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Independent School District No. 277
Minnetrista, Minnesota

Financial Statements

June 30, 2021

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Independent School District No. 277
Board of Education and Administration
June 30, 2021

Board of Education	Position	Term Expires
David Botts	Chairperson	January 1, 2024
Gary Wollner	Vice Chairperson	January 1, 2022
Ralph Harrison	Treasurer	January 1, 2024
Heidi Marty	Clerk	January 1, 2024
Kelle Downey Bowe	Director	January 1, 2024
Brian Carlson	Director	January 1, 2022
Loren Davis	Director	January 1, 2022

Administration	
Kevin Borg	Superintendent
Mark Femrite	Assistant Superintendent for Teaching and Learning
Kathy Miller	Director of Finance
Joel Dahl	Director of Community Education
Cory Wolf	Director of Technology Services
Emily Rustman	Director of Special Services
Mark McIlmoyle	Principal - Mound Westonka High School
Christy Keeley-Zachow	Principal - Grandview Middle School
Scott Eidsness	Principal - Shirley Hills Primary
Mike Moch	Principal - Hilltop Primary

Independent Auditor's Report

To the School Board
Independent School District No. 277
Minnetrista, Minnesota

Report on the Basic 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. 277, Minnetrista, Minnesota, as of and for the year ended June 30, 2021, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Basic Financial Statements
The management of Independent School District No. 277 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 in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 277, Minnetrista, Minnesota, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and the Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financials.

Other Matters (Continued)

Other Information (Continued)

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2021, on our consideration of the District's internal control over basic financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

BerganKDV, Ltd.

Minneapolis, Minnesota
September 28, 2021

Independent School District No. 277
Management's Discussion and Analysis

This section of Independent School District No. 277's (the "District") annual financial report presents the District's management discussion and analysis of the District's financial performance during the year that ended on June 30, 2021. Please read it in conjunction with the District's financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Government Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999.

Overview of the Financial Statements

The financial section of the annual report consists of four parts – Independent Auditor's Report, Required Supplementary Information that includes the Management's Discussion and Analysis ([MD&A] this section), the Basic Financial Statements, and Supplemental Information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are the government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

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

District-Wide Statements

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

The two government-wide statements report the District's net position and how it has changed. Net position, the difference between the District's assets and liabilities, is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

Overview of the Financial Statements (Continued)

District-Wide Statements (Continued)

- To assess overall health of the District you need to consider additional non-financial factors such as changes in the District's property tax base, the condition of school buildings, and other facilities.

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

- Governmental Activities – All of the District's basic services are included here, such as regular and special education, transportation, administration, food services, and community education. Property taxes and state aid finance most of these activities.

Fund Financial Statements
The fund financial statements provide more detailed information about the District's funds, focusing on the most significant or "major" funds, not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by law or by bond covenants.

- The District establishes other funds to control and manage money for particular purposes (e.g. repaying its long-term debts) or to show that it is properly using certain revenues (e.g. fiduciary funds).

The District has three kinds of funds:

- Governmental Funds – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the Governmental Funds Statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information on the Governmental Funds Statements that explain the relationship (or differences) between them.

- Proprietary Funds – These funds present short and long-term financial information about the activities the District operates like a business, such as internal service funds for self-insurance.

- Fiduciary Funds – The District is the trustee, or fiduciary, for assets that belong to others, such as scholarships. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

Financial Analysis of the District as A Whole

- Net Position – The District's combined net position was 9,403,771 on June 30, 2021.

Table 1
Statement of Net Position
Governmental Activities

	2020	2021	Percentage Change 2020-21
Assets			
Current and other assets	$ 24,330,408	$ 27,596,473	13.4%
Capital assets	68,778,728	68,984,014	0.3%
Total assets	93,109,136	96,580,487	3.7%
Deferred Outflow of Resources			
Deferred outflows	$ 16,542,007	$ 10,686,125	-35.4%
Liabilities			
Long-term liabilities	$ 63,801,388	$ 63,000,378	-1.3%
Other liabilities	4,576,359	4,908,490	7.3%
Total liabilities	71,538,496	67,908,868	-5.1%
Deferred Inflow of Resources			
Deferred inflows	36,352,954	29,953,973	-17.6%
Net Position			
Net investment in capital assets	26,829,436	30,585,088	14.0%
Restricted	1,194,821	1,301,071	8.9%
Unrestricted	(23,103,815)	(22,482,388)	-2.7%
Total net position	$ 4,920,442	$ 9,403,771	91.1%

Financial Analysis of the District as A Whole (Continued)
A summary of the revenue and expenses is presented in Table 2.

Table 2
Change in Net Position

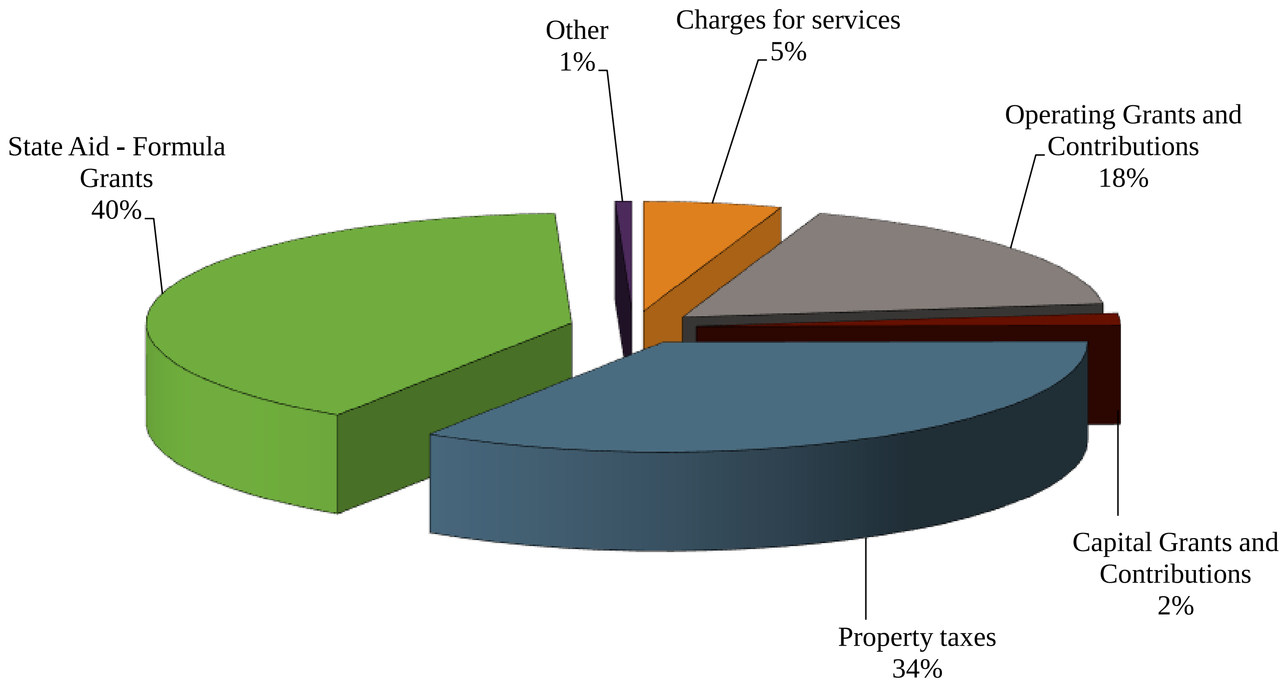
	2020	2021	Percentage Change 2020-21
Revenues			
Program revenues			
Charges for services	$ 3,719,186	$ 2,321,943	-37.6%
Operating grants and contributions	5,968,548	7,838,156	31.3%
Capital grants and contributions	200,036	810,941	305.4%
General revenues			
Property taxes	13,967,491	15,142,559	8.4%
State aid - formula grants	17,531,849	17,687,440	0.9%
Other	514,969	275,700	-46.5%
Total revenues	41,902,079	44,076,739	5.2%
Expenses			
Administration	1,290,403	1,294,074	0.3%
District Support Services	1,183,067	1,430,464	20.9%
Elementary and Secondary Regular Instruction	16,179,015	16,189,665	0.1%
Vocational Education Instruction	607,172	629,177	3.6%
Special Education Instruction	6,102,430	6,292,752	3.1%
Instructional Support Services	2,056,999	2,019,695	-1.8%
Pupil Support Services	2,524,961	2,191,347	-13.2%
Sites, buildings, and equipment	3,903,862	4,089,430	4.8%
Fiscal and other fixed cost programs	130,933	137,759	5.2%
Food Service	1,533,041	1,420,574	-7.3%
Community Education and Services	3,772,686	3,105,124	-17.7%
Interest on long-term debt	985,904	793,349	-19.5%
Change in accounting principle	-	-	N/A
Change in net position	1,631,606	4,483,329	357.2%
End of year net position	$ 4,920,442	$ 9,403,771	91.1%

Financial Analysis of the District as A Whole (Continued)

Changes in Net Position – The District's total revenues were $44,076,739 for the year ended June 30, 2021. Property taxes and state formula aid accounted for 74% of total revenue for the year (see Figure A). Another 26% came from other general revenues combined with interest earnings and the remainder from program revenues.

Total revenues surpassed expenses, increasing net position $4,483,329 over last year.

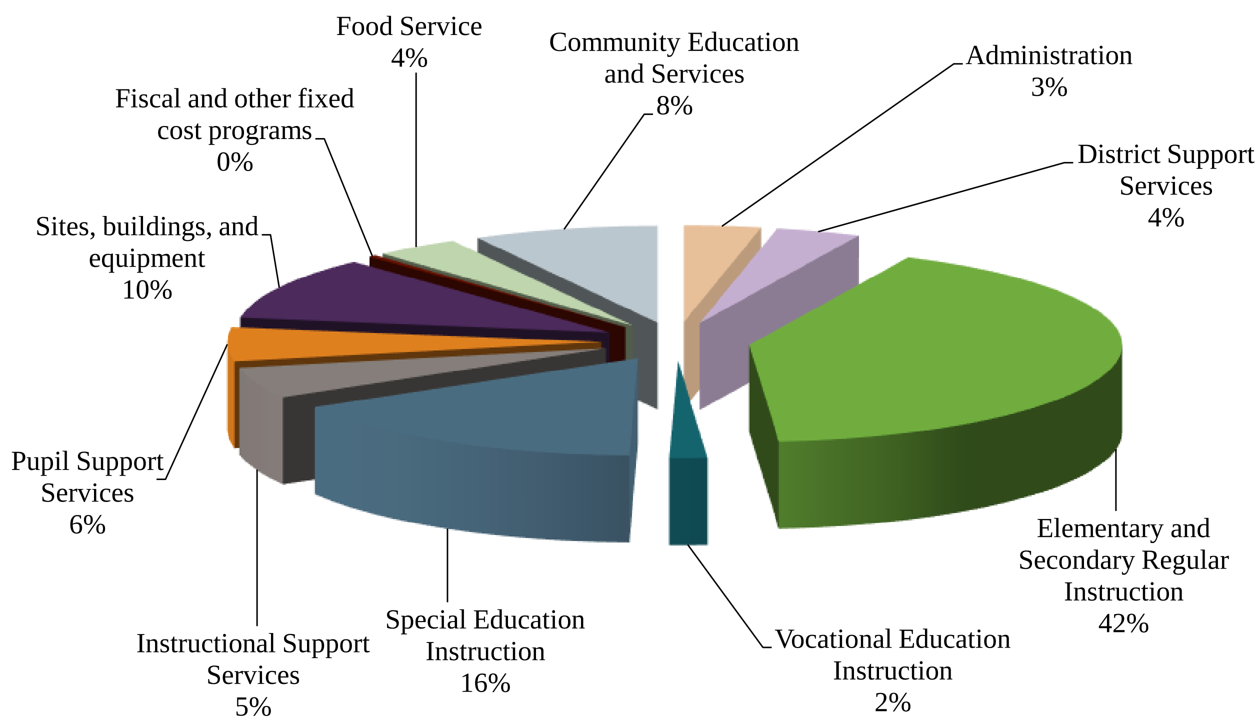
Figure A
Sources of the District's Revenues for Fiscal Year 2021



Financial Analysis of the District as A Whole (Continued)

The total cost of all programs and services was $39,593,410. The District's expenses predominately related to the educating and caring for students (regular instructional programs, vocational instruction, special education programs and instructional and pupil support) were 69% of expenses incurred; see Figure B. The purely administrative activities of the District accounted for just 3% of total costs.

