Independent School District No. 881

Maple Lake, Minnesota

Audited Financial Statements

June 30, 2021

SCHLENNER WENNER & CO.
CPAs

INDEPENDENT SCHOOL DISTRICT NO. 881
MAPLE LAKE, MINNESOTA
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INTRODUCTORY SECTION

INDEPENDENT SCHOOL DISTRICT NO. 881
BOARD OF EDUCATION AND ADMINISTRATION
FOR THE YEAR ENDED JUNE 30, 2021

BOARD OF EDUCATION

Name	Title	Term Expires
Chris Paumen	Chairperson	December 31, 2024
Joe Mavencamp	Vice-Chairperson	December 31, 2022
Bill Neumann	Treasurer	December 31, 2022
Lowell Benson	Clerk	December 31, 2022
Colleen Carlson	Director	December 31, 2024
Kaitlyn Helmbrecht	Director	December 31, 2024
Joseph Paumen	Director	December 31, 2024

ADMINISTRATION

Name	Title
Mike Rowe	Superintendent
Kristi Anderson	Finance Manager

FINANCIAL SECTION

SCHLENNER WENNER & CO.
CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS CONSULTANTS

Professional Association

INDEPENDENT AUDITOR'S REPORT

Members of the School Board
Independent School District No. 881
Maple Lake, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 881, Maple Lake, Minnesota (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 881, Maple Lake, Minnesota, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

St. Cloud 320.251.0286 | **Little Falls** 320.632.6311 | **Albany** 320.845.2940 | **Maple Lake** 320.963.5414 | **Monticello** 763.295.5070

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedule, Schedule of Changes in District's Net OPEB Liability, Schedule of Money-Weighted Rate of Return on OPEB Plan Assets, Schedule of District's Proportionate Share of Net Pension Liability, and Schedule of District Pension Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining nonmajor governmental funds financial statements, and the Uniform Financial Accounting and Reporting Standards Compliance Table are presented for the purposes of additional analysis and are 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* 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.

The combining nonmajor governmental funds financial statements, Uniform Financial Accounting and Reporting Standards Compliance Table, and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor governmental funds financial statements, Uniform Financial Accounting and Reporting Standards Compliance Table, and Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2021 on our consideration of Independent School District No. 881'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 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 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 Independent School District No. 881's internal control over financial reporting and compliance.

Schlenner Wenner & Co.

SCHLENNER WENNER & CO.
St. Cloud, Minnesota
November 5, 2021

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 881
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021

As management of Independent School District No. 881 (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2021.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $6,313,194 (net position). The unrestricted portion of net position is negative $6,911,993.

- The District's total net position increased $1,137,985 as a result of current year operations.

- At the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of $5,427,050, an increase of $579,058 in comparison with the prior year. Approximately 47 percent of this amount, $2,563,452, is available for spending at the District's discretion.

- At the end of the current fiscal year, unassigned fund balance for the General Fund is $2,563,452, or 25 percent of total General Fund expenditures.

- The District's total debt decreased by $475,961 (6 percent) in the current fiscal year, excluding the change in the net OPEB liability and net pension liability.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

The major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain are summarized in the following table. The remainder of the overview section of the Management Discussion and Analysis highlights the structure and contents of each of the statements.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

	Government-Wide	Fund Financial Statements	
		Governmental Funds	**Fiduciary Funds**
Scope	Entire District (except fiduciary funds)	The activities of the District that are not fiduciary, such as regular instruction, support services, special education, building maintenance, food service, and community service	Activities the District operates in trust or for which the District is a fiscal agent
Required financial statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balances	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
Type of asset/deferred outflows/liability/ deferred inflows information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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; deferred inflows of resources recorded to defer unavailable assets; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
Type of outflow/inflow information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue 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 revenue and expenses during the year, regardless of when cash is received or paid

Government-Wide Financial Statements
The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the net difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and accrued but unpaid interest).

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include administration, district support services, regular instruction, vocational instruction, exceptional instruction, community education and services, instructional support services, pupil support services, sites and buildings, fiscal and other fixed cost programs, interest and other fiscal charges, and unallocated depreciation. The District currently does not report any business-type activities.

The government-wide financial statements start on page 19 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains two individual major governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund and Debt Service Fund, both of which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements start on page 21 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the district-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for the district-wide financial statements.

The basic fiduciary fund financial statements start on page 25 of this report.

Notes to the Financial Statements

The notes provide additional information essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements start on page 27 of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Supplementary Information

The combining statements referred to earlier in connection with nonmajor governmental funds are presented as supplementary information. Combining fund statements start on page 70 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources, for a net balance of $6,313,194 at the close of the most recent fiscal year.

A significant portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, site improvements, machinery and equipment), less any related debt used to acquire those assets still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although, the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net Position
Table 1

	Governmental Activities		
	2021	2020	Increase (Decrease)
Assets			
Current and Other Assets	$ 9,492,009	$ 9,176,041	$ 315,968
Capital Assets	18,345,070	18,000,399	344,671
Total Assets	27,837,079	27,176,440	660,639
Deferred Outflows of Resources	2,787,606	4,630,083	(1,842,477)
Liabilities			
Current and Other Liabilities	1,296,058	1,472,605	(176,547)
Noncurrrent Liabilities	14,562,149	14,347,339	214,810
Total Liabilities	15,858,207	15,819,944	38,263
Deferred Inflows of Resources	8,453,284	10,811,370	(2,358,086)
Net Position			
Net Investment in Capital Assets	10,874,827	10,333,050	541,777
Restricted	2,350,360	2,139,844	210,516
Unrestricted	(6,911,993)	(7,297,685)	385,692
Total Net Position	$ 6,313,194	$ 5,175,209	$ 1,137,985

An additional portion of the District's net position ($2,350,360) represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position is negative $6,911,993 at year end. This unrestricted balance has been reduced by a total of $8,979,963 as a result of recording the District's proportionate share of the net pension liability and related balances for the statewide pension plans in which the District employees participate.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Net Position

The District's net position increased $1,137,985 during the most recent fiscal year. Key elements of this increase are as follows:

Changes in Net Position
Table 2

	Governmental Activities		
	2021	2020	Increase (Decrease)
Revenues			
Program Revenues			
Charges for Services	$ 386,686	$ 606,610	$ (219,924)
Operating Grants and Contributions	3,054,420	1,924,631	1,129,789
Capital Grants and Contributions	126,309	140,439	(14,130)
General Revenues			
Property Taxes	3,074,017	2,984,258	89,759
State Aid Not Restricted to Specific Programs	6,469,763	6,833,624	(363,861)
Earnings on Investments	7,724	96,045	(88,321)
Gifts and Donations	85,894	56,497	29,397
Miscellaneous	172,207	114,120	58,087
Total Revenues	13,377,020	12,756,224	620,796
Expenses			
Administration	623,792	584,323	39,469
District Support Services	392,972	394,270	(1,298)
Regular Instruction	4,791,709	4,729,713	61,996
Vocational Instruction	166,116	176,119	(10,003)
Exceptional Instruction	2,001,107	1,992,407	8,700
Community Education and Services	389,713	341,478	48,235
Instructional Support Services	793,260	558,102	235,158
Pupil Support Services	1,327,007	1,307,961	19,046
Sites and Buildings	1,041,805	1,008,996	32,809
Fiscal and Other Fixed Cost Programs	74,821	47,118	27,703
Interest and Other Fiscal Charges	158,574	207,091	(48,517)
Unallocated Depreciation	478,159	478,158	1
Total Expenses	12,239,035	11,825,736	413,299
Change in Net Position	1,137,985	930,488	207,497
Net Position - Beginning of Year	5,175,209	4,220,133	955,076
Change in Accounting Principle	-	24,588	(24,588)
Net Position - End of Year	$ 6,313,194	$ 5,175,209	$ 1,137,985

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Some significant items to note include the following:

- The current year increase in net position was $1,137,985, compared to an increase of $930,488 in the prior year. This is a result of a 4.9 percent increase in revenues and a 3.5 percent increase in expenses during fiscal year 2021.
- Operating Grants and Contributions increased $1,129,789 due to an increase in Federal funding related to the COVID-19 pandemic. This funding included Coronavirus Relief grants, Governor's Emergency Education Relief (GEER) grants, Elementary and Secondary School Emergency Relief (ESSER) grants, and funding under the Child Nutrition program to support free meals for students.
- Expenses related to Instructional Support Services and Regular Instruction increased $235,158 and $61,996, respectively, primarily due to costs incurred in response to the COVID-19 pandemic. A number of these costs were eligible for reimbursement under the Federal grants noted above.

Total and Net Cost of Governmental Activities
The net cost of governmental activities is their total costs less program revenues applicable to each category. The following table presents these total and net costs.

Total and Net Costs of Services
Table 3

	Total Cost of Services			Net Cost of Services		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
Administration	$ 623,792	$ 584,323	$ 39,469	$ 623,792	$ 584,323	$ 39,469
District Support Services	392,972	394,270	(1,298)	392,972	394,270	(1,298)
Regular Instruction	4,791,709	4,729,713	61,996	4,434,997	4,452,626	(17,629)
Vocational Instruction	166,116	176,119	(10,003)	164,443	170,911	(6,468)
Exceptional Instruction	2,001,107	1,992,407	8,700	239,328	752,286	(512,958)
Community Education and Services	389,713	341,478	48,235	72,484	58,056	14,428
Instructional Support Services	793,260	558,102	235,158	402,509	550,142	(147,633)
Pupil Support Services	1,327,007	1,307,961	19,046	715,145	621,667	93,478
Sites and Buildings	1,041,805	1,008,996	32,809	914,396	837,408	76,988
Fiscal and Other Fixed Costs Programs	74,821	47,118	27,703	74,821	47,118	27,703
Interest and Other Fiscal Charges	158,574	207,091	(48,517)	158,574	207,091	(48,517)
Unallocated Depreciation	478,159	478,158	1	478,159	478,158	1
Totals	$12,239,035	$11,825,736	$ 413,299	$ 8,671,620	$ 9,154,056	$ (482,436)

Some significant items to note include the following:

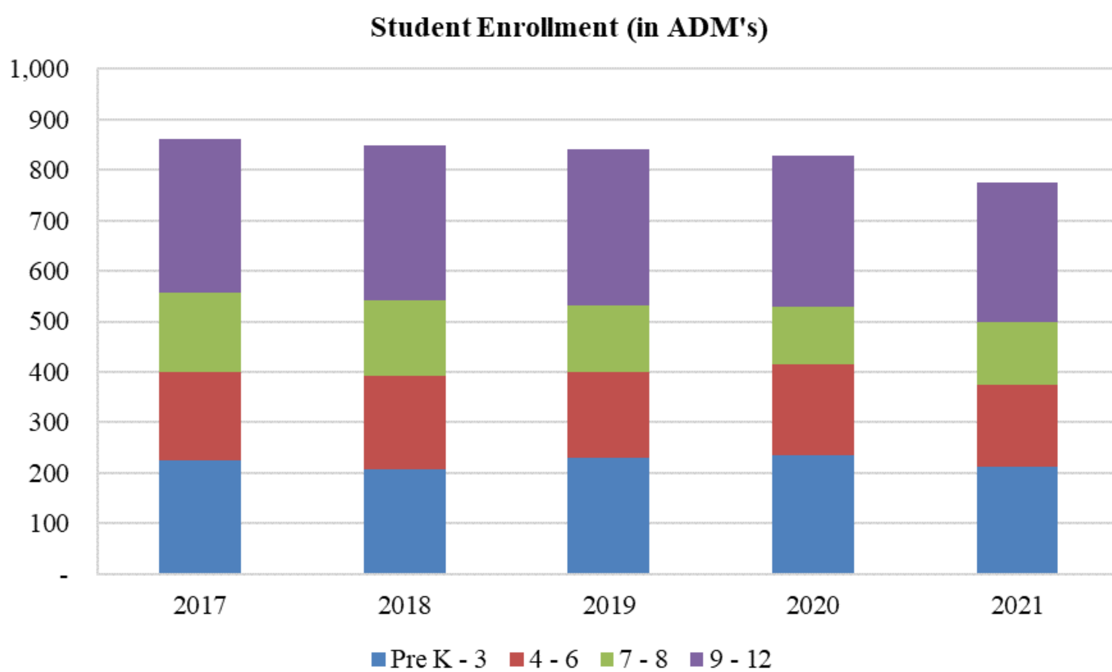
- The net cost of services related to Exceptional Instruction decreased $512,958 (68.2 percent) primarily due to a significant increase ($487,797) in State special education aid.
- The total costs of Instructional Support Services increased $235,158 (42.1 percent), while the net costs of this program decreased $147,633 (26.8 percent), primarily due to matters discussed in the previous section.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The majority of the financial aid received by the District is determined based on the number of students enrolled during the year. Therefore, fluctuations in enrollment have a significant impact on the financial health of the District. The following graphs show the trend in student enrollment counts over the past five years:

