proportionate share of the General Employees Fund'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	\$ 8,580	\$ -
Changes in Actuarial Assumptions	-	24,336
Net Difference Between Projected and Actual Earnings on Plan Investments	-	31,383
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	6,097	3,220
District Contributions Subsequent to the Measurement Date	30,440	-
Total	<u>\$ 45,117</u>	<u>\$ 58,939</u>

**BLUFFVIEW MONTESSORI SCHOOL  
WINONA, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

D. Pension Costs (Continued)

**1. General Employees Fund Pension Costs (Continued)**

A total of \$30,440 reported as deferred outflows of resources related to pensions resulting from School contributions to General Employees Fund subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to General Employees Fund pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2021	\$ (12,029)
2022	(26,532)
2023	(6,198)
2024	497
2025	-
Thereafter	-

**2. TRA Pension Costs**

At June 30, 2020, the School reported a liability of \$962,477 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 .0151% at the end of the measurement period and .0143% 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	\$ 962,477
State's Proportionate Share of the Net Pension Liability Associated with the School	84,988

**BLUFFVIEW MONTESSORI SCHOOL  
WINONA, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

D. Pension Costs (Continued)

**3. TRA Pension Costs**

For the year ended June 30, 2020, the School recognized pension expense of \$39,281. It also recognized \$6,474 as pension expense for the support provided by direct aid.

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	\$ 137	\$ 23,362
Changes in Actuarial Assumptions	809,966	1,276,842
Net Difference Between Projected and Actual Earnings on Plan Investments	-	79,760
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	102,972	41,229
District Contributions Subsequent to the Measurement Date	68,341	-
Total	<u>\$ 981,416</u>	<u>\$ 1,421,193</u>

A total of \$68,341 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 ending 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 Expense Amount
2021	\$ 62,931
2022	2,782
2023	(351,226)
2024	(233,780)
2025	11,175
Thereafter	-

The School recognized total pension expenses of \$91,041 for all of the pension plans in which it participates. This includes \$6,474 in TRA direct aid recognized as pension expense.

**BLUFFVIEW MONTESSORI SCHOOL  
WINONA, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 7 DEFINED BENEFIT 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	GERF	TRA
Inflation	2.50% per Year	2.5% per Year 2.85% for 10 years and 3.25% thereafter
Active Member Payroll Growth	3.25% per Year	7.50%
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.

Actuarial assumptions used in the PERA June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent six-year experience study in the General Employees Plan was completed in 2015. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

TRA pre-retirement mortality rates were based on the RP-2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP-2015 scale. Postretirement mortality rates were based on the RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational 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.

TRA assumptions are based on the full experience study dated June 2015 and the study of the economic assumptions presented to the Board in November 2017.

The following changes in actuarial assumptions for PERA occurred in 2019:

- The mortality projection scale was changed from MP-2017 to MP-2018.
- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

**BLUFFVIEW MONTESSORI SCHOOL  
WINONA, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

E. Actuarial Assumptions (Continued)

The following changes in actuarial assumptions for TRA occurred in 2019:

- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to 0% beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next four 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.

**BLUFFVIEW MONTESSORI SCHOOL  
WINONA, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

E. Actuarial Assumptions (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	35.50 %	5.10%
International Equity	17.50	5.90
Private Markets	25.00	5.90
Fixed Income	20.00	0.75
Cash	2.00	-
Totals	100.00 %	

F. Discount Rate

The discount rate used to measure the PERA General Employees Plan 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 positions of the General Employees Fund were 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%. The projection of cash flows used to determine the discount rate assumed that employee contribution will be made at the fiscal year 2019 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).



**BLUFFVIEW MONTESSORI SCHOOL  
WINONA, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

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>GERF Discount Rate</u>	6.50%	7.50%	8.50%
School's Proportionate Share of the GERF Net Pension Liability	\$ 508,985	\$ 309,611	\$ 144,989
<u>TRA Discount Rate</u>	6.50%	7.50%	8.50%
School's Proportionate Share of the TRA Net Pension Liability	\$ 1,534,424	\$ 962,477	\$ 490,915

H. Pension Plan Fiduciary Net Position

Detailed information about the General Employees Fund fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [www.mnpera.org](http://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](http://www.MinnesotaTRA.org), by writing to TRA at 60 Empire Drive, Suite 400, St. Paul, Minnesota, 55103-4000; or by calling 651-296-2409 or 1-800-657-3669.