Figure B
The District's Expenses for Fiscal Year 2021



Financial Analysis of the District as A Whole (Continued)

Table 3
Net Cost of Governmental Activities

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2020	2021	2020-21	2020	2021	2020-21
Administration	$ 1,290,403	$ 1,294,074	0.3%	$ 1,290,403	$ 1,294,074	0.3%
District Support Services	1,183,067	1,430,464	20.9%	1,133,008	1,348,928	19.1%
Elementary and Secondary Regular instruction	16,179,015	16,189,665	0.1%	14,254,647	13,694,900	-3.9%
Vocational Education Instruction	607,172	629,177	3.6%	594,482	618,548	4.0%
Special Education Instruction	6,102,430	6,292,752	3.1%	2,450,610	2,447,052	-0.1%
Instructional Support Services	2,056,999	2,019,695	-1.8%	1,928,845	1,971,235	2.2%
Pupil Support Services	2,524,961	2,191,347	-13.2%	2,471,336	2,143,491	-13.3%
Sites, buildings, and equipment	3,903,862	4,089,430	4.8%	3,703,826	3,278,489	-11.5%
Fiscal and other fixed cost programs	130,933	137,759	5.2%	130,933	137,759	5.2%
Community Education and Services	1,533,041	1,420,574	-7.3%	21,922	(312,445)	-1525.3%
Food Service	3,772,686	3,105,124	-17.7%	1,416,787	1,206,990	-14.8%
Interest on long-term debt	985,904	793,349	-19.5%	985,904	793,349	-19.5%
Total	$ 40,270,473	$ 39,593,410	-1.7%	$ 30,382,703	$ 28,622,370	-5.8%

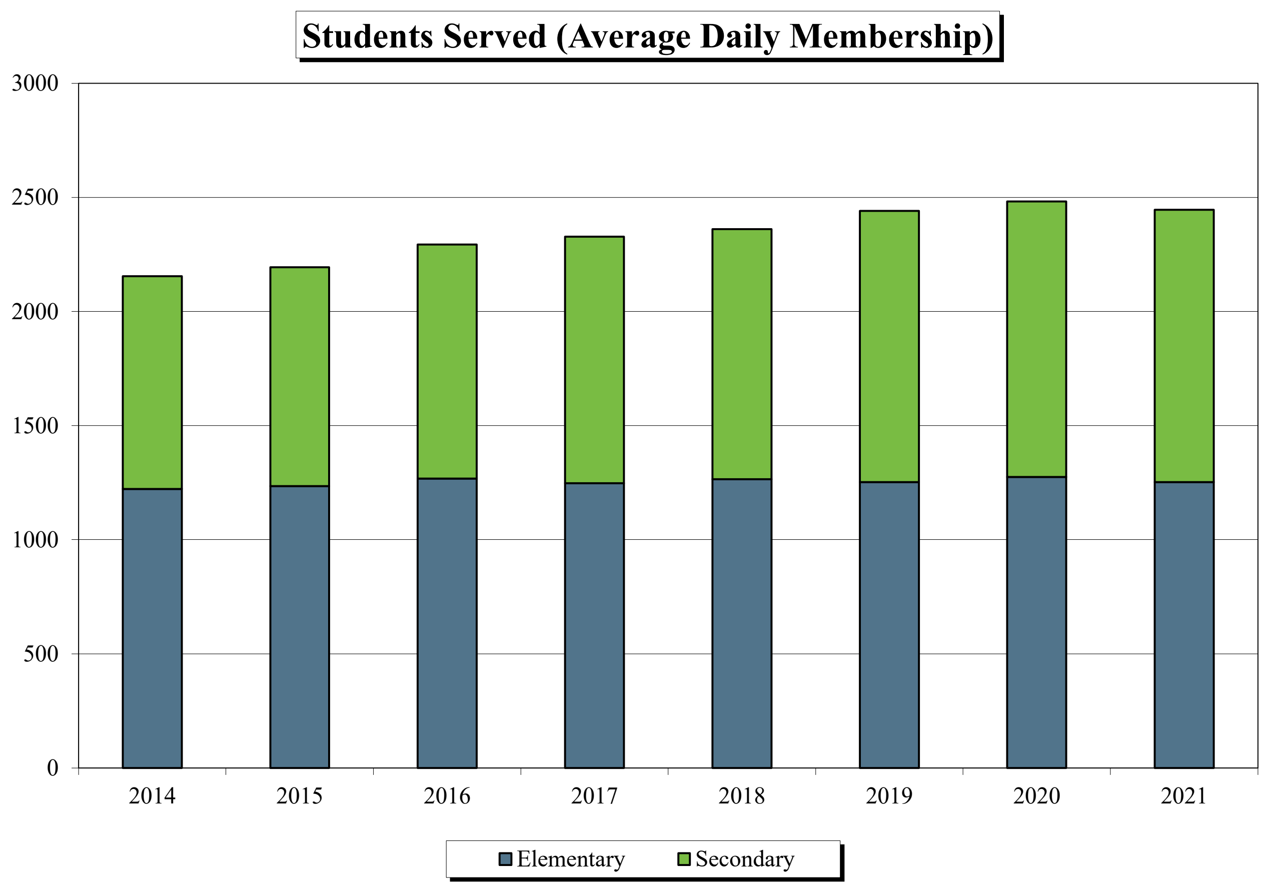
The cost of all governmental activities for 2020-21 was $39,593,410.

- Some of the cost was paid by the users of the District's programs was $2,321,943.
- The federal and state governments subsidized certain programs with grants and contributions was $8,649,097.
- Most of the District's costs were paid for by District taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with $15,142,559 in property taxes and $17,687,440 of state aid based on the statewide education aid formula. In addition, $275,700 of investment earnings and other general revenues was recognized.

Financial Analysis of the District's Funds

The financial performance of the District as a whole is reflected in its governmental funds as well. When the District completed the year, the governmental funds reported a combined fund balance of $5,731,407 an increase of $1,588,020 from last year's ending fund balance of $4,143,387. This increase is primarily due to the suspension of transportation expense and other in-person activity costs due to COVID-19.

Financial Analysis of the District's Funds (Continued)
Revenues for the District's governmental funds were $43,883,675 while total expenditures were $42,560,514, resulting in $1,323,161 of revenues over expenditures. The following graph shows the number of students served by the District.



During 2020-21, the District's total enrollment slightly decreased from the previous fiscal year. Post-COVID-19 enrollment projections predict that a trend of stable to increasing enrollment will occur based on new housing construction occurring and planned in the District.

General Fund
The General Fund includes the primary operations of the District in providing educational services to students from kindergarten through grade 12, including pupil transportation activities and capital outlay projects.

General Fund (Continued)

The following schedule presents a summary of General Fund Revenues.

	Year Ended June 30, 2020	Year Ended June 30, 2021	Percentage Change 2020-21
Local sources			
Property taxes	$ 9,081,038	$ 10,186,019	12.2%
Other	1,310,082	928,404	-29.1%
State sources	21,706,512	21,818,612	0.5%
Federal sources	805,113	2,382,320	195.9%
Total	$ 32,902,745	$ 35,315,355	7.3%

Total General Fund revenue increased by $2,412,610 or 7.3%, from the previous year. This is primarily due to an increase in COVID Relief Federal Funding and increased operating referendum revenue.

Other state-authorized revenue, including excess levy referendum and the property tax shift, involve an equalized mix of property tax and state aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net change on revenue.

The following schedule presents a summary of General Fund expenditures.

	Year Ended June 30, 2020	Year Ended June 30, 2021	Percentage Change 2020-21
Salaries	$ 17,901,774	$ 18,684,816	4.4%
Benefits	5,904,726	6,508,663	10.2%
Purchased services	5,310,907	3,914,179	-26.3%
Supplies, materials, and equipment	3,920,173	4,472,887	14.1%
Other expenses	226,813	252,104	11.2%
Total	$ 32,551,540	$ 33,832,649	3.9%

Financial Analysis of the District's Funds

Total General Fund expenditures increased $1,281,109, or 3.9%, from the previous year primarily due to increases in wages and benefits and general inflation of purchased services, capital improvements, as well as technology initiatives including a one-to-one device for students.

In 2020-21, General Fund revenues and other financing sources were over expenditures and other financing uses by $1,272,748.

After deducting statutory reserves, the unassigned fund balance was $1,903,359 at June 30, 2020. The unassigned fund balance is $2,462,331 at June 30, 2021.

General Fund Budget Highlights
Over the course of the year, the District revised the annual operating budget. Budget amendments fall into two categories

- Implementing budgets for specially funded projects, which include both federal and state grants, and budgeting for clearing, resale, and gifts.

- Increases in appropriations for significant unbudgeted costs.

While the District's final budget for the General Fund anticipated that expenditures and other financing uses would exceed revenues and other financing sources by $7,545; the actual results for the year show revenue and other financing uses exceed expenditures by $1,272,748.

- Actual revenues were $481,834 higher than expected, about a 1% variance.

- The actual expenditures were $593,900 less than budgeted, about a 2% variance.

Nonmajor Funds
The Community Service Fund experienced a current year fund balance increase of $27,349 due to the unspent local time study collaborative revenue. The Community Service fund balance was $29,036 as of June 30, 2021.

The Food Service Fund had positive operations of $313,628 due to changes in meal regulations and home delivery. It has a restricted fund balance of $427,911 on June 30, 2021. This balance will be used to offset future operating losses and to fund equipment improvements.

The Debt Service Fund expenditures exceeded revenues by $118,881 in 2020-21. The remaining fund balance of $880,599 at June 30, 2021, is available for meeting future debt service obligations.