Student Enrollment (Average Daily Membership)

	2017	2018	2019	2020	2021
Pre K - 3	225	208	231	234	213
4 - 6	175	184	170	181	162
7 - 8	156	151	130	114	125
9 - 12	305	306	310	300	275
Total Student for Aid	861	849	841	829	775
Percentage Change	-1.82%	-1.39%	-0.94%	-1.43%	-6.51%



As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

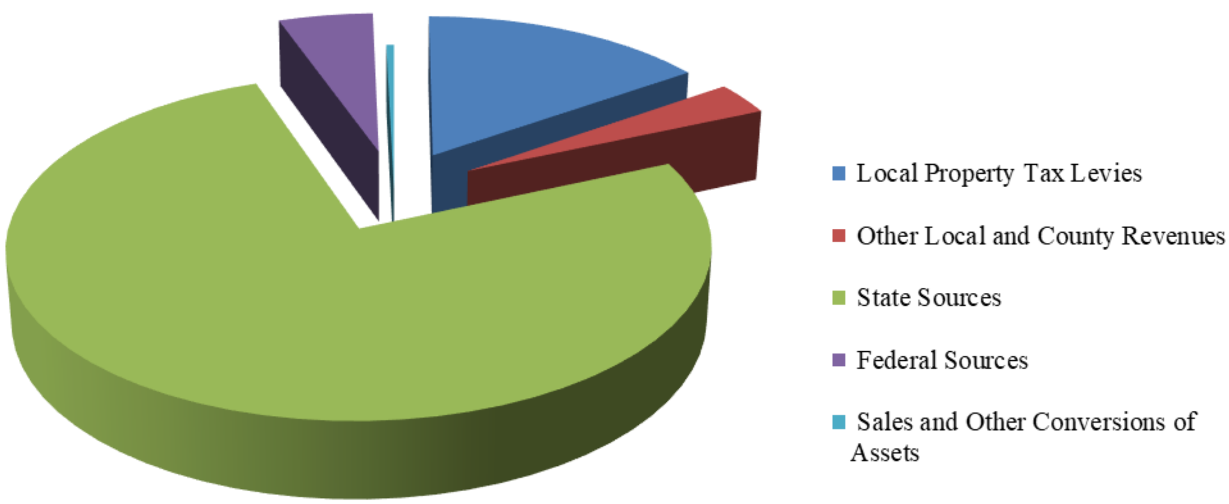
FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (Continued)

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of $5,427,050, an increase of $579,058 in comparison with the prior year. The following is a summary of the District's major funds:

	Fund Balance June 30,		
Major Funds	2021	2020	Increase (Decrease)
General	$ 3,944,328	$ 3,366,940	$ 577,388

The fund balance of the General Fund increased by $577,388 (17 percent). Revenues increased approximately 5.00 percent from the prior year, while expenditures increased approximately 3.06 percent.

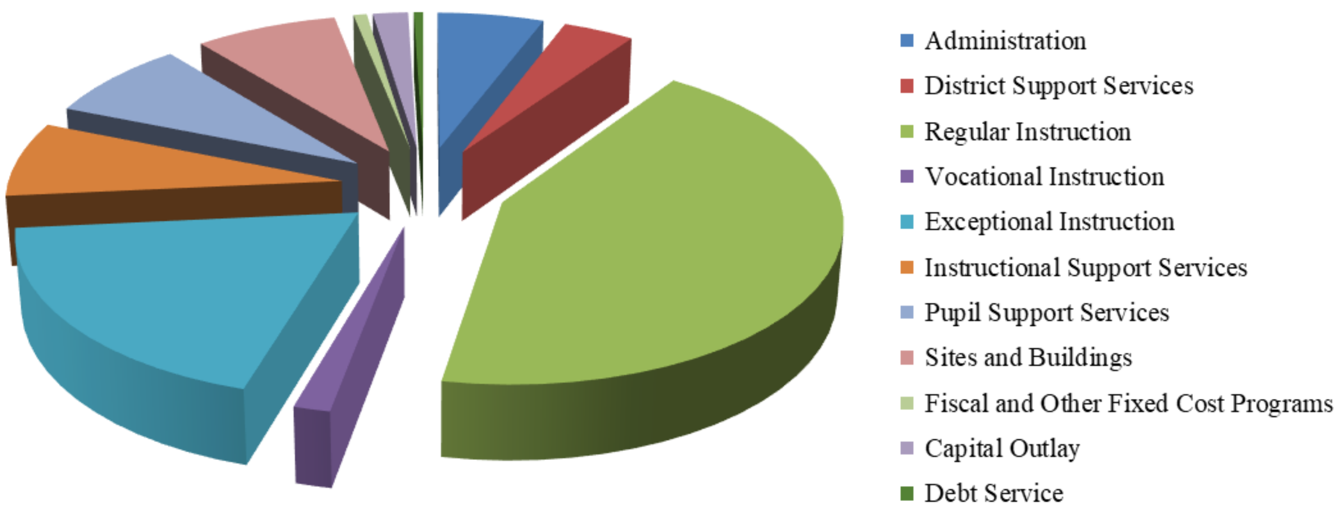
General Fund Revenues



The District receives the vast majority of its funding in the General Fund from the State of Minnesota (76 percent), which is subject to fluctuation based on the number of pupils served by the District and changes in State legislation. In addition, the District receives approximately 15 percent of its General Fund revenues from local property tax levies and 5 percent from the Federal Government.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (Continued)

General Fund Expenditures



A significant portion of the District's General Fund expenditures are used for regular, vocational, and exceptional instruction (64 percent). Expenditures for various support services total 19 percent, and the remaining 17 percent consists of expenditures for administration, sites and buildings, and other items.

	Fund Balance June 30,		
Major Funds	2021	2020	Increase (Decrease)
Debt Service	$ 313,974	$ 325,835	$ (11,861)

The Debt Service Fund balance decreased by $11,861 (4 percent) during the year. Operations were comparable to that of the prior year.

General Fund Budgetary Highlights

The District's General Fund budget was amended during the year. The revenues budget was increased by $560,559, and the expenditures budget was changed in several functions for an overall increase of $91,946 from the original to final. The final budget called for expenditures of $10,452,072, and an increase in fund balance of $106,162. Actual revenues recognized during the year exceeded budgeted amounts by $363,646. Expenditures were less than those budgeted by $107,580. Therefore, the current year increase in fund balance was $471,226 greater than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2021, amounts to $18,345,070 (net of accumulated depreciation). This investment in capital assets includes land, site improvements, buildings and improvements, equipment, and vehicles. The total increase in the District's investment in capital assets for the current fiscal year was approximately 2 percent.

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Major capital asset events during the current fiscal year included the following:

- The District finished the track resurfacing project during the year.
- The District had additional solar panels installed during the year.
- The District purchased various equipment and vehicles, including smart boards and a drivers education vehicle.

Capital Assets Net of Depreciation
Table 4

	Governmental Activities		
	2021	2020	Increase (Decrease)
Land	$ 119,000	$ 119,000	$ -
Construction in Progress	-	98,183	(98,183)
Site Improvements	718,443	570,128	148,315
Buildings and Improvements	17,027,497	16,726,893	300,604
Equipment and Vehicles	480,130	486,195	(6,065)
Total	$ 18,345,070	$ 18,000,399	$ 344,671

Additional information on the District's capital assets can be found in Note 2.B. on page 36 of this report.

Long-Term Debt
At the end of the current fiscal year, the District had total long-term debt outstanding of $7,477,224, excluding the District's long-term net OPEB liability and net pension liability of $561,587 and $6,523,338, respectively. A summary of long-term debt activity for the year ended June 30, 2021 follows:

Long-Term Debt
Table 5

	Governmental Activities		
	2021	2020	Increase (Decrease)
G.O. Refunding Bonds	$ 3,960,000	$ 4,715,000	$ (755,000)
G.O. Facilities Maintenance Bonds	1,200,000	1,305,000	(105,000)
G.O. Taxable OPEB Bonds	-	280,000	(280,000)
G.O. Bonds	-	120,000	(120,000)
G.O. Taxable Bonds	715,000	715,000	-
Unamortized Premium	319,063	371,946	(52,883)
Capital Leases	1,276,180	440,403	835,777
Compensated Absences	6,981	5,836	1,145
Total	$ 7,477,224	$ 7,953,185	$ (475,961)

The District's total debt decreased by $475,961 (6 percent) during the current fiscal year. Additional information on the District's long-term debt can be found in Note 2.C. on page 37 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District's appointed and elected officials considered many factors when setting the fiscal year 2022 budget. These factors included the following:

- The 2021-2022 budget was created using the anticipated student counts, funding information available at the time of its adoption, staffing needs, the condition and needs of the building and grounds, transportation costs, and collective bargaining settlements.

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

- The 2021-2022 budget was adopted prior to the end of the 2021 legislative session.
- 2021-2022 enrollments were estimates. Current enrollment numbers are up slightly from original estimates.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the District Office at 200 State Highway 55 East, Maple Lake, MN 55358.

BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 881
STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities
ASSETS	
Cash and Temporary Investments	$ 6,905,799
Cash with Fiscal Agent	50,551
Property Taxes Receivable	1,474,384
Accounts Receivable	5,273
Due from Other Minnesota School Districts	7,910
Due from Minnesota Department of Education	898,485
Due from Federal Government through Minnesota Department of Education	145,901
Prepaids	3,706
Capital Assets not Being Depreciated	119,000
Capital Assets Being Depreciated (Net)	18,226,070
TOTAL ASSETS	27,837,079
DEFERRED OUTFLOWS OF RESOURCES	
OPEB	58,419
Pensions	2,729,187
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,787,606
LIABILITIES	
Accounts Payable	107,543
Due to Other Minnesota School Districts	46,297
Salaries Payable	479,438
Payroll Deductions and Employer Contributions	553,616
Accrued Interest Payable	79,281
Unearned Revenue	29,883
Noncurrent Liabilities:	
Amount Due Within One Year	1,397,002
Amount Due After One Year	6,080,222
Net OPEB Liability	561,587
Net Pension Liability	6,523,338
TOTAL LIABILITIES	15,858,207
DEFERRED INFLOWS OF RESOURCES	
Property Taxes Levied for Subsequent Years	2,836,283
OPEB	431,189
Pensions	5,185,812
TOTAL DEFERRED INFLOWS OF RESOURCES	8,453,284
NET POSITION	
Net Investment in Capital Assets	10,874,827
Restricted:	
General Fund Operating Capital	597,925
General Fund State-Mandated Restrictions	299,887
Building Construction	685,755
Lease	50,551
Food Service	105,210
Community Service	376,339
Debt Service	234,693
Unrestricted	(6,911,993)
TOTAL NET POSITION	$ 6,313,194

See accompanying notes.

INDEPENDENT SCHOOL DISTRICT NO. 881
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense)/ Revenue
Governmental Activities:					
Administration	$ 623,792	$ -	$ -	$ -	$ (623,792)
District Support Services	392,972	-	-	-	(392,972)
Regular Instruction	4,791,709	88,409	268,303	-	(4,434,997)
Vocational Instruction	166,116	1,594	79	-	(164,443)
Exceptional Instruction	2,001,107	33,089	1,728,690	-	(239,328)
Community Education and Services	389,713	220,287	96,942	-	(72,484)
Instructional Support Services	793,260	3,847	386,904	-	(402,509)
Pupil Support Services	1,327,007	38,360	573,502	-	(715,145)
Sites and Buildings	1,041,805	1,100	-	126,309	(914,396)
Fiscal and Other Fixed Cost Programs	74,821	-	-	-	(74,821)
Interest and Other Fiscal Charges	158,574	-	-	-	(158,574)
Unallocated Depreciation	478,159	-	-	-	(478,159)
Total Governmental Activities	$ 12,239,035	$ 386,686	$ 3,054,420	$ 126,309	(8,671,620)
General Revenues:					
Property Taxes					3,074,017
State Aid Not Restricted to Specific Programs					6,469,763
Earnings on Investments					7,724
Gifts and Donations					85,894
Miscellaneous					172,207
Total General Revenues					9,809,605
CHANGE IN NET POSITION					1,137,985
NET POSITION - BEGINNING OF YEAR					5,175,209
NET POSITION - END OF YEAR					$ 6,313,194

See accompanying notes.