**NOTE 8 COMMITMENTS AND CONTINGENCIES**

A. 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.

B. Lease Commitment and Terms – School Site – BMS Building Corp.

The school leases its educational site from BMS Building Corporation (a blended component unit). Under the terms of the amended lease agreement established with the issuance of the 2016 A & B Series Lease Revenue Bonds, the lease term is for the period beginning June 1, 2016 and ending June 30, 2046. The School has an option to extend the lease term for an unlimited number of consecutive 10-year lease periods either on the same lease terms or as agreed upon with the Building Corporation.

**BLUFFVIEW MONTESSORI SCHOOL  
WINONA, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 9 COMMITMENTS AND CONTINGENCIES**

**B. Lease Commitment and Terms – School Site – BMS Building Corp. (Continued)**

The net annual base rent for the term of the lease agreement is directly tied to the debt service requirements of the BMS Building Corporation, 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 paid by the School to BMS Building Corporation under the terms of the lease agreement was \$342,010 for fiscal 2020. The total cost of all educational-related space for fiscal 2019-2020 which qualified for state lease aid was \$342,010. The annual lease aid entitlement is based on the lesser of 90% of the lease cost or an allowance per pupil unit. For fiscal 2020, the School qualified for state charter school lease aid which equaled the cap of \$1,314 per pupil unit served, amounting to \$287,582. 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.

Total future minimum lease payments of the building lease are scheduled as follows:

<u>Year Ending June 30,</u>	<u>Scheduled Lease Payments</u>
2021	\$ 343,620
2022	345,042
2023	345,859
2024	342,339
2025	343,385
2026-2030	1,670,199
2031-2035	1,598,208
2036-2040	1,602,008
2041-2045	1,596,715
2046-2050	292,858
Total	<u>\$ 8,480,234</u>

The School's ability to make payments under this Lease agreement is dependent on its revenues which are in turn, largely dependent on sufficient enrollments 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.

**BLUFFVIEW MONTESSORI SCHOOL  
WINONA, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 8 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

C. Operating Lease Commitment and Terms – Copier Leases

On January 10, 2017, the School entered into an operating copier lease agreement for one copier with Metro Sales Inc. The lease has a five-year term and payments began in January of 2017. The lease matures in fiscal year 2022 and has \$6,804 in payments remaining as of June 30, 2020.

On August 15, 2019, the School entered into an operating copier lease agreement for one copier with Metro Sales Inc. The lease has a five-year term and payments began in August of 2019. The lease matures in fiscal year 2025 and has \$17,375 in payments remaining as of June 30, 2020.

Lease expense for the year ended June 30, 2020 was \$8,706.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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**BLUFFVIEW MONTESSORI SCHOOL  
WINONA, MINNESOTA  
TRA SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
LAST SIX MEASUREMNT PLANS \***

**TRA Schedule of the District's Proportionate Share of the  
Net Pension Liability**

	Measurement Date June 30,					
	2019	2018	2017	2016	2015	2014
School's Proportion of the Net Pension Liability	0.0151%	0.0143%	0.0138%	0.0145%	0.0150%	0.0155%
School's Proportionate Share of the Net Pension Liability	\$ 962,477	\$ 898,174	\$ 2,754,730	\$ 3,458,596	\$ 927,898	\$ 714,229
State's Proportionate Share of the Net Pension Liability Associated with School	84,988	84,151	265,693	348,123	113,546	50,274
Total	<u>\$ 1,047,465</u>	<u>\$ 982,325</u>	<u>\$ 3,020,423</u>	<u>\$ 3,806,719</u>	<u>\$ 1,041,444</u>	<u>\$ 764,503</u>
School's Covered Payroll	\$ 875,032	\$ 786,440	\$ 750,760	\$ 730,947	\$ 712,933	\$ 696,129
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	109.99%	114.21%	366.93%	473.17%	130.15%	102.60%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.21%	78.07%	51.57%	44.88%	76.80%	81.50%

\* This schedule presents information for the years available, and will eventually include ten years of information.