Capital Asset and Debt Administration

Capital Assets
By the end of 2021, the District had invested $68,984,014 in a broad range of capital assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices (see Table 4). Total depreciation expense for the year was $359,281. More detailed information can be found in Note 4 of the financial statements.

Capital Asset and Debt Administration (Continued)

Capital Assets (Continued)

Table 4
Capital Assets - Governmental Activities

	2020	2021	Total Percent Change 2020-21
Land	$ 1,645,835	$ 1,645,835	0.0%
Construction in progress	30,000	-	-100.0%
Land improvements	5,224,373	5,224,373	0.0%
Buildings	73,845,402	74,303,077	0.6%
Furniture and equipment	9,981,387	10,125,723	1.4%
Vehicles	141,353	133,909	-5.3%
Less accumulated depreciation	(22,089,622)	(22,448,903)	1.6%
Total	$ 68,778,728	$ 68,984,014	0.3%

Long-Term Liabilities

At year-end, the District had $34,739,348 in G.O. bonds and capital leases payable outstanding, a decrease of 16.3% from last year, as shown in Table 5. The District also had $72,029 in compensated absences payable at June 30, 2021. Finally, the District had $27,495,556 in long-term pension and OPEB liabilities. Total long-term liability decreased by 3.9%. More detailed information can be found in Note 5 of the financial statements.

Table 5
Outstanding Long-Term Liabilities

	2020	2021	Total Percent Change 2020-21
G.O. bonds payable	$ 37,555,000	$ 32,605,000	-13.2%
Capital leases payable	2,202,283	2,134,348	-3.1%
Compensated absences	78,354	72,029	-8.1%
Net pension liability	20,184,742	23,124,321	14.6%
Net OPEB liability	4,820,767	4,371,235	-9.3%
Total	$ 64,841,146	$ 62,306,933	-3.9%

Factors Bearing on the District's Future

With the exception of voter-approved excess operating referendum and building bond referendum, the District is dependent on the State of Minnesota for its revenue authority. Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation.

Factors Bearing on the District's Future (Continued)
The 2021 legislative sessions provided a 2.45% and 2% increase in the basic education funding formula allowance for the 2021-22 and 2022-23 years. The District will strive to maximize resources available through efficient and effective management of its operations.

The District will strive to maintain its longstanding commitment to academic excellence and educational opportunities for students within a framework of financial fiduciary responsibility.

Contacting the District's Financial Management
This financial report is designed to provide our citizens, taxpayers, customers and investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for money it receives. If you have questions about this report or need additional financial information, contact: Business Services Office, Westonka Public Schools, Independent School District No. 277, Educational Service Center, 5901 Sunnyfield Road East, Minnetrista, Minnesota 55364, (952) 491-8021.

BASIC FINANCIAL STATEMENTS

Independent School District No. 277
Statement of Net Position
June 30, 2021

	Governmental Activities
Assets	
Cash and investments	$ 17,468,219
Current property taxes receivable	7,446,507
Delinquent property taxes receivable	201,047
Accounts receivable	25,713
Interest receivable	19,422
Due from Department of Education	1,780,184
Due from Federal Government through Department of Education	520,559
Due from other Minnesota school districts	22,843
Inventory	46,577
Prepaid items	65,402
Capital assets (net of accumulated depreciation)	
Land	1,645,835
Land improvements	3,460,840
Buildings	60,325,609
Equipment	3,526,079
Vehicles	25,651
Total assets	96,580,487
Deferred Outflows of Resources	
Deferred outflows related to pensions	10,455,615
Deferred outflows related to OPEB	230,510
Total deferred outflows of resources	10,686,125
Total assets and deferred outflows of resources	$ 107,266,612
Liabilities, Deferred Inflows of Resources, and Net Position	
Liabilities	
Accounts payable	$ 982,506
Salaries and benefits payable	265,626
Interest payable	696,323
Due to other Minnesota school districts	22,641
Unearned revenue	161,344
Bond principal payable, net	
Payable within one year	2,485,000
Payable after one year	33,593,495
Capital lease payable	
Payable within one year	236,626
Payable after one year	1,897,722
Compensated absences payable	
Payable within one year	58,424
Payable after one year	13,605
Total OPEB liability	4,371,235
Net pension liability	23,124,321
Total liabilities	67,908,868
Deferred Inflows of Resources	
Property taxes levied for subsequent year's expenditures	13,296,397
Deferred amount on refunding	186,083
Deferred inflows related to pensions	15,628,649
Deferred inflows related to OPEB	842,844
Total deferred inflows of resources	29,953,973
Net Position	
Net investment in capital assets	30,585,088
Restricted	1,301,071
Unrestricted	(22,482,388)
Total net position	9,403,771
Total liabilities, deferred inflows of resources, and net position	$ 107,266,612

See notes to basic financial statements.

Independent School District No. 277
Statement of Activities
Year Ended June 30, 2020

		Program Revenues			Net (Expense) Revenues and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities					
Administration	$ 1,294,074	$ -	$ -	$ -	$ (1,294,074)
District support services	1,430,464	60,081	21,455	-	(1,348,928)
Elementary and secondary regular instruction	16,189,665	492,833	2,001,932	-	(13,694,900)
Vocational education instruction	629,177	-	10,629	-	(618,548)
Special education instruction	6,292,752	-	3,845,700	-	(2,447,052)
Instructional support services	2,019,695	18,460	30,000	-	(1,971,235)
Pupil support services	2,191,347	29,253	18,603	-	(2,143,491)
Sites and buildings	4,089,430	-	-	810,941	(3,278,489)
Fiscal and other fixed cost programs	137,759	-	-	-	(137,759)
Food service	1,420,574	102,842	1,630,177	-	312,445
Community education and services	3,105,124	1,618,474	279,660	-	(1,206,990)
Interest and fiscal charges on long-term debt	793,349	-	-	-	(793,349)
Total governmental activities	$ 39,593,410	$ 2,321,943	$ 7,838,156	$ 810,941	(28,622,370)
General revenues					
Taxes					
Property taxes, levied for general purposes					10,206,194
Property taxes, levied for community service					861,330
Property taxes, levied for debt service					4,075,035
State aid-formula grants					17,687,440
Other general revenues					155,670
Investment income					120,030
Total general revenues					33,105,699
Change in net position					4,483,329
Net position - beginning					4,920,442
Net position - ending					$ 9,403,771

See notes to basic financial statements.

Independent School District No. 277
Balance Sheet - Governmental Funds
June 30, 2021

	General	Debt Service	Other Nonmajor Funds	Total Governmental Funds
Assets				
Cash and investments	$ 6,356,052	$ 2,796,045	$ 1,159,110	$ 10,311,207
Current property taxes receivable	5,189,164	1,914,962	342,381	7,446,507
Delinquent property taxes receivable	134,245	56,244	10,558	201,047
Accounts receivable	25,563	-	150	25,713
Due from Department of Education	1,764,063	977	15,144	1,780,184
Due from Federal Government through Department of Education	420,123	-	100,436	520,559
Due from other Minnesota school districts	7,751	-	15,092	22,843
Inventory	34,874	-	11,703	46,577
Prepaid items	65,402	-	-	65,402
Total assets	$ 13,997,237	$ 4,768,228	$ 1,654,574	$ 20,420,039
Liabilities				
Accounts payable	$ 743,142	$ -	$ 42,205	$ 785,347
Salaries and benefits payable	147,401	-	118,225	265,626
Due to other Minnesota school districts	22,641	-	-	22,641
Unearned revenue	10,000	-	151,344	161,344
Total liabilities	923,184	-	311,774	1,234,958
Deferred Inflows of Resources				
Unavailable revenue - delinquent property taxes	104,928	44,312	8,037	157,277
Property taxes levied for subsequent year's expenditures	8,765,949	3,843,317	687,131	13,296,397
Total deferred inflows of resources	8,870,877	3,887,629	695,168	13,453,674
Fund Balances				
Nonspendable	100,276	-	11,703	111,979
Restricted	447,458	880,599	635,929	1,963,986
Committed	79,248	-	-	79,248
Assigned	1,113,863	-	-	1,113,863
Unassigned	2,462,331	-	-	2,462,331
Total fund balances	4,203,176	880,599	647,632	5,731,407
Total liabilities, deferred inflows of resources, and fund balances	$ 13,997,237	$ 4,768,228	$ 1,654,574	$ 20,420,039

Independent School District No. 277
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2021

Total fund balances - governmental funds	$ 5,731,407
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	
Cost of capital assets	91,432,917
Less accumulated depreciation	(22,448,903)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of:	
Bond principal payable	(32,605,000)
Deferred amount on refunding	(186,083)
Capital lease payable	(2,134,348)
Compensated absences payable	(72,029)
Net pension liability	(23,124,321)
Total OPEB liability	(4,371,235)
Bond premiums are reported as a liability within the Statement of Net Position and are reported as an other financing source in the year the debt is issued in governmental funds.	(3,473,495)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.	
Deferred outflows of resources related to pensions	10,455,615
Deferred inflows of resources related to pensions	(15,628,649)
Deferred outflows related to OPEB liability	230,510
Deferred iutflows related to OPEB liability	(842,844)
Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	157,277
The Post Employment Benefits Revocable Trust Internal Service Fund is used to charge change the the benefits to the fund that incurs the cost. This amount represents assets available to fund the liabilities.	6,979,275
Governmental funds do not report a liability for accrued interest on bonds and capital leases until due and payable.	(696,323)
Total net position - governmental activities	$ 9,403,771

See notes to basic financial statements.

Independent School District No. 277
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2021

	General	Debt Service	Other Nonmajor Funds	Total Governmental Funds
Revenues				
Local property taxes	$ 10,186,019	$ 4,065,106	$ 859,831	$ 15,110,956
Other local and county revenues	883,554	-	1,649,756	2,533,310
Revenue from state sources	21,818,612	9,768	250,840	22,079,220
Revenue from federal sources	2,382,320	-	1,630,177	4,012,497
Sales and other conversion of assets	44,850	-	102,842	147,692
Total revenues	35,315,355	4,074,874	4,493,446	43,883,675
Expenditures				
Current				
Administration	1,233,111	-	-	1,233,111
District support services	1,246,974	-	-	1,246,974
Elementary and secondary regular instruction	15,096,625	-	-	15,096,625
Vocational education instruction	604,239	-	-	604,239
Special education instruction	6,135,580	-	-	6,135,580
Instructional support services	1,969,107	-	-	1,969,107
Pupil support services	2,200,355	-	-	2,200,355
Sites and buildings	2,368,457	-	-	2,368,457
Fiscal and other fixed cost programs	137,759	-	-	137,759
Food service	-	-	1,420,505	1,420,505
Community education and services	-	-	3,069,229	3,069,229
Capital outlay				
District support services	197,397	-	-	197,397
Elementary and secondary regular instruction	484,291	-	-	484,291
Special education instruction	7,037	-	-	7,037
Sites and buildings	2,151,717	-	-	2,151,717
Food service	-	-	876	876
Community education and services	-	-	43,500	43,500
Debt service				
Principal	-	2,960,000	-	2,960,000
Interest and fiscal charges	-	1,233,755	-	1,233,755
Total expenditures	33,832,649	4,193,755	4,534,110	42,560,514
Excess of revenues over (under) expenditures	1,482,706	(118,881)	(40,664)	1,323,161
Other Financing Sources (Uses)				
Bond issuance	-	11,700,000	-	11,700,000
Bond premium	-	2,083,012	-	2,083,012
Issuance of capital lease	171,847	-	-	171,847
Payment on refunded bond	-	(13,690,000)	-	(13,690,000)
Transfers in	-	-	381,805	381,805
Transfers out	(381,805)	-	-	(381,805)
Total other financing sources (uses)	(209,958)	93,012	381,805	264,859
Net change in fund balances	1,272,748	(25,869)	341,141	1,588,020
Fund Balances				
Beginning of year	2,930,428	906,468	306,491	4,143,387
End of year	$ 4,203,176	$ 880,599	$ 647,632	$ 5,731,407

See notes to basic financial statements.