INDEPENDENT SCHOOL DISTRICT NO. 881
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Temporary Investments	$ 4,606,708	$ 1,017,244	$ 1,281,847	$ 6,905,799
Cash with Fiscal Agent	50,551	-	-	50,551
Property Taxes Receivable:				
Current	710,205	714,438	37,842	1,462,485
Delinquent	5,752	5,831	316	11,899
Accounts Receivable	4,841	-	432	5,273
Due from Other Minnesota School Districts	4,422	-	3,488	7,910
Due from Minnesota Department of Education	878,619	14,597	5,269	898,485
Due from Federal Government through Minnesota Department of Education	114,027	-	31,874	145,901
Prepaids	2,262	-	1,444	3,706
TOTAL ASSETS	$ 6,377,387	$ 1,752,110	$ 1,362,512	$ 9,492,009
LIABILITIES				
Accounts Payable	$ 75,049	$ 2,150	$ 30,344	$ 107,543
Due to Other Minnesota School Districts	46,297	-	-	46,297
Salaries Payable	453,175	-	26,263	479,438
Payroll Deductions and Employer Contributions	522,390	-	31,226	553,616
Unearned Revenue	5,320	-	24,563	29,883
Total Liabilities	1,102,231	2,150	112,396	1,216,777
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue:				
Delinquent Property Taxes	5,752	5,831	316	11,899
Property Taxes Levied for Subsequent Years	1,325,076	1,430,155	81,052	2,836,283
Total Deferred Inflows of Resources	1,330,828	1,435,986	81,368	2,848,182
FUND BALANCES				
Nonspendable	2,262	-	1,444	3,706
Restricted	948,363	313,974	1,167,304	2,429,641
Assigned	430,251	-	-	430,251
Unassigned	2,563,452	-	-	2,563,452
Total Fund Balances	3,944,328	313,974	1,168,748	5,427,050
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 6,377,387	$ 1,752,110	$ 1,362,512	$ 9,492,009

See accompanying notes.

INDEPENDENT SCHOOL DISTRICT NO. 881
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021

Total Fund Balances - Governmental Funds		$ 5,427,050
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:		
Capital Assets	$ 33,699,354	
Accumulated Depreciation	(15,354,284)	
Capital Assets (Net)		18,345,070
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds:		
Bond Principal Payable	(5,875,000)	
Bond Premium, Net of Accumulated Amortization	(319,063)	
Capital Leases Payable	(1,276,180)	
Compensated Absences	(6,981)	
		(7,477,224)
Interest on long-term debt is recognized as an expenditure when due and payable in the governmental funds. Therefore, interest is not accrued in the governmental funds Balance Sheet, but is accrued in the Statement of Net Position:		(79,281)
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds:		11,899
The net OPEB liability represents the present value of projected unfunded future postemployment benefits other than pensions, as determined by an actuary as of the most recent measurement date. Such liability and related balances do not represent the impending use of current financial resources and, therefore, are not reported in the governmental funds:		
Net OPEB Liability	(561,587)	
Deferred Outflows - OPEB	58,419	
Deferred Inflows - OPEB	(431,189)	
		(934,357)
The net pension liability and related deferred outflows/inflows represent the allocation of the pension obligations of the statewide plans to the District. Such balances are not reported in the governmental funds:		
Net Pension Liability	(6,523,338)	
Deferred Outflows - Pensions	2,729,187	
Deferred Inflows - Pensions	(5,185,812)	
		(8,979,963)
TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 6,313,194

See accompanying notes.

INDEPENDENT SCHOOL DISTRICT NO. 881
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Local Property Tax Levies	$ 1,674,353	$ 1,319,535	$ 79,442	$ 3,073,330
Other Local and County Revenues	345,680	67	225,033	570,780
State Sources	8,306,882	145,957	100,375	8,553,214
Federal Sources	551,513	-	502,833	1,054,346
Sales and Other Conversions of Assets	43,452	-	38,279	81,731
TOTAL REVENUES	10,921,880	1,465,559	945,962	13,333,401
EXPENDITURES				
Current:				
Administration	601,028	-	-	601,028
District Support Services	403,588	-	-	403,588
Regular Instruction	4,474,543	-	-	4,474,543
Vocational Instruction	161,765	-	-	161,765
Exceptional Instruction	1,963,876	-	-	1,963,876
Community Education and Services	-	-	383,015	383,015
Instructional Support Services	781,060	-	-	781,060
Pupil Support Services	827,842	-	494,991	1,322,833
Sites and Buildings	804,838	-	16,976	821,814
Fiscal and Other Fixed Cost Programs	74,821	-	-	74,821
Capital Outlay	198,699	-	37,449	236,148
Debt Service:				
Principal	40,000	1,260,000	-	1,300,000
Interest and Other Charges	12,432	217,420	-	229,852
TOTAL EXPENDITURES	10,344,492	1,477,420	932,431	12,754,343
NET CHANGE IN FUND BALANCES	577,388	(11,861)	13,531	579,058
FUND BALANCES - BEGINNING	3,366,940	325,835	1,155,217	4,847,992
FUND BALANCES - ENDING	$ 3,944,328	$ 313,974	$ 1,168,748	$ 5,427,050

See accompanying notes.

INDEPENDENT SCHOOL DISTRICT NO. 881
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Net Change in Fund Balances - Total Governmental Funds		$ 579,058
Amounts reported for governmental activities in the Statement of Activities are different due to the following:		
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense:		
Capital Outlay Capitalized	$ 192,218	
Depreciation Expense	(759,847)	
Capital Assets Acquired via Capital Lease	912,300	
		344,671
The issuance of long-term debt provides current financial resources to governmental funds while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The amounts below detail the effects of these differences in the treatment of long-term debt and related items:		
Bond Principal Repayments	1,260,000	
Amortization of Bond Premium	52,883	
Capital Lease Issuance	(912,300)	
Capital Lease Principal Repayments	76,523	
		477,106
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 the 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:		18,395
Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period:		
Property Taxes		687
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:		
Compensated Absences Payable		(1,145)
Certain liabilities do not represent the impending use of current resources. Therefore, the change in such liabilities and related deferrals are not reported in the governmental funds:		
Net OPEB Liability and Deferred Outflows/Inflows of Resources	(42,877)	
Net Pension Liability and Deferred Outflows/Inflows of Resources	(237,910)	
		(280,787)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 1,137,985

See accompanying notes.

INDEPENDENT SCHOOL DISTRICT NO. 881
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2021

	OPEB Trust Fund	Custodial Fund Scholarship Fund
ASSETS		
Cash	$ (27,705)	$ 18,451
Investments	882,615	-
Interest Receivable	5,963	-
TOTAL ASSETS	$ 860,873	$ 18,451
FIDUCIARY NET POSITION		
Restricted for Other Postemployment Benefits	$ 860,873	$ -
Restricted for Scholarships	-	18,451
TOTAL FIDUCIARY NET POSITION	$ 860,873	$ 18,451

See accompanying notes.

INDEPENDENT SCHOOL DISTRICT NO. 881
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021

	OPEB Trust Fund	Custodial Fund Scholarship Fund
ADDITIONS		
Investment Interest	$ 6,149	$ 1
Donations	-	21,923
TOTAL ADDITIONS	6,149	21,924
DEDUCTIONS		
Administrative Fees	250	-
Contributions Paid	38,891	-
Scholarships Awarded	-	10,200
TOTAL DEDUCTIONS	39,141	10,200
CHANGE IN FIDUCIARY NET POSITION	(32,992)	11,724
FIDUCIARY NET POSITION - BEGINNING	893,865	6,727
FIDUCIARY NET POSITION - ENDING	$ 860,873	$ 18,451

See accompanying notes.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.A. FINANCIAL REPORTING ENTITY

Independent School District No. 881 (the District) is an educational entity established by the State of Minnesota. The government of the District is directed by an elected seven-member Board of Education (the Board). The Board exercises legislative authority and determines all matters of policy. The Board appoints personnel responsible for the proper administration of all affairs relating to the District. The accompanying financial statements present the government entities for which the District is considered to be financially accountable.

The District has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. Based on these criteria, there are currently no entities considered to be component units of the District.

Student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside school hours. However, the Board does have administrative control over student activity funds, as well as responsibility for establishing broad policies and ensuring that appropriate financial records are maintained for student activities. Accordingly, the student activity accounts are included in the basic financial statements as part of the General Fund.

1.B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all nonfiduciary activities of the primary government. For the most part, interfund activities have been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operations 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*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

1.C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The financial statements of Independent School District No. 881 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accountin*g, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenses are classified by function for governmental activities.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. In the fund financial statements, expenditures are classified as follows:

Governmental Funds – By Character	Current (further classified by function)
	Capital Outlay
	Debt Service

Property taxes, intergovernmental revenue, and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

The District reports the following major governmental funds:

The G*eneral Fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The District reports the following nonmajor governmental funds:

The *Food Service Fund* accounts for the proceeds of specific revenue sources (other than expendable trust and major capital projects) that are legally restricted to expenditures for food service.

The *Community Service Fund* accounts for the proceeds of specific revenue sources (other than expendable trust and major capital projects) that are legally restricted to expenditures for community service.

The *Building Construction Fund* is used to account for the resources accumulated and payments made for building construction.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

The District reports the following fiduciary funds:

The *OPEB Trust Fund* is used to account for an irrevocable trust established to fund postemployment benefits (other than pension benefits) accrued by the employees of the District to be paid as they come due.

The *Scholarship Fund* is a trust fund used to account for the activity of the District's scholarships.

1.D. USE OF ESTIMATES

The preparation of 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, deferred outflows, liabilities, and deferred inflows, and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY

Deposits and Investments

Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable participation by each of the funds. Temporary cash investments are stated at cost which approximates fair value. Investments in external investment pools are valued at the pool's share price.

See Note 2.A. for additional information related to Deposits and Investments.

Cash with Fiscal Agent

Cash with fiscal agent represents deposits with fiscal agents for the payment of bond principal and interest and the defeasance of debt at a future date. These bond transactions are discussed in further detail in Note 2.C.

Property Taxes Receivable

The majority of District revenue is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between property taxes and state aids by the Legislature based on education funding priorities.

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the State budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the State to reduce the amount of aid paid to the District.

Property tax levies are certified to the County in December of each year for collection from taxpayers in May and October of the following calendar year. In Minnesota, counties act as collection agents for all property taxes. The County spreads all levies over taxable property. Such taxes become an enforceable lien on property on the following January 1. The County generally remits taxes to the District at periodic intervals as they are collected. 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 financial statements.

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is deferred in the fund financial statements because it is not known to be available to finance the operation of the District in the current year. For government-wide financial statements, no allowance for uncollectible taxes is considered necessary.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. No substantial losses are anticipated from present receivable balances; therefore, no allowance for uncollectible accounts is deemed necessary.

Due from Other Governments

Amounts due from the Minnesota Department of Education, from the federal government through the Department of Education and from other governmental units for general education aids and reimbursements under various specific programs are reported at the estimated amounts to be received based on available information at the date of this report. In some instances, adjustments and proration by these agencies, which are dependent upon the amount of funds available for distribution and may result in differing amounts actually being received. Any such differences will be absorbed into operations as of the subsequent period.

Prepaids

Prepaid expenditures/expenses consist of amounts paid during the year ended June 30, 2021 which will benefit future periods. Included in this amount are supplies purchased for use in subsequent periods and insurance premiums applicable to future accounting periods.

Capital Assets

Capital assets are capitalized at historical cost or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated acquisition value at the date of donation. The District maintains a threshold level of $1,000 or more for capitalizing capital assets. The system for accumulation of fixed asset cost data does not provide the means for determining the percentage of assets valued at actual and those valued at estimated cost.

Capital assets are recorded in the district-wide financial statements but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from twenty to fifty years for site improvements and buildings, and five to fifteen years for equipment and vehicles.

Capital assets not being depreciated include land and construction in progress, if any.

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.

Accrued Payroll Liabilities

Salaries pertaining to the school year ended June 30, 2021, which are payable in July and August 2021, are accrued as of June 30, 2021, and are shown as a liability on the accompanying financial statements. Liabilities for payroll taxes, amounts withheld from payroll checks and benefits accrued are also included.

Unearned Revenue

Unearned revenue consists of local revenue received but not yet earned. Such amounts typically consist of grants and entitlements received before eligibility requirements are met and prepaid pupil lunch balances.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)

Compensated Absences Payable

Under the terms of union contracts, certain employees accrue vacation at varying rates, portions of which may be carried over to future years. Employees are reimbursed for any unused, accrued vacation and related benefits upon termination. Vacation pay is accrued in the district-wide financial statements when earned. Unused vacation pay is accrued in governmental fund financial statements only when it has matured due to employee termination or similar circumstances.

Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the 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.

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. Issuances costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Postemployment Benefits Other Than Pensions (OPEB)

Under the provisions of the various employee and union contracts, the District provides health insurance coverage for varying lengths of time if certain age and minimum years of service requirements are met.

