

**Independent School District No. 271
Bloomington, Minnesota**

Basic Financial Statements

June 30, 2021



**Independent School District No. 271
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Independent School District No. 271
Board of Education and Administration
June 30, 2021

<u>Board of Education</u>	<u>Position</u>	<u>Term Expires</u>
Nelly Korman	Chair	January 1, 2024
Dawn Steigauf	Vice Chair	January 3, 2022
Heather Starks	Clerk	January 1, 2024
Beth Beebe	Treasurer	January 3, 2022
Mia Olson	Director	January 1, 2024
Jim Sorum	Director	January 3, 2022
Tom Bennett	Director	January 3, 2022
 <u>Administration</u>		
Les Fujitake	Superintendent	
Rod Zivkovich	Executive Director of Finance and Support Services	
Kim Agate	Controller	

Independent Auditor's Report

To the School Board
Independent School District No. 271
Bloomington, Minnesota

Report on the Basic Financial Statements

We have audited the accompanying basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 271, Bloomington, Minnesota, as of and for the year ended June 30, 2021, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Basic Financial Statements

The management of Independent School District No. 271 is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these basic 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 basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the basic financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the basic 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 basic financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 271, Bloomington, Minnesota, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and the Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board (GASB), 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 basic financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

Other Matters (Continued)

Other Information (Continued)

The accompanying supplementary information identified in the Table of Contents and the Schedule of Expenditures of Federal Awards are 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 accompanying supplementary information and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2021, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

BergankDV, Ltd.

Minneapolis, Minnesota
November 30, 2021

Independent School District No. 271 Management's Discussion and Analysis

This section of the Independent School District No. 271, Bloomington Public Schools' (the "District") annual financial report presents the Management's Discussion and Analysis (MD&A) of the District's financial performance during the fiscal year ended June 30, 2021. Please read it in conjunction with the District's financial statements, which immediately follow this section.

The MD&A is required supplementary information specified in the GASB Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued in June 1999*. Certain comparative information is required to be presented in the MD&A between the current year (2020-2021) and the prior year (2019-2020).

Financial Highlights

- Total net position at June 30, 2021, was negative \$86.5 million, \$266 thousand less than the prior year's balance.
- Overall program and general revenues were \$198.1 million, \$1.9 million less than related expenses of \$200.0 million.
- Total General Fund balance (under the governmental fund presentation) increased \$4.5 million from the prior year.

Overview of the Financial Statements

This annual financial report consists of four parts:

- Independent Auditor's Report
- Management's Discussion and Analysis
- Basic financial statements
- Required supplementary information

The basic financial statements include two kinds of statements that present different views of the District:

1. The government-wide financial statements provide both short-term and long-term information about the District's overall financial status. These include:
 - The Statement of Net Position
 - The Statement of Activities

Independent School District No. 271 Management's Discussion and Analysis

Overview of the Financial Statements (Continued)

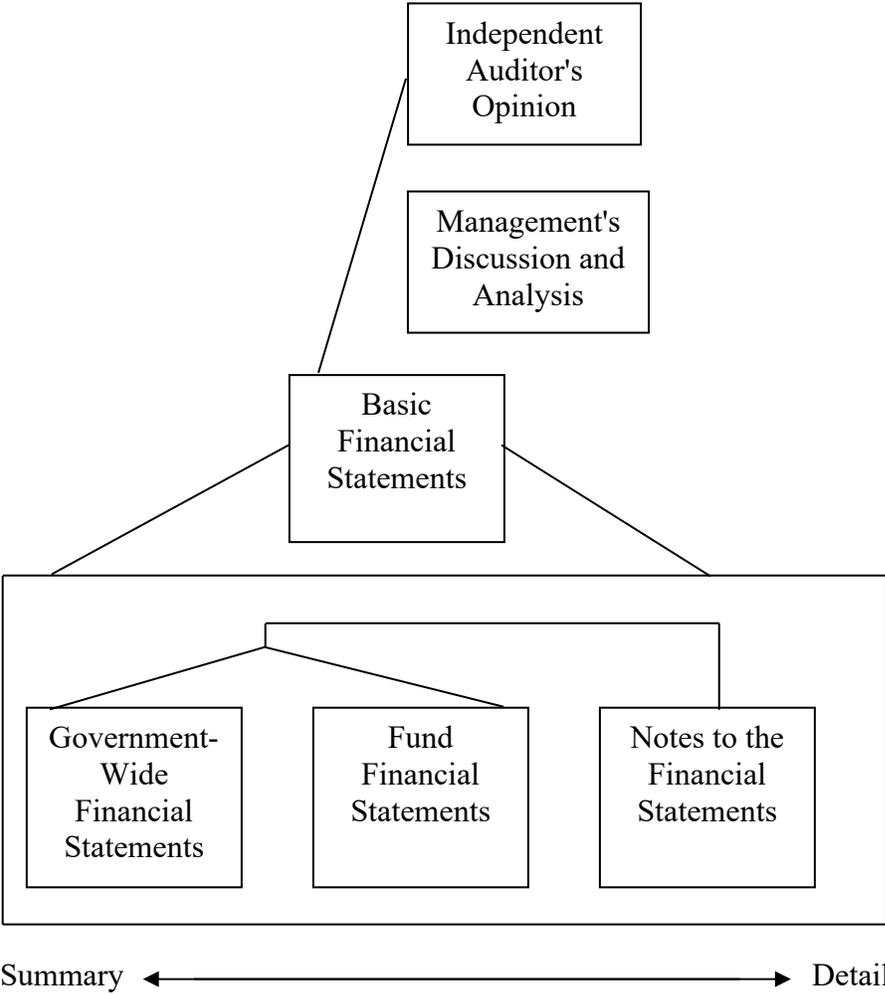
2. The fund financial statements focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.
 - The governmental funds statements examine how basic services, such as regular and special education were financed in the short-term, as well as what remains for future spending.
 - Proprietary funds statements present short-term and long-term financial information about the activities the District operates like businesses, such as dental and medical self-insurance, retiree severance and vacation funds.
 - Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others. The District is the Agent for the Bloomington Education Cable Television Fund. The District is also holding funds to be paid to Bloomington Kennedy graduates for college scholarships.

**Independent School District No. 271
Management's Discussion and Analysis**

Overview of the Financial Statements (Continued)

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 on the following page shows how the various parts of this annual report are arranged and how they relate to one another.

**Figure A-1
Organization of the District's Annual Financial Report**



Independent School District No. 271 Management's Discussion and Analysis

Overview of the Financial Statements (Continued)

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities which they cover and the types of information that they contain. The remainder of this overview section of the MD&A highlights the structure and contents of each of the statements.

**Figure A-2
Major Features of the Government-Wide and Fund Financial Statements
Fund Financial Statements**

	Government-Wide Financial Statements	Government Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except Fiduciary Funds)	The activities of the District that are not proprietary or fiduciary, such as special education, food service, community education and building maintenance	Activities the District operates similar to private businesses, such as self-insured medical and dental funds	Instances in which the District administers resources on behalf of someone else, such as Bloomington Educational Cable and student activities accounts
Required Financial Statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/ Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Independent School District No. 271 Management's Discussion and Analysis

Government-Wide Financial Statements

The government-wide financial statements (Statement of Net Position and Statement of Activities) report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, consideration is given to additional nonfinancial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, the District's activities are presented in one category titled governmental activities.

- **Governmental Activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. State formula aid and property taxes finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds, not the District as a whole. "Non-major" funds such as, food service and community service do not meet the threshold to be classified as "major" funds.

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

Independent School District No. 271 Management's Discussion and Analysis

Fund Financial Statements (Continued)

The District has two kinds of funds:

- **Governmental Funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information following the governmental funds statements explains the relationship (or differences) between them.
- **Proprietary Funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. The District uses internal service funds to report activities that provide supplies and services for its other programs and activities. The District currently has four internal service funds; the Self-Insured Dental Fund, Self-Insured Medical Benefits Fund, Other Post-Employment Benefits (OPEB) Fund, and the Retiree Benefits Fund.

Net Position: The District's combined net position on June 30, 2021 was negative \$86.5 million, \$266 thousand less than the prior year's balance. (See Figure A-3.)

**Figure A-3
Net Position - Governmental Activities**

	Year Ended 2021	Year Ended 2020	Percentage Change
Assets			
Current and other assets	\$ 188,536,337	\$ 158,074,328	19.27%
Capital assets	130,094,926	133,515,298	-2.56%
Total assets	<u>318,631,263</u>	<u>291,589,626</u>	9.27%
Deferred Outflows of Resources	<u>55,368,474</u>	<u>86,725,451</u>	-36.16%
Total assets and deferred outflows of resources	<u>\$ 373,999,737</u>	<u>\$ 378,315,077</u>	-1.14%
Liabilities			
Other liabilities	\$ 24,067,460	\$ 34,497,125	-30.23%
Long-term liabilities	289,881,823	246,525,645	17.59%
Total liabilities	<u>\$ 313,949,283</u>	<u>\$ 281,022,770</u>	11.72%
Deferred Inflows of Resources	<u>\$ 146,587,794</u>	<u>\$ 184,095,984</u>	-20.37%
Net Position			
Net investment in capital assets	\$ 12,958,318	\$ 14,869,353	-12.85%
Restricted	21,390,714	16,332,896	30.97%
Unrestricted	<u>(120,886,372)</u>	<u>(118,005,926)</u>	-2.44%
Total net position	<u>\$ (86,537,340)</u>	<u>\$ (86,803,677)</u>	0.31%

Independent School District No. 271 Management's Discussion and Analysis

Fund Financial Statements (Continued)

Changes in Net Position: The District's total revenues were \$198.1 million for the year ended June 30, 2021. (See figure A-4.) Property taxes and state formula aid accounted for 69% of the District's revenue. (See Figure A-5.) Another 28% came from grants and contributions restricted for specific programs. The remainder came from fees charged for services and miscellaneous sources. The total cost of all programs and services was \$200.1 million. The District's expenses are predominantly related to direct instruction, instructional, and pupil support services (72%). (See Figure A-6.) The District's administration and district support expenses are 6% of total costs.

Financial Analysis of the District as a Whole

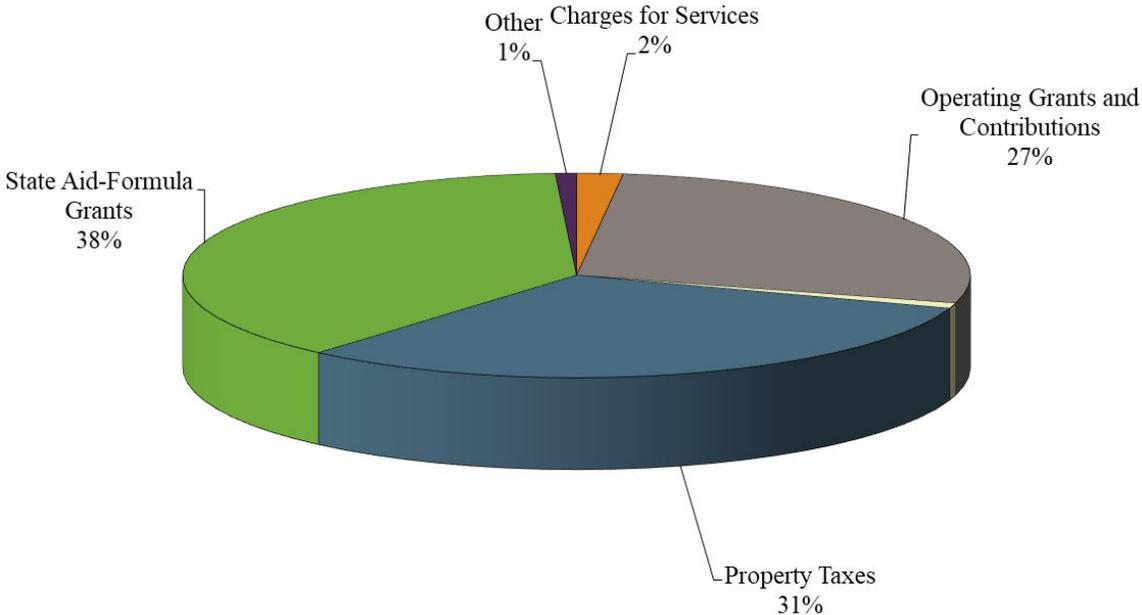
**Figure A-4
Change in Net Position**

	Year Ended 2021	Year Ended 2020	Percentage Change
Revenues			
Program revenues			
Charges for services	\$ 3,759,095	\$ 8,024,161	-53.15%
Operating grants and contributions	54,476,870	50,106,637	8.72%
Capital grants and contributions	1,691,323	1,691,323	0.00%
General revenues			
Property taxes	61,612,330	59,446,988	3.64%
State aid-formula grants	74,909,561	74,516,543	0.53%
Other	1,712,025	4,044,492	-57.67%
Total revenues	<u>198,161,204</u>	<u>197,830,144</u>	0.17%
Expenses			
Administration	\$6,809,759	6,331,550	7.55%
District Support Services	5,020,392	4,531,238	10.80%
Elementary and Secondary Regular Instruction	79,830,337	80,564,920	-0.91%
Vocational Education Instruction	1,240,462	1,509,663	-17.83%
Special Education Instruction	38,392,860	38,945,281	-1.42%
Instructional Support Services	11,424,505	13,494,832	-15.34%
Pupil Support Services	12,935,233	13,290,782	-2.68%
Sites and Buildings	14,631,030	15,587,788	-6.14%
Fiscal and other fixed cost programs	379,238	377,948	0.34%
Food Service	4,716,478	5,345,931	-11.77%
Community Education and Services	10,046,396	12,433,263	-19.20%
Unallocated depreciation	9,678,485	9,702,591	-0.25%
Interest and fiscal charges on long-term debt	4,967,473	3,664,735	35.55%
Total expenses	<u>200,072,648</u>	<u>205,780,522</u>	-2.77%
Increase (decrease) in net position	(1,911,444)	(7,950,378)	-75.96%
Net Position			
Net position - beginning, as previously stated	(86,803,677)	(78,997,541)	9.88%
Prior period adjustment	2,177,781	-	
Change in accounting principle	-	144,242	
Beginning of year	<u>(84,625,896)</u>	<u>(78,853,299)</u>	-7.32%
End of year	<u>\$ (86,537,340)</u>	<u>\$ (86,803,677)</u>	0.31%

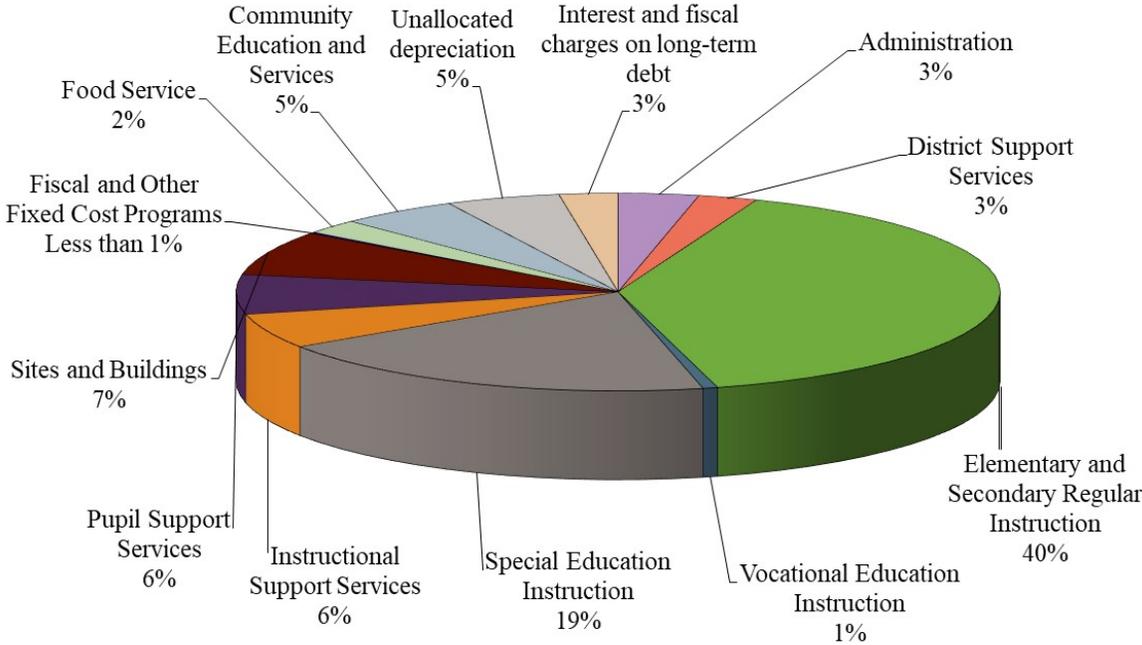
**Independent School District No. 271
Management's Discussion and Analysis**

Financial Analysis of the District as a Whole (Continued)

**Figure A-5
Source of Revenues for Fiscal Year 2021**



**Figure A-6
Expenses for Fiscal Year 2021**



**Independent School District No. 271
Management's Discussion and Analysis**

Governmental Activities

Figure A-7 presents the cost of District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs).