Independent School District No. 277
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances to the
Statement of Activities - Governmental Funds
Year Ended June 30, 2021

Net change in fund balances - total governmental funds	$ 1,588,020
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlays	564,567
Depreciation expense	(359,281)
Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	6,325
Governmental funds recognize OPEB contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to OPEB on a full accrual perspective.	(196,245)
Governmental funds recognized pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.	(1,654,429)
Principal payments on long-term debt are recognized as expenditures in the governmental funds but have no impact on net position in the Statement of Activities.	3,199,782
Bonds were refunded during the year. The amount of principal paid off is reported in the governmental funds as an other use of financing. However, the payments are not expenditures in the Statement of Activities, but rather a reduction on long-term liabilities in the statement of net assets.	13,690,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental runds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	(175,037)
Governmental funds report the effect of bond premiums and deferred amounts on refunding when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	615,443
The issuance of long-term debt provides current financial resources to governmental funds and has No effect on net assets. These amounts are reported in the governmental funds as a source of Financing. These amounts are not shown as revenues in the Statement of Activities, but rather Constitute long-term liabilities in the statement of net assets.	
Bonds	(11,700,000)
Bond premium	(2,083,012)
Capital lease	(171,847)
The post employment benefits revocable trust internal service fund is used to charge the benefits to the fund that incurs the cost. This amount represents the change in assets available to fund the liabilities.	1,127,440
Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	31,603
Change in net position - governmental activities	$ 4,483,329

See notes to basic financial statements.

Independent School District No. 277
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Local property taxes	$ 10,109,338	$ 10,182,021	$ 10,186,019	$ 3,998
Other local and county revenues	1,612,345	821,986	883,554	61,568
Revenue from state sources	22,283,674	21,699,970	21,818,612	118,642
Revenue from federal sources	770,700	2,080,858	2,382,320	301,462
Sales and other conversion of assets	70,547	48,686	44,850	(3,836)
Total revenues	34,846,604	34,833,521	35,315,355	481,834
Expenditures				
Current				
Administration	1,226,897	1,231,061	1,233,111	2,050
District support services	1,487,171	1,594,420	1,246,974	(347,446)
Elementary and secondary regular instruction	15,738,458	15,309,539	15,096,625	(212,914)
Vocational education instruction	587,819	517,132	604,239	87,107
Special education instruction	6,115,444	6,224,805	6,135,580	(89,225)
Instructional support services	1,922,113	1,964,956	1,969,107	4,151
Pupil support services	2,449,035	2,485,726	2,200,355	(285,371)
Sites and buildings	2,609,366	2,810,164	2,368,457	(441,707)
Fiscal and other fixed cost programs	98,979	137,759	137,759	-
Capital outlay				
District support services	17,899	197,335	197,397	62
Elementary and secondary regular instruction	466,978	340,070	484,291	144,221
Vocational education instruction	2,000	2,000	-	(2,000)
Special education instruction	10,506	18,142	7,037	(11,105)
Sites and buildings	1,789,076	1,593,440	2,151,717	558,277
Total expenditures	34,521,741	34,426,549	33,832,649	(593,900)
Excess of revenues over expenditures	324,863	406,972	1,482,706	1,075,734
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	9,727	-	-	-
Issuance of capital lease	-	-	171,847	171,847
Transfers out	-	(414,517)	(381,805)	32,712
Total other financing sources (uses)	9,727	(414,517)	(209,958)	204,559
Net change in fund balance	$ 334,590	$ (7,545)	1,272,748	$ 1,280,293
Fund Balance				
Beginning of year			2,930,428	
End of year			$ 4,203,176	

See notes to basic financial statements.

Independent School District No. 277
Statement of Net Position - Proprietary Funds
June 30, 2021

	Governmental Activities - Internal Service Funds
Assets	
Cash and cash equivalents	$ 3,562,169
Investments	3,594,843
Interest receivable	19,422
Total assets	$ 7,176,434
Liabilities and Net Position	
Liabilities	
Accounts payable	$ 197,159
Net position	
Unrestricted	6,979,275
Total liabilities and net position	$ 7,176,434

See notes to basic financial statements.

Independent School District No. 277
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
Year Ended June 30, 2021

	Governmental Activities - Internal Service Funds
Operating Revenue	
Charges for services	$ 4,612,870
Operating Expenses	
Employee benefits	3,601,309
Professional services	250
Total operating expenses	3,601,559
Operating income	1,011,311
Nonoperating Revenue	
Investment income	116,129
Change in net position	1,127,440
Net Position	
Beginning of year	5,851,835
End of year	$ 6,979,275

Independent School District No. 277
Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2021

	Governmental Activities - Internal Service Funds
Cash Flows - Operating Activities	
Receipts from employee contributions	$ 4,612,870
Payments to employees	(3,571,764)
Payments to vendors	(250)
Net cash flows - operating activities	1,040,856
Cash Flows - Investment Activities	
Investment sales	111,489
Interest received	135,640
Net cash flows - investment activities	247,129
Net change in cash and cash equivalents	1,287,985
Cash and Cash Equivalents	
Beginning of year	2,274,184
End of year	$ 3,562,169
Reconciliation of Operating Income to Net Cash Flows - Operating Activities	
Operating income	$ 1,011,311
Adjustments to reconcile operating income To net cash flows - operating activities	
Accounts payable	29,545
Net cash flows - operating activities	$ 1,040,856
Non-Cash Activities	
Change in fair value of investments	$ (19,511)

See notes to basic financial statements.

Independent School District No. 277
Statement of Fiduciary Net Position
Year Ended June 30, 2021

	Custodial Fund
Assets	
Cash and investments	$ 117,850
Net Position	
Restricted for scholarships	$ 117,850

Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2021

	Custodial Fund
Additions	
Contributions	$ 55,500
Interest revenue	89
Total additions	55,589
Deductions	
Administrative expense	375
Scholarships	50,500
Total deductions	50,875
Change in net position	4,714
Net Position	
Beginning of year	113,136
End of year	$ 117,850

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

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

B. Basic Financial Statement Information

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These Statements include all the financial activities of the District, except for the fiduciary funds. The fiduciary funds are only reported in the Statements of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position at the fund financial statement level.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statement Information (Continued)

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

Separate fund financial statements are provided for governmental funds, proprietary 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.

The Custodial Fund is presented in the fiduciary fund financial statements. Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the District, this fund is not incorporated into the government-wide statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Internal Service Fund is employee and District contributions. Operating expenses for proprietary funds include claims paid. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Measurement Focus and Basis of Accounting

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

1. Revenue Recognition

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

2. Recording of Expenditures

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

The District applies restricted resources first when an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance are available. Further, the District will strive to spend resources from fund balance classifications in the following order (first to last): restricted, committed, assigned, and unassigned.

Description of Funds:

Major Funds:

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

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

Nonmajor Funds:

Food Service Special Revenue Fund – This fund is used to account for food service revenues and expenditures. Local, state, and federal revenues are received in this Fund to specifically support the food service program.

Community Service Special Revenue Fund – This fund is used to account for services provided to residents in the areas of community education, school readiness, early childhood and family education, or other similar services. The District receipts property tax and local and state revenues in this Fund that were received for these specific purposes.

Building Construction Fund – Capital Projects – This fund is used to account for financial resources used for the maintenance projects authorized with the School Building Bonds.

Fiduciary Fund:

Custodial Fund – This fund is used to account for resources received and held by the District on behalf of a third party to be used in making scholarship awards.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Description of Funds: (Continued)

Proprietary Funds:

Post Employment Benefits Revocable Trust Internal Service Fund – This fund is used to account for the accumulation of resources to fund post employment benefits.

Self-Insured Benefits Internal Service Fund – This fund is used to account for the activity of the self-insured employee health and dental plans.

D. Deposits and Investments

All governmental and fiduciary funds of the District participate in a government-wide investment pool. Cash and investment balances from all funds are combined and invested to the extent available in various securities as authorized by state law. State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances. Deposits and investments in the OPEB Internal Service Fund and the Building Construction Capital Projects Fund are not pooled with the rest of the District's deposits and investments.

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

Cash and investments at June 30, 2021, were comprised of deposits, certificates of deposits, and money market accounts, and government securities.

Minnesota Statutes requires all deposits be protected by federal depository insurance, corporate surety bonds, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds.

Minnesota Statutes authorizes the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Property Tax Receivable

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

F. Property Taxes Levied for Subsequent Year's Expenditures

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

G. Inventory

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

H. Prepaid Items

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

I. Property Taxes

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

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

J. Capital Assets

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

Capital assets are defined by the District as assets with an initial individual cost of more than $2,000. Such assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their acquisition value at the date of donation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets lives are not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purpose. Useful lives vary from 20 to 40 years for land improvements and buildings, and 5 to 20 years for equipment.

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

K. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has two items that qualify for reporting in this category. Deferred outflows related to pension activity reported in the government-wide Statement of Net Position. A deferred outflow relating to pension activity results from the difference between actual and expected economic experience, changes in actuarial assumptions and employer contributions subsequent to the measurement date. Deferred outflows of resources related to OPEB is recorded for various estimate differences that will be amortized and recognized over future years.

In addition to liabilities, the Statement of Financial Position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has four types of items which qualify for reporting in this category. The first item, unavailable revenue from property taxes, arises under a modified accrual basis of accounting and is reported only in the Governmental Funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available. The second item is property taxes levied for subsequent years, which represent property taxes received or reported as a receivable before the period for which the taxes are levied, and is reported as a deferred inflow of resources in both the government-wide Statement of Net Position and the Governmental Funds Balance Sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied and in the governmental fund financial statements during the year for which they are levied, if available. The third item is a deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The fourth item is deferred inflows related to pension and OPEB activity as a result of the net difference between projected and actual earnings on plan investments and changes in proportionate share.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Unearned Revenue

Unearned revenue represents monies received prior to June 30, 2021, but earned subsequent to year end.

M. Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

N. Compensated Absences

The District compensates administration, clerical, and custodial employees upon termination of employment for unused vacation. Vacation accrual may be carried over up to five days for school service employees while ten days may be carried over for other employees.