Pensions

The net pension liability represents the District's allocation of its pro-rata share of the Statewide Public Employees Retirement Association and Teachers Retirement Association net pension liabilities.

PERA
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 additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. 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
For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Teachers Retirement Association (TRA) and additions to/deductions from TRA's fiduciary net position have been determined on the same basis as they are reported by TRA.

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. This direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association 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 in 2015.

Interfund Transactions and Balances

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. If short-term in nature or incurred through goods and service type transactions, such interfund balances are reported as "due to/from other funds." Long-term interfund loans are reported as "advances to/from other funds." Interfund transactions and balances between governmental funds are eliminated in the Statement of Net Position.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This element represents a consumption of net position that applies to future periods and, therefore, will not be recognized as an outflow of resources (expense) until that time. The District reports deferred outflows of resources in the government-wide Statement of Net Position in relation to the activity of the pension funds and OPEB plan in which District employees participate.

In addition to liabilities, the Statement of Net Position and Balance Sheet report a separate section for deferred inflows of resources. This element represents an acquisition of net position or fund balance that applies to future periods and, therefore, will not be recognized as an inflow of resources (revenue) until that time. The District reports property taxes levied for subsequent years as deferred inflows of resources in both the government-wide and governmental fund financial statements. The District reports delinquent property tax receivables as deferred inflows of resources in the governmental funds, in accordance with the modified accrual basis of accounting. In addition, the District reports deferred inflows of resources in the government-wide Statement of Net Position in relation to the activity of the pension funds and OPEB plan in which District employees participate.

See Notes 3 and 4 for additional information pertaining to the deferred outflows and deferred inflows recorded to account for OPEB and pension activities, respectively.

Fund Balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable – Includes amounts that cannot be spent because they are either not in spendable form, or they are legally or contractually required to be maintained intact. The nonspendable fund balances at June 30, 2021 consist of prepaid expenditures.

Restricted – Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed – Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the Board of Education (the Board), which is the District's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board modifies or rescinds the commitment by resolution. The District has no committed fund balances at June 30, 2021.

Assigned – Amounts that are neither restricted nor committed but are constrained by the District's intent to be used for specific purposes. The Board currently has delegated the authority to assign fund balances to the District's Superintendent and Finance Manager.

Unassigned – The residual classification for the General Fund and also negative residual amounts in other funds, if any. The District has formally adopted a policy under which it strives to maintain a minimum unassigned General Fund balance equal to approximately 1.5 months of operating expenditures.

When both restricted and unrestricted resources are available for use, it is the District's practice to first use restricted resources, and then use unrestricted resources as they are needed. If resources from more than one fund balance classification could be spent, the District will spend the resources from fund balance classifications in the following order: committed, assigned, and unassigned, in accordance with the District's policy.

See Note. 2.D. for additional disclosures.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)

Net Position

Net position represents the difference between the sum of assets and deferred outflows of resources and the sum of liabilities and deferred inflows of resources. Net position is displayed in three components:

Net Investment in Capital Assets – Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquiring the capital assets.

Restricted Net Position – Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

Unrestricted Net Position – All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS

2.A. DEPOSITS AND INVESTMENTS

Deposits

In accordance with applicable Minnesota Statutes, the District maintains deposits in financial institutions designated by the School Board. Minnesota Statutes require that all District deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds (100% if collateral pledged is irrevocable standby letters of credit issued by the Federal Home Loan Bank). The District complies with such laws.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- A general obligation of a state or local government, with taxing powers, rated "A" or better;
- A revenue obligation of a state or local government, with taxing powers, rated "AA" or better;
- Unrated general obligation securities of a local government, with taxing powers, pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letter of credit issued by a Federal Home Loan Bank accompanied by written evidence that the Federal Home Loan Bank's public debt is rated "AA" or better by Moody's or Standard and Poor's; or
- Time deposits insured by any federal agency.

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.A. DEPOSITS AND INVESTMENTS (Continued)

Minnesota Statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the District.

At June 30, 2021, the District's deposits were not exposed to custodial credit risk. The District's deposits were sufficiently covered by federal depository insurance or by collateral held by the District’s agent in the District's name.

Investments

The District may also invest idle funds as authorized by Minnesota Statutes as follows: direct obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that received the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated “A” or better; revenue obligations rated “AA” or better; general obligations of the Minnesota Housing Finance Agency rated “A” or better; bankers’ acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers. The District does not have any investment policies that would further limit investment choices. Under Minnesota Statutes, the District has expanded investment options for its fiduciary trust fund.

Investment balances at June 30, 2021 are as follows:

Type of Investments	S & P Credit Rating	Segmented Time Distribution	Fair Value
Non-Pooled Investments			
MNTrust Savings Deposit Account	N/A	Less than 6 months	$ 90,003
Pooled Investments			
Minnesota School District Liquid Asset Fund	N/A	Less than 6 months	1,537
MNTrust Investment Shares Portfolio	N/A	Less than 6 months	6,679,824
Totals			$ 6,771,364

The table above excludes investments of $882,615, which are held in fiduciary funds.

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.A. DEPOSITS AND INVESTMENTS (Continued)

The investments of the District are subject to the following risks:

- Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota Statutes limit the District's investments.

- Custodial credit risk is the risk that in the event of a failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District does not have a formal investment policy to address custodial credit risk but typically limits its exposure by purchasing insured or registered investments.

- Concentration of Credit Risk is the risk associated with the magnitude of the District's investments (considered five percent or more) in the investments of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The District has no formal policy limiting the amounts that may be invested in any one issuer. At June 30, 2021, the District does not have a significant concentration of credit risk.

- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District has no formal policy to address interest rate risk.

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. 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.

The Minnesota School District Liquid Asset Fund and the MNTrust Investment Shares Portfolio are external investment pools not registered with the Securities Exchange Commission (SEC) that follow the same regulatory rules of the SEC under rule 2a7. The fair value of the position in the pools is the same as the value of the pool shares. The investments in the Minnesota School District Liquid Asset Fund and the MNTrust Investment Shares Portfolio are not subject to the credit risk classifications as noted in GASB Statement No. 72 and, therefore, are not subject to the fair value measurements noted in the previous paragraph.

The assets of the OPEB Irrevocable Trust invested in the guaranteed investment contract are also not subject to the fair value hierarchy or credit risk classifications noted in GASB Statement No. 72. Instead, such investments are measured at the contract value, as prescribed by GASB Statement No. 53.

Deposits and Temporary Investments Summary

The following is a summary of total deposits and temporary investments:

Carrying Amount of Deposits	$ 125,181
Investments	7,653,979
Cash with Fiscal Agent	50,551
Total Cash and Temporary Investments	$ 7,829,711

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.A. DEPOSITS AND INVESTMENTS (Continued)

Cash and temporary investments are included on the basic financial statements as follows:

District-Wide	
Cash and Temporary Investments	$ 6,905,799
Cash with Fiscal Agent	50,551
Fiduciary	
Scholarship Trust Fund	18,451
Employee Benefit Trust Fund	854,910
Total Cash and Temporary Investments	$ 7,829,711

2.B. CAPITAL ASSETS

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

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital Assets, not Being Depreciated					
Land	$ 119,000	$ -	$ -	$ -	$ 119,000
Construction in Progress	98,183	99,128	-	(197,311)	-
Total Capital Assets Not Being Depreciated	217,183	99,128	-	(197,311)	119,000
Capital Assets, Being Depreciated					
Site Improvements	1,372,825	-	-	197,311	1,570,136
Buildings and Improvements	28,837,157	935,418	-	-	29,772,575
Equipment and Vehicles	2,167,671	69,972	-	-	2,237,643
Total Capital Assets Being Depreciated	32,377,653	1,005,390	-	197,311	33,580,354
Less Accumulated Depreciation for					
Site Improvements	802,697	48,996	-	-	851,693
Buildings and Improvements	12,110,264	634,814	-	-	12,745,078
Equipment and Vehicles	1,681,476	76,037	-	-	1,757,513
Total Accumulated Depreciation	14,594,437	759,847	-	-	15,354,284
Total Capital Assets Being Depreciated, Net	17,783,216	245,543	-	197,311	18,226,070
Governmental Activities Capital Assets, Net	$ 18,000,399	$ 344,671	$ -	$ -	$ 18,345,070

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.B. CAPITAL ASSETS (Continued)

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

Governmental Activities:	
Administration	$ 166
District Support Services	90
Regular Instruction	25,067
Vocational Instruction	1,947
Exceptional Instruction	195
Community Education	642
Instructional Support Services	18,086
Pupil Support Services	396
Sites and Buildings	235,099
Unallocated Depreciation	478,159
Total Depreciation Expense - Governmental Activities	$ 759,847

2.C. NONCURRENT LIABILITIES

General Obligation (G.O.) Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. Assets of the Debt Service Fund, together with scheduled future tax levies, are dedicated for the retirement of these obligations. The annual future debt service levies authorized are equal to 105 percent of the principal and interest due each year. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

There are a number of limitations and restrictions contained in the general obligation bond indentures.

The interest rates are fixed rates that may increase by a predetermined amount each year. District-wide interest and other fiscal charges for the year ended June 30, 2021 total $158,574 on the Statement of Activities. Fund financial statement interest and fiscal charges for the year ended June 30, 2021 total $229,852. Interest expenses included in direct program expenses total $0; all bond interest and fees are included in interest and other charges.

General obligation bonds are direct obligations and pledge the full faith and credit of the District. General obligation bonds currently outstanding are as follows:

Description	Original Issue Amount	Interest Rates	Final Maturity Date	Balance Outstanding
Governmental Activities				
G.O. School Building Refunding Bonds, Series 2009B	$ 2,500,000	2.50 - 4.00%	2/1/2022	$ 270,000
G.O. Crossover Refunding Bonds, Series 2016A	5,160,000	2.00 - 3.00%	2/1/2028	3,690,000
G.O. Taxable Bonds, Series 2018B	715,000	2.70 - 4.00%	2/1/2024	715,000
G.O. Facilities Maintenance Bonds, Series 2019A	1,305,000	3.00 - 5.00%	2/1/2030	1,200,000
	$ 9,680,000			$ 5,875,000

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.C. NONCURRENT LIABILITIES (Continued)

Capital Leases

The District occasionally enters into lease/purchase agreements as a means for financing the acquisition of new equipment. Collateral pledged under these agreements consists of the equipment acquired by the District through the lease/purchase agreements. Additional information, including the outstanding balance on the lease/purchase agreements at June 30, 2021, is as follows:

Description	Original Issue Amount	Interest Rates	Final Maturity Date	Balance Outstanding
Governmental Activities				
US Bank Lease-Purchase Agreement	$ 635,000	1.25 - 3.65%	8/1/2027	$ 330,000
Solar Array Capital Lease	84,737	0.00%	12/31/2029	64,290
Solar Array Capital Lease II	912,300	0.00%	10/31/2040	881,890
	$ 1,632,037			$ 1,276,180

At June 30, 2021, the assets acquired with the capital leases above have a cumulative original cost of $1,788,710 and accumulated depreciation of $240,353, for a net carrying value of $1,548,357.

Debt Service Requirements

At June 30, 2021, estimated annual debt service requirements to maturity for the general obligation bonds are as follows:

	Governmental Activities		
	G.O. Bonds		
Years Ending June 30,	Principal	Interest	Total
2022	$ 1,300,000	$ 179,175	$ 1,479,175
2023	780,000	136,175	916,175
2024	795,000	116,075	911,075
2025	655,000	95,300	750,300
2026	660,000	73,050	733,050
2027-2030	1,685,000	94,500	1,779,500
Total	$ 5,875,000	$ 694,275	$ 6,569,275

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.C. NONCURRENT LIABILITIES (Continued)

At June 30, 2021, estimated annual debt service requirements to maturity for the capital leases are as follows:

Governmental Activities			
	Capital Leases		
Years Ending June 30,	Principal	Interest	Total
2022	$ 97,002	$ 10,481	$ 107,483
2023	97,288	9,131	106,419
2024	97,587	7,669	105,256
2025	97,898	6,206	104,104
2026	103,225	4,563	107,788
2027-2031	357,440	3,650	361,090
2032-2036	228,075	-	228,075
2037-2041	197,665	-	197,665
Total	$ 1,276,180	$ 41,700	$ 1,317,880

Changes in Noncurrent Liabilities

Noncurrent liability activity (excluding the net OPEB liability and net pension liability) for the year ended June 30, 2021 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds	$ 7,135,000	$ -	$ (1,260,000)	$ 5,875,000	$ 1,300,000
Unamortized Premium	371,946	-	(52,883)	319,063	-
Capital Leases	440,403	912,300	(76,523)	1,276,180	97,002
Compensated Absences	5,836	9,990	(8,845)	6,981	-
Governmental Activities Noncurrent Liabilities	$ 7,953,185	$ 922,290	$ (1,398,251)	$ 7,477,224	$ 1,397,002

Bonds payable and capital leases are typically funded through the Debt Service Fund and General Fund, respectively. Compensated absences are typically funded through the funds to which the respective employees' wages are allocated.