**BLUFFVIEW MONTESSORI SCHOOL  
WINONA, MINNESOTA  
TRA SCHEDULE OF SCHOOL CONTRIBUTIONS  
LAST SEVEN FISCAL YEARS \***

**TRA Schedule of District Contributions**

	Fiscal Year Ended June 30,						
	2020	2019	2018	2017	2016	2015	2014
Statutorily Required Contribution	\$ 68,341	\$ 67,465	\$ 58,983	\$ 56,307	\$ 54,821	\$ 53,470	\$ 48,729
Contributions in Relation to the Statutorily Required Contribution	(68,341)	(67,465)	(58,983)	(56,307)	(54,821)	(53,470)	(48,729)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered Payroll	\$ 862,891	\$ 875,032	\$ 786,440	\$ 750,760	\$ 730,947	\$ 712,933	\$ 696,129
Contributions as a Percentage of Covered Payroll	7.92%	7.71%	7.50%	7.50%	7.50%	7.50%	7.00%

\* This schedule presents information for the years available, and will eventually include ten years of information.

**BLUFFVIEW MONTESSORI SCHOOL  
WINONA, MINNESOTA  
GERF SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
LAST SIX MEASUREMENT PLANS \***

**GERF Schedule of the District's Proportionate Share of the  
Net Pension Liability**

	Measurement Date June 30,					
	2019	2018	2017	2016	2015	2014
School's Proportion of the Net Pension Liability	0.0056%	0.0056%	0.0051%	0.0049%	0.0049%	0.0062%
School's Proportionate Share of the Net Pension Liability	\$ 309,611	\$ 310,665	\$ 325,581	\$ 397,856	\$ 253,943	\$ 291,245
State's Proportionate Share of the Net Pension Liability Associated with School	9,666	10,219	4,081	5,129	-	-
Total	<u>\$ 319,277</u>	<u>\$ 320,884</u>	<u>\$ 329,662</u>	<u>\$ 402,985</u>	<u>\$ 253,943</u>	<u>\$ 291,245</u>
School's Covered Payroll	\$ 398,320	\$ 377,893	\$ 326,493	\$ 303,000	\$ 287,525	\$ 340,435
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	77.73%	82.21%	99.72%	131.31%	88.32%	85.55%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.20%	79.50%	75.90%	68.90%	78.20%	78.70%

\* This schedule presents information for the years available, and will eventually include ten years of information.



**BLUFFVIEW MONTESSORI SCHOOL  
WINONA, MINNESOTA  
GERF SCHEDULE OF SCHOOL CONTRIBUTIONS  
LAST SEVEN FISCAL YEARS \***

**GERF Schedule of District Contributions**

	Fiscal Year Ended June 30,						
	2020	2019	2018	2017	2016	2015	2014
Statutorily Required Contribution	\$ 30,440	\$ 29,874	\$ 28,342	\$ 24,487	\$ 22,725	\$ 21,205	\$ 24,256
Contributions in Relation to the Statutorily Required Contribution	(30,440)	(29,874)	(28,342)	(24,487)	(22,725)	(21,205)	(24,256)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered Payroll	\$ 405,867	\$ 398,320	\$ 377,893	\$ 326,493	\$ 303,000	\$ 287,525	\$ 334,566
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.50%	7.375%	7.25%

\* This schedule presents information for the years available, and will eventually include ten years of information.

## **OTHER REQUIRED REPORTS**

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

Board of Directors  
Bluffview Montessori School  
Winona, 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 Bluffview Montessori School, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Bluffview Montessori School's basic financial statements, and have issued our report thereon dated November 25, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Bluffview Montessori 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 Bluffview Montessori School's internal control. Accordingly, we do not express an opinion on the effectiveness of Bluffview Montessori 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 Bluffview Montessori 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Bluffview Montessori 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*.