Employees are not compensated for unused sick leave upon termination of employment. Sick leave pay is shown as an expenditure in the year paid.

O. Pensions

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

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

P. Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; natural disasters; and injuries to employees for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in the District's insurance coverage during the year ending June 30, 2021.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Fund Equity

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

- Nonspendable Fund Balances – These are amounts that cannot be spent because they are not in spendable form as they are legally or contractually required to be maintained intact and include inventory and prepaid items.

- Restricted Fund Balances – These are subject to externally enforceable legal restrictions.

- Committed Fund Balances – These are amounts comprised of unrestricted funds used for a specific purpose pursuant to constraints imposed by formal action of the School Board and that remain binding unless removed by the School Board by subsequent formal action.

- Assigned Fund Balances – The School Board delegates the Superintendent and Director of Finance the power to assign balances for specific purposes.

- Unassigned Fund Balances – These are amounts that have not been restricted, committed, or assigned to a specific purpose in the General Fund. Other funds may also report a negative unassigned fund balance if the total nonspendable, restricted and committed fund balances exceed the total net resources of that fund.

- Minimum Fund Balance Policy – The District's annual budget will be developed to maintain a minimum unassigned General Fund balance of 8% of the prior year's expenditures and a maximum of 18% of the prior year's expenditures.

R. Net Position

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

S. 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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Budgetary Information

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

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

Custodial Credit Risk – Deposits: For deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has a deposit policy which requires deposits in excess of federal deposit coverage to be collateralized as required by *Minnesota Statutes* 118A.03.

As of June 30, 2021, the District's bank balances were not exposed to custodial credit risk as they were insured and properly collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name.

At June 30, 2021, the District had the following deposits:

Checking	$	29,354
Certificates of deposit		257,116
Total	$	286,470

B. Investments

Investments at June 30, 2021, were comprised of brokered money markets and government securities.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)
As of June 30, 2021, the District had the following investments:

Investment	Weighted Average Maturities In Years	Fair Value
Brokered Money Markets	N/A	$ 13,472,108
Brokered Money Markets - OPEB	N/A	228,727
Brokered Money Markets - Building Bonds	N/A	272,963
Government Securities - OPEB	3.24	3,323,626
Total		$ 17,297,424

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. *Minnesota Statutes* 118A.04 and 118A.05 limit investments to the top two rating issued by nationally recognized statistical rating organizations. The District's investment policy limits investments to those specified in the above statutes. The District's investments in certificates of deposit are not rated. The District's investments in government securities were rated Ba1 or higher by Moody's. The remaining investment types are unrated and, therefore, not subject to credit risk.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. The District's investment policy states the District will diversify its investment to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, or maturities. The District's investments were not exposed to credit risk at June 30, 2021.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy states the District's investments shall be managed in a manner to attain a market rate of return through various economic and budgetary cycles, while preserving and protecting the capital in the investment portfolio and taking into account cash flow requirements.

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

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

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

- Investments of $13,973,798 are valued using a quoted market prices (Level 1 inputs)
- Investments of $3,323,626 are valued using a matrix pricing model (Level 2 inputs)

Following is a summary of deposits and investments at June 30, 2021:

Deposits (Note 3.A)	$ 286,470
Petty cash	2,175
Investments- pooled	13,472,108
Investments- non-pooled	3,825,316
Total deposits and investments	$ 17,586,069

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

Statement of Net Position	
Cash and investments	$ 17,468,219
Statement of fiduciary net position	
Scholarship Custodial Fund - cash and investments	117,850
Total deposits and investments	$ 17,586,069

NOTE 3 – INTERFUND ACTIVITY

Interfund Transfers

The General Fund transferred $381,805 to the Community Service Fund during the year to cover the deficit in operations caused by COVID-19.

NOTE 4 – CAPITAL ASSETS

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

	Balance	Increases	Decreases	Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 1,645,835	$ -	$ -	$ 1,645,835
Construction in progress	30,000	-	(30,000)	-
Total capital assets not being depreciated	1,675,835	-	(30,000)	1,645,835
Capital assets being depreciated				
Land improvements	5,224,373	-	-	5,224,373
Buildings	73,845,402	457,675	-	74,303,077
Equipment	9,981,387	144,336	-	10,125,723
Vehicles	141,353	-	(7,444)	133,909
Total capital assets being depreciated	89,192,515	602,011	(7,444)	89,787,082
Less accumulated				
Land improvements	1,700,907	62,626	-	1,763,533
Buildings	13,751,717	225,751	-	13,977,468
Equipment	6,535,101	64,543	-	6,599,644
Vehicles	101,897	6,361	-	108,258
Total accumulated depreciation	22,089,622	359,281	-	22,448,903
Total capital assets being depreciated, net	67,102,893	242,730	(7,444)	67,338,179
Governmental activities, capital assets, net	$ 68,778,728	$ 242,730	$ (37,444)	$ 68,984,014

Depreciation expense of $359,281 for the year ended June 30, 2021, was charged to the following governmental functions:

Administration	$ 154
District support services	764
Elementary and secondary regular instruction	6,275
Community Education & Services	676
Instructional support services	290
Pupil support services	332
Sites and buildings	347,810
Food service	2,980
Total depreciation expense	$ 359,281

NOTE 5 – LONG-TERM DEBT

A. Components of Long-Term Liabilities

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One year
Long-term liabilities						
G.O. bonds including						
Refunding bonds						
G.O. School Building Bonds Series 2020A	11/05/20	5%	$ 11,700,000	02/01/27	$ 11,700,000	$ 1,610,000.00
G. O. School Building Bonds Series 2016A	08/04/16	3.00%-4.00%	20,815,000	02/01/32	19,390,000	710,000
G.O. Tax Abatement Bonds Series 2018A	06/27/18	3.00%-5.00%	1,835,000	02/01/29	1,515,000	165,000
Total G.O. bonds					32,605,000	2,485,000
Unamortized bond premium					3,641,167	633,855
Capital leases					2,134,348	236,626
Compensated absences payable					72,029	58,424
Total all long-term liabilities					$ 38,452,544	$ 3,413,905

The long-term bond and lease liabilities listed above were issued to finance acquisition and construction of capital facilities. Other long-term liabilities such as compensated absences payable are typically liquidated through the General Fund.

B. Minimum Debt Payments for Bonds

Minimum annual principal and interest payments required to retire G.O. bonds are as follows:

Year Ending June 30,	G.O. Bonds Principal	Interest	Total
2022	$ 2,485,000	$ 1,260,200	$ 3,745,200
2023	2,735,000	1,140,975	3,875,975
2024	2,870,000	1,012,775	3,882,775
2025	3,000,000	878,125	3,878,125
2026	3,140,000	737,325	3,877,325
2027-2031	15,245,000	1,900,850	17,145,850
2032	3,130,000	93,900	3,223,900
Total	$ 32,605,000	$ 7,024,150	$ 39,629,150

NOTE 5 – LONG-TERM DEBT (CONTINUED)

C. Capital Lease Obligations

On May 19, 2016, the District entered into a lease purchase agreement for building improvements. The capital lease totaled $2,803,400. The capital lease agreement includes annual principal and interest payments of $224,996. On July 1, 2018, the District entered into a lease purchase agreement for fitness equipment. The capital lease totaled $86,160. The capital lease agreement included annual principal and interest payments of $23,585. On July 25, 2020, the District entered into three lease purchase agreements for copier equipment. The capital leases totaled $171,847. The three capital lease agreements include monthly principal and interest payments of $2,304, $1,649, and $22, respectively.

The future minimum lease obligations and the net present value of these minimum lease payments are as follows:

Year Ending June 30,	
2022	$ 296,281
2023	272,696
2024	256,206
2025	252,908
2026	229,648
2027-2031	1,124,976
Total minimum lease payments	2,432,715
Less amount representing interest	(298,367)
Present value of minimum lease payments	$ 2,134,348

D. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance
Long-term liabilities				
G.O. Bonds	$ 37,555,000	$ 11,700,000	$ 16,650,000	$ 32,605,000
Unamortized bond premium	2,192,009	2,083,012	633,854	3,641,167
Capital leases	2,202,283	171,847	239,782	2,134,348
Compensated absences payable	78,354	145,691	152,016	72,029
Total long-term liabilities	$ 42,027,646	$ 14,100,550	$ 17,675,652	$ 38,452,544

NOTE 6 – FUND BALANCES/NET POSITION

Certain portions of fund balance are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities or as required by other outside parties.

A. Fund Balances

Fund balances are classified as listed on the following page to reflect the limitations and restrictions of the respective funds.

	General Fund	Debt Service	Nonmajor Funds	Total
Nonspendable				
Inventory	$ 34,874	$ -	$ 11,703	$ 46,577
Prepaid items	65,402	-	-	65,402
Total nonspendable	100,276	-	11,703	111,979
Restricted/reserved for				
Student activities	432,458	-	-	432,458
Medical assistance	15,000	-	-	15,000
Early childhood and family education	-	-	697	697
Community service	-	-	28,339	28,339
Food service	-	-	416,208	416,208
Debt service	-	880,599	-	880,599
Building projects	-	-	190,685	190,685
Total restricted/reserved	447,458	880,599	635,929	1,963,986
Committed for				
Separation/retirement benefits	79,248	-	-	79,248
Total committed	79,248	-	-	79,248
Assigned for				
Special education	430,000	-	-	430,000
Class size reduction	650,000	-	-	650,000
Technology repairs	33,863	-	-	33,863
Total assigned	1,113,863	-	-	1,113,863
Unassigned	2,462,331	-	-	2,462,331
Total fund balance	$ 4,203,176	$ 880,599	$ 647,632	$ 5,731,407

Nonspendable for Inventory – This balance represents a portion of the fund balance that is not available since the amounts have already been spent on inventory.

Nonspendable for Prepaid Items – This balance represents a portion of the fund balance that is not available since the amounts have already been spent by the District on expenses for the next fiscal year.

NOTE 6 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balances (Continued)

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

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

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

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

Restricted/Reserved for Food Service – This balance represents the positive fund balance of the Food Service Fund.

Restricted/Reserved for Debt Service – This balance represents the positive fund balance of the debt service funds.

Restricted/Reserved for Building Projects – This balance represents available resources from the issuance of the 2012A and 2016A school building bonds.

Restricted/Reserved for Long-Term Facilities Maintenance (LTFM) – This balance represents available resources to be used for LTFM projects in accordance with the 10-year plan (*Minnesota Statutes* 123B.595, subd. 12). The District had a negative balance of $505,609 for LTFM at the end of 2021, which is presented as part of the unassigned fund balance.

Committed for Separation/Retirement Benefits – This balance represents an amount set aside by the School Board for retirement benefits.

Assigned – This balance represents estimated amounts that are set aside for special education, technology repairs, and class size reduction.

B. Net Position

Restricted net position is comprised of the total positive General Fund restricted fund balance plus the positive fund balances of the Food Service, Community Service, and Debt Service Funds, and the effects of the conversion to the government-wide statements.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Teachers' Retirement Association

The District participates in various pension plans, total pension expense for the year ended June 30, 2021 was $3,447,117. The components of pension expense are noted in the following plan summaries.