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.D. FUND BALANCE CLASSIFICATIONS

At June 30, 2021, governmental fund equity includes the following:

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Prepaids	$ 2,262	$ -	$ 1,444	$ 3,706
Restricted for				
Student Activities	$ 39,852	$ -	$ -	$ 39,852
Staff Development	2,056	-	-	2,056
Operating Capital	597,925	-	-	597,925
Gifted and Talented	39,839	-	-	39,839
Long-Term Facility Maintenance	218,140	-	-	218,140
Lease	50,551	-	-	50,551
Debt Service	-	313,974	-	313,974
Building Construction	-	-	685,755	685,755
Food Service	-	-	105,210	105,210
Community Education	-	-	154,547	154,547
Early Childhood and Family Education	-	-	95,980	95,980
School Readiness	-	-	81,619	81,619
Community Service	-	-	44,193	44,193
Total Restricted	$ 948,363	$ 313,974	$ 1,167,304	$ 2,429,641
Assigned for				
Local Collaborative Time Study	$ 72,847	$ -	$ -	$ 72,847
Fundraising	143,854	-	-	143,854
Drivers Education	30,354	-	-	30,354
Q Comp	183,196	-	-	183,196
Total Assigned	$ 430,251	$ -	$ -	$ 430,251

Restricted for Student Activities - This amount represents resources available for extracurricular student activities, from funds raised by students.

Restricted for Staff Development - This amount represents available resources restricted for professional growth of instructional staff members during their service to the school district.

Restricted for Operating Capital - This amount represents funds to be used for the purchase, lease and maintenance of school facilities and equipment.

Restricted for Gifted and Talented - This amount represents the unspent portion of general education aid revenue at year end restricted for programs for the gifted and talented.

Restricted for Long-Term Facility Maintenance - This amount represents available resources for long–term facility maintenance stipulated by the District's long–term facility maintenance plan.

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.D. FUND BALANCE CLASSIFICATIONS (Continued)

Restricted for Lease - This amount represents the balance of cash with fiscal agent to be used for lease payments.

Restricted for Debt Service - This amount represents restricted resources for debt service stipulated by constitution, external resource providers, or through enabling legislation.

Restricted for Building Construction - This amount represents resources to be used for building construction.

Restricted for Food Service - This amount represents restricted resources for food service stipulated by constitution, external resource providers, or through enabling legislation.

Restricted for Community Education - This amount represents available resources for community education programs. Revenues are derived from tax levies and state aids and expenditures are for salaries, benefits and supplies. Any deficits can be eliminated by future tax levies and state aids.

Restricted for Early Childhood Family Education (ECFE) - This amount represents available resources for ECFE classes. Revenues are derived from local tax levies and state aids and expenditures are for salaries, benefits and supplies. Any deficits can be eliminated by future tax levies, state aids and program revenues.

Restricted for School Readiness - This amount represents the resources available to provide for services for school readiness programs, which includes aids, fees, grants and all other revenues received by the District for the program. Deficits can be eliminated through future state aids and program revenues.

Restricted for Community Service - This amount represents restricted resources for community service stipulated by constitution, external resource providers, or through enabling legislation.

Assigned for Local Collaborative Time Study - This amount represents fund balance assigned for a future local collaborative time study.

Assigned for Fundraising - This amount represents fund balance assigned for fundraising.

Assigned for Drivers Education - This amount represents fund balance assigned for driver's education.

Assigned for Q Comp - This amount represents fund balance assigned for future Q Comp payments.

NOTE 3 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The District administers a single-employer retiree benefit plan (the Plan) through which the District provides postretirement benefits to eligible retirees and their families. An irrevocable trust, established and operated under the provisions of *Minnesota Statute* 471.6175, is used to finance benefit obligations incurred by the plan. The assets of such trust are managed in accordance with *Minnesota Statute* 118A. The Plan does not issue a publicly available financial report.

Benefits Provided

The District offers continuing group health insurance coverage after retirement for qualifying District employees. Teachers and certain other District personnel who retire from active teaching may continue their single or family coverage, at their expense, through the District plan if they retire after reaching the age of 55 or greater with 12-15 years of uninterrupted service in the District. This option is allowed as long as the District continues to sponsor a group health plan. Benefit and eligibility provisions are established through negotiations between the District and the union representing the District's teachers and are renegotiated each two-year bargaining period. As of the most recent measurement date, there are 125 active participants, including 116 active employees and 9 retired participants.

NOTE 3 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

The District is legally required to include any retirees for whom it provides health insurance coverage in the same insurance pool as its active employees until the retiree reaches Medicare eligibility, regardless of whether the premiums are paid by the District or the retiree. Consequently, participating retirees are considered to receive a secondary benefit known as an "implicit rate subsidy." This benefit arises from the assumption that the retiree is receiving a more favorable premium rate than they would otherwise be able to obtain if purchasing insurance on their own, due to being included in the same pool with the District's younger and statistically healthier active employees.

Contributions

The District did not have any contractually required or actuarially determined contributions to the Plan as of June 30, 2021. The District has established an irrevocable trust to fund all future benefits paid under the Plan, and it is assumed that the District will make no further contributions to the trust. Accordingly, the District did not make any direct contributions to the Plan during the year ended June 30, 2021. However, implicit contributions of $35,955 were calculated and have been disclosed as an addition to the Plan Fiduciary Net Position on the following page. Employees are not required to contribute to the OPEB plan.

Net OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources

At June 30, 2021, the District reported a net OPEB liability of $561,587 for the District's plan. The net OPEB liability was measured as of June 30, 2021, as determined by an actuarial valuation as of July 1, 2020.

For the year ended June 30, 2021, the District recognized OPEB expense of $42,876. 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
Differences between expected and actual economic experience	$ -	$ 388,688
Changes in actuarial assumptions	45,483	42,501
Differences between projected and actual investment earnings	12,936	-
Total Deferred Outflows/Inflows	$ 58,419	$ 431,189

Deferred outflows and inflows of resources related to the Plan will be recognized in the District's OPEB expense as follows:

Year Ended June 30,	Pension Expense
2022	$ (97,202)
2023	$ (96,089)
2024	$ (84,983)
2025	$ (42,596)
2026	$ (51,900)

NOTE 3 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Changes in the Net OPEB Liability

The following table summarizes changes in the net OPEB liability for the year ended June 30, 2021:

Changes in Total OPEB Liability (TOL)		
Balance at July 1st	$	1,608,114
Service Cost		89,005
Interest Cost		41,495
Changes in Assumptions		(29,987)
Plan Changes		70,340
Difference between Expected and Actual Experience		(281,411)
Benefit Payments		(75,096)
Balance at June 30th	$	1,422,460
Plan Fiduciary Net Position (FNP)		
Balance at July 1st	$	893,865
Employer Contributions		36,204
Projected Investment Return		25,922
Total Additions		62,126
Benefit Payments		(75,096)
Difference between Expected and Actual Experience		(20,022)
Total Reductions		(95,118)
Balance at June 30th	$	860,873
Net OPEB Liability (Asset) - June 30th	$	561,587
Fiduciary Net Position as a percentage of the total OPEB Liability		60.52%
Covered Payroll	$	5,686,772
Net OPEB Liability / Covered Payroll		9.88%

NOTE 3 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Actuarial Assumptions

The following is a summary of pertinent actuarial assumptions and methods utilized, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Actuarial Information:	
Valuation Date	July 1, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry Age, level percentage of pay.
Actuarial Assumptions:	
Discount Rate	2.20%
Salaries Increases	Service graded table
Inflation Rate	2.50%
Bond Yield	2.10%
Investment Rate of Return	2.90%
Medical Trend Rate	6.50% in 2020 grading to 5.00% over 6 years and then to 4.00% over the next 48 years

Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables with MP-2019 Generational Improvement Scale.

The long-term expected rate of return of the Plan’s investments was determined using a building-block method in which best estimates of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage (or target allocation, if available) 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	95%	3.00%
Cash	5%	1.00%
	100%	

Significant changes in assumptions, benefit terms, and other inputs since the prior measurement date include:

- The new Superintendent receives a post-employment direct subsidized benefit of the single premium rate (same as teachers) paid annually until Medicare eligibility upon attainment of age 55 and 12 years of service (same structure as Principals).
- Teachers who have attained age 55 with at least 15 years of service were offered an Early Retirement Incentive of a one-time $6,600 lump sum paid to a HCSP.
- The health care trend rates, mortality tables, and salary scale assumptions were updated.
- The discount rate was changed from 2.50 percent to 2.20 percent.

NOTE 3 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Net OPEB Liability Sensitivity

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

Sensitivity of Net OPEB Liability at Current Single Discount Rate		
	Rates	Amounts
1% Increase in Discount Rate	3.20%	$495,621
Current Discount Rate	2.20%	$561,587
1% Decrease in Discount Rate	1.20%	$627,193

The following presents the net OPEB liability, calculated using the healthcare cost trend rates disclosed in the preceding section, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

Sensitivity of Net OPEB Liability at Current Healthcare Trend Rates	
	Amounts
1% Increase in Medical Trend Rates	$689,520
Current Medical Trend Rates	$561,587
1% Decrease in Medical Trend Rates	$449,919

Concentrations

At June 30, 2021, the District's OPEB plan held the following investments, which represented more than 5 percent of the Plan's Fiduciary Net Position:

Type of Investments	Fair Value
Pooled Money Market Account	$ 82,015
Western Alliance Bank Certificate of Deposit	249,700
Texas Capital Bank Certificate of Deposit	249,700
TBK Bank, NA Certificate of Deposit	150,600
KS State Bank Certificate of Deposit	150,600
Totals	$ 882,615

Rate of Return

For the year ended June 30, 2021, the annual money-weighted rate of return on plan investments, net of investment expense, approximated 0.70 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE

4.A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description

The District participates in the following cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans 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.

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.

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

Contributions

Minnesota Statutes Chapter 353 sets 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 6.50 percent of their annual covered salary in fiscal year 2021 and the District was required to contribute 7.50 percent for the Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2021 were $124,843. The District's contributions were equal to the required contributions as set by State Statute.

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

Pension Costs

General Employees Fund Pension Costs

At June 30, 2021, the District reported a liability of $1,432,914 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 $44,120. 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 0.0239 percent at the end of the measurement period and 0.0233 percent for the beginning of the period.

District's proportionate share of the net pension liability:	$1,432,914
State of Minnesota's proportionate share of the net pension liability associated with the District	44,120
Total	$1,477,034

For the year ended June 30, 2021, the District recognized pension expense of $135,540 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional $3,840 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the annual $16 million contribution.

At June 30, 2021, the District reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 12,750	$ 5,421
Changes in actuarial assumptions	-	52,763
Differences between projected and actual investment earnings	22,698	-
Changes in proportion	24,879	27,816
Contributions paid to PERA subsequent to the measurement date	124,843	-
Total	$ 185,170	$ 86,000

The $124,843 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.

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

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

Year Ended June 30,	Pension Expense	
2022	$	(94,377)
2023	$	(1,398)
2024	$	35,483
2025	$	34,619

Total Pension Expense

The total pension expense for all plans recognized by the District for the year ended June 30, 2021 was negative $70,558.

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:

Assumptions	Rates
Inflation	2.25 percent per year
Active Member Payroll Growth	3.00 percent per year
Investment Rate of Return	7.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on Pub-2010 General Employee Mortality tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year.

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. 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:

<u>General Employees Fund</u>

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- 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 percent 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.

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

- 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 percent Joint & Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint & Survivor option changed from 15 percent to 30 percent. 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 2.00 percent for the period July 1, 2020 through December 31, 2023 and 0.00 percent after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	100%	

Discount Rate

The discount rate used to measure the total pension liability in 2020 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Sensitivity Analysis
Net Pension Liability (Asset) at Different Discount Rates

	Rates	Amounts
1% Lower	6.50%	$2,296,464
Current Discount Rate	7.50%	$1,432,914
1% Higher	8.50%	$720,555

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

Pension Plan Fiduciary Net Position

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

4.B. TEACHERS RETIREMENT ASSOCIATION

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.

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

Benefits Provided

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

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

Tier I Benefits

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

With these provisions:

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

(b) 3 percent per year early retirement reduction factor for all years under normal retirement age.

(c) Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

Or

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.B. TEACHERS RETIREMENT ASSOCIATION (Continued)

Tier II Benefits

For years of service prior to July 1, 2006, a level formula of 1.7 percent per year for coordinated members and 2.7 percent per year for basic members is applied. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for coordinated members and 2.7 percent per year 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 benefit 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.