**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 Bluffview Montessori 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 Bluffview Montessori School’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
November 25, 2020



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## INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Directors  
Bluffview Montessori School  
Winona, 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 Bluffview Montessori School as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Bluffview Montessori School's basic financial statements, and have issued our report thereon dated November 25, 2020.

In connection with our audit, nothing came to our attention that caused us to believe that Bluffview Montessori School failed to comply with the provisions of the charter schools and uniform financial accounting and reporting standards 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 relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding Bluffview Montessori 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 provisions of the *Minnesota Legal Compliance Audit Guide for Charter Schools* and the results of that testing, and not to provide an opinion on the effectiveness of Bluffview Montessori School's compliance. Accordingly, this communication is not suitable for any other purpose.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
November 25, 2020

**BLUFFVIEW MONTESSORI SCHOOL  
WINONA, MINNESOTA  
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS  
COMPLIANCE TABLE  
YEAR ENDED JUNE 30, 2020**

	AUDIT	UFARS	DIFFERENCE
<b>01 GENERAL FUND</b>			
Total Revenue	\$ 2,405,146	\$ 2,405,146	\$ -
Total Expenditures	2,345,582	2,345,581	1
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	20,536	20,536	-
<i>Restricted:</i>			
403 Staff Development	-	-	-
405 Deferred Maintenance	-	-	-
406 Health and Safety	-	-	-
407 Capital Project Levy	-	-	-
408 Cooperative Programs	-	-	-
413 Projects Funded by COP	-	-	-
414 Operating Debt	-	-	-
416 Levy Reduction	-	-	-
417 Taconite Building Maintenance	-	-	-
424 Operating Capital	-	-	-
426 \$25 Taconite	-	-	-
427 Disabled Accessibility	-	-	-
428 Learning and Development	-	-	-
434 Area Learning Center	-	-	-
435 Contracted Alternative Programs	-	-	-
436 State-Approved Alternative Programs	-	-	-
438 Gifted and Talented	-	-	-
440 Teacher Development and Evaluations	-	-	-
441 Basic Skills Programs	-	-	-
445 Career and Technical Programs	-	-	-
448 Achievement and Integration	-	-	-
449 Safe Schools Crime Levy	563	563	-
451 QZAB Payments	-	-	-
452 OPEB Liability Not Held in Trust	-	-	-
453 Unfunded Severance & Retirement Levy	-	-	-
472 Medical Assistance	-	-	-
473 PPP Loan	323,000	323,000	-
464 Restricted Fund Balance	-	-	-
<i>Committed:</i>			
418 Committed for Separation	-	-	-
461 Committed Fund Balance	-	-	-
<i>Assigned:</i>			
462 Assigned Fund Balance	-	-	-
<i>Unassigned:</i>			
422 Unassigned Fund Balance	783,495	783,495	-
<b>02 FOOD SERVICE</b>			
Total Revenue	126,805	126,805	-
Total Expenditures	128,173	128,174	(1)
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	350	350	-
<i>Restricted:</i>			
452 OPEB Liability Not Held in Trust	-	-	-
464 Restricted Fund Balance	-	-	-
<i>Unassigned:</i>			
463 Unassigned Fund Balance	(350)	(350)	-
<b>04 COMMUNITY SERVICE</b>			
Total Revenue	112,239	112,238	1
Total Expenditures	153,734	153,733	1
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	-	-	-
<i>Restricted:</i>			
426 \$25 Taconite	-	-	-
431 Community Education	-	-	-
432 E.C.F.E.	-	-	-
440 Teacher Development and Evaluations	-	-	-
444 School Readiness	-	-	-
447 Adult Basic Education	-	-	-
452 OPEB Liability Not Held in Trust	-	-	-
464 Restricted Fund Balance	-	-	-
<i>Unassigned:</i>			
463 Unassigned Fund Balance	-	-	-