Figure A-7

**Net Cost of Governmental Activities
Year Ended June 30, 2021**

	Total Cost of Services	Net Cost of Services
Administration	\$ 6,809,759	\$ 6,809,759
District Support Services	5,020,392	4,784,564
Elementary and Secondary Regular Instruction	79,830,337	62,473,049
Vocational Education Instruction	1,240,462	1,189,976
Special Education Instruction	38,392,860	13,813,314
Instructional Support Services	11,424,505	11,279,455
Pupil Support Services	12,935,233	12,566,882
Sites and Buildings	14,631,030	11,694,686
Fiscal and other fixed cost programs	379,238	379,238
Food Service	4,716,478	(2,190,377)
Community Education and Services	10,046,396	2,698,856
Unallocated depreciation	9,678,485	9,678,485
Interest and fiscal charges on long-term debt	4,967,473	4,967,473
	\$ 200,072,648	\$ 140,145,360

- Various fees and charges paid by users of the District services accounted for 1.9% or \$3.8 million of expenses.
- Grants and contributions totaling \$56.2 million, or 28.3%, offset other specific program costs.
- Local property taxes, state aid, federal grants and District fund balances (when expenses exceed revenues) provided funding for remaining costs of District services (\$140.1 million).

Financial Analysis of the District's Funds

At the end of the 2020-2021 fiscal year, the District's governmental funds reported a combined fund balance of \$66.5 million, an increase of \$29.7 million from the June 30, 2020, combined fund balance of \$36.8 million. The increase was due to selling additional bonds for Long-Term Facility Maintenance (LTFM) for future year projects. In addition, expenditures were lower due to unfilled open positions along with deferring projects in operating capital and capital projects levy budgets.

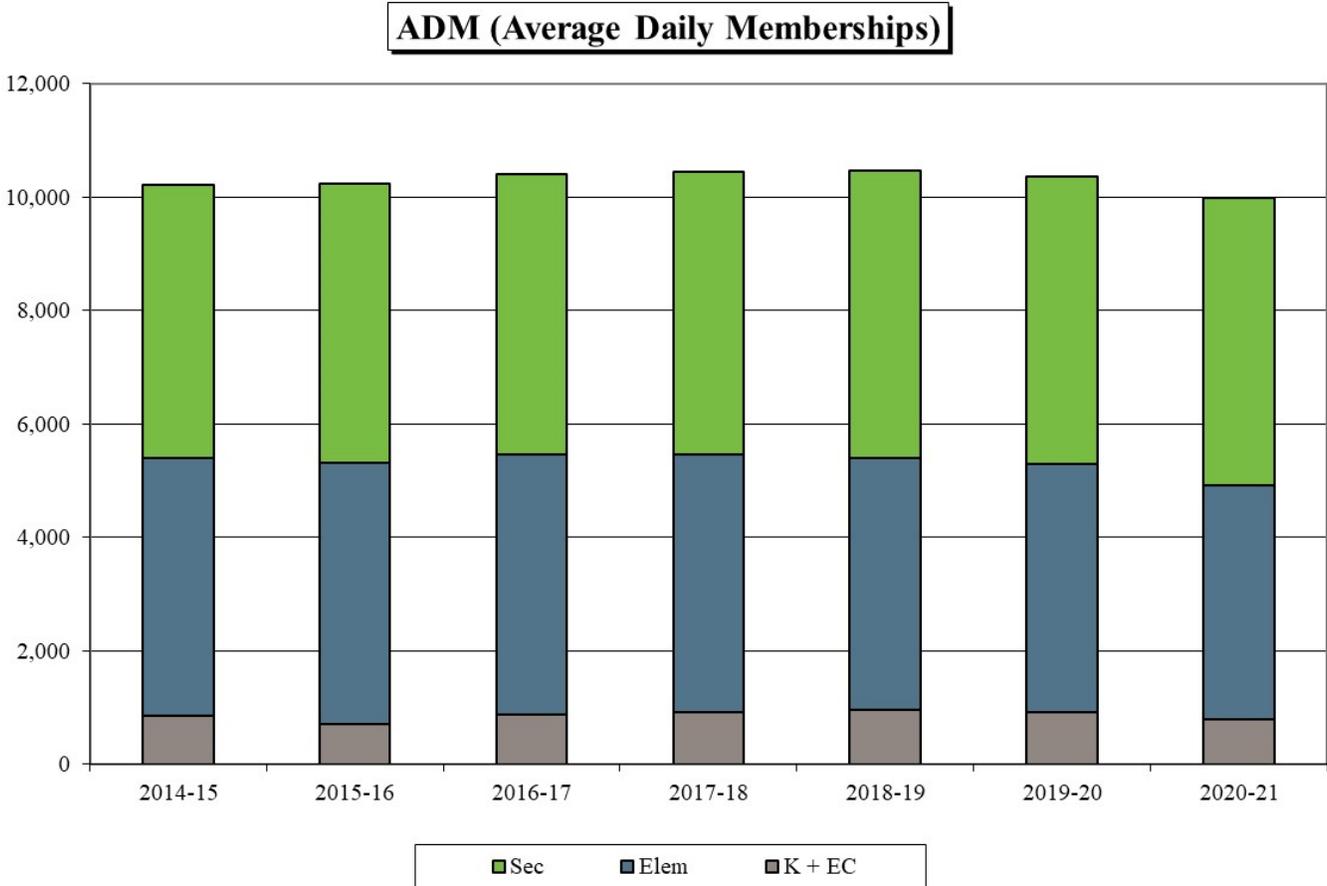
**Independent School District No. 271
Management's Discussion and Analysis**

General Fund

The General Fund is the District's primary operating fund, providing instructional services to students from kindergarten through grade 12. In addition, the costs of pupil transportation and operating capital expenditures for equipment and facilities are included in the full reporting of the General Fund.

School funding in Minnesota is driven largely by pupil enrollment. In 2020-2021, the District saw a decrease of 271.33 average daily membership (ADM) over 2019-2020. Current ADM is 11,040.36.

The graph below illustrates the current trend in student enrollment over the previous five years.



General Fund Budgetary Highlights

Over the course of the year, the District amended the annual operating budget. The budget amendments account for enrollment changes, previous year carryover and amendments to federal and other grant programs.

**Independent School District No. 271
Management's Discussion and Analysis**

General Fund Budgetary Highlights (Continued)

While the District's amended budget for the General Fund projected a net decrease in the fund balance of \$4.0 million, the actual performance shows a net increase of \$4.5 million. This improvement was due to unfilled open positions throughout the District along with deferring projects in operating capital and capital projects levy budgets.

Actual revenues were \$167.8 million or \$2.2 million under the budget of \$170.0 million. Actual expenditures were \$162.9 million, or \$10.8 million under the budget of \$173.7 million.

**Figure A-8
General Fund Expenditures**

	Final Budget	Net Actual Amounts	Variance with Final Budget - Over (Under)
Administration	\$ 6,131,411	\$ 6,562,215	\$ 430,804
District Support Services	5,301,342	4,940,706	(360,636)
Elementary and Secondary Regular Instruction	76,146,970	73,662,633	(2,484,337)
Vocational Education Instruction	1,401,877	1,150,862	(251,015)
Special Education Instruction	38,935,327	36,363,766	(2,571,561)
Instructional Support Services	12,883,420	9,320,732	(3,562,688)
Pupil Support Services	13,879,709	12,545,735	(1,333,974)
Sites and Buildings	11,811,133	11,653,245	(157,888)
Fiscal and other fixed cost programs	401,526	379,238	(22,288)
Capital outlay	6,739,580	6,298,279	(441,301)
Debt service	69,844	69,855	11
Total	\$ 173,702,139	\$ 162,947,266	\$ (10,754,873)

Food Service Fund

The Food Service Fund is used to record financial activity for the purpose of preparation and service of milk, meals and snacks in connection with school and community service activities. The Food Service Fund revenues exceed expenditures by \$2,203,672 in 2020-2021. The improvement was due to Federal Government Covid-19 requirements that allows Summer Meal Program (Higher Reimbursement rate) and the ability to provide meals for free to students. We also received \$800K grant to provide meals free to adults in the community

This Fund continues to meet the District's established fund balance goals.

Community Service Fund

The Community Service Fund is used to record financial activities of the Community Services Preschool to Senior Citizens Programs. The Community Service Fund balance decreased \$26,870 in 2020-2021.

This Fund continues to meet the District's established fund balance goals.

**Independent School District No. 271
Management's Discussion and Analysis**

Debt Service Fund

The Debt Service Fund is used to record revenues and expenditures for a school district's outstanding bonded indebtedness, whether for building construction, operating capital or for initial or refunding bonds. The Debt Service Fund balance for 2020-2021 totaled \$1.2 million. This is an increase of \$127 thousand over the prior year.

Capital Asset and Debt Administration

Capital Assets

By the end of 2021, the District had invested \$130.1 million in a broad range of capital assets, including school buildings, athletic facilities, computers and audio-visual equipment. (See Figure A-9.) (More detailed information about capital assets can be found in Note 4 to the financial statements.)

**Figure A-9
Capital Assets (Net of Accumulated Depreciation)**

	Year Ended 2021	Year Ended 2020
Land	\$ 2,085,954	\$ 2,085,954
Construction in progress	-	17,516,862
Buildings and buildings improvement	124,476,533	109,878,524
Furniture and equipment	3,532,439	4,033,958
Total capital assets	\$ 130,094,926	\$ 133,515,298

Debt Administration

**Figure A-10
Outstanding Long-Term Liabilities**

	Year Ended 2021	Year Ended 2020
General Obligation (G.O.) bonds and loans	\$ 154,332,279	\$ 134,030,961
Benefits payable	1,758,315	1,746,244
Total long-term liabilities	\$ 156,090,594	\$ 135,777,205

Independent School District No. 271 Management's Discussion and Analysis

Debt Administration (Continued)

At year-end, the District had \$156.1 million in long-term liabilities, including G.O. bonds, capital leases, severance benefits, and compensated absences. (More detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements).

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The District always has positioned itself financially for anticipated flat or limited funding in the future. This continues to be true as we deal with the affects nationally, statewide and locally with the Covid-19 pandemic. The District will see a 2.45% and 2.0% increases in state formula revenue over the next biennium.
- The District saw a 3% enrollment decline for 2020-21 school year during the pandemic. The most significant decline being in elementary grades. The October 1, 2021 (Fiscal Year 2021-22) resulted in 1.5% student lost in 2020-21 returned in 2021-22.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it is entrusted with.

If you have questions about this report or need additional financial information, contact the Finance Office, Independent School District No. 271, 1350 West 106th Street, Bloomington, Minnesota 55431-4126.

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BASIC FINANCIAL STATEMENTS

Independent School District No. 271
Statement of Net Position
June 30, 2021

	Governmental Activities
Assets	
Cash and investments	\$ 141,103,979
Current property taxes receivable	30,050,868
Delinquent property taxes receivable	416,150
Accounts receivable	333,850
Interest receivable	110,847
Due from Department of Education	10,885,217
Due from other Minnesota school districts	466,653
Due from Federal Government through Department of Education	4,182,065
Due from other governmental units	193,995
Inventory	357,948
Prepaid items	434,765
Capital assets not being depreciated	
Land	2,085,954
Capital assets net of depreciation	
Buildings and building improvements	124,476,533
Furniture and equipment	3,532,439
Total assets	318,631,263
Deferred Outflows of Resources	
Deferred amount on refunding	336,596
Deferred outflows related to OPEB	927,704
Deferred outflows related to pensions	54,104,174
Total deferred outflows of resources	55,368,474
Total assets and deferred outflows of resources	\$ 373,999,737
Liabilities	
Accounts and contracts payable	\$ 1,126,527
Salaries and benefits payable	17,290,132
Interest payable	2,234,092
Due to other Minnesota school districts	1,493,374
Due to other governmental units	1,187,023
Unearned revenue	736,312
Net bond principal payable	
Due within one year	8,890,000
Due in more than one year	145,375,529
Loan payable	
Due within one year	66,750
Compensated absences payable	
Due within one year	147,195
Due in more than one year	1,324,750
Severance payable	
Due within one year	28,637
Due in more than one year	257,733
OPEB Liability	9,731,041
Net pension liability	124,060,188
Total liabilities	313,949,283
Deferred Inflows of Resources	
Property taxes levied for subsequent year's expenditures	58,489,929
Deferred inflows related to OPEB	3,678,987
Deferred inflows related to pensions	84,418,878
Total deferred inflows of resources	146,587,794
Net Position	
Net investment in capital assets	12,958,318
Restricted for	
Other purposes	21,390,714
Unrestricted	(120,886,372)
Total net position	(86,537,340)
Total liabilities, deferred inflows of resources, and net position	\$ 373,999,737

Independent School District No. 271
Statement of Activities
Year Ended June 30, 2021

Functions/Programs	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position
					Governmental Activities
Governmental activities					
Administration	\$ 6,809,759	\$ -	\$ -	\$ -	\$ (6,809,759)
District support services	5,020,392	-	235,828	-	(4,784,564)
Elementary and secondary regular instruction	79,830,337	753,024	16,604,264	-	(62,473,049)
Vocational education instruction	1,240,462	-	50,486	-	(1,189,976)
Special education instruction	38,392,860	267,428	24,312,118	-	(13,813,314)
Instructional support services	11,424,505	-	145,050	-	(11,279,455)
Pupil support services	12,935,233	58,412	309,939	-	(12,566,882)
Sites and buildings	14,631,030	158,115	1,086,906	1,691,323	(11,694,686)
Fiscal and other fixed cost programs	379,238	-	-	-	(379,238)
Food service	4,716,478	3,627	6,903,228	-	2,190,377
Community education and services	10,046,396	2,518,489	4,829,051	-	(2,698,856)
Unallocated depreciation	9,678,485	-	-	-	(9,678,485)
Interest and fiscal charges on long-term debt	4,967,473	-	-	-	(4,967,473)
	<u>\$ 200,072,648</u>	<u>\$ 3,759,095</u>	<u>\$ 54,476,870</u>	<u>\$ 1,691,323</u>	<u>(140,145,360)</u>
General revenues					
Taxes					
Property taxes, levied for general purposes					47,873,831
Property taxes, levied for debt service					11,488,408
Property taxes, levied for community service					2,250,091
State aid-formula grants					74,909,561
Other general revenues					1,239,953
Investment income					472,072
Total general revenues					<u>138,233,916</u>
Change in net position					(1,911,444)
Net position - beginning, as previously stated					(86,803,677)
Prior period adjustment (see Note 11)					2,177,781
Net position - beginning, as restated					<u>(84,625,896)</u>
Net position - ending					<u>\$ (86,537,340)</u>

See notes to basic financial statements.