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:

	June 30, 2019		June 30, 2020		June 30, 2021	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic	11.00%	11.71%	11.00%	11.92%	11.00%	12.13%
Coordinated	7.50%	7.71%	7.50%	7.92%	7.50%	8.13%

The following is a reconciliation of employer contributions in TRA's fiscal year 2020 ACFR "Statement of Changes in Fiduciary Net Position" to the employer contributions used in Schedule of Employer and Non-Employer Pension Allocations.

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

Amounts reported in the allocation schedules may not precisely agree with 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.

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.B. TEACHERS RETIREMENT ASSOCIATION (Continued)

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% after June 30, 2028
Projected salary increase	2.85% to 8.85% before July 1, 2028 and 3.25% to 9.25% after June 30, 2028
Cost of living adjustment	1.00% for January 2020 through January 2023, then increasing by 0.10% each year up to 1.50% 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 projection uses the MP-2015 scale.
Post-disability:	RP-2014 disabled retiree mortality table, without adjustment.

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Geometric Mean)
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	100%	

The TRA actuary has determined the average of the expected remaining service 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 five years as required by GASB 68.

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.B. TEACHERS RETIREMENT ASSOCIATION (Continued)

Changes in actuarial assumptions since the 2018 valuation:

- The COLA was reduced from 2.00 percent each January 1 to 1.00 percent, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.10 percent each year until reaching the ultimate rate of 1.50 percent in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.50 percent if the funded ratio was at least 90.00 percent for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.00 percent to 3.00 percent, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.50 percent to 7.50 percent, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 6 years, (7.71 percent in 2018, 7.92 percent in 2019, 8.13 percent in 2020, 8.34 percent in 2021, 8.55 percent in 2022, and 8.75 percent in 2023). In addition, the employee contribution rate will increase from 7.50 percent to 7.75 percent on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

Discount Rate

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

Net Pension Liability

At June 30, 2021, the District reported a liability of $5,090,424 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. The District's proportionate share was 0.0689 percent at the end of the measurement period and 0.0689 percent for the beginning of the period.

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

District's proportionate share of net pension liability	$5,090,424
State's proportionate share of the net pension liability associated with the District	$426,741

For the year ended June 30, 2021, the District recognized pension expense of $503,983. It also recognized $39,092 as an increase to pension expense for the support provided by direct aid.

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.B. TEACHERS RETIREMENT ASSOCIATION (Continued)

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	$ 102,084	$ 80,091
Changes in assumptions	2,006,329	4,310,927
Differences between projected and actual investment earnings	65,633	-
Changes in proportion	16,749	708,794
Contributions made to TRA subsequent to the measurement date	353,222	-
Total Deferred Outflows/Inflows	$ 2,544,017	$ 5,099,812

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

Year Ended June 30,	Pension Expense
2022	$ (20,537)
2023	$ (1,803,260)
2024	$ (1,225,125)
2025	$ 118,722
2026	$ 21,183

Pension Liability Sensitivity

The following presents the net pension liability of TRA calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent) or one percentage point higher (8.50 percent) than the current rate.

Sensitivity of Net Pension Liability (NPL) to changes in the discount rate

1 percent decrease (6.50%)	Current (7.50%)	1 percent increase (8.50%)
$7,793,386	$5,090,424	$2,863,321

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.

Pension Plan Fiduciary Net Position

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

NOTE 5 OTHER INFORMATION

5.A. COMMITMENTS AND CONTINGENCIES

Federal and State Programs

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

Solar Energy Contract

During the current year, the District entered into a capital lease agreement for solar panels. Related to this agreement, the District has committed to pay for energy monthly through the fiscal year ended June 30, 2041. Future commitments under this agreement are as follows:

Years Ending June 30,	Amount
2022	$ 25,025
2023	26,406
2024	27,832
2025	29,718
2026	31,442
2027-2031	184,442
2032-2036	235,556
2037-2041	251,367
Total	$ 811,788

5.B. RISK MANAGEMENT

Claims and Judgements

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. To manage these risks, the District purchases commercial insurance. The District retains risk for the deductible portions of the insurance. The amounts of these deductibles are considered immaterial to the financial statements. There were no significant reductions in insurance from the previous year settlements in excess of insurance for any of the past two years. The District is also self-insured for state reemployment compensation insurance.

Public Health Emergency

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the District operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the District, to date, the District has not experienced any significant negative effects on its operations.

NOTE 5 OTHER INFORMATION (Continued)

5.C. OTHER EMPLOYEE BENEFITS

Defined Contribution Plan

The District provides eligible employees future retirement benefits through the District's 403(b) Plan (the Plan). The District has contracted with a private brokerage firm to establish the Plan, and plan assets are not held in a formal trust meeting the criteria defined by GASB No. 73, par 4. The District's Board of Education acts as the plan administrator, but the District is not involved with the investment decisions for plan assets. Contributions are invested in tax deferred annuities selected and owned by Plan participants. Employees of the District are eligible to participate in the Plan commencing on the date of their employment. Eligible employees may elect to have a percentage of their pay contributed to the Plan. Some employees are eligible to receive a District match of employee contributions up to the qualifying amounts set forth in their respective collective bargaining agreements. The District's contributions to the plan total $79,014 for the year ended June 30, 2021.

5.D NEW ACCOUNTING STANDARDS

In June 2017, the Government Accounting Standards Board (GASB) issued Statement No. 87, *Leases*. GASB Statement No. 87 (GASB 87) increases the usefulness of governmental financial statements by requiring recognition of certain lease assets and liabilities for all leases, including those that previously were classified as operating leases and recognized as income by lessors and expenditures by lessees. GASB 87 replaces the previous lease accounting methodology and establishes a single model for lease accounting based on the foundational principle that leases are a financing of the right to use an underlying asset. GASB 87 will be effective for the District's fiscal year ended June 30, 2022. The effect on net position will likely be significant.

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 881
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Local Property Tax Levies	$ 1,622,187	$ 1,625,264	$ 1,674,353	$ 49,089
Other Local and County Revenues	196,775	334,588	345,680	11,092
State Sources	8,028,911	8,104,353	8,306,882	202,529
Federal Sources	111,677	447,280	551,513	104,233
Sales and Other Conversions of Assets	38,125	46,749	43,452	(3,297)
TOTAL REVENUES	9,997,675	10,558,234	10,921,880	363,646
EXPENDITURES				
Current:				
Administration	599,523	600,455	601,028	573
District Support Services	432,514	408,673	403,588	(5,085)
Regular Instruction	4,655,257	4,489,117	4,474,543	(14,574)
Vocational Instruction	177,838	161,895	161,765	(130)
Exceptional Instruction	2,012,979	1,941,143	1,963,876	22,733
Instructional Support Services	577,267	817,667	781,060	(36,607)
Pupil Support Services	820,097	884,063	827,842	(56,221)
Sites and Buildings	759,052	829,524	804,838	(24,686)
Fiscal and Other Fixed Cost Programs	52,067	77,186	74,821	(2,365)
Capital Outlay	221,100	189,891	198,699	8,808
Debt Service:				
Principal	40,000	40,000	40,000	-
Interest and Other Charges	12,432	12,458	12,432	(26)
TOTAL EXPENDITURES	10,360,126	10,452,072	10,344,492	(107,580)
NET CHANGE IN FUND BALANCE	$ (362,451)	$ 106,162	577,388	$ 471,226
FUND BALANCE - BEGINNING			3,366,940	
FUND BALANCE - ENDING			$ 3,944,328	

INDEPENDENT SCHOOL DISTRICT NO. 881
SCHEDULE OF CHANGES IN DISTRICT'S NET OPEB LIABILITY
LAST TEN YEARS (Presented Prospectively)

	Measurement Period Ending June 30,				
	2021	2020	2019	2018	2017
Changes in Total OPEB Liability (TOL)					
Balance at July 1st	$ 1,608,114	$ 1,530,258	$ 1,697,779	$ 1,732,160	$ 1,650,871
Service Cost	89,005	90,628	82,364	86,084	91,819
Interest Cost	41,495	45,706	56,878	48,413	47,136
Differences between Expected and Actual Experience	(281,411)	-	(308,357)	-	-
Changes in Actuarial Assumptions	(29,987)	31,793	48,576	(52,535)	-
Plan Changes	70,340	-	67,057	-	-
Benefit Payments	(75,096)	(90,271)	(114,039)	(116,343)	(57,666)
Balance at June 30th	$ 1,422,460	$ 1,608,114	$ 1,530,258	$ 1,697,779	$ 1,732,160
Plan Fiduciary Net Position (FNP)					
Balance at July 1st	$ 893,865	$ 924,399	$ 981,860	$ 1,048,521	$ 1,076,046
Employer Contributions	36,204	37,731	32,286	30,798	22,971
Differences between Expected and Actual Experience	-	-	11,750	5,564	-
Projected Investment Return	25,922	26,808	12,764	13,631	7,170
Total Additions	62,126	64,539	56,800	49,993	30,141
Benefit Payments	(75,096)	(90,271)	(114,039)	(116,343)	(57,666)
Differences between Expected and Actual Experience	(20,022)	(4,552)	-	-	-
Administrative Expenses	-	(250)	(222)	(311)	-
Total Reductions	(95,118)	(95,073)	(114,261)	(116,654)	(57,666)
Balance at June 30th	860,873	893,865	924,399	981,860	1,048,521
Net OPEB Liability - June 30th	$ 561,587	$ 714,249	$ 605,859	$ 715,919	$ 683,639
Plan Fiduciary Net Position / Total OPEB Liability	60.52%	55.58%	60.41%	57.83%	60.53%
Covered Payroll	$ 5,686,772	$ 5,326,276	$ 5,171,142	$ 5,383,268	$ 5,226,474
Net OPEB Liability / Covered Payroll	9.88%	13.41%	11.72%	13.30%	13.08%

Note: The schedule is provided prospectively beginning with the District's fiscal year ended June 30, 2017 and is intended to show a ten year trend. Additional years will be reported as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 881
SCHEDULE OF MONEY-WEIGHTED RATE OF RETURN ON OPEB PLAN ASSETS
LAST TEN YEARS (Presented Prospectively)

For the Year Ended June 30,	Annual Money-Weighted Rate of Return, Net of Investment Expense
2021	0.70%
2020	2.40%
2019	2.50%
2018	1.80%
2017	0.70%

Note: The schedule is provided prospectively beginning with the District's fiscal year ended June 30, 2017 and is intended to show a ten year trend. Additional years will be reported as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 881
SCHEDULE OF DISTRICT'S PROPORTIONATE
SHARE OF NET PENSION LIABILITY
LAST TEN YEARS (Presented Prospectively)

For the Measurement Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	District's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the District (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Public Employees Retirement Association							
2020	0.0239%	$ 1,432,914	$ 44,120	$ 1,477,034	$ 1,704,200	86.7%	79.1%
2019	0.0233%	$ 1,288,205	$ 40,038	$ 1,328,243	$ 1,652,253	80.4%	80.2%
2018	0.0239%	$ 1,325,874	$ 43,491	$ 1,369,365	$ 1,609,360	85.1%	79.5%
2017	0.0246%	$ 1,570,448	$ 19,787	$ 1,590,235	$ 1,598,493	99.5%	75.9%
2016	0.0244%	$ 1,981,159	$ 25,855	$ 2,007,014	$ 1,515,253	132.5%	68.9%
2015	0.0250%	$ 1,295,630	$ -	$ 1,295,630	$ 1,463,570	88.5%	78.2%
2014	0.0279%	$ 1,310,602	$ -	$ 1,310,602	$ 1,432,753	91.5%	78.7%
Teachers Retirement Association							
2020	0.0689%	$ 5,090,424	$ 426,741	$ 5,517,165	$ 4,005,290	137.7%	75.5%
2019	0.0689%	$ 4,391,700	$ 388,665	$ 4,780,365	$ 3,911,725	122.2%	78.2%
2018	0.0685%	$ 4,300,826	$ 404,034	$ 4,704,860	$ 3,680,091	127.8%	78.1%
2017	0.0742%	$ 14,811,666	$ 1,432,277	$ 16,243,943	$ 4,000,707	406.0%	51.6%
2016	0.0757%	$ 18,056,256	$ 1,812,414	$ 19,868,670	$ 3,956,507	502.2%	44.9%
2015	0.0777%	$ 4,806,513	$ 589,358	$ 5,395,871	$ 3,908,681	138.0%	76.8%
2014	0.0875%	$ 4,031,937	$ 283,776	$ 4,315,713	$ 3,986,998	108.2%	81.5%

Note: The schedule is provided prospectively with the District's fiscal year ended June 30, 2015 (June 30, 2014 measurement date) and is intended to show a ten year trend. Additional years will be reported as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 881
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
LAST TEN YEARS (Presented Prospectively)