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

A. Plan Description

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

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

B. 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.

Tier 1 Benefits

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

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

B. Benefits Provided (Continued)

Tier 1 Benefits (Continued)

With these provisions:

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

Tier II Benefits

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

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

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

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

C. Contribution Rate

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

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

Teachers' Retirement Association (Continued)

C. Contribution Rate (Continued)

	June 30, 2019		June 30, 2020		June 30, 2021	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic	11.0%	11.7%	11.0%	11.92%	11.0%	12.13%
Coordinated	7.5%	7.71%	7.5%	7.92%	7.5%	8.13%

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

Employer contributions reported in TRA's CAFR Statement of Changes in Fiduciary Net Position	$ 425,223
Deduct employer contributions not related to future contribution efforts	(56)
Deduct TRA's contributions not included in allocation	(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 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information	
Valuation date	July 1, 2020
Experience study	June 5, 2015 November 6, 2017, (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	7.50%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028, and 3.25% thereafter
Projected salary increase	2.85% to 8.85% before July 1, 2028, and 3.25% to 9.25% thereafter
Cost of living adjustment	1.0% for January 2020 through January 2023, then increasing by 0.1% each year up to 1.5% annually.
Mortality Assumptions	
Pre-retirement	RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.
Post-retirement	RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projections uses the MP 2015 scale.
Post-disability	RP 2014 disabled retiree mortality table, without adjustment.

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

Teachers' Retirement Association (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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 services lives of all members for fiscal year 2016 is six years. The "Difference Between Expected and Actual Experience," "Changes of Assumptions," and "Changes in Proportion" use the amortization period of six years in the schedule presented. The amortization period for "Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments" is over a period of five years as required by GASB 68.

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

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

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

Teachers' Retirement Association (Continued)

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

F. Net Pension Liability
On June 30, 2021, the District reported a liability of $18,573,769 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. District proportionate share was 0.2514% at the end of the measurement period and 0.2465% for the beginning of the year.

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

District's proportionate share of net pension liability	$ 18,573,769
State's proportionate share of the net pension liability associated with the District	1,556,718

For the year ended June 30, 2021, the District recognized pension expense of $3,139,037. Included in this amount, the District recognized $142,606 as pension expense for the support provided by direct aid.

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

Teachers' Retirement Association (Continued)

F. Net Pension Liability (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	$ 372,479	$ 268,398
Net difference between projected and actual earnings on plan investments	354,501	-
Changes of actuarial assumptions	6,132,572	14,963,273
Changes in proportionate share	1,578,358	-
District's contributions to TRA subsequent to the measurement date	1,244,312	-
Total	$ 9,682,222	$ 15,231,671

The $1,244,312 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a relation of the net pension liability in the year ended June 30, 2022.

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

Year Ended June 30,	Pension Expense Amount
2022	$ 688,637
2023	(4,849,911)
2024	(3,269,015)
2025	507,185
2026	129,343
Total	$ (6,793,761)

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

Teachers' Retirement Association (Continued)

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

District proportionate share of NPL		
1% decrease in Discount Rate (6.5%)	Current Discount Rate (7.5%)	1% increase in Discount Rate (8.5%)
$ 28,436,244	$ 18,573,769	$ 10,447,588

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

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

Public Employees' Retirement Association

A. Plan Description
The District participates in the following cost-sharing multiple-employer defined benefit pension plans administered by 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.

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

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

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1 the annuity accrual rate for a Coordinated Plan member is 1.2% for each of the first 10 years of service 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

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

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2021 and the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2021, were $393,564. The District's contributions were equal to the required contributions as set by state statute.

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

Public Employees' Retirement Association (Continued)

D. Pension Costs

General Employees Fund Pension Costs

At June 30, 2021, the District reported a liability of $4,550,552 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 $140,250. 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 0.0759% at the end of the measurement period and 0.0809% for the beginning of the period.

District's proportionate share of net pension liability	$ 4,550,552
State's proportionate share of the net pension liability associated with the District	140,250
Total	$ 4,690,802

For the year ended June 30, 2021, the District recognized pension expense of $308,081 for its proportionate share of General Employees Plan's pension expense. Included in this amount, the District recognized $12,206 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

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

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 44,137	$ 17,217
Changes in actuarial assumptions	-	172,431
Difference between projected and actual investments earnings	96,643	-
Changes in proportion	239,049	207,330
District's contributions to PERA subsequent to the measurement date	393,564	-
Total	$ 773,393	$ 396,978

The $393,564 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense
2022	$ (124,653)
2023	(20,292)
2024	17,854
2025	109,942
Total	$ (17,149)

E. Actuarial Assumptions

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

Inflation	2.25 %	Per year
Active member payroll growth	3.00 %	Per year
Investment rate of return	7.50 %	

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

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

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

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

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

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

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

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

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

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

Asset Class	Final 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 %	

F. Discount Rates

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

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

Public Employees' Retirement Association (Continued)

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

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
District's proportionate share of the PERA net pension liability	$ 7,292,956	$ 4,550,552	$ 2,288,289

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

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description
The District's defined benefit OPEB plan provides a single-employer defined benefit health care plan to eligible retirees. The plan offers medical coverage. Medical coverage is administered by Health Partners. It is the District's policy to periodically review its medical coverage and to obtain requests for proposals in order to provide the most favorable benefits and premiums for District employees and retirees.

B. Benefits Provided
The District provides retiree health insurance for substantially all teachers and other selected bargaining groups as well as certain employees under individual contracts for a specific period of time under contract provisions. The District recognized expenditures on a pay-as-you-go basis.

School service employees hired before July 1, 2000, have completed 15 years of service and are at least 55 years old are eligible for severance. They shall receive an amount equal to 50% of 75 days of pay based on the employee's daily rate of pay at retirement paid into a health savings account (HSA).

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

B. Benefits Provided (Continued)

All teachers who have concluded their fifteenth year of teaching prior to January 1, 1994, are eligible to participate in the Deferred Compensation Matching Program or the "old severance" provision as outlined in the Union Contract. Teachers who elect to participate in the Deferred Compensation Matching Program may receive a total maximum matching contribution of $18,500 or $26,000 from the District based on where they fall in the provisions as outlined in the Union Contract. Teachers who have not reached the maximum will receive the remainder of the $18,500 or $26,000 in a lump sum payment based on where they fall in the provisions as outlined in the Union Contract. These payments are paid into an HSA.

C. Members

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

Inactive employees or beneficiaries currently receiving benefits	8
Active employees	320
Total	328

D. Contributions

Retirees contribute to the health care plan at the same rate as District employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the District, based on the contract terms with Health Partners. The required contributions are based on projected pay-as-you-go financing requirements. For the year 2021, the District contributed $141,368 to the plan.

E. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total OPEB Liability	
Salary increases	2.85% to 11.25% per service graded table
Inflation	2.50%
Healthcare cost trend increases	6.50% as of July 1, 2020 grading to 5.00% over 6 years and then to 4.00% over the next 48 years
Mortality Assumption	Pub-2010 Public Retirement Pkans Headcount-Weighted Mortality Tables with MP-2019 Generational Improvement Scale

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

E. Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period July 1, 2019 – June 30, 2020.

The discount rate used to measure the total OPEB liability was 2.40% based on the 20-year Municipal Bond Yield.

Plan Changes

- None

Assumption Changes

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and contract group.
- The discount rate was changed from 3.10% to 2.40%.

F. Total OPEB Liability

The District's total OPEB liability of $4,371,235 was measured as of June 30, 2020, and was determined by an actuarial valuation as of that date.

Changes in the total OPEB liability are as follows:

	Total OPEB Liability
Balances at June 30, 2020	$ 4,820,767
Changes for the year	
Service cost	316,997
Interest	157,345
Assumption Changes	(22,369)
Differences between expected and actual economic experience	(776,315)
Benefit payments	(125,190)
Net changes	(449,532)
Balances at June 30, 2021	$ 4,371,235

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

F. Total OPEB Liability (Continued)

Changes of assumptions and other inputs reflect a change in the discount rate from 3.10% in 2020 to 2.40% in 2021.

H. OPEB Liability Sensitivity

The following presents the District's net OPEB liability calculated using the discount rate of 2.4% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

	1% decrease (1.4%)	Current (2.4%)	1% increase (3.4%)
Total OPEB Liability (Asset)	$ 4,637,299	$ 4,371,235	$ 4,106,069

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

	1% decrease (5.5% decreasing to 4.0%)	Current (6.5% decreasing to 5.0%)	1% increase (7.5% decreasing to 6.0%)
Total OPEB Liability (Asset)	$ 3,918,403	$ 4,371,235	$ 4,900,937

I. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the District recognized OPEB expense of $338,795. 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
Liability gain or loss	$ -	$ 823,671
Contributions made subsequent to the measurement date	141,368	-
Changes in actuarial assumptions	89,142	19,173
Total	$ 230,510	$ 842,844

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

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

The $141,368 reported as deferred outflows of resources related to OPEB resulting from District contributions made subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2022	$ (135,547)
2023	(135,547)
2024	(135,547)
2025	(135,544)
2026	(97,427)
Thereafter	(114,090)
Total	$ (753,702)

NOTE 9 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; natural disasters; and injuries to employees for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in the District's insurance coverage during the year ending June 30, 2021.

On July 1, 2013, the District began to self-insure for dental insurance. Under this program, the fund provides up to a maximum of $2,000 of benefit per covered person per calendar year. The General, Food Service, and Community Service Funds of the District participate in the program and make payments to the dental insurance plan recorded in the General Fund. Based on the requirements of GASB Statement No. 10, a liability is reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Payments are made based on actuarial estimates of the amounts needed to pay claims. The Self-Insured Dental Benefits Internal Service Fund includes a reserve of $169,837 for catastrophe losses. The total claims liability reported in the Fund at June 30, 2021, is $8,504 and includes amounts for known claims and for estimated incurred but not reported claims. These estimates are determined based on the probability that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE 9 – RISK MANAGEMENT (CONTINUED)

On July 1, 2016, the District began to self-insure for health insurance. A stop-loss policy was purchased that limits the District's loss to $100,000 of claims per person at which point the reinsurance coverage is available. The District also has aggregate stop-loss coverage in place which limits the District's liability to 115% of the current year's total expected annual claims at which point the reinsurance coverage is available.

The General, Food Service, Community Service, and Agency Funds of the District participate in the program and make payments to the Self Insured Medical Benefits Internal Service Fund. Based on the requirements of GASB Statement No. 10, a liability is reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Participants in the program make premium payments to the fund based on the insurance premium. The Self Insured Medical Benefits Internal Service Fund does not include a reserve for catastrophe losses. The total claims liability reported in the Fund at June 30, 2021, is $188,655 and include amounts for known claims and for estimated incurred but not reported claims. These estimates are determined based on the probability that a loss has occurred and the amount of the loss can be reasonably estimated.