Independent School District No. 271
Balance Sheet - Governmental Funds
June 30, 2021

	General	Debt Service	Capital Projects	Nonmajor Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 57,430,442	\$ 7,276,612	\$ 26,514,722	\$ 9,650,911	\$ 100,872,687
Current property taxes receivable	23,157,984	5,784,014	-	1,108,870	30,050,868
Delinquent property taxes receivable	322,982	76,230	-	16,938	416,150
Accounts receivable	178,323	-	-	50,000	228,323
Interest receivable	13,559	-	9,111	-	22,670
Due from Department of Education	10,360,213	169,147	-	355,857	10,885,217
Due from Federal Government					
through Department of Education	3,579,983	-	-	602,082	4,182,065
Due from other Minnesota school districts	258,264	-	-	208,389	466,653
Due from other governmental units	120,375	-	-	73,620	193,995
Inventory	202,518	-	-	155,430	357,948
Prepaid items	369,399	-	-	65,366	434,765
Total assets	\$ 95,994,042	\$ 13,306,003	\$ 26,523,833	\$ 12,287,463	\$ 148,111,341
Liabilities					
Accounts payable	\$ 798,306	\$ -	\$ 269,098	\$ 38,602	\$ 1,106,006
Contracts payable	2,198	-	10,660	-	12,858
Salaries and benefits payable	14,371,668	-	-	1,110,471	15,482,139
Due to other Minnesota school districts	1,486,933	-	-	6,441	1,493,374
Due to other governmental units	1,185,112	-	-	1,911	1,187,023
Interfund payable	2,532,289	-	-	214,115	2,746,404
Unearned revenue	417,488	-	-	318,824	736,312
Total liabilities	20,793,994	-	279,758	1,690,364	22,764,116
Deferred inflows of resources					
Property tax levied for subsequent year's expenditures	44,182,804	12,005,455	-	2,301,670	58,489,929
Unavailable revenue - delinquent property taxes	248,951	58,505	-	13,419	320,875
Total deferred inflows of resources	44,431,755	12,063,960	-	2,315,089	58,810,804
Fund Balances					
Nonspendable for					
Inventory	202,518	-	-	155,430	357,948
Prepaid items	369,399	-	-	65,366	434,765
Restricted for					
Student activities	140,157	-	-	-	140,157
Scholarships	44,539	-	-	-	44,539
Capital projects levy	4,712,435	-	-	-	4,712,435
Operating capital	7,529,755	-	-	-	7,529,755
Medical assistance	307,263	-	-	-	307,263
State approved alternative program	981,872	-	-	-	981,872
Long-term facilities maintenance	-	-	26,244,075	-	26,244,075
Fund purpose	-	1,242,043	-	8,061,214	9,303,257
Committed for					
Wellness	107,805	-	-	-	107,805
Uniform and instrument replacement	115,776	-	-	-	115,776
Athletic activities	572,285	-	-	-	572,285
Site department carryover funds	1,029,520	-	-	-	1,029,520
Staff development	442,529	-	-	-	442,529
Donations	257,448	-	-	-	257,448
Assigned for					
Property and casualty insurance	120,000	-	-	-	120,000
Q Comp collaborative	3,000	-	-	-	3,000
Unassigned	13,831,992	-	-	-	13,831,992
Total fund balances	30,768,293	1,242,043	26,244,075	8,282,010	66,536,421
Total liabilities, deferred inflows of resources, and fund balances	\$ 95,994,042	\$ 13,306,003	\$ 26,523,833	\$ 12,287,463	\$ 148,111,341

**Independent School District No. 271
Bloomington, Minnesota
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2021**

Total fund balances - governmental funds \$ 66,536,421

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.

Cost of capital assets	298,527,967
Less accumulated depreciation	(168,433,041)

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Bond principal payable	(149,335,000)
Loan payable	(66,750)
Bond premiums	(4,930,529)
Deferred amount on refunding	336,596
Compensated absences payable	(1,471,945)
Severance payable	(286,370)
OPEB liability	(9,731,041)
Net pension liability	(124,060,188)

Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.

Deferred outflows related to pensions	54,104,174
Deferred inflows related to pensions	(84,418,878)

Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to OPEB that are not recognized in the governmental funds.

Deferred inflows related to OPEB	(3,678,987)
Deferred outflows related to OPEB	927,704

Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.

320,875

The retiree benefit and OPEB internal service funds are used to charge the benefits to the fund that incurs the cost. This amount represents assets available to fund the liabilities.

17,948,656

The dental and self insured medical benefit plans internal service funds are used by management to charge the costs of the self-insured plans. The assets and liabilities of the Internal Service funds are included in governmental activities in the Statement of Net Position and interfund activity is removed.

23,407,088

Governmental funds do not report a liability for accrued interest on bonds and capital loans until due and payable.

(2,234,092)

Total net position - governmental activities

\$ (86,537,340)

Independent School District No. 271
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2021

	General	Debt Service	Capital Projects	Nonmajor Funds	Total Governmental Funds
Revenues					
Local property taxes	\$ 47,805,383	\$ 11,125,414	\$ -	\$ 2,591,779	\$ 61,522,576
Other local and county revenues	2,892,499	21,003	26,392	2,482,938	5,422,832
Revenue from state sources	109,619,264	1,691,478	-	3,565,595	114,876,337
Revenue from federal sources	7,470,094	-	-	8,122,520	15,592,614
Sales and other conversion of assets	760	-	-	3,625	4,385
Interdistrict revenue	-	-	-	208,389	208,389
Total revenues	<u>167,788,000</u>	<u>12,837,895</u>	<u>26,392</u>	<u>16,974,846</u>	<u>197,627,133</u>
Expenditures					
Current					
Administration	6,562,215	-	-	-	6,562,215
District support services	4,940,706	-	-	-	4,940,706
Elementary and secondary regular instruction	73,662,633	-	-	148,000	73,810,633
Vocational education instruction	1,150,862	-	-	-	1,150,862
Special education instruction	36,363,766	-	-	-	36,363,766
Instructional support services	9,320,732	-	-	-	9,320,732
Pupil support services	12,545,735	-	-	-	12,545,735
Sites and buildings	11,653,245	-	6,667	-	11,659,912
Fiscal and other fixed cost programs	379,238	-	-	-	379,238
Food service	-	-	-	4,491,497	4,491,497
Community education and services	-	-	-	9,895,775	9,895,775
Capital outlay					
Administration	7,223	-	-	-	7,223
District support services	84,018	-	-	-	84,018
Elementary and secondary regular instruction	517,272	-	-	-	517,272
Special education instruction	32,407	-	-	-	32,407
Instructional support services	1,769,789	-	-	-	1,769,789
Pupil support services	216,990	-	-	-	216,990
Sites and buildings	3,670,580	-	5,888,603	-	9,559,183
Food service	-	-	-	236,234	236,234
Community education and services	-	-	-	21,112	21,112
Debt service					
Principal	62,826	8,090,000	-	105,000	8,257,826
Interest and fiscal charges	7,029	4,620,775	283,114	276,633	5,187,551
Total expenditures	<u>162,947,266</u>	<u>12,710,775</u>	<u>6,178,384</u>	<u>15,174,251</u>	<u>197,010,676</u>
Excess of revenues over (under) expenditures	4,840,734	127,120	(6,151,992)	1,800,595	616,457
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	37,159	-	-	-	37,159
Bond issuance	-	-	27,205,000	-	27,205,000
Bond premium	-	-	1,850,183	-	1,850,183
Transfers in	-	-	-	340,020	340,020
Transfers out	(340,020)	-	-	-	(340,020)
Total other financing sources (uses)	<u>(302,861)</u>	<u>-</u>	<u>29,055,183</u>	<u>340,020</u>	<u>29,092,342</u>
Net change in fund balances	4,537,873	127,120	22,903,191	2,140,615	29,708,799
Fund Balances					
Beginning of year	<u>26,230,420</u>	<u>1,114,923</u>	<u>3,340,884</u>	<u>6,141,395</u>	<u>36,827,622</u>
End of year	<u>\$ 30,768,293</u>	<u>\$ 1,242,043</u>	<u>\$ 26,244,075</u>	<u>\$ 8,282,010</u>	<u>\$ 66,536,421</u>

See notes to basic financial statements.

**Independent School District No. 271
Bloomington, Minnesota
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances to the
Statement of Activities - Governmental Funds
Year Ended June 30, 2021**

Net change in fund balances - total governmental funds	\$ 29,708,799
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the useful lives as depreciation expense. as depreciation expense.	
Capital outlays	6,889,803
Depreciation expense	(10,310,175)
Compensated absences and severance are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	(12,071)
Net OPEB are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	(251,627)
Principal payments on long-term debt are recognized as expenditures in the governmental funds but have no effect on net position in the Statement of Activities.	8,257,826
Governmental funds recognized pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.	(7,254,392)
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	(195,280)
Governmental funds report the effect of bond premiums when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	415,358
Proceeds from long-term debt are recognized as an other financing source, increasing fund balance in the governmental fund statements, but have no effect on net position in the Statement of Activities.	(29,055,183)
The retiree benefit internal service funds are used to charge the benefits to the fund that incurs the cost. This amount represents assets available to fund the liabilities and obligations.	172,135
The dental and self-insured medical benefit plans internal service funds are used by management to charge the costs of the self insured plans. The increase in net position is reported within the governmental activities in the Statement of Activities.	(366,391)
Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	89,754
Change in net position - governmental activities	\$ (1,911,444)

Independent School District No. 271
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Local property taxes	\$ 47,903,245	\$ 47,215,782	\$ 47,805,383	\$ 589,601
Other local and county revenues	4,780,630	4,657,911	2,892,499	(1,765,412)
Revenue from state sources	109,251,128	109,632,796	109,619,264	(13,532)
Revenue from federal sources	4,062,542	8,494,941	7,470,094	(1,024,847)
Sales and other conversion of assets	2,000	2,000	760	(1,240)
Total revenues	<u>165,999,545</u>	<u>170,003,430</u>	<u>167,788,000</u>	<u>(2,215,430)</u>
Expenditures				
Current				
Administration	6,055,495	6,131,411	6,562,215	430,804
District support services	5,202,100	5,301,342	4,940,706	(360,636)
Elementary and secondary regular instruction	72,350,534	76,146,970	73,662,633	(2,484,337)
Vocational education instruction	1,401,877	1,401,877	1,150,862	(251,015)
Special education instruction	38,658,218	38,935,327	36,363,766	(2,571,561)
Instructional support services	12,804,469	12,883,420	9,320,732	(3,562,688)
Pupil support services	13,793,087	13,879,709	12,545,735	(1,333,974)
Sites and buildings	10,699,266	11,811,133	11,653,245	(157,888)
Fiscal and other fixed cost programs	401,526	401,526	379,238	(22,288)
Capital outlay				
Administration	112,780	112,780	7,223	(105,557)
District support services	220,000	220,000	84,018	(135,982)
Elementary and secondary regular instruction	322,527	316,022	517,272	201,250
Vocational education instruction	6,000	6,000	-	(6,000)
Special education instruction	90,100	90,100	32,407	(57,693)
Instructional support services	1,551,118	1,551,238	1,769,789	218,551
Pupil support services	132,425	320,025	216,990	(103,035)
Sites and buildings	4,123,415	4,123,415	3,670,580	(452,835)
Debt service				
Principal	62,826	62,826	62,826	-
Interest and fiscal charges	7,018	7,018	7,029	11
Total expenditures	<u>167,994,781</u>	<u>173,702,139</u>	<u>162,947,266</u>	<u>(10,754,873)</u>
Excess of revenues over (under) expenditures	(1,995,236)	(3,698,709)	4,840,734	8,539,443
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	37,159	37,159
Transfers out	(353,586)	(353,586)	(340,020)	13,566
Total other financing sources (uses)	<u>(353,586)</u>	<u>(353,586)</u>	<u>(302,861)</u>	<u>50,725</u>
Net change in fund balance	<u>\$ (2,348,822)</u>	<u>\$ (4,052,295)</u>	4,537,873	<u>\$ 8,590,168</u>
Fund Balance				
Beginning of year			<u>26,230,420</u>	
End of year			<u>\$ 30,768,293</u>	

Independent School District No. 271
Statement of Net Position - Proprietary Funds
As of June 30, 2021

	Governmental Activities - Internal Service Funds
Assets	
Cash and cash equivalents	\$ 27,284,572
Investments	12,946,720
Accounts receivable	105,527
Interfund receivable	2,746,404
Interest receivable	88,177
Total assets	\$ 43,171,400
Liabilities and Net Position	
Liabilities	
Accounts payable	\$ 7,663
Incurred but not reported claims	1,807,993
Benefits payable	1,471,945
Unearned revenue	4,909,687
Total liabilities	8,197,288
Net Position	
Unrestricted	34,974,112
Total liabilities and net position	\$ 43,171,400

Independent School District No. 271
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
Year Ended June 30, 2021

	Governmental Activities - Internal Service Funds
Operating Revenue	
Charges for services	\$ 25,597,905
District contribution	294,068
Total revenue	25,891,973
Operating Expenses	
Salaries and benefits	54,996
Employee benefits	24,197,931
Administrative	2,044,785
Total operating expenses	26,297,712
Operating income	(405,739)
Nonoperating Revenue	
Investment income	202,763
Income before transfers	(202,976)
Net Position	
Beginning of year, as previously stated	32,999,307
Prior period adjustment (See Note 11)	2,177,781
Beginning of year, as restated	35,177,088
End of year	\$ 34,974,112

Independent School District No. 271
Statement of Cash Flows - Proprietary Funds
As of June 30, 2021

	Governmental Activities - Internal Service Funds
Cash Flows - Operating Activities	
Receipts from employee contributions	\$ 25,477,881
Receipts from district contributions	363,468
Employee claims paid	(23,883,065)
Payments to employees	(349,064)
Payments to suppliers	(2,037,122)
Net cash flows - operating activities	(427,902)
 Cash Flows - Investment Activities	
Investment purchases	(1,262,038)
Interest received	374,212
Net cash flows - investment activities	(887,826)
 Net change in cash and cash equivalents	(1,315,728)
 Cash and Cash Equivalents	
Beginning of year, restated	28,600,300
 End of year	\$ 27,284,572
 Reconciliation of Operating Income to Net Cash Flows - Operating Activities	
Operating income	\$ (405,739)
Adjustments to reconcile operating income To net cash flows - operating activities	
Accounts payable	7,663
Benefits payable	69,400
Incurred but not reported dental claims	20,798
Accounts receivable	(105,527)
Interfund receivable	46,183
Unearned revenue	(60,680)
Net adjustments	(22,163)
Net cash flows - operating activities	\$ (427,902)

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Independent School District No. 271
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District operates under a school board form of government for the purpose of providing educational services to individuals within the District areas. The governing body consists of a seven member board elected by the voters of the District to serve four-year terms.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies.