For the Fiscal Year Ended June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
Public Employees Retirement Association					
2021	$ 124,843	$ 124,843	$ -	$ 1,664,573	7.5%
2020	$ 127,965	$ 127,965	$ -	$ 1,706,200	7.5%
2019	$ 123,379	$ 123,379	$ -	$ 1,645,053	7.5%
2018	$ 120,731	$ 120,731	$ -	$ 1,609,747	7.5%
2017	$ 119,887	$ 119,887	$ -	$ 1,598,493	7.5%
2016	$ 113,644	$ 113,644	$ -	$ 1,515,253	7.5%
2015	$ 109,913	$ 109,913	$ -	$ 1,463,570	7.5%
Teachers Retirement Association					
2021	$ 353,222	$ 353,222	$ -	$ 4,344,674	8.1%
2020	$ 318,880	$ 318,880	$ -	$ 4,026,263	7.9%
2019	$ 303,477	$ 303,477	$ -	$ 3,936,148	7.7%
2018	$ 284,185	$ 284,185	$ -	$ 3,789,133	7.5%
2017	$ 300,053	$ 300,053	$ -	$ 4,000,707	7.5%
2016	$ 296,738	$ 296,738	$ -	$ 3,956,507	7.5%
2015	$ 292,544	$ 292,544	$ -	$ 3,908,681	7.5%

Note: The schedule is provided prospectively beginning with the District's fiscal year ended June 30, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

NOTE 1 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- 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 percent 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 100.00 percent Joint & Survivor option changed from 35.00 percent to 45.00 percent. The assumed number of married female new retirees electing the 100.00 percent Joint & Survivor option changed from 15.00 percent to 30.00 percent. 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 2.00 percent for the period July 1, 2020 through December 31, 2023 and 0.00 percent after. 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 $31.0 million to $21.0 million per year. The State's special funding contribution was changed prospectively, requiring $16.0 million due per year through 2031.

2018 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

NOTE 1 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND (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 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, 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 Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA loads are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent 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 postretirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

NOTE 1 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND (Continued)

2015 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2035 and 2.50 percent 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, is due September 2015.

NOTE 2 TEACHERS RETIREMENT ASSOCIATION

2020 Changes

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019 Changes

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018 Changes

Changes in Actuarial Assumptions

- The COLA was reduced from 2.00 percent each January 1 to 1.00 percent, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.10 percent each year until reaching the ultimate rate of 1.50 percent 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 2.50 percent if the funded ratio was at least 90 percent for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.

NOTE 2 TEACHERS RETIREMENT ASSOCIATION (Continued)

- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.00 percent to 3.00 percent, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.50 percent to 7.50 percent, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 6 years, (7.71 percent in 2018, 7.92 percent in 2019, 8.13 percent in 2020, 8.34 percent in 2021, 8.55 percent in 2022, and 8.75 percent in 2023). In addition, the employee contribution rate will increase from 7.50 percent to 7.75 percent on July 1, 2023. The State provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2017 Changes

Changes in Actuarial Assumptions

- The Cost of Living Adjustment (COLA) was assumed to increase from 2.00 percent annually to 2.50 percent annually on July 1, 2045.
- The COLA was not assumed to increase to 2.50 percent, but remain at 2.00 percent for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.40 percent to 0.00 percent, the vested inactive load increased from 4.00 percent to 7.00 percent and the non-vested inactive load increased from 4.00 percent to 9.00 percent.
- The investment return assumption was changed from 8.00 percent to 7.50 percent.
- The price inflation assumption was lowered from 2.75 percent to 2.50 percent.
- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.
- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for ten years followed by 3.25 percent thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016 Changes

Changes in Actuarial Assumptions

- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2.00 percent for all future years.
- The price inflation assumption was lowered from 3.00 percent to 2.75 percent.
- The general wage growth and payroll growth assumptions were lowered from 3.75 percent to 3.50 percent.
- 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 6 years and female rates set back 5 years. Generational projection uses the MP-2015 scale.
- The post-retirement mortality assumption was changed to the RP-2014 white collar annuitant table, male rates set back 3 years and female rates set back 3 years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
- The post-disability mortality assumption was changed to the RP-2014 disabled retiree mortality table, without 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.

NOTE 2 TEACHERS RETIREMENT ASSOCIATION (Continued)

- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

- The annual COLA for the June 30, 2015, valuation assumed 2.00 percent. The prior year valuation used 2.00 percent with an increase to 2.50 percent commencing in 2034.
- The discount rate used to measure the total pension liability was 8.00 percent. This is a decrease from the discount rate at the prior measurement date of 8.25 percent.

Changes in Plan Provisions

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

NOTE 3 OTHER POSTEMPLOYMENT BENEFIT PLAN

2021 Changes

Changes in Actuarial Assumptions

- The health care trend rates, mortality tables, and salary scale assumptions were updated.
- The discount rate was changed from 2.50 percent to 2.20 percent.

Changes in Plan Provisions

- The new Superintendent receives a post-employment direct subsidized benefit of the single premium rate (same as teachers) paid annually until Medicare eligibility upon attainment of age 55 and 12 years of service (same structure as Principals).
- Teachers who have attained age 55 with at least 15 years of service were offered an Early Retirement Incentive of a one-time $6,600 lump sum paid to a HCSP.

2020 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 2.90 percent to 2.50 percent.
- The expected long-term investment rate of return was changed from 1.30 percent to 2.90 percent.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

NOTE 3 OTHER POSTEMPLOYMENT BENEFIT PLAN (Continued)

2019 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 3.30 percent to 2.90 percent.
- Healthcare trend rates and mortality tables were updated.

Changes in Plan Provisions

- Activity Director's eligibility to receive a GASB 75 post-employment subsidy was changed from age 55 with 12 years of service with the District to age 55 with 15 years of service with the District. The amount of the subsidy is now based on the same amount as active employees instead of the same amount as Teachers.
- A post-employment subsidy was added for Confidential Staff hired before July 1, 2016 who have attained age 55 with 15 years of service with the District. The amount of the subsidy equals the same contribution as active employees toward single medical coverage, frozen at retirement, and payable until the earlier of Medicare eligibility or a total of $35,000 is paid.

2018 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 2.75 percent to 3.30 percent.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2017 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 3.00 percent to 2.75 percent.
- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality table was updated from RP-2000 projected to 2014 with Scale BB to the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale.
- The withdrawal table for all employees and retirement table for only employees eligible to retire with Rule of 90 also were updated.
- The actuarial cost method was changed from projected unit credit to entry age as prescribed by GASB 74/75.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

NOTE 4 EXPENDITURES IN EXCESS OF BUDGET

Actual expenditures in the General Fund did not exceed budgeted amounts for the year ended June 30, 2021.

SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 881
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021

	Special Revenue Funds		Capital Project Fund	
	Food Service Fund	Community Service Fund	Building Construction Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash and Temporary Investments	$ 137,986	$ 456,534	$ 687,327	$ 1,281,847
Property Taxes Receivable:				
Current	-	37,842	-	37,842
Delinquent	-	316	-	316
Accounts Receivable	432	-	-	432
Due from Other Minnesota School Districts	-	3,488	-	3,488
Due from Minnesota Department of Education	740	4,529	-	5,269
Due from Federal Government through Minnesota Department of Education	31,874	-	-	31,874
Prepaids	1,444	-	-	1,444
TOTAL ASSETS	$ 172,476	$ 502,709	$ 687,327	$ 1,362,512
LIABILITIES				
Accounts Payable	$ 24,703	$ 4,069	$ 1,572	$ 30,344
Salaries Payable	10,179	16,084	-	26,263
Payroll Deductions and Employer Contributions	6,377	24,849	-	31,226
Unearned Revenue	24,563	-	-	24,563
Total Liabilities	65,822	45,002	1,572	112,396
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue:				
Delinquent Property Taxes	-	316	-	316
Property Taxes Levied for Subsequent Years	-	81,052	-	81,052
Total Deferred Inflows of Resources	-	81,368	-	81,368
FUND BALANCES				
Nonspendable for:				
Prepaids	1,444	-	-	1,444
Restricted for:				
Food Service	105,210	-	-	105,210
Community Education	-	154,547	-	154,547
Early Childhood and Family Education	-	95,980	-	95,980
School Readiness	-	81,619	-	81,619
Community Service	-	44,193	-	44,193
Building Construction	-	-	685,755	685,755
Total Fund Balances	106,654	376,339	685,755	1,168,748
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 172,476	$ 502,709	$ 687,327	$ 1,362,512

INDEPENDENT SCHOOL DISTRICT NO. 881
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
FOR THE YEAR ENDED JUNE 30, 2021

	Special Revenue Funds		Capital Project Fund	
	Food Service Fund	Community Service Fund	Building Construction Fund	Total Nonmajor Governmental Funds
REVENUES				
Local Property Tax Levies	$ -	$ 79,442	$ -	$ 79,442
Other Local and County Revenues	10	221,219	3,804	225,033
State Sources	2,345	98,030	-	100,375
Federal Sources	502,833	-	-	502,833
Sales and Other Conversions of Assets	38,279	-	-	38,279
TOTAL REVENUES	543,467	398,691	3,804	945,962
EXPENDITURES				
Current:				
Community Education and Services	-	383,015	-	383,015
Pupil Support Services	485,558	9,433	-	494,991
Sites and Buildings	-	-	16,976	16,976
Capital Outlay	1,500	-	35,949	37,449
TOTAL EXPENDITURES	487,058	392,448	52,925	932,431
NET CHANGE IN FUND BALANCES	56,409	6,243	(49,121)	13,531
FUND BALANCES - BEGINNING	50,245	370,096	734,876	1,155,217
FUND BALANCES - ENDING	$ 106,654	$ 376,339	$ 685,755	$ 1,168,748

INDEPENDENT SCHOOL DISTRICT NO. 881
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
FOR THE YEAR ENDED JUNE 30, 2021

01 GENERAL FUND	Audited	UFARS	Difference
Total Revenue	10,921,880	10,921,881	(1)
Total Expenditures	10,344,492	10,344,493	(1)
Non Spendable:			
460 Non Spendable Fund Balance	2,262	2,262	-
Restricted/Reserve:			
401 Student Activities	39,852	39,852	-
402 Scholarships	-	-	-
403 Staff Development	2,056	2,056	-
407 Capital Projects Levy	-	-	-
408 Cooperative Revenue	-	-	-
413 Project Funded by COP	-	-	-
414 Operating Debt	-	-	-
416 Levy Reduction	-	-	-
417 Taconite Building Maint	-	-	-
424 Operating Capital	597,925	597,925	-
426 $25 Taconite	-	-	-
427 Disabled Accessibility	-	-	-
428 Learning & Development	-	-	-
434 Area Learning Center	-	-	-
435 Contracted Alt. Programs	-	-	-
436 St. Approved Alt. Program	-	-	-
438 Gifted & Talented	39,839	39,839	-
440 Teacher Development & Eval	-	-	-
441 Basic Skills Programs	-	-	-
448 Achievement & Integration	-	-	-
449 Safe Schools Levy	-	-	-
451 QZAB Payments	-	-	-
452 OPEB Liab Not in Trust	-	-	-
453 Unfunded Sev. & Retirement	-	-	-
459 Basic Skills Ext Time	-	-	-
467 LTFM	218,140	218,140	-
472 Medical Assistance	-	-	-
473 PPP Loans	-	-	-
474 EIDL Loans	-	-	-
Restricted:			
464 Restricted Fund Balance	50,551	50,551	-
475 Title VII - Impact Aid	-	-	-
476 PILT	-	-	-
Committed:			
418 Committed for Separation	-	-	-
461 Committed Fund Balance	-	-	-
Assigned:			
462 Assigned Fund Balance	430,251	430,251	-
Unassigned:			
422 Unassigned Fund Balance	2,563,452	2,563,453	(1)

02 FOOD SERVICE	Audited	UFARS	Difference
Total Revenue	543,467	543,469	(2)
Total Expenditures	487,058	487,062	(4)
Non Spendable:			
460 Non Spendable Fund Balance	1,444	1,444	-
Restricted/Reserve:			
452 OPEB Liab. Not in Trust	-	-	-
474 EIDL Loans	-	-	-
Restricted:			
464 Restricted Fund Balance	105,210	105,210	-
Unassigned:			
463 Unassigned Fund Balance	-	-	-