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

	Balance, Beginning of Year	Claims, Expense and Estimates	Claims Payments	Balance, End of Year
2018-2019	$ 135,910	$ 3,401,258	$ (3,434,820)	$ 102,348
2019-2020	102,348	4,117,358	(4,052,092)	167,614
2020-2021	167,614	4,312,698	(4,283,153)	197,159

NOTE 10 – GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED

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

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REQUIRED SUPPLEMENTARY INFORMATION

Independent School District No. 277
Schedule of Changes in Total OPEB Liability
and Related Ratios

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Total OPEB Liability				
Service cost	$ 316,997	$ 305,712	$ 278,558	$ 272,018
Interest cost	157,345	161,114	153,243	144,975
Assumption changes	(22,369)	116,710	10,113	-
Plan changes	-	-	46,759	-
Differences between expected and actual experience	(776,315)	-	(276,957)	-
Benefit payments	(125,190)	(119,593)	(165,557)	(194,940)
Other changes	-	-	-	-
Net change in total OPEB liability	(449,532)	463,943	46,159	222,053
Beginning of year	4,820,767	4,356,824	4,310,665	4,088,612
End of year	$ 4,371,235	$ 4,820,767	$ 4,356,824	$ 4,310,665
Covered payroll	$ 18,534,194	$ 17,674,747	$ 17,159,949	$ 15,532,150
Total OPEB liability as a percentage of covered-employee payroll	23.58%	27.27%	25.39%	27.75%

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

Independent School District No. 277
Schedule of District's and Non-Employer Proportionate Share of Net Pension Liability
Last Ten Years General Employees Retirement Fund

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension of Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0769%	$ 3,612,377	$ -	$ 3,612,377	$ 4,035,806	89.5%	78.7%
2015	0.0704%	3,648,493	-	3,648,493	4,068,400	89.7%	78.2%
2016	0.0693%	5,626,816	73,483	5,700,299	4,298,253	130.9%	68.9%
2017	0.0688%	4,392,147	55,244	4,447,391	4,433,560	99.1%	75.9%
2018	0.0770%	4,271,644	140,248	4,411,892	5,178,013	82.5%	79.5%
2019	0.0809%	4,472,780	138,994	4,611,774	5,724,280	78.1%	80.2%
2020	0.0759%	4,550,552	140,250	4,690,802	5,411,947	84.1%	79.1%

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

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

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension of Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.2494%	$ 11,492,172	$ 808,323	$ 12,300,495	$ 11,385,303	100.9%	81.5%
2015	0.2268%	14,029,823	1,720,762	15,750,585	11,509,427	121.9%	76.8%
2016	0.2313%	55,170,569	5,537,327	60,707,896	12,032,907	458.5%	44.9%
2017	0.2334%	46,590,874	4,504,458	51,095,332	12,562,613	370.9%	51.6%
2018	0.2430%	15,261,941	1,433,806	16,695,747	13,424,853	113.7%	78.1%
2019	0.2465%	15,711,962	1,390,386	17,102,348	13,991,556	112.3%	78.2%
2020	0.2514%	18,573,769	1,556,718	20,130,487	14,609,899	127.1%	75.5%

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

See notes to required supplementary information.

Independent School District No. 277
Schedule of District Contributions
General Employees Retirement Fund
Last Ten Years

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	$ 292,596	$ 292,596	$ -	$ 4,035,806	7.25%
2015	305,130	305,130	-	4,068,400	7.50%
2016	322,369	322,369	-	4,298,253	7.50%
2017	332,517	332,517	-	4,433,560	7.50%
2018	388,351	388,351	-	5,178,013	7.50%
2019	429,321	429,321	-	5,724,280	7.50%
2020	405,896	405,896	-	5,411,947	7.50%
2021	393,564	393,564	-	5,247,520	7.50%

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

Schedule of District Contributions
TRA Retirement Fund
Last Ten Years

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	$ 796,971	$ 796,971	$ -	$ 11,385,303	7.00%
2015	863,207	863,207	-	11,509,427	7.50%
2016	902,469	902,468	-	12,032,907	7.50%
2017	942,196	942,196	-	12,562,613	7.50%
2018	1,006,864	1,006,864	-	13,424,853	7.50%
2019	1,078,749	1,078,749	-	13,991,556	7.71%
2020	1,157,104	1,157,104	-	14,609,899	7.92%
2021	1,244,312	1,244,312	-	15,305,191	8.13%

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

TRA Retirement Funds

2020 Changes

Changes in Actuarial Assumptions

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

2019 Changes

Changes in Actuarial Assumptions

- None

2018 Changes

Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 8.0%.
- The cost of living adjustment (COLA) was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019, and ending July 1, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to 0.0% beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers was reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017 Changes

Changes in Actuarial Assumptions

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

TRA Retirement Fund (Continued)

2017 Changes (Continued)
Changes in Actuarial Assumptions (Continued)

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

2016 Changes
Changes in Actuarial Assumptions

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

2015 Changes
Changes of Benefit Terms

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

TRA Retirement Fund (Continued)

2015 Changes (Continued)
Changes in Actuarial Assumptions

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

General Employees Fund

2020 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

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

General Employees Fund (Continued)

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

2017 Changes
Changes in Actuarial Assumptions
- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

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

2016 Changes
Changes in Actuarial Assumptions
- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, the inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions
- There have been no changes since the prior valuation.

General Employees Fund (Continued)

2015 Changes
Changes in Actuarial Assumptions
- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

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

Post Employment Health Care Plan

2021 Changes
Assumption Changes
- The health care trend rates, mortality tables, and salary increase rates were updated.
- The discount rate was changed from 3.10% to 2.40%.

2020 Changes
Assumption Changes
- The discount rate was changed from 3.50% to 3.10%.

2019 Changes
Changes in Plan Provisions
- A post-employment subsidized benefit was added for all food service employees.

Assumption Changes
- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The discount rate was changed from 3.40% to 3.50%.

SUPPLEMENTARY INFORMATION

Independent School District No. 277
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2021

	Special Revenue Funds			Capital Project Fund	
	Food Service	Community Service	Total Special Revenue	Building Construction	Total Nonmajor Funds
Assets					
Cash and investments	$ 507,110	$ 458,556	$ 965,666	$ 193,444	$ 1,159,110
Current property taxes receivable	-	342,381	342,381	-	342,381
Delinquent property taxes receivable	-	10,558	10,558	-	10,558
Accounts receivable	-	150	150	-	150
Due from Department of Education	-	15,144	15,144	-	15,144
Due from other Minnesota school districts	-	15,092	15,092	-	15,092
Due from Federal Government through Department of Education	100,436	-	100,436	-	100,436
Inventory	11,703	-	11,703	-	11,703
Total assets	$ 619,249	$ 841,881	$ 1,461,130	$ 193,444	$ 1,654,574
Liabilities Resources, and Fund Balances					
Liabilities					
Accounts payable	$ 16,451	22,995	39,446	$ 2,759	$ 42,205
Salaries and benefits payable	23,543	94,682	118,225	-	118,225
Unearned revenue	151,344	-	151,344	-	151,344
Total liabilities	191,338	117,677	309,015	2,759	311,774
Deferred Inflows of Resources					
Unavailable revenue - delinquent property taxes	-	8,037	8,037	-	8,037
Property taxes levied for subsequent year's expenditures	-	687,131	687,131	-	687,131
Total deferred inflows of resources	-	695,168	695,168	-	695,168
Fund Balances					
Nonspendable	11,703	-	11,703	-	11,703
Restricted	416,208	29,036	445,244	190,685	635,929
Total fund balances	427,911	29,036	456,947	190,685	647,632
Total liabilities, deferred inflows of resources, and fund balances	$ 619,249	$ 841,881	$ 1,461,130	$ 193,444	$ 1,654,574

Independent School District No. 277
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended June 30, 2021

	Special Revenue Funds			Capital Project Fund	
	Food Service	Community Service	Total Special Revenue	Building Construction	Total Nonmajor Funds
Revenues					
Local property taxes	$ -	$ 859,831	$ 859,831	$ -	$ 859,831
Other local and county revenues	1,990	1,647,602	1,649,592	164	1,649,756
Revenue from state sources	-	250,840	250,840	-	250,840
Revenue from federal sources	1,630,177	-	1,630,177	-	1,630,177
Sales and other conversion of assets	102,842	-	102,842	-	102,842
Total revenues	1,735,009	2,758,273	4,493,282	164	4,493,446
Expenditures					
Current					
Food service	1,420,505	-	1,420,505	-	1,420,505
Community education and services	-	3,069,229	3,069,229	-	3,069,229
Capital outlay					
Food service	876	-	876	-	876
Community education and services	-	43,500	43,500	-	43,500
Total expenditures	1,421,381	3,112,729	4,534,110	-	4,534,110
Excess of revenues over (under) expenditures	313,628	(354,456)	(40,828)	164	(40,664)
Other Financing Sources					
Transfers in	-	381,805	381,805	-	381,805
Net change in fund balances	313,628	27,349	340,977	164	341,141
Fund Balances					
Beginning of year	114,283	1,687	115,970	190,521	306,491
End of year	$ 427,911	$ 29,036	$ 456,947	$ 190,685	$ 647,632

Independent School District No. 277
Combining Statement of
Net Position - Internal Service Funds
June 30, 2021

	Internal Service Funds		
	Post Employment Benefits Revocable Trust Fund	Self-Insured Benefits	Total
Assets			
Cash and cash equivalents	$ 282,030	$ 3,280,139	$ 3,562,169
Investments	3,594,843	-	3,594,843
Interest receivable	19,422	-	19,422
Total assets	$ 3,896,295	$ 3,280,139	$ 7,176,434
Liabilities and Net Position			
Liabilities			
Accounts payable	$ -	$ 197,159	$ 197,159
Net Position			
Unrestricted	3,896,295	3,082,980	6,979,275
Total liabilities and net position	$ 3,896,295	$ 3,280,139	$ 7,176,434

Independent School District No. 277
Combining Statement of Revenues, Expenses, and Changes
in Fund Net Position - Internal Service Funds
Year Ended June 30, 2021

	Internal Service Funds		
	Post Employment Benefits Revocable Trust Fund	Self-Insured Benefits	Total
Operating revenues			
Charges for services	$ -	$ 4,612,870	$ 4,612,870
Operating expenses			
Employee benefits	118,937	3,482,372	3,601,309
Professional services	250	-	250
Total operating expenses	119,187	3,482,372	3,601,559
Operating loss	(119,187)	1,130,498	1,011,311
Nonoperating revenues			
Investment income	116,129	-	116,129
Change in net position	(3,058)	1,130,498	1,127,440
Net position			
Beginning of year	3,899,353	1,952,482	5,851,835
End of year	$ 3,896,295	$ 3,082,980	$ 6,979,275

Independent School District No. 277
Combining Statement of Cash Flows -
Internal Service Funds
Year Ended June 30, 2021