A. Reporting Entity

The basic financial statements present the District and its component units. The District includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the District are financially accountable and are included within the basic financial statements of the District because of the significance of their operational or financial relationships with the District.

The District is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of services performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the District.

As a result of applying the component unit definition criteria above, it has been determined the District has no component units.

The student activity accounts of the District are under board control and are not reported separately.

B. Basic Financial Statement Information

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District.

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

Independent School District No. 271
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statement Information (Continued)

Depreciation expense that can be specifically identified by function is included in the direct expenses of that function. Depreciation expense relating to assets that serve multiple functions is presented as unallocated depreciation in the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. The effect of interfund activity has been removed from these statements.

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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 as follows:

1. Revenue Recognition

Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to *Minnesota Statutes* and accounting principles generally accepted in the United States of America. *Minnesota Statutes* include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within 60 days.

2. Recording of Expenditures

Expenditures are generally recorded when a liability is incurred. The exceptions to this general rule are that interest and principal expenditures in the Debt Service Fund, compensated absences, and claims and judgments are recognized when payment is due.

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor the constraints on the specific purpose for which amounts in these funds can be spent. If resources from more than one fund balance classification could be spent, the school will follow the approved district plan for each of the areas. If there is no plan, the District will strive to spend resources from fund balance classifications in the following order: restricted, committed, assigned, and unassigned.

Independent School District No. 271
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

2. Recording of Expenditures (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Internal Service Fund is employee and District contributions. Operating expenses for proprietary funds include claims paid and administrative expenses.

All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Amounts reported as program revenues include charges to customers or applicants for goods, services or privileges provided, operating grants and contributions, and capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Description of Funds:

Major Funds:

General Fund – This fund is the basic operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – This fund is used to account for the accumulation of resources for, and payment of, general obligation bond principal, interest, and related costs.

Capital Projects – Building Construction Fund – This fund is used to account for financial resources used for the acquisition or construction of major capital facilities funded with bond issues or special levies.

Nonmajor Funds:

Food Service Special Revenue Fund – This fund is used to account for food service revenues and expenditures.

Community Service Special Revenue Fund – This fund is used to account for services provided to residents in the areas of community education, school readiness, early childhood and family education, or other similar services.

OPEB Debt Service – This fund is used to account for the accumulation of resources for, and payment of, the 2009A OPEB Bonds and 2017B Taxable OPEB Refunding Bonds.

Proprietary Funds:

Internal Service Funds – These funds are used to account for self insured employee dental and medical costs and related stop loss insurance and retiree benefits and OPEB obligations.

Independent School District No. 271
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deposits and Investments

The District's total deposits and investments are comprised of two major components, each with its own set of legal and contractual provisions as described as follows.

All governmental, fiduciary, and proprietary funds of the District, except for the OPEB Fund, participate in a government-wide investment pool. Cash balances from these funds are combined and invested to the extent available in authorized investments. Earnings from such investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund. The investment pool of the District functions essentially as a demand account for all participating funds. All highly liquid investments with maturities of three months or less when purchased are considered to be cash equivalents. State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, and the State Investment Pool. Investments are stated at fair value.

The District's cash and cash equivalents in its OPEB Internal Service Fund are considered to be cash on hand, deposits, and highly liquid debt instruments purchased with original maturities of three months or less from the date of acquisition. For all other proprietary funds, the District maintains an internal investment pool; each fund's position in this pool is considered a cash equivalent.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments held by investment pools are measured at amortized cost.

In accordance with GASB Statement No. 79, the various MSDLAF and MNTrust securities are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the MSDLAF or MNTrust. Investments in the MSDLAF MAX must be deposited for a minimum of 14 calendar days with the exception of direct investments of funds distributed by the State of Minnesota. Withdrawals prior to the 14-day restriction period may be subject to a penalty and there is a 24 hour hold on all requests for redemptions. MSDLAF+ Term investments have a maturity of 60 days to one year and early withdrawal may result in substantial early redemption penalties. Seven days' notice of redemption is required for withdrawals of investments in the MNTrust Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption.

Interest is allocated among the funds based on the monthly cash balance.

E. Property Tax Receivable

Current property taxes receivable are recorded for taxes certified the previous December and collectible in the current calendar year, which have not been received by the District. Delinquent property taxes receivable represents uncollected taxes for the past six years, and are deferred and included in the deferred inflows of resources section of the fund financial statements as unavailable revenue because they are not available to finance the operations of the District in the current year.

Independent School District No. 271
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Property Taxes Levied for Subsequent Year's Expenditures

Property taxes levied for subsequent year's expenditures consist principally of property taxes levied in the current year which will be collected and recognized as revenue in the District's following fiscal year to properly match those revenues with the budgeted expenditures for which they were levied. This amount is equal to the amount levied by the School Board in December 2020, less various components and their related adjustments as mandated by the state. These portions of that levy were recognized as revenue in 2021. The remaining portion of the levy will be recognized when measurable and available.

G. Inventories

Inventories of commodities donated directly by the U.S. Department of Agriculture are recorded at market value. Other inventories are stated at cost as determined on a first-in, first-out (FIFO) basis. Inventories are recorded as expenditures when consumed rather than when purchased.

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are recorded as expenditures at the time of consumption.

I. Property Taxes

The District levies its property tax during the month of December. December 28 is the last day the District can certify a tax levy to the County Auditor. Such taxes become a lien on January 1. The property tax is recorded as revenue when it becomes measurable and available. County is the collecting agency for the levy and remit the collections to the District three times a year. The Tax levy notice is mailed in March with the first half of the payment due on May 15 and the second half due on October 15. Delinquent collections for November and December are received the following January.

A portion of property taxes levied is paid by the State of Minnesota through various tax credits, which are included in revenue from state sources in the basic financial statements.

J. Capital Assets

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements.

Capital assets are defined by the District as assets with an initial individual cost of more than \$4,000 and an estimated useful life in excess of one year. Such 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 costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets lives are not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purpose. Useful lives vary from 20 to 50 years for buildings and building improvements and 3 to 20 years for furniture and equipment.

Independent School District No. 271
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets (Continued)

Capital assets not being depreciated include land and construction in progress. The District does not possess any material amounts of infrastructure capital assets, such as sidewalks and parking lots. Such items are considered to be part of the cost of buildings or other improvable property.

K. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element 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 that time. The District has three items that qualify for reporting in this category. A deferred charge on refunding, deferred outflows of resources related to pensions, and deferred outflows of resources related to OPEB are reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows of resources related to pensions is recorded for various estimate differences that will be amortized and recognized over future years. Deferred outflows of resources related to OPEB is recorded for various estimate differences that will be amortized and recognized over future years.

In addition to liabilities, the Statement of Financial Position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has four types of items which qualify for reporting in this category. The first item, unavailable revenue from property taxes, arises under a modified accrual basis of accounting and is reported only in the Governmental Funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available. The second item is property taxes levied for subsequent years, which represent property taxes received or reported as a receivable before the period for which the taxes are levied, and is reported as a deferred inflow of resources in both the government-wide Statement of Net Position and the Governmental Funds Balance Sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied and in the governmental fund financial statements during the year for which they are levied, if available. Deferred inflows of resources related to pensions is recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years. Deferred inflows of resources related to OPEB is recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years.

L. 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 Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

Independent School District No. 271
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Long-Term Obligations (Continued)

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

M. Compensated Absences

The District compensates most full-time classified employees upon termination of employment for unused vacation up to a set maximum. At June 30, 2021, the District recorded a liability of \$1,471,945 for unused vacation in the Internal Service Fund. District employees are entitled to sick leave at various rates for each month of full-time service. Certain employees are compensated for unused sick leave upon termination of employment; unused sick leave also enters into the calculation of some employee's severance pay.

N. 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.

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis, and Minneapolis School District. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015.

O. Fund Equity

1. Classification

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

- Nonspendable Fund Balances – These are amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact and include inventory and prepaid items.
- Restricted Fund Balances – These are amounts that are restricted to specific purposes either by constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through enabling legislation.

Independent School District No. 271
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Fund Equity (Continued)

1. Classification (Continued)

- Committed Fund Balances – These are amounts that can only be used for specific purposes pursuant to constraints imposed by the School Board (highest level of decision making authority) through resolution.
- Assigned Fund Balances – The School Board delegates to the Superintendent, the authority to assign fund balances for specific purposes.
- Unassigned fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to a specific purpose in the General Fund.

If resources from more than one fund balance classification could be spent, the school will follow the approved district plan for each of the areas. If there is no plan, the District will strive to spend resources from fund balance classifications in the following order: restricted, committed, assigned, and unassigned.

2. Minimum Fund Balance Policy

The District will strive to maintain a General Fund unassigned minimum fund balance of 5% and a maximum of 8% of General Fund operating expenditures. When the District is projected to drop below its minimum fund balance, District administration shall initiate measures to either generate additional revenue or to reduce expenditures through a budget reduction plan, or a combination of both.

P. Net Position

Net Position represents the difference between assets and deferred outflows of resource; and liabilities and deferred inflows of resources in the government-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 government-wide financial statement when there are limitations on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Q. Use of Estimates

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

Independent School District No. 271
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Budgetary Information

The District follows these procedures in establishing the budgetary data reflected in the basic financial statements:

1. Prior to July 1, the Executive Director of Finance and Support Services submits to the School Board, a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. The Executive Director of Finance and Support Services is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the School Board.
3. Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue, Capital Projects, and Debt Service Funds.
4. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Budgets are as originally adopted or as amended by the School Board. Budgeted expenditure appropriations lapse at year-end.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

In accordance with applicable *Minnesota Statutes*, the District maintains deposits at depository banks authorized by the School Board.

Custodial Credit Risk – Deposits: The District has a policy in place to address custodial credit risk for deposits, stating all deposits will be invested at financial institutions that are members of the Federal Deposit Insurance Corporation (FDIC) system and be willing and capable of posting collateral, private insurance or letters of credit for funds in excess of FDIC insurable limits and in amounts required by the District. The District had certificates of deposit totaling \$21,059,316 at June 30, 2021 that were covered by FDIC insurance or collateral pledged.

Independent School District No. 271
Notes to Basic Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

As of June 30, 2021, the District had the following investments:

Investment	Weighted Average Maturities (in Years)	Fair Value	Moody's/ S&P Rating
Pooled Investments			
MSDLAF+ Liquid Class	N/A	\$ (1,052,664)	AAAm
MSDLAF+ Max Class	N/A	455,992	AAAm
Minnesota Trust Investment Shares	N/A	77,753,044	AAAm
Negotiable Certificates of Deposit	0.74	-	N/A
Term Series	0.07	15,000,000	AAAm
Limited Term Series	N/A	5,333,000	AAAm
Total pooled investments		97,489,372	
OPEB Investments			
Minnesota Trust Investment Shares	N/A	866,484	AAAm
Local Government Obligations	1.22	10,729,020	A3, Aa2
Total OPEB investments		11,595,504	
Capital Project Investments			
Minnesota Trust Investment Shares	N/A	1,461,377	AAAm
Local Governmental Obligations	0.05	496,310	AA, AA+
Term Series	0.07	9,000,000	AAAm
Total capital projects investments		10,957,687	
Total investments		\$ 120,042,563	

Interest Rate Risk: The District's investment policy states investments will be managed in a manner to attain market rate of return through various economic and budgetary cycles while preserving and protecting the capital in the investment portfolio and taking into account constraints on risk and cash flow requirements.

Credit Risk: The District's policy states it may invest in any type of security allowed by *Minnesota Statutes* with limits. In addition, commercial paper must be rated at the highest classifications by two of the four nationally recognized rating services.

Independent School District No. 271
Notes to Basic Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Concentration of Credit Risk: The District's investment policy states investments shall be diversified by limiting investments to avoid over concentration in securities from a specific issuer or business sector, limiting investments in securities that have higher credit risks, investing in securities with varying maturities and continuously investing a portion of the portfolio in readily available funds to ensure appropriate liquidity is maintained in order to meet ongoing obligations. The policy does not state the maximum percentage of the District's investment portfolio that may be invested in a single type of investment instrument.

Custodial Credit Risk – Investments: The District's investment policy states all investment securities shall be held in third party safekeeping by an institution designated as custodial agent. For an investment, this is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District has the following recurring fair value measurements as of June 30, 2021:

- Investments of \$16,558,330 are significant other observable inputs (Level 2 inputs)

C. Deposits and Investments

Summary of cash, deposits, and investments as of June 30, 2021:

Deposits	\$ 21,059,316
Investments (Note 3.B.)	120,042,563
Petty cash	<u>2,100</u>
 Total deposits and investments	 <u><u>\$ 141,103,979</u></u>

Cash, deposits, and investments are presented in the June 30, 2021, basic financial statements as follows:

Statement of Net Position	
Cash and investments	<u><u>\$ 141,103,979</u></u>

NOTE 3 – INTERFUND TRANSACTIONS

A. Interfund Transfers

	<u>Transfers in</u>
	Other
	<u>Nonmajor</u>
Transfers out	
General Fund	\$ 340,020

Independent School District No. 271
Notes to Basic Financial Statements

NOTE 3 – INTERFUND TRANSACTIONS (CONTINUED)

A. Interfund Transfers (Continued)

Transfers of \$340,020 were made from the General Fund to the other nonmajor funds to subsidize certain costs at the Pond and Southwood Early Learning Centers (\$324,280) along with Food Service balances (\$15,740).

B. Interfund Receivable/Payable

	Interfund Payable		
	General	Other Nonmajor	Total
Interfund receivable			
Internal service fund	\$ 2,532,289	\$ 214,115	\$ 2,746,404

An interfund receivable/payable was established to present July and August dental and health insurance premiums withheld and owed to the Internal Service Funds.