04 COMMUNITY SERVICE	Audited	UFARS	Difference
Total Revenue	398,691	398,690	1
Total Expenditures	392,448	392,450	(2)
Non Spendable:			
460 Non Spendable Fund Balance	-	-	-
Restricted/Reserve:			
426 $25 Taconite	-	-	-
431 Community Education	154,547	154,547	-
432 E.C.F.E.	95,980	95,980	-
440 Teacher Development & Eval	-	-	-
444 School Readiness	81,619	81,619	-
447 Adult Basic Education	-	-	-
452 OPEB Liab. Not in Trust	-	-	-
473 PPP Loans	-	-	-
474 EIDL Loans	-	-	-
Restricted:			
464 Restricted Fund Balance	44,193	44,194	(1)
Unassigned:			
463 Unassigned Fund Balance	-	-	-

06 BUILDING CONSTRUCTION	Audited	UFARS	Difference
Total Revenue	3,804	3,804	-
Total Expenditures	52,925	52,925	-
Non Spendable:			
460 Non Spendable Fund Balance	-	-	-
Restricted/Reserve:			
407 Capital Projects Levy	-	-	-
413 Projects Funded by COP	-	-	-
467 LTFM	-	-	-
Restricted:			
464 Restricted Fund Balance	685,755	685,755	-
Unassigned:			
463 Unassigned Fund Balance	-	-	-

07 DEBT SERVICE	Audited	UFARS	Difference
Total Revenue	1,159,831	1,159,831	-
Total Expenditures	1,183,420	1,183,420	-
Non Spendable:			
460 Non Spendable Fund Balance	-	-	-
Restricted/Reserve:			
425 Bond Refundings	-	-	-
433 Max Effort Loan	-	-	-
451 QZAB Payments	-	-	-
467 LTFM	-	-	-
Restricted:			
464 Restricted Fund Balance	240,268	240,268	-
Unassigned:			
463 Unassigned Fund Balance	-	-	-

08 TRUST	Audited	UFARS	Difference
Total Revenue	21,924	21,924	-
Total Expenditures	10,200	10,200	-
401 Student Activities	-	-	-
402 Scholarships	-	-	-
422 Net Assets	18,451	18,451	-

18 CUSTODIAL FUND	Audited	UFARS	Difference
Total Revenue	-	-	-
Total Expenditures	-	-	-
401 Student Activities	-	-	-
402 Scholarships	-	-	-
448 Achievement & Integration	-	-	-
464 Restricted Fund Balance	-	-	-

20 INTERNAL SERVICE	Audited	UFARS	Difference
Total Revenue	-	-	-
Total Expenditures	-	-	-
422 Net Assets	-	-	-

25 OPEB REVOCABLE TRUST FUND	Audited	UFARS	Difference
Total Revenue	-	-	-
Total Expenditures	-	-	-
422 Net Assets	-	-	-

45 OPEB IRREVOCABLE TRUST FUND	Audited	UFARS	Difference
Total Revenue	6,149	6,149	-
Total Expenditures	39,141	39,142	(1)
422 Net Assets	860,873	860,873	-

47 OPEB DEBT SERVICE FUND	Audited	UFARS	Difference
Total Revenue	305,728	305,729	(1)
Total Expenditures	294,000	294,000	-
Non Spendable:			
460 Non Spendable Fund Balance	-	-	-
Restricted:			
425 Bond Refundings	-	-	-
464 Restricted Fund Balance	73,706	73,706	-
Unassigned:			
463 Unassigned Fund Balance	-	-	-

INDEPENDENT SCHOOL DISTRICT NO. 881
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal ALN Number		Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Pass-through Programs from Minnesota Department of Education			
Child Nutrition Cluster:			
National School Breakfast Program	10.553		
Cash Assistance		$	10,972
National School Lunch Program	10.555		
Cash Assistance			24,015
Non-Cash Assistance (Commodities)			36,807
National Summer Food Service Program for Children	10.559		
Cash Assistance			431,039
Child Nutrition Cluster Subtotal - 10.553, 10.555, 10.556, 10.559			502,833
Total U.S. DEPARTMENT OF AGRICULTURE		$	502,833
U.S. DEPARTMENT OF EDUCATION			
Pass-through Programs from Minnesota Department of Education			
Title I, Part A - Grants to Local Educational Agencies	84.010	$	34,573
Title II, Part A - Supporting Effective Instruction State Grants	84.367		13,184
Title IV, Part A - Student Support and Academic Enrichment	84.424		9,872
Education Stabilization Fund:			
Governor's Emergency Education Relief (GEER) Fund	84.425C		2,414
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D		41,744
Education Stabilization Fund Subtotal			44,158
Pass-through Programs from Meeker and Wright Special Education Cooperative			
Special Education Cluster:			
Grants to States (IDEA, Part B)	84.027		46,297
Special Education - Preschool Grants (IDEA Preschool)	84.173		4,423
Special Education Cluster Subtotal			50,720
Total U.S. DEPARTMENT OF EDUCATION		$	152,507

INDEPENDENT SCHOOL DISTRICT NO. 881
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal ALN Number	Federal Expenditures
U.S. DEPARTMENT OF THE TREASURY		
Pass-through Programs from Minnesota Department of Education		
Coronavirus Relief Fund	21.019	$ 203,824
Pass-through Programs from Wright County		
Coronavirus Relief Fund	21.019	124,080
Pass-through Programs from the City of Maple Lake		
Coronavirus Relief Fund	21.019	49,000
Pass-through Programs from Albion Township		
Coronavirus Relief Fund	21.019	10,000
Coronavirus Relief Fund Subtotal		386,904
Coronavirus State and Local Fiscal Recovery Funds:		
American Rescue Plan	21.027	12,102
Total U.S. DEPARTMENT OF THE TREASURY		$ 399,006
TOTAL FEDERAL EXPENDITURES		$ 1,054,346

INDEPENDENT SCHOOL DISTRICT NO. 881
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Independent School District No. 881 (the District) under programs of the federal government for the year ended June 30, 2021. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a select portion of the operations of Independent School District No. 881, it is not intended to and does not present the financial position or changes in financial position of Independent School District No. 881.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3: INDIRECT COST RATE

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4: SUBRECIPIENTS

The District did not pass through any federal funds to subrecipients during the year ended June 30, 2021.

NOTE 5: PASS-THROUGH IDENTIFIER

The District's pass-through identifier is unknown.

NOTE 6: INVENTORY

Nonmonetary assistance is reported in the Schedule at the fair market value of commodities received and disbursed for the USDA National School Lunch Program Commodities (ALN # 10.555). Revenues and expenditures are recorded when commodities are received.

OTHER REQUIRED REPORTS

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

Members of the Board of Education
Independent School District No. 881
Maple Lake, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 881 (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Independent School District No. 881's basic financial statements, and have issued our report thereon dated November 5, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Independent School District No. 881'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying *Schedule of Findings and Questioned Costs*, we identified certain deficiencies in internal control that we consider to be a material weakness and significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiency described in the accompanying *Schedule of Findings and Questioned Costs* to be a material weakness: 2008-001.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency described in the accompanying *Schedule of Findings and Questioned Costs* to be a significant deficiency: 2008-002.

St. Cloud 320.251.0286
Little Falls 320.632.6311
Albany 320.845.2940
Maple Lake 320.963.5414
Monticello 763.295.5070

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Minnesota Legal Compliance

In connection with our audit, nothing came to our attention that caused us to believe that Independent School District No. 881 failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

District's Response to Findings

Independent School District No. 881's response to the findings identified in our audit is described in the accompanying *Schedule of Findings and Questioned Costs* and *Corrective Action Plans*. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results 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.

Schlenner Wenner & Co.

SCHLENNER WENNER & CO.
St. Cloud, Minnesota
November 5, 2021

SCHLENNER WENNER & CO.
CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS CONSULTANTS

Professional Association

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

Members of the Board of Education
Independent School District No. 881
Maple Lake, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Independent School District No. 881's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 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*.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Independent School District No. 881'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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Independent School District No. 881 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.

St. Cloud 320.251.0286
Little Falls 320.632.6311
Albany 320.845.2940
Maple Lake 320.963.5414
Monticello 763.295.5070

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 Independent School District No. 881's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Schlenner Wenner & Co.

SCHLENNER WENNER & CO.
St. Cloud, Minnesota
November 5, 2021

INDEPENDENT SCHOOL DISTRICT NO. 881
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

SECTION I: SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

* Material weakness(es) identified?	X	Yes		No
* Significant deficiencies identified that are not considered to be material weaknesses?	X	Yes		No
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards

Internal control over major programs:

* Material weakness(es) identified?		Yes	X	No
* Significant deficiencies identified that are not considered to be material weakness(es)?		Yes	X	No

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

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?		Yes	X	No

Identification of major programs:

ALN Number(s)	Name of Federal Program or Cluster
10.553, 10.555, 10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs: $ 750,000

Auditee qualified as low-risk auditee?		Yes	X	No

SECTION II: FINANCIAL STATEMENT FINDINGS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Finding 2008-001 Limited Segregation of Duties

Condition: During our audit we reviewed procedures over cash receipts, cash disbursements, payroll and financial reporting and found the District to have limited segregation of duties over those transaction cycles.

Criteria: Internal control that supports the District's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements requires adequate segregation of accounting duties. In other words, no one person had control over two or more of these responsibilities.

Cause: Limited number of staff members.

Effect: The existence of limited segregation of duties could adversely affect the District's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

Recommendation: Although the number of staff members may not be large enough to eliminate this deficiency, we recommend that the District evaluate current procedures and segregate where possible and implement compensating controls. It is important that the Board is aware of this condition and monitor all financial information.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with our recommendation. See corresponding Corrective Action Plan.

Finding 2008-002 Financial Statement Preparation

Condition: Schlenner Wenner & Co. drafted the audited financial statements and related footnote disclosures for the District. It is management's responsibility to provide for the preparation of financial statements and the auditors' responsibility to determine the fairness of the presentation. This deficiency could result in a material misstatement that could have been prevented or detected by management.

Criteria: Internal controls over financial reporting should be in place to provide for the preparation of financial statements on an annual basis.

Cause: The District's staff does not possess the expertise to prepare financial statements internally. This is not unusual for an organization of your size.

Effect: The inability to internally prepare the District's financial statements can result in undetected errors in financial reporting.

Recommendation: We recommend that management review a draft of the financial statements in detail for accuracy. During review we recommend a disclosure checklist be utilized to ensure all required disclosures are presented and the District should agree the financial statement numbers to their accounting software. The District may not have the ability to eliminate this finding.

SECTION II: FINANCIAL STATEMENT FINDINGS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (Continued)

Finding 2008-002 Financial Statement Preparation (Continued)

Views of Responsible Officials and Planned Corrective Actions: The District will continue to have the auditor assist in preparation of the financial statements. The District will continue to document an annual review of the audited financial statements by having the auditor meet with the District personnel to review the financial statements and related footnote disclosures.

SECTION III: FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None

SECTION IV: MINNESOTA LEGAL COMPLIANCE FINDINGS

None

Maple Lake Public Schools

Independent School District No. 881
200 Highway 55 E. Maple Lake, MN, 55358
High School: (320) 963-3171 **Fax:** (320) 963-3170
Elementary: (320) 963-3024 **Fax:** (320) 963-6584
www.maplelake.k12.mn.us

Mike Rowe
Superintendent
(320) 963-3114
Dave Hansen
High School Principal
(320) 963-7505
Andrew Sawatzke
Elementary Principal
(320) 963-6018

CORRECTIVE ACTION PLANS
FOR THE YEAR ENDED JUNE 30, 2021

FINANCIAL STATEMENT FINDINGS

Finding 2008-001 Limited Segregation of Duties

1. Explanation of Disagreement with Audit Finding
   There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding
   The District currently has the following procedures in place:
   - The Board of Education reviews the monthly invoices and approves the expenditures.
   - The District utilizes purchase orders which are approved by the Superintendent.

   The District will review current procedures and implement additional controls where possible.

3. Official Responsible
   Mr. Mike Rowe, Superintendent, is the official responsible for ensuring corrective action.

4. Planned Completion Date
   The Corrective Action Plan will be reviewed on an ongoing basis with no anticipated completion date.

5. Plan to Monitor Completion
   The Board of Education will be monitoring this Corrective Action Plan.

Finding 2008-002 Financial Statement Preparation

1. Explanation of Disagreement with Audit Finding
   There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding
   The District will continue to have the auditor prepare the financial statements; however, the District will document the annual review of the financial statements and related footnote disclosures.

3. Official Responsible
   Mr. Mike Rowe, Superintendent, is the official responsible for ensuring corrective action.

4. Planned Completion Date
   The Corrective Action Plan will be reviewed on an ongoing basis with no anticipated completion date.

5. Plan to Monitor Completion
   The Board of Education will be monitoring this Corrective Action Plan.

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021

No federal awards findings were reported in the prior year.

Financial statement findings in accordance with *Government Auditing Standards* that were reported in the prior year have been reported again in the current year as findings 2008-001 and 2008-002.