Independent School District No. 271
Notes to Basic Financial Statements

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021, follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land and land improvements	\$ 2,085,954	\$ -	\$ -	\$ 2,085,954
Construction in progress	17,516,862	-	17,516,862	-
Total capital assets not being depreciated	<u>19,602,816</u>	<u>-</u>	<u>17,516,862</u>	<u>2,085,954</u>
Capital assets being depreciated				
Buildings and building Improvements, furniture, and equipment	256,685,390	23,578,598	-	280,263,988
Total capital assets being depreciated	<u>15,596,885</u>	<u>828,067</u>	<u>246,927</u>	<u>16,178,025</u>
	<u>272,282,275</u>	<u>24,406,665</u>	<u>246,927</u>	<u>296,442,013</u>
Less accumulated Depreciation for				
Buildings and building improvements	146,806,866	8,980,589	-	155,787,455
Furniture and equipment	11,562,927	1,329,586	246,927	12,645,586
Total accumulated depreciation	<u>158,369,793</u>	<u>10,310,175</u>	<u>246,927</u>	<u>168,433,041</u>
Total capital assets being depreciated, net	<u>113,912,482</u>	<u>14,096,490</u>	<u>-</u>	<u>128,008,972</u>
Governmental activities, capital assets, net	<u>\$ 133,515,298</u>	<u>\$ 14,096,490</u>	<u>\$ 17,516,862</u>	<u>\$ 130,094,926</u>

Independent School District No. 271
Notes to Basic Financial Statements

NOTE 4 – CAPITAL ASSETS (CONTINUED)

Depreciation expense for the year ended June 30, 2021, was charged to the following functions:

Administration	\$	1,072
District support services		801
Elementary and secondary regular instruction		54,696
Special education instruction		730
Community service		13,263
Instructional support		32,398
Pupil support		498,281
Food service		30,449
Unallocated		9,678,485
Total depreciation expense	\$	10,310,175

NOTE 5 – LONG-TERM DEBT

A. Components of Long-Term Liabilities

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One Year
Long-term liabilities						
G.O. bonds including						
Refunding bonds						
2013A Alternative Facilities Bonds	06/04/13	3.00%-5.00%	\$ 16,275,000	02/01/34	\$ 16,175,000	\$ -
2014A School Refunding Bonds	12/30/14	1.08%	23,490,000	02/01/20	-	-
2014B Alternative Facilities Bonds	12/30/14	3.47%	25,965,000	02/01/38	25,965,000	-
2015A School Refunding Bonds	12/30/15	2.00-5.00%	29,390,000	02/01/24	20,630,000	8,785,000
2017A Facility Maintenance Bonds	03/23/17	3.375-4.00%	24,915,000	02/01/41	24,915,000	-
2017B Taxable Refunding OPEB Bonds	03/23/17	0.85-2.70%	11,470,000	02/01/25	10,510,000	105,000
2019A Facility Maintenance Bonds	03/14/19	3.00-5.00%	23,935,000	02/01/42	23,935,000	-
2020A Facility Maintenance Bonds	09/03/20	1.00-2.00%	23,935,000	02/01/42	27,205,000	-
Build America Bonds	09/29/10	6.15%	600,000	05/15/22	66,750	66,750
Total G.O. bonds					149,401,750	8,956,750
Unamortized bond premiums					4,930,529	
Other long-term liabilities						
Compensated absences payable					1,471,945	147,195
Severance payable					286,370	28,637
Total long-term liabilities					\$ 156,090,594	\$ 9,132,582

The long-term bond liabilities listed above were issued to finance the acquisition, construction, and refurbishing of School facilities, purchase capital assets, refinance (refund) previous bond issues or to finance the District's OPEB obligation.

Independent School District No. 271
Notes to Basic Financial Statements

NOTE 5 – LONG-TERM DEBT (CONTINUED)

A. Components of Long-Term Liabilities (Continued)

Bonds will be retired with assets from the Debt Service Funds while the compensated absences and severance liabilities will be liquidated by the General and Internal Service Funds.

B. Minimum Debt Payments for Bonds and Loans

Year Ending June 30,	G.O. Bonds			Build America Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 8,890,000	\$ 5,162,858	\$ 14,052,858	\$ 66,750	\$ 3,095	\$ 69,845
2023	8,820,000	4,523,566	13,343,566	-	-	-
2024	9,390,000	4,085,426	13,475,426	-	-	-
2025	7,930,000	3,771,099	11,701,099	-	-	-
2026	6,725,000	3,581,769	10,306,769	-	-	-
2027-2031	33,370,000	10,397,444	43,767,444	-	-	-
2032-2036	34,820,000	10,398,964	45,218,964	-	-	-
2037-2041	38,990,000	4,307,338	43,297,338	-	-	-
2042	400,000	14,000	414,000	-	-	-
Total	<u>\$ 149,335,000</u>	<u>\$ 46,242,464</u>	<u>\$ 195,577,464</u>	<u>\$ 66,750</u>	<u>\$ 3,095</u>	<u>\$ 69,845</u>

C. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance
Long-term liabilities				
G.O. Bonds	\$ 130,325,000	\$ 27,205,000	\$ 8,195,000	\$ 149,335,000
Build America Bonds	129,576	-	62,826	66,750
Unamortized bond premiums	3,576,385	1,850,183	496,039	4,930,529
Compensated absence payable	1,402,545	978,816	909,416	1,471,945
Severance benefits payable	343,699	-	57,329	286,370
Total long-term liabilities	<u>\$ 135,777,205</u>	<u>\$ 30,033,999</u>	<u>\$ 9,720,610</u>	<u>\$ 156,090,594</u>

NOTE 6 – 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.

Fund Equity

Fund equity balances are classified as follows to reflect the limitations and restrictions of the respective funds.

A. Restricted/Reserved Fund Equity

Restricted/Reserved for Student Activities – This balance represents available resources to be used for the extracurricular activity funds raised by the students.

Independent School District No. 271
Notes to Basic Financial Statements

NOTE 6 – FUND BALANCES (CONTINUED)

A. Restricted/Reserved Fund Equity (Continued)

Restricted/Reserved for Scholarships – This balance represents available resources for the scholarship funds.

Restricted/Reserved for Capital Projects Levy – This balance represents available resources from the capital projects levy to be used for building construction. All interest income attributable to the capital projects levy must be credited to this account.

Restricted/Reserved for Operating Capital – This balance represents available resources in the General Fund to be used to purchase equipment and facilities.

Restricted/Reserved for Medical Assistance – This balance represents available resources to be used for medical assistance expenditures (*Minnesota Statutes* 125A.21, subd. 3).

Restricted/Reserved for State Approved Alternative Programs – Per *Minnesota Statutes*, section 123.05, subd. 2, each district that is a member of a state approved alternative learning program must restrict/reserve revenue in an amount equal to the sum of (1) at least 90 and no more than 100 percent of the district average General Education Revenue per adjusted pupil unit minus an amount equal to the product of the formula allowance according to section 126.10 subd. 2, times .0466, calculated without basic skills revenue, local optional revenue, and transportation sparsity revenue, times the number of pupil units attending a state-approved public alternative program, plus (2) the amount of basic skills revenue generated by pupils attending the alternative learning program.

Restricted/Reserved for Long-Term Facilities Maintenance (LTFM) – This balance represents available resources to be used for LTFM projects in accordance with the 10-year plan (*Minnesota Statutes* 123B.595, subd. 12).

Restricted for Debt Service – This balance represents the resources available for the payment of general obligation bond principal, interest, and related costs.

Restricted for Food Service – This balance represents the accumulation of the activity to provide the food service program.

Restricted/Reserved for Community Education – This balance represents the resources available to provide programming such as: nonvocational, recreational and leisure time activities, programs for adults with disabilities, noncredit summer programs, adult basic education programs, youth development and youth service programming, early childhood and family education, and extended day programs.

Restricted/Reserved for Adult Basic Education – This account will represent the balance of carryover monies for all activity involving adult basic education.

Restricted/Reserved for Early Childhood and Family Education – This balance represents the resources available to provide for services for early childhood and family education programming.

Independent School District No. 271
Notes to Basic Financial Statements

NOTE 6 – FUND BALANCES (CONTINUED)

A. Restricted/Reserved Fund Equity (Continued)

Restricted/Reserved for School Readiness – This balance represents the resources available to provide for services for school readiness programs (*Minnesota Statutes 124D.16*).

B. Committed Fund Equity

Committed for Wellness – This balance represents resources committed for employee wellness programs.

Committed for Uniform and Instrument Replacement – This balance represents resources committed to purchase high school uniforms and future instrument replacement.

Committed for Athletic Activities – This balance represents unspent athletic and activities dollars to differentiate between athletics and activities and K-12 operating funding.

Committed for Site Department Carryover Funds – This balance represents resources committed for budget carryovers from the prior year.

Committed for Staff Development – This balance represents unspent staff development revenues set aside from general education revenue.

Committed for Donations – This balance represents unspent donations set aside from general revenue.

C. Government-Wide Restrictions

Net position restricted for "Other Purposes" are comprised of the total General Fund restricted fund balances, the Food Service Fund and Community Service Fund balances.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

The District participates in various pension plans, total pension expense for the year ended June 30, 2021, was \$16,506,791. The components of pension expense are noted in the following plan summaries.

The General Fund typically liquidates the Liability related to the pensions.

Teachers' Retirement Association

A. Plan Description

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

**Independent School District No. 271
Notes to Basic Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

B. Benefits Provided

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

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

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

Tier I Benefits

Tier 1	Step Rate Formula	Percentage
Basic	First ten years of service	2.2% per year
	All years after	2.7% per year
Coordinated	First ten years if service years are up to July 1, 2006	1.2% per year
	First ten years if service years are July 1, 2006, or after	1.4% per year
	All other years of service if service years are up to July 1, 2006	1.7% per year
	All other years of service if service years are July 1, 2006, or after	1.9% per year

With these provisions:

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

**Independent School District No. 271
Notes to Basic Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

Tier II Benefits

For years of service prior to July 1, 2006, a level formula of 1.7% per year for coordinated members and 2.7% per year for basic members is applied. 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.

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

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

C. Contribution Rate

Per *Minnesota Statutes*, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year ended June 30, 2019, June 30, 2020, and June 30, 2021, were:

	<u>June 30, 2019</u>		<u>June 30, 2020</u>		<u>June 30, 2021</u>	
	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>
Basic	11.0%	11.71%	11.0%	11.92%	11.0%	12.13%
Coordinated	7.5%	7.71%	7.5%	7.92%	7.5%	8.13%

Independent School District No. 271
Notes to Basic Financial Statements

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

C. Contribution Rate (Continued)

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

Employer contributions reported in TRA's ACFR Statement of Changes in Fiduciary Net Position	\$ 425,223
Deduct employer contributions not related to future contribution efforts	(56)
Deduct TRA's contributions not included in allocation	<u>(508)</u>
Total employer contributions	424,659
Total non-employer contributions	<u>35,587</u>
Total contributions reported in Schedule of Employer and Non-Employer Allocations	<u><u>\$ 460,246</u></u>

Amounts reported in the allocation schedules may not precisely agree with basic financial statement amounts or actuarial valuations due to the number of decimal places used in the allocations. TRA has rounded percentage amounts to the nearest ten thousandths.

**Independent School District No. 271
Notes to Basic Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information

Valuation date	July 1, 2020
Experience study	June 5, 2015
	November 6, 2017, (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	7.50%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028, and 3.25% thereafter
Projected salary increase	2.85% to 8.85% before July 1, 2028, and 3.25% to 9.25% thereafter
Cost of living adjustment	1.0% for January 2020 through January 2023, then increasing by 0.1% each year up to 1.5% annually.

Mortality Assumptions

Pre-retirement	RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.
Post-retirement	RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projections uses the MP 2015 scale.
Post-disability	RP 2014 disabled retiree mortality table, without adjustment.

Independent School District No. 271
Notes to Basic Financial Statements

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	35.5 %	5.10 %
International equity	17.5	5.30
Private markets	25.0	5.90
Fixed income	20.0	0.75
Unallocated cash	2.0	0.00
Total	<u>100 %</u>	

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

Changes in actuarial assumptions and methods for the July 1, 2020, valuation:

- Assumed termination rates were changed to more closely reflect actual experience.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back five years, and female rates set back seven years. Generational projection uses the MP 2015 scale.
- Assumed form of annuity election proportions were changed to more closely reflect actual experience for female retirees.

**Independent School District No. 271
Notes to Basic Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

E. Discount Rate

The discount rate used to measure the total pension liability was 7.5%. There was no change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 2020 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

F. Net Pension Liability

On June 30, 2021, the District reported a liability of \$99,023,160 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. District proportionate share was 1.3403% at the end of the measurement period and 1.3294% for the beginning of the year.

The pension liability amount reflected a reduction due to direct aid provided to TRA. The amount recognized by the District as its proportionate share of the net pension liability, the direct aid and total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of net pension liability	\$ 99,023,160
State's proportionate share of the net pension liability associated with the district	8,298,307

Independent School District No. 271
Notes to Basic Financial Statements

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)

For the year ended June 30, 2021, the District recognized pension expense of \$15,557,702. Included in this amount, the District recognized \$760,181 as pension expense for the support provided by direct aid.

On June 30, 2021, the District had deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,985,815	\$ 1,445,644
Net difference between projected and actual earnings on plan investments	1,830,687	-
Changes of assumptions	33,365,698	80,928,515
Changes in proportion	6,819,316	1,088,069
Contributions to TRA subsequent to the measurement date	6,354,114	-
Total	\$ 50,355,630	\$ 83,462,228

\$6,354,114 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

Other amounts reported as deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2022	\$ 2,276,436
2023	(26,795,420)
2024	(17,719,890)
2025	2,550,294
2026	527,868
Total	\$ (39,160,712)

**Independent School District No. 271
Notes to Basic Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

G. Pension Liability Sensitivity

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percent lower (6.5%) and 1 percent higher (8.5%) than the current rate.

District proportionate share of NPL		
1% Decrease in Discount Rate (6.50%)	Current Discount Rate (7.50%)	1% Increase in Discount Rate (8.50%)
\$ 151,603,410	\$ 99,023,160	\$ 55,699,691

The District's proportion of the net pension liability was based on the employer contributions to TRA in relation to TRA's total employer contributions including direct aid contributions from the State of Minnesota, City of Minneapolis, and Minneapolis School District.

H. Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in a separately-issued TRA financial report. That can be obtained at www.MinnesotaTRA.org, or by writing to TRA at 60 Empire Drive, Suite 400, St. Paul, MN, 55103-4000, or by calling (651) 296-2409 or (800) 657-3669.

Public Employees' Retirement Association

A. Plan Description

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

General Employees Retirement Plan

The General Employees Retirement Plan covers certain full time and part time employees of the District. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

B. Benefits Provided

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

Independent School District No. 271
Notes to Basic Financial Statements

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

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 annuity accrual rate for a Coordinated Plan member is 1.2% for each of the first 10 years of service 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% 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.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1.0% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2021 and the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2021, were \$2,070,908. The District's contributions were equal to the required contributions as set by state statute.

**Independent School District No. 271
Notes to Basic Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs

General Employees Fund Pension Costs

At June 30, 2021, the District reported a liability of \$25,037,028 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$772,094. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.4176% at the end of the measurement period and 0.4024% for the beginning of the period.

District's proportionate share of net pension liability	\$ 25,037,028
State's proportionate share of the net pension liability associated with the District	<u>772,094</u>
Total	<u><u>\$ 25,809,122</u></u>

For the year ended June 30, 2021, the District recognized pension expense of \$949,089 for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized \$67,196 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At June 30, 2021, the District reported its proportionate share of deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources as listed on the following page.

**Independent School District No. 271
Notes to Basic Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 219,719	\$ 94,728
Changes in actuarial assumptions	-	901,777
Difference between projected and actual investments earnings	516,972	-
Change in proportion	940,945	260,145
Contributions paid to PERA subsequent to the measurement date	2,070,908	-
Total	\$ 3,748,544	\$ 1,256,650

The \$2,070,908 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense
2022	\$ (1,240,488)
2023	371,824
2024	684,748
2025	604,902
Total	\$ 420,986

E. Actuarial Assumptions

The total pension liability in the June 30, 2020, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.50 % Per year
Active member payroll growth	3.25 % Per year
Investment rate of return	7.50 %

Independent School District No. 271
Notes to Basic Financial Statements

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on the Pub-2010 General Employee Mortality table. Cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year.

Actuarial assumptions used in the June 30, 2020, valuation was based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020, actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2020:

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was change from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

- Augmentation or current privatized members was reduced to 2.0% for the period July 1, 2020, through December 31, 2023, and 0.0% thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

Independent School District No. 271
Notes to Basic Financial Statements

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Actuarial Assumptions (Continued)

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

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

<u>Asset Class</u>	<u>Final Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic stocks	35.5 %	5.10 %
International stocks	17.5	5.30
Bonds (fixed income)	20.0	0.75
Alternative assets (private markets)	25.0	5.90
Cash	2.0	0.00
Total	<u>100 %</u>	

F. Discount Rates

The discount rate used to measure the total pension liability in 2020 was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

The following table presents the District's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	<u>1% Decrease in Discount Rate (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase in Discount Rate (8.5%)</u>
District's proportionate share of the PERA net pension liability	\$ 40,125,672	\$ 25,037,028	\$ 12,590,110

**Independent School District No. 271
Notes to Basic Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

G. Pension Liability Sensitivity

The following table presents the District's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.5%)	Current Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
District's proportionate share of the PERA net pension liability	\$ 40,125,672	\$ 25,037,028	\$ 12,590,110

H. Pension Plan Fiduciary Net Position

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

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

The District's defined benefit OPEB plan provides a single-employer defined benefit health care plan to eligible retirees. The plan offers medical coverage. Medical coverage is administered by Corporate Health. It is the District's policy to periodically review its medical coverage and to obtain requests for proposals in order to provide the most favorable benefits and premiums for District employees and retirees. No assets are acclimated in a trust.

B. Benefits Provided

The District provides benefits to certain employees and retirees based on different bargaining groups. The General Fund, Food Service Fund and Community Service Fund typically liquidate the Liability related to OPEB.

C. Contributions

Retirees contribute to the health care plan at the same rate as District employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the District, based on the contract terms with Corporate Health. The required contributions are based on projected pay-as-you-go financing requirements. For the year 2021, the District contributed \$641,854 to the plan.

Independent School District No. 271
Notes to Basic Financial Statements

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

D. Members

As of June 30, 2020, the following were covered by the benefit terms:

Active employees electing coverage	1,439
Active employees waiving coverage	446
Retirees electing coverage	22
Total	1,907

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

Discount Rate	2.45%
Expected Return	n/a
Inflation	2.25%
Healthcare cost trend increases	6.7% initially, decreasing over several decades to an ultimate rate of 3.8%
Mortality Assumption	RP-2014 mortality tables with projected mortality improvements based on Scale MP-2015 and other adjustments (Teachers) Pub-2010 general mortality tables with projected mortality improvements based on Scale MP-2019 and other adjustments (Non-Teachers)

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period July 1, 2018 – June 30, 2019.

Actuary's assumption changes

- The discount rate was changed from 3.13% to 2.45% based on updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations, including the repeal of the Affordable Care Act's Excise Tax on high-cost health insurance plans.
- Medical per capita claims costs were updated to reflect recent experience and new plan offerings, including an adjustment to reflect age/gender based risk scores published by the Society of Actuaries.
- Withdrawal, retirement, mortality, and salary increase rates were updated from the rates used in the 7/1/2018 PERA General Employees Plan and 7/1/2018 Teachers Retirement Association valuations to the rates used in the 7/1/2020 valuations.

Independent School District No. 271
Notes to Basic Financial Statements

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

E. Actuarial Assumptions (Continued)

Actuary's assumption changes (Continued)

- The percent of future retirees eligible for a flat-dollar medical explicit subsidy assumed to elect coverage at retirement changed from 50% to 40% to reflect recent plan experience.
- The percent of future retirees not eligible for a medical explicit subsidy assumed to elect coverage at retirement changed from 10% to 5% to reflect recent plan experience.
- The percent of future retirees assumed to elect spouse coverage at retirement changed from 40% to 30% to reflect recent plan experience.
- The inflation assumption was changed from 2.50% to 2.25% based on an updated historical analysis of inflation rates and forward-looking market expectations.

F. Total OPEB Liability

The District's total OPEB liability of \$9,731,041 was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date.

Changes in the total OPEB liability are as follows:

	<u>Total OPEB Liability</u>
Balances at June 30, 2020	<u>\$ 12,196,862</u>
Changes for the year	
Service cost	919,388
Interest	400,494
Differences between expected and actual economic experience	(823,816)
Changes in assumptions	(2,320,033)
Benefit payments	(641,854)
Net changes	<u>(2,465,821)</u>
Balances at June 30, 2021	<u><u>\$ 9,731,041</u></u>

G. OPEB Liability Sensitivity

The following presents the District's total OPEB liability calculated using the discount rate of 2.45% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

	<u>1% Decrease in Discount Rate (1.45%)</u>	<u>Current Discount Rate (2.45%)</u>	<u>1% Increase in Discount Rate (3.45%)</u>
Total OPEB liability (asset)	\$ 10,285,015	\$ 9,731,041	\$ 9,182,202

Independent School District No. 271
Notes to Basic Financial Statements

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

G. OPEB Liability Sensitivity (Continued)

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower and 1% higher than the current healthcare cost trend rates.

	1% decrease (5.7% decreasing to 2.8%)	Current (6.7% decreasing to 3.8%)	1% increase (7.7% decreasing to 4.8%)
Total OPEB liability (asset)	\$ 8,951,326	\$ 9,731,041	\$ 10,654,924

**H. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to OPEB**

For the year ended June 30, 2021, the District recognized OPEB expense of \$825,275. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	\$ -	\$ -
Differences between expected and actual liability	-	1,010,974
Changes of assumptions	258,212	2,668,013
Contributions made subsequent to measurement date	669,492	-
Total	\$ 927,704	\$ 3,678,987

\$669,492 reported as deferred outflows of resources related to OPEB resulting from District contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

Independent School District No. 271
Notes to Basic Financial Statements

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

**H. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
 Related to OPEB (Continued)**

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

Year Ending December 31,	Total
2022	\$ (494,607)
2023	(494,607)
2024	(494,607)
2025	(494,607)
2026	(494,607)
Thereafter	(947,737)
Total	\$ (3,420,772)

NOTE 9 – CONTINGENCIES

Program Compliance

Federal and state program activities are subject to financial and compliance regulation. To the extent any expenditures are disallowed or other compliance features are not met, a liability to the respective grantor agencies could result.

NOTE 10 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance to address these risks. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in insurance coverage from the past year.

On July 1, 1993, the District began to self-insure for dental insurance. Under this program, the fund provides up to a maximum of \$1,200 for each dental care claim. The General, Food Service, Community Service, and Agency Funds of the District participate in the program and make payments to the Dental Insurance Internal Service Fund. Based on the requirements of GASB Statement No. 10, a liability is reported if information prior to the issuance of the basic financial statements indicates that it is probable that a liability has been incurred at the date of the basic financial statements and the amount of the loss can be reasonably estimated.

Independent School District No. 271
Notes to Basic Financial Statements

NOTE 10 – RISK MANAGEMENT (CONTINUED)

Payments are made based on actuarial estimates of the amounts needed to pay claims. The Dental Insurance Internal Service Fund includes a reserve of \$1,198,686 for catastrophe losses. The total claims liability reported in the Fund at June 30, 2021, is \$47,993 and include amounts for known claims and for estimated incurred but not reported claims. These estimates are determined based on the probability that a loss has occurred and the amount of the loss can be reasonably estimated.

Changes in the Fund's claims liability amounts for the past three years were as follows:

	Balance Beginning of Year	Claims, Expense, and Estimates	Claims Payments	Balance End of Year
2018-2019	\$ 27,000	\$ 1,236,026	\$ (1,234,026)	\$ 29,000
2019-2020	29,000	1,117,841	(1,119,646)	27,195
2020-2021	27,195	1,296,660	(1,275,862)	47,993

During 2010, the District began to self-insure for health benefits. A stop-loss policy was purchased that limits the District's loss to \$200,000 at which point the reinsurance coverage is available. The District also has aggregate stop-loss coverage in place which limits the District's liability to 125% of the prior year's claims. Settled claims have not exceeded this commercial coverage in any of the past three years.

The General, Food Service, Community Service, and Agency Funds of the District participate in the program and make payments to the Self Insured Medical Benefits Internal Service Fund. Based on the requirements of GASB Statement No. 10, a liability is reported if information prior to the issuance of the basic financial statements indicates that it is probable that a liability has been incurred at the date of the basic financial statements and the amount of the loss can be reasonably estimated. Participants in the program make premium payments to the fund based on the insurance premium. The Self Insured Medical Benefits Internal Service Fund does not include a reserve for catastrophe losses. The total claims liability reported in the Fund at June 30, 2021, is \$1,760,000 and include amounts for known claims and for estimated incurred but not reported claims. These estimates are determined based on the probability that a loss has occurred and the amount of the loss can be reasonably estimated.

Changes in the Fund's claims liability amounts for the past three years were as follows:

	Balance, Beginning of Year	Claims, Expense and Estimates	Claims Payments	Balance, End of Year
2018-2019	\$ 1,760,000	\$ 16,606,209	\$ (16,606,209)	\$ 1,760,000
2019-2020	1,760,000	18,350,611	(18,350,611)	1,760,000
2020-2021	1,760,000	22,607,203	(22,607,203)	1,760,000

Independent School District No. 271
Notes to Basic Financial Statements

NOTE 11 – PRIOR PERIOD ADJUSTMENTS

For the year ended June 30, 2021, prior period adjustments were required to adjust beginning net position for proprietary funds to correct prior year misstatements. Beginning net position was adjusted for the following prior year misstatements, an increase of \$2,177,781 as cash and cash equivalents was understated.

NOTE 12 – GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 87, Leases establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement will be effective for the year ending June 30, 2022.

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REQUIRED SUPPLEMENTARY INFORMATION

Independent School District No. 271
Schedule of Changes in Total OPEB Liability
and Related Ratios

	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>
Total OPEB Liability				
Service cost	\$ 1,004,898	\$ 968,403	\$ 807,734	\$ 919,388
Interest	341,865	428,159	424,983	400,494
Differences between expected and actual experience	-	(437,742)	-	(823,816)
Changes of assumptions	(429,969)	(586,402)	337,784	(2,320,033)
Benefit payments	<u>(902,286)</u>	<u>(590,516)</u>	<u>(611,558)</u>	<u>(641,854)</u>
Net change in total OPEB liability	<u>14,508</u>	<u>(218,098)</u>	<u>958,943</u>	<u>(2,465,821)</u>
Beginning of year	<u>11,441,509</u>	<u>11,456,017</u>	<u>11,237,919</u>	<u>12,196,862</u>
End of year	<u>\$ 11,456,017</u>	<u>\$ 11,237,919</u>	<u>\$ 12,196,862</u>	<u>\$ 9,731,041</u>
Covered payroll	\$ 87,324,967	\$ 95,356,875	\$ 96,344,843	\$ 96,512,871
Total OPEB liability as a percentage of covered-	13.1%	11.8%	12.7%	10.1%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Independent School District No. 271
Schedule of District's and Non-Employer Proportionate Share
(if Applicable) of Net Pension Liability
Last Ten Years General Employees Retirement Fund

For Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.4741%	\$ 22,270,843	\$ -	\$ 22,270,843	\$ 24,890,469	89.5%	78.7%
2016	0.4521%	23,430,168	-	23,430,168	26,129,960	89.7%	78.2%
2017	0.4216%	34,231,829	447,074	34,678,903	26,160,187	132.6%	68.9%
2018	0.4075%	26,014,531	327,077	26,341,608	26,249,387	100.4%	75.9%
2019	0.3912%	21,702,172	711,813	22,413,985	26,290,387	85.3%	79.5%
2020	0.4024%	22,247,795	691,470	22,939,265	28,479,147	80.5%	80.2%
2021	0.4176%	25,037,028	772,094	25,809,122	29,783,587	86.7%	79.1%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Schedule of District's and Non-Employer Proportionate Share
(if Applicable) of Net Pension Liability
Last Ten Years TRA Retirement Fund

For Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	1.3465%	\$ 62,045,751	\$ 4,364,762	\$ 66,410,513	\$ 61,461,929	100.9%	81.5%
2016	1.3409%	82,947,927	10,174,529	93,122,456	68,056,160	121.9%	76.8%
2017	1.2585%	300,182,278	30,130,021	330,312,299	65,462,973	458.6%	44.9%
2018	1.2555%	250,620,575	24,227,300	274,847,875	67,587,093	370.8%	51.6%
2019	1.3098%	82,268,864	7,729,497	89,998,361	72,366,120	113.7%	78.1%
2020	1.3294%	84,736,235	7,498,653	92,234,888	75,471,855	112.3%	78.2%
2021	1.3403%	99,023,160	8,298,307	107,321,467	77,886,376	127.1%	75.5%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

**Independent School District No. 271
Schedule of District Contributions
General Employees Retirement Fund
Last Ten Years**

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	\$ 1,804,559	\$ 1,804,559	\$ -	\$ 24,890,469	7.25%
2015	1,959,747	1,959,747	-	26,129,960	7.50%
2016	1,962,014	1,962,014	-	26,160,187	7.50%
2017	1,968,704	1,968,704	-	26,249,387	7.50%
2018	1,971,779	1,971,779	-	26,290,387	7.50%
2019	2,135,936	2,135,936	-	28,479,147	7.50%
2020	2,233,769	2,233,769	-	29,783,587	7.50%
2021	2,070,908	2,070,908	-	27,612,107	7.50%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

**Schedule Of District Contributions
TRA Retirement Fund
Last Ten Years**

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	\$ 4,302,335	\$ 4,302,335	\$ -	\$ 61,461,929	7.00%
2015	5,104,212	5,104,212	-	68,056,160	7.50%
2016	4,909,723	4,909,723	-	65,462,973	7.50%
2017	5,069,032	5,069,032	-	67,587,093	7.50%
2018	5,427,459	5,427,459	-	72,366,120	7.50%
2019	5,818,880	5,818,880	-	75,471,855	7.71%
2020	6,168,601	6,168,601	-	77,886,376	7.92%
2021	6,354,114	6,354,114	-	80,228,712	7.92%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Independent School District No. 271
Notes to the Required Supplementary Information

TRA Retirement Fund

2020 Changes

Changes in Actuarial Assumptions

- Assumed termination rates were changed to more closely reflect actual experience.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP 2015 scale.
- Assumed form of annuity election proportions were changed to more closely reflect actual experience for female retirees.

2019 Changes

Changes in Actuarial Assumptions

- None

2018 Changes

Changes in Actuarial Assumptions

- The discount rate was increased to 7.5% from 5.12%.
- The cost of living adjustment (COLA) was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019, and ending July 1, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to 0.0% 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 was reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017 Changes

Changes in Actuarial Assumptions

- The discount rate was increased to 5.12% from 4.66%.
- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5% but remain at 2.0% for all future years.

Independent School District No. 271
Notes to the Required Supplementary Information

TRA Retirement Fund (Continued)

2017 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 2.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for ten years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

2016 Changes

Changes in Actuarial Assumptions

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

2015 Changes

Changes of Benefit Terms

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

Changes in Actuarial Assumptions

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

Independent School District No. 271
Notes to the Required Supplementary Information

General Employees Fund

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023, and 0.0% thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from \$31 million to \$21 million per year. The State's special funding contribution was changed prospectively, requiring \$16 million due per year through 2031.

2018 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

Independent School District No. 271
Notes to the Required Supplementary Information

General Employees Fund (Continued)

2018 Changes (Continued)

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age. Does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

Changes in Plan Provisions

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

2016 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, the inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

Independent School District No. 271
Notes to the Required Supplementary Information

General Employees Fund (Continued)

2015 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

Changes in Plan Provisions

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

Independent School District No. 271
Notes to the Required Supplementary Information

Post Employment Health Care Plan

No assets are acclimated in a trust.

2020 Changes

- The discount rate was changed from 3.13% to 2.45% based on updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations, including the repeal of the Affordable Care Act's Excise Tax on high-cost health insurance plans.
- Medical per capita claims costs were updated to reflect recent experience and new plan offerings, including an adjustment to reflect age/gender based risk scores published by the Society of Actuaries.
- Withdrawal, retirement, mortality, and salary increase rates were updated from the rates used in the 7/1/2018 PERA General Employees Plan and 7/1/2018 Teachers Retirement Association valuations to the rates used in the 7/1/2020 valuations.
- The percent of future retirees eligible for a flat-dollar medical explicit subsidy assumed to elect coverage at retirement changed from 50% to 40% to reflect recent plan experience.
- The percent of future retirees not eligible for a medical explicit subsidy assumed to elect coverage at retirement changed from 10% to 5% to reflect recent plan experience.
- The percent of future retirees assumed to elect spouse coverage at retirement changed from 40% to 30% to reflect recent plan experience.
- The inflation assumption was changed from 2.50% to 2.25% based on an updated historical analysis of inflation rates and forward-looking market expectations.

2019 Changes

- The discount rate decreased from 3.62% in 2018 to 3.13% in 2019 based on updated 20-year municipal bond rates.

2018 Changes

- Healthcare trend rates were reset to reflect updated cost increase expectations, including an adjustment to reflect the impact of the Affordable Care Act's Excise Tax on high-cost health insurance plans.
- Medical per capita claims costs were updated to reflect recent experience.
- Mortality and salary increase rates were updated from the rates used in the 7/1/2015 PERA General Employees Retirement Plan and 7/1/2015 Teachers Retirement Association valuations to the rates used in the 7/1/2018 valuations.
- The percent of future retirees not eligible for a direct subsidy assumed to elect coverage at retirement changed from 20% to 10% to reflect recent plan experience.
- The inflation assumption was changed from 2.75% to 2.50% based on an updated historical analysis of inflation rates and forward-looking market expectations.
- The discount rate used to measure the total OPEB liability was 3.62% based on updated 20-year municipal bond rates.

2017 Changes

- Changes of assumption and other inputs reflect a change in the discount rate from 2.85% in 2016 to 3.53% in 2017.

SUPPLEMENTARY INFORMATION

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Independent School District No. 271
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2021

	Special Revenue Funds			OPEB Debt Service	Total Nonmajor Funds
	Food Service	Community Service	Total		
Assets					
Cash and investments	\$ 3,552,475	\$ 5,765,446	\$ 9,317,921	\$ 332,990	\$ 9,650,911
Current property taxes receivable	-	943,796	943,796	165,074	1,108,870
Delinquent property taxes receivable	-	13,267	13,267	3,671	16,938
Accounts receivable	-	50,000	50,000	-	50,000
Due from Department of Education	-	355,857	355,857	-	355,857
Due from other Minnesota school districts	-	208,389	208,389	-	208,389
Due from Federal Government through Department of Education	88,152	513,930	602,082	-	602,082
Due from other governmental units	2,000	71,620	73,620	-	73,620
Inventory	155,430	-	155,430	-	155,430
Prepaid items	3,807	61,559	65,366	-	65,366
Total assets	\$ 3,801,864	\$ 7,983,864	\$ 11,785,728	\$ 501,735	\$ 12,287,463
Liabilities					
Accounts payable	\$ 21,566	\$ 17,036	\$ 38,602	\$ -	\$ 38,602
Salaries and benefits payable	299,067	811,404	1,110,471	-	1,110,471
Due to other Minnesota school districts	6,441	-	6,441	-	6,441
Due to other governmental units	-	1,911	1,911	-	1,911
Interfund payable	93,355	120,760	214,115	-	214,115
Unearned revenue	207,085	111,739	318,824	-	318,824
Total liabilities	627,514	1,062,850	1,690,364	-	1,690,364
Deferred Inflows of Resources					
Property taxes levied for subsequent year's expenditures	-	1,958,963	1,958,963	342,707	2,301,670
Unavailable revenue - delinquent property taxes	-	10,272	10,272	3,147	13,419
Total deferred inflows of resources	-	1,969,235	1,969,235	345,854	2,315,089
Fund Balances					
Nonspendable					
Inventory	155,430	-	155,430	-	155,430
Prepaid items	3,807	61,559	65,366	-	65,366
Restricted					
Community education programs	-	2,580,511	2,580,511	-	2,580,511
Adult basic education	-	1,349,879	1,349,879	-	1,349,879
Early childhood family and education programs	-	510,340	510,340	-	510,340
School readiness	-	449,490	449,490	-	449,490
Fund purpose	3,015,113	-	3,015,113	155,881	3,170,994
Total fund balances	3,174,350	4,951,779	8,126,129	155,881	8,282,010
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,801,864	\$ 7,983,864	\$ 11,785,728	\$ 501,735	\$ 12,287,463

Independent School District No. 271
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2021

	Special Revenue Funds			OPEB Debt Service	Total Nonmajor Funds
	Food Service	Community Service	Total		
Revenues					
Local property taxes	\$ -	\$ 2,247,388	\$ 2,247,388	\$ 344,391	\$ 2,591,779
Other local and county revenues	1,814	2,480,070	2,481,884	1,054	2,482,938
Revenue from state sources	-	3,565,594	3,565,594	1	3,565,595
Revenue from federal sources	6,910,224	1,212,296	8,122,520	-	8,122,520
Sales and other conversion of assets	3,625	-	3,625	-	3,625
Interdistrict revenue	-	208,389	208,389	-	208,389
Total revenues	<u>6,915,663</u>	<u>9,713,737</u>	<u>16,629,400</u>	<u>345,446</u>	<u>16,974,846</u>
Expenditures					
Current					
Elementary and secondary regular instruction	-	148,000	148,000	-	148,000
Food service	4,491,497	-	4,491,497	-	4,491,497
Community education and services	-	9,895,775	9,895,775	-	9,895,775
Capital outlay					
Food service	236,234	-	236,234	-	236,234
Community education and services	-	21,112	21,112	-	21,112
Debt service					
Principal	-	-	-	105,000	105,000
Interest and fiscal charges	-	-	-	276,633	276,633
Total expenditures	<u>4,727,731</u>	<u>10,064,887</u>	<u>14,792,618</u>	<u>381,633</u>	<u>15,174,251</u>
Excess of revenues over (under) expenditures	2,187,932	(351,150)	1,836,782	(36,187)	1,800,595
Other Financing Source					
Transfers in	15,740	324,280	340,020	-	340,020
Net change in fund balances	2,203,672	(26,870)	2,176,802	(36,187)	2,140,615
Fund Balances					
Beginning of year	970,678	4,978,649	5,949,327	192,068	6,141,395
End of year	<u>\$ 3,174,350</u>	<u>\$ 4,951,779</u>	<u>\$ 8,126,129</u>	<u>\$ 155,881</u>	<u>\$ 8,282,010</u>

Independent School District No. 271
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Food Service Fund
Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Other local and county revenues	\$ -	\$ -	\$ 1,814	\$ 1,814
Revenue from state sources	300,087	300,087	-	(300,087)
Revenue from federal sources	2,893,548	3,902,924	6,910,224	3,007,300
Sales and other conversion of assets	1,723,982	790,982	3,625	(787,357)
Total revenues	<u>4,917,617</u>	<u>4,993,993</u>	<u>6,915,663</u>	<u>1,921,670</u>
Expenditures				
Current				
Food service	5,002,741	5,229,117	4,491,497	(737,620)
Capital outlay				
Food service	11,775	11,775	236,234	224,459
Total expenditures	<u>5,014,516</u>	<u>5,240,892</u>	<u>4,727,731</u>	<u>(513,161)</u>
Excess of revenues over (under) expenditures	(96,899)	(246,899)	2,187,932	2,434,831
Other Financing Sources				
Transfers in	37,724	37,724	15,740	(21,984)
Net change in fund balance	<u>\$ (59,175)</u>	<u>\$ (207,422)</u>	2,203,672	<u>\$ 2,411,094</u>
Fund Balance				
Beginning of year			<u>970,678</u>	
End of year			<u>\$ 3,174,350</u>	

Independent School District No. 271
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Community Service Fund
Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Local property taxes	\$ 2,264,523	\$ 2,264,523	\$ 2,247,388	\$ (17,135)
Other local and county revenues	5,161,739	1,954,723	2,480,070	525,347
Revenue from state sources	3,358,583	3,544,276	3,565,594	21,318
Revenue from federal sources	415,113	858,553	1,212,296	353,743
Interdistrict revenue	214,420	214,420	208,389	(6,031)
Total revenues	<u>11,414,378</u>	<u>8,836,495</u>	<u>9,713,737</u>	<u>877,242</u>
Expenditures				
Current				
Elementary and secondary regular instruction	145,697	148,000	148,000	-
Community education and services	12,145,426	10,791,291	9,895,775	(895,516)
Capital outlay				
Community education and services	62,475	61,100	21,112	(39,988)
Total expenditures	<u>12,353,598</u>	<u>11,000,391</u>	<u>10,064,887</u>	<u>(935,504)</u>
Excess of revenues over (under) expenditures	(939,220)	(2,163,896)	(351,150)	1,812,746
Other Financing Sources				
Transfers in	318,584	318,584	324,280	5,696
Net change in fund balance	<u>\$ (620,636)</u>	<u>\$ (1,845,312)</u>	(26,870)	<u>\$ 1,818,442</u>
Fund Balance				
Beginning of year			<u>4,978,649</u>	
End of year			<u>\$ 4,951,779</u>	

Independent School District No. 271
Combining Statement of
Net Position - Internal Service Funds
June 30, 2021

	Internal Service Funds				Total
	Retiree Benefits	Dental Insurance	Self Insured Medical Benefits	OPEB	
Assets					
Cash and cash equivalents	\$ 4,054,167	\$ 1,356,000	\$ 21,007,921	\$ 866,484	\$ 27,284,572
Investments	-	-	-	12,946,720	12,946,720
Accounts receivable	-	-	105,527	-	105,527
Interfund receivable	-	140,123	2,606,281	-	2,746,404
Interest receivable	-	-	-	88,177	88,177
Total assets	<u>\$ 4,054,167</u>	<u>\$ 1,496,123</u>	<u>\$ 23,719,729</u>	<u>\$ 13,901,381</u>	<u>\$ 43,171,400</u>
Liabilities					
Accounts payable	\$ -	\$ 771	\$ -	\$ 6,892	\$ 7,663
Incurred but not reported claims	-	47,993	1,760,000	-	1,807,993
Benefits payable	1,471,945	-	-	-	1,471,945
Unearned revenue	-	248,673	4,661,014	-	4,909,687
Total liabilities	1,471,945	297,437	6,421,014	6,892	8,197,288
Net Position					
Unrestricted	2,582,222	1,198,686	17,298,715	13,894,489	34,974,112
Total liabilities and net position	<u>\$ 4,054,167</u>	<u>\$ 1,496,123</u>	<u>\$ 23,719,729</u>	<u>\$ 13,901,381</u>	<u>\$ 43,171,400</u>

Independent School District No. 271
Combining Statement of Revenues, Expenses, and Changes
in Fund Net Position - Internal Service Funds
Year Ended June 30, 2021

	Internal Service Funds				Total
	Retiree Benefits	Dental Insurance	Self Insured Medical Benefits	OPEB	
Operating revenues					
Charges for services	\$ -	\$ 1,318,669	\$ 24,279,236	\$ -	\$ 25,597,905
Contribution	294,068	-	-	-	294,068
Total revenue	<u>294,068</u>	<u>1,318,669</u>	<u>24,279,236</u>	<u>-</u>	<u>25,891,973</u>
Operating expenses					
Salaries and benefits	-	54,996	-	-	54,996
Employee benefits	294,068	1,296,660	22,607,203	-	24,197,931
Administrative	-	85,431	1,952,212	7,142	2,044,785
Total operating expenses	<u>294,068</u>	<u>1,437,087</u>	<u>24,559,415</u>	<u>7,142</u>	<u>26,297,712</u>
Operating income (loss)	-	(118,418)	(280,179)	(7,142)	(405,739)
Nonoperating revenues					
Investment income	<u>16,711</u>	<u>647</u>	<u>92,238</u>	<u>93,167</u>	<u>202,763</u>
Income before transfers	16,711	(117,771)	(187,941)	86,025	(202,976)
Net position					
Beginning of year, as previously stated	2,565,511	1,207,214	15,418,118	13,808,464	32,999,307
Prior period adjustment (See Note 11)	-	109,243	2,068,538	-	2,177,781
Beginning of year, as restated	<u>2,565,511</u>	<u>1,316,457</u>	<u>17,486,656</u>	<u>13,808,464</u>	<u>35,177,088</u>
End of year	<u>\$ 2,582,222</u>	<u>\$ 1,198,686</u>	<u>\$ 17,298,715</u>	<u>\$ 13,894,489</u>	<u>\$ 34,974,112</u>

Independent School District No. 271
Combining Statement of Cash Flows -
Internal Service Funds
As of June 30, 2021

	Internal Service Funds				Total
	Retiree Benefits	Dental Insurance	Self Insured Medical Benefits	OPEB	
Cash Flows - Operating Activities					
Receipts from employee contributions	\$ -	\$ 1,317,977	\$ 24,159,904	\$ -	\$ 25,477,881
Receipts from district contributions	363,468	-	-	-	363,468
Employee claims paid	-	(1,275,862)	(22,607,203)	-	(23,883,065)
Payments to employees	(294,068)	(54,996)	-	-	(349,064)
Payments to suppliers	-	(84,660)	(1,952,212)	(250)	(2,037,122)
Net cash flows - operating activities	<u>69,400</u>	<u>(97,541)</u>	<u>(399,511)</u>	<u>(250)</u>	<u>(427,902)</u>
Cash Flows - Investment Activities					
Investment purchases	-	-	-	(1,262,038)	(1,262,038)
Interest received	16,711	647	92,238	264,616	374,212
Net cash flows - investment activities	<u>16,711</u>	<u>647</u>	<u>92,238</u>	<u>(997,422)</u>	<u>(887,826)</u>
Net change in cash and cash equivalents	86,111	(96,894)	(307,273)	(997,672)	(1,315,728)
Cash and Cash Equivalents					
Beginning of year, restated	<u>3,968,056</u>	<u>1,452,894</u>	<u>21,315,194</u>	<u>1,864,156</u>	<u>28,600,300</u>
End of year	<u>\$ 4,054,167</u>	<u>\$ 1,356,000</u>	<u>\$ 21,007,921</u>	<u>\$ 866,484</u>	<u>\$ 27,284,572</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows - Operating Activities					
Operating income (loss)	\$ -	\$ (118,418)	\$ (280,179)	\$ (7,142)	\$ (405,739)
Adjustments to reconcile operating income (loss) to net cash flows - operating activities					
Accounts payable	-	771	-	6,892	7,663
Benefits payable	69,400	-	-	-	69,400
Accounts receivable	-	-	(105,527)	-	(105,527)
claims	-	20,798	-	-	20,798
Interfund receivable	-	813	45,370	-	46,183
Unearned revenue	-	(1,505)	(59,175)	-	(60,680)
Net adjustments	<u>69,400</u>	<u>20,877</u>	<u>(119,332)</u>	<u>6,892</u>	<u>(22,163)</u>
Net cash flows - operating activities	<u>\$ 69,400</u>	<u>\$ (97,541)</u>	<u>\$ (399,511)</u>	<u>\$ (250)</u>	<u>\$ (427,902)</u>

Independent School District No. 271
Uniform Financial Accounting and Reporting Standards
Compliance Table
Year Ended June 30, 2021

	Audit	UFARS	Audit-UFARS		Audit	UFARS	Audit-UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION FUND			
Total revenue	\$ 167,788,000	\$ 167,787,998	\$ 2	Total revenue	\$ 26,392	\$ 26,392	\$ -
Total expenditures	162,947,266	162,947,266	-	Total expenditures	6,178,384	6,178,385	(1)
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
4.60 Nonspendable fund balance	571,917	571,917	-	4.60 Nonspendable fund balance	-	-	-
<i>Restricted/reserved:</i>				<i>Restricted/reserved:</i>			
4.01 Student Activities	140,157	140,157	-	4.07 Capital Projects Levy	-	-	-
4.02 Scholarships	44,539	44,539	-	4.09 Alternative Facility Program	-	-	-
4.03 Staff Development	-	-	-	4.13 Building Projects Funded by COP/LP	-	-	-
4.07 Capital Projects Levy	4,712,435	4,712,435	-	4.67 Long-term Facilities Maintenance	26,244,075	26,244,075	-
4.08 Cooperative Programs	-	-	-	<i>Restricted:</i>			
4.09 Alternative Facility Program	-	-	-	4.64 Restricted fund balance	-	-	-
4.13 Building Projects Funded by COP/LP	-	-	-	<i>Unassigned:</i>			
4.14 Operating Debt	-	-	-	4.63 Unassigned fund balance	-	-	-
4.16 Levy Reduction	-	-	-				
4.17 Taconite Building Maintenance	-	-	-	07 DEBT SERVICE FUND			
4.24 Operating Capital	7,529,755	7,529,756	(1)	Total revenue	\$ 12,837,895	\$ 12,837,895	\$ -
4.26 \$25 Taconite	-	-	-	Total expenditures	12,710,775	12,710,775	-
4.27 Disabled Accessibility	-	-	-	<i>Nonspendable:</i>			
4.28 Learning and Development	-	-	-	4.60 Nonspendable fund balance	-	-	-
4.34 Area Learning Center	-	-	-	<i>Restricted/reserved:</i>			
4.35 Contracted Alternative Programs	-	-	-	4.25 Bond refunding	-	-	-
4.36 State Approved Alternative Program	981,872	981,872	-	4.33 Maximum effort loan aid	-	-	-
4.38 Gifted and Talented	-	-	-	4.51 QZAB payments	-	-	-
4.40 Teacher Development and Evaluation	-	-	-	4.67 LTFM	-	-	-
4.41 Basic Skills Programs	-	-	-	<i>Restricted:</i>			
4.45 Career Technical Programs	-	-	-	4.64 Restricted fund balance	1,242,043	1,242,043	-
4.48 Achievement and Integration Revenue	-	-	-	<i>Unassigned:</i>			
4.49 Safe School Crime	-	-	-	4.63 Unassigned fund balance	-	-	-
4.51 QZAB Payments	-	-	-				
4.52 OPEB Liabilities not Held in Trust	-	-	-	08 TRUST FUND			
4.53 Unfunded Severance and Retirement Levy	-	-	-	Total revenue	\$ -	\$ -	\$ -
4.59 Basic Skills Extended Time	-	-	-	Total expenditures	-	-	-
4.67 Long-term Facilities Maintenance	-	-	-	<i>Unassigned:</i>			
4.72 Medical Assistance	307,263	307,263	-	4.01 Student Activities	-	-	-
4.75 Title VII - Impact Aid	-	-	-	4.02 Scholarships	-	-	-
4.76 Payments in Lieu of Taxes	-	-	-	4.22 Net position	-	-	-
<i>Restricted:</i>				18 CUSTODIAL			
4.72 Medical Assistance	-	-	-	Total revenue	\$ -	\$ -	\$ -
4.64 Restricted fund balance	-	-	-	Total expenditures	-	-	-
4.75 Title VII - Impact Aid	-	-	-	<i>Restricted/Reserved</i>			
4.76 Payments in Lieu of Taxes	-	-	-	4.01 Student Activities	-	-	-
<i>Committed:</i>				4.02 Scholarships	-	-	-
4.18 Committed for separation	-	-	-	4.48 Achievement and Integration	-	-	-
4.61 Committed fund balance	2,525,363	2,525,361	2	4.64 Restricted	-	-	-
<i>Assigned:</i>				20 INTERNAL SERVICE FUND			
4.62 Assigned fund balance	123,000	123,000	-	Total revenue	\$ 26,001,569	\$ 26,001,570	\$ (1)
<i>Unassigned:</i>				Total expenditures	26,290,570	26,290,571	(1)
4.22 Unassigned fund balance	13,831,992	13,831,993	(1)	<i>Unassigned:</i>			
				4.22 Net position	21,079,623	21,079,622	1
02 FOOD SERVICE FUND				25 OPEB REVOCABLE TRUST			
Total revenue	\$ 6,915,663	\$ 6,915,661	\$ 2	Total revenue	\$ 93,167	\$ 93,166	\$ 1
Total expenditures	4,727,731	4,727,734	(3)	Total expenditures	7,142	7,142	-
<i>Nonspendable:</i>				<i>Unassigned:</i>			
4.60 Nonspendable fund balance	159,237	159,238	(1)	4.22 Net position	13,894,489	13,894,489	-
<i>Restricted/reserved:</i>				45 OPEB IRREVOCABLE TRUST			
4.52 OPEB liabilities not held in trust	-	-	-	Total revenue	\$ -	\$ -	\$ -
<i>Restricted:</i>				Total expenditures	-	-	-
4.64 Restricted fund balance	3,015,113	3,015,111	2	<i>Unassigned:</i>			
<i>Unassigned:</i>				4.22 Net position	-	-	-
4.63 Unassigned fund balance	-	-	-				
04 COMMUNITY SERVICE FUND				47 OPEB DEBT SERVICE			
Total revenue	\$ 9,713,737	\$ 9,713,734	\$ 3	Total revenue	\$ 345,446	\$ 345,445	\$ 1
Total expenditures	10,064,887	10,064,883	4	Total expenditures	381,633	381,633	-
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
4.60 Nonspendable fund balance	61,559	61,559	-	4.60 Nonspendable fund balance	-	-	-
<i>Restricted/reserved:</i>				<i>Restricted:</i>			
4.26 \$25 Taconite	-	-	-	4.25 Bond refundings	-	-	-
4.31 Community Education	2,580,511	2,580,512	(1)	4.64 Restricted fund balance	155,881	155,881	-
4.32 ECFE	510,340	510,340	-	<i>Unassigned:</i>			
4.40 Teacher Development and Evaluation	-	-	-	4.63 Unassigned fund balance	-	-	-
4.44 School Readiness	449,490	449,490	-				
4.47 Adult Basic Education	1,349,879	1,349,879	-				
4.52 OPEB Liabilities not Held in Trust	-	-	-				
<i>Restricted:</i>							
4.64 Restricted fund balance	-	-	-				
<i>Unassigned:</i>							
4.63 Unassigned fund balance	-	-	-				

Independent School District No. 271
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Agency/Pass Through Agency/Program Title	CFDA Number	Expenditures
U.S. Department of Agriculture		
Through Minnesota Department of Education		
Child nutrition cluster		
Commodities programs (noncash assistance)	10.555	\$ 356,415
COVID - Summer food service	10.559	5,577,904
Total child nutrition cluster and U.S. Department of Agriculture		<u>5,934,319</u>
U.S. Department of Education		
Through Minnesota Department of Education		
COVID - Coronavirus Relief Fund	21.019	3,894,401
American Rescue Plan - summer academic	21.027	25,175
Title I, Part A	84.010	1,619,840
Title II, Part A - improving teacher quality	84.367	285,482
Title III, Part A - language enhancement	84.365	117,167
Title IV, Part A - safe and drug-free schools and communities	84.186	106,909
Striving Readers Comprehensive Literacy (SRCL)	84.371C	780,196
Special education cluster		
Special education	84.027	2,057,044
Handicapped early education	84.173	62,746
Total special education cluster		<u>2,119,790</u>
Infants and toddlers	84.181	77,284
Adult basic education		
Adult basic education	84.002	193,438
Adult basic education literacy	84.002A	79,715
Total adult basic education		<u>273,153</u>
Education for homeless children and youth	84.196	28,476
COVID - Education stabilization fund ESSER	84.425D	155,141
Through Independent School District No. 273		
Carl Perkins	84.048A	50,486
Direct from federal government		
Indian elementary and secondary school assistance	84.060	30,176
Total U.S. Department of Education		<u>9,563,676</u>
Total federal expenditures		<u>\$ 15,497,995</u>

Independent School District No. 271
Notes to the Schedule of Expenditures of Federal Awards

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

NOTE 2 – PASS-THROUGH GRANT NUMBERS

All pass-through entities listed above use the same CFDA numbers as the federal grantors to identify these grants and have not assigned any additional identifying numbers.

NOTE 3 – INVENTORY

Inventories of commodities donated by the U.S. Department of Agriculture are recorded at market value in the Food Service Fund as inventory. Revenue and expenditures are recorded when commodities are used.

NOTE 4 – INDIRECT COST RATE

The District did not elect to use the 10 percent de minimis indirect cost rate, as allowed under the Uniform Guidance.

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

Independent Auditor's Report

To the School Board
Independent School District No. 271
Bloomington, 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 basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 271, Bloomington, Minnesota, as of and for the year ending June 30, 2021, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 30, 2021.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the basic 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 the District's basic 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 basic financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

BerganKDV, Ltd.

Minneapolis, Minnesota
November 30, 2021

**Report on Compliance for Each Major Federal Program
and Report on Internal Control over Compliance in Accordance
with the Uniform Guidance**

Independent Auditor's Report

To the School Board
Independent School District No. 271
Bloomington, Minnesota

Report on Compliance for Each Major Federal Program

We have audited the compliance of Independent School District No. 271, Bloomington, Minnesota, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide legal determination of the compliance of Independent School District No. 271.

Opinion on Each Major Federal Program

In our opinion, Independent School District No. 271, Bloomington, Minnesota, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

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

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

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

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

BerganKDV, Ltd.

Minneapolis, Minnesota
November 30, 2021

**Independent School District No. 271
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Basic Financial Statements

Type of auditor's report issued:

We issued an unmodified opinion on the fair presentation of the basic financial statements of the governmental activities, each major fund and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?

Yes, Audit Finding 2021-001

No

Noncompliance material to financial statements noted?

No

Federal Awards

Type of auditor's report issued on compliance for major programs:

Unmodified

Internal control over major programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

No

No

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516?

No

Identification of Major Programs

CFDA No.:

10.555, 10.559

Name of Federal Program or Cluster

Special Education Cluster

CFDA No.:

21.019

Name of Federal Program or Cluster

Coronavirus Relief Fund

Auditee qualified as low risk auditee?

No

**Independent School District No. 271
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION II – BASIC FINANCIAL STATEMENT FINDINGS

Audit Finding 2021-001 – Prior Period Adjustments

Criteria or Specific Requirement:

An effective internal control system over financial reporting provides reasonable assurance that assets are safeguarded against loss and theft, and that reliable financial statements are prepared in accordance with the appropriate accounting standards and in compliance with applicable laws and regulations.

Condition:

During the course of our engagement, prior period audit adjustments were required that would not have been identified as a result of the District's existing internal control system and, therefore, resulted in a material misstatement of the financial statements.

Context:

This finding impacts the District's internal control over financial reporting.

Effect:

Internal controls that fail to identify necessary adjustments could result in material misstatements to the financial statements.

Cause:

A complete and accurate review of financial statements was not performed sufficiently resulting in prior period adjustments.

Recommendation:

We recommend management review all accounts closely at year-end to detect and correct misstatements of balances.

Management's Response:

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the finding.
2. Actions Planned in Response to Finding
The District will develop a process for ensuring that all standard year-end entries and reconciliations are completed and reviewed before the auditors begin their fieldwork.
3. Official Responsible for Ensuring CAP
Executive Director Finance and Support Services

**Independent School District No. 271
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION II – BASIC FINANCIAL STATEMENT FINDINGS (CONTINUED)

Audit Finding 2021-001 – Prior Period Adjustments (Continued)

Management's Response: (Continued)

CORRECTIVE ACTION PLAN (CAP): (CONTINUED)

4. Planned Completion Date for CAP
Ongoing review and monitoring will take place at fiscal year-end.
5. Plan to Monitor Completion of CAP
Executive Director of Finance and Support Services will be monitoring the corrective action plan.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings or questioned costs noted.

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There were no findings or questioned costs noted.

Minnesota Legal Compliance**Independent Auditor's Report**

To the School Board
Independent School District No. 271
Bloomington, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 271, Bloomington, Minnesota, as of and for the year ended June 30, 2021, and the related notes to basic financial statements, and have issued our report thereon dated November 30, 2021.

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

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

BerganKDV, Ltd.

Minneapolis, Minnesota
November 30, 2021