	Internal Service Funds		
	Post Employment Benefits Revocable Trust Fund	Self-Insured Benefits	Total
Cash Flows - Operating Activities			
Receipts from employee contributions	$ -	$ 4,612,870	$ 4,612,870
Payments to employees	(118,937)	(3,452,827)	(3,571,764)
Payments to vendors	(250)	-	(250)
Net cash flows - operating activities	(119,187)	1,160,043	1,040,856
Cash Flows - Investment Activities			
Sale of investments	111,489	-	111,489
Interest received	135,640	-	135,640
Net cash flows - investment activities	247,129	-	247,129
Net change in cash and cash equivalents	127,942	1,160,043	1,287,985
Cash and Cash Equivalents			
Beginning of year	154,088	2,120,096	2,274,184
End of year	$ 282,030	$ 3,280,139	$ 3,562,169
Reconciliation of Operating Income to Net Cash Flows - Operating Activities			
Operating loss	$ (119,187)	$ 1,130,498	$ 1,011,311
Adjustments to reconcile operating loss to net cash flows - operating activities			
Accounts payable	-	29,545	29,545
Net adjustments	-	29,545	29,545
Net cash flows - operating activities	$ (119,187)	$ 1,160,043	$ 1,040,856
Non-Cash Activity			
Changes in fair value of investments	$ (19,511)	$ -	$ (19,511)

Independent School District No. 277
Uniform Financial Accounting and Reporting Standards
Compliance Table
Year Ended June 30, 2021

	Audit	UFARS	Audit-UFARS
01 General Fund			
Total revenue	$ 35,315,355	$ 35,315,351	$ 4
Total expenditures	33,832,649	33,832,648	1
Nonspendable:			
4.60 Nonspendable fund balance	100,276	100,276	-
Restricted/reserved:			
4.01 Student Activities	432,458	432,458	-
4.02 Scholarships	-	-	-
4.03 Staff Development	-	-	-
4.07 Capital Projects Levy	-	-	-
4.09 Alternative Facility Program	-	-	-
4.13 Building Projects Funded by COP/LP	-	-	-
4.14 Operating Debt	-	-	-
4.16 Levy Reduction	-	-	-
4.17 Taconite Building Maintenance	-	-	-
4.24 Operating Capital	-	-	-
4.26 $25 Taconite	-	-	-
4.27 Disabled Accessibility	-	-	-
4.28 Learning and Development	-	-	-
4.34 Area Learning Center	-	-	-
4.35 Contracted Alternative Programs	-	-	-
4.36 State Approved Alternative Program	-	-	-
4.38 Gifted and Talented	-	-	-
4.40 Teacher Development and Evaluation	-	-	-
4.41 Basic Skills Programs	-	-	-
4.45 Career Technical Programs	-	-	-
4.48 Achievement and Integration	-	-	-
4.49 Safe School Crime	-	-	-
4.50 Transition for Pre-kindergarten	-	-	-
4.51 QZAB Payments	-	-	-
4.52 OPEB Liabilities not Held in Trust	-	-	-
4.53 Unfunded Severance and Retirement Levy	-	-	-
4.59 Basic Skills Extended Time	-	-	-
4.67 Long-term Facilities Maintenance	(505,609)	(505,609)	-
Restricted:			
4.72 Medical Assistance	15,000	15,000	-
4.64 Restricted fund balance	-	-	-
4.75 Title VII - Impact Aid	-	-	-
4.76 Payments in Lieu of Taxes	-	-	-
Committed:			
4.18 Committed for separation/ retirement benefits	79,248	79,248	-
4.61 Committed	-	-	-
Assigned:			
4.62 Assigned fund balance	1,113,863	1,113,863	-
Unassigned:			
4.22 Unassigned fund balance	2,967,940	2,967,938	2
02 Food Service Fund			
Total revenue	$ 1,735,009	$ 1,735,008	$ 1
Total expenditures	1,421,381	1,421,381	-
Nonspendable:			
4.60 Nonspendable fund balance	11,703	11,703	-
Restricted/reserved:			
4.52 OPEB liabilities not held in trust	-	-	-
Restricted:			
4.64 Restricted fund balance	416,208	416,208	-
Unassigned:			
4.63 Unassigned fund balance	-	-	-
04 Community Service Fund			
Total revenue	$ 2,758,273	$ 2,758,274	$ (1)
Total expenditures	3,112,729	3,112,730	(1)
Nonspendable:			
4.60 Nonspendable fund balance	-	-	-
Restricted/reserved:			
4.26 $25 Taconite	-	-	-
4.31 Community Education	-	-	-
4.32 ECFE	697	697	-
4.40 Teacher Development and Evaluation			
4.44 School Readiness	-	-	-
4.47 Adult Basic Education	-	-	-
4.52 OPEB Liabilities not Held in Trust	-	-	-
Restricted:			
4.64 Restricted fund balance	28,339	28,339	-
Unassigned:			
4.63 Unassigned fund balance	-	-	-

	Audit	UFARS	Audit-UFARS
06 Building Construction Fund			
Total revenue	$ 164	$ 163	$ 1
Total expenditures	-	-	-
Nonspendable:			
4.60 Nonspendable fund balance	-	-	-
Restricted/reserved:			
4.07 Capital Projects Levy	-	-	-
4.09 Alternative Facility Program	-	-	-
4.13 Building Projects Funded by COP/LP	-	-	-
Restricted:			
4.64 Restricted fund balance	190,685	190,685	-
Unassigned:			
4.63 Unassigned fund balance	-	-	-
07 Debt Service Fund			
Total revenue	$ 4,074,874	$ 4,074,874	$ -
Total expenditures	4,193,755	4,193,756	(1)
Nonspendable:			
4.60 Nonspendable fund balance	-	-	-
Restricted/reserved:			
4.25 Bond refunding	-	-	-
4.33 Maximum effort loan aid			
4.51 QZAB payments	-	-	-
4.67 LTFM	-	-	-
Restricted:			
4.64 Restricted fund balance	880,599	880,599	-
Unassigned:			
4.63 Unassigned fund balance	-	-	-
08 Trust Fund			
Total revenue	$ -	$ -	$ -
Total expenditures	-	-	-
Unassigned:			
4.01 Student Activities	-	-	-
4.02 Scholarships	-	-	-
4.22 Net position	-	-	-
18 Custodial Fund			
Total revenue	$ 55,589	$ 55,589	$ -
Total expenditures	50,875	50,875	-
Unassigned:			
4.01 Student Activities	-	-	-
4.02 Scholarships	117,850	117,850	-
4.48 Achievement and Integration	-	-	-
4.64 Restricted	-	-	-
20 Internal Service Fund			
Total revenue	$ 4,612,870	$ 4,612,870	$ -
Total expenditures	3,482,372	3,482,372	-
Unassigned:			
4.22 Net position	3,082,980	3,082,980	-
25 OPEB Revocable Trust			
Total revenue	$ 116,129	$ 116,129	$ -
Total expenditures	119,187	119,187	-
Unassigned:			
4.22 Net position	3,896,295	3,896,295	-
45 OPEB Irrevocable Trust			
Total revenue	$ -	$ -	$ -
Total expenditures	-	-	-
Unassigned:			
4.22 Net position	-	-	-
47 OPEB Debt Service			
Total revenue	$ -	$ -	$ -
Total expenditures	-	-	-
Nonspendable			
4.60 Nonspendable fund balance	-	-	-
Restricted			
4.64 Restricted fund balance	-	-	-
Unassigned			
4.63 Unassigned fund balance	-	-	-

Independent School District No. 277
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Funding Source	Federal CFDA Number	Grant Name	Expenditures
Through Minnesota Department of Education			
USDOA	10.555	Commodities programs (cluster)	$ 94,273
USDOA	10.559	Summer food service program - COVID-19 (cluster)	1,535,904
Total Child Nutrition Cluster			1,630,177
USDT	21.019C	Coronavirus Relief Fund	599,244
USDOED	84.010	Title I, Part A	89,652
USDOED	84.027	Special education (cluster)	529,637
USDOED	84.173	Special education early childhood (cluster)	16,051
Total Federal Special Education Cluster			545,688
USDOED	84.186	Title IV, Part A	2,640
USDOED	84.367	Title II, Part A	12,339
USDOED	84.425C	Governor's Emergency Education Relief Fund	21,455
USDOED	84.425D	Elementary and Secondary School Emergency Relief	452,242
Total Education Stabilization Fund			473,697
Through City of Mound			
USDT	21.019C	Coronavirus Relief Fund	500,000
Through City of Orono			
USDT	21.019C	Coronavirus Relief Fund	105,584
Through DHS Contracting Team			
USDT	21.019C	Coronavirus Relief Fund	36,683
Through Independent School District No. 284			
USDOED	84.181	Infants and toddlers	6,162
Through Intermediate District No. 287			
USDOED	84.048A	Carl Perkins - COVID 19	12,319
Total Federal Expenditures			$ 4,014,185

The Notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.

Independent School District No. 277
Notes to the Schedule of Expenditures of Federal Awards

NOTE 1 – BASIS OF PRESENTATION

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

NOTE 2 – PASS-THROUGH GRANT NUMBERS

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

NOTE 3 – INVENTORY

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

NOTE 4 – INDIRECT COST RATE

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

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

Independent Auditor's Report

To the School Board
Independent School District No. 277
Minnetrista, 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. 277, Minnetrista, Minnesota, as of and for the year ending June 30, 2021, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 28, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) 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.

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 District's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance to be a significant deficiency, audit finding 2021-001.

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*.

District's Response to the Finding
The District's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance. 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.

BerganKDV, Ltd.

Minneapolis, Minnesota
September 28, 2021

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

Independent Auditor's Report

To the School Board
Independent School District No. 277
Minnetrista, Minnesota

Report on Compliance for each Major Federal Program
We have audited Independent School District No. 277's, Minnetrista, Minnesota compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs in accordance with the Uniform Guidance.

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

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

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

Opinion on Each Major Federal Program
In our opinion, Independent School District No. 277 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on 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.

BerganKDV, Ltd.

Minneapolis, Minnesota
September 28, 2021

Independent School District No. 277
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	Yes, Audit Finding 2021-001
Noncompliance material to financial statements noted?	No

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	No
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516?	No

Identification of Major Programs

CFDA No.:	21.019
Name of Federal Program or Cluster:	Coronavirus Relief Fund
CFDA No.:	84.425
Name of Federal Program or Cluster:	Education Stabilization Fund
Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low risk auditee?	No

Independent School District No. 277
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance

SECTION II – FINANCIAL STATEMENT FINDINGS

Audit Finding 2021-001

Criteria or Specific Requirement:
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.

Condition:
During the year ended June 30, 2021, the District had a lack of segregation of accounting duties due to a limited number of office employees. This condition increases the risk that errors could occur which would not be prevented or detected and corrected, on a timely basis. This lack of segregation can be demonstrated in the following areas, which is not intended to be an all-inclusive list:

- The Director of Finance has access to all areas of the accounting system.
- The District Accountant inputs employees' hours, generates direct deposit checks, and sends the transfer amount to the bank.
- The Director of Finance records and maintains all capital asset records.
- The District Accountant records the deposits and prepares the bank reconciliation.
- The Director of Finance records and maintains state, federal, and tax revenues and receivables.

Management is aware of this condition and has taken certain steps to compensate for the lack of segregation. However, due to the number of staff needed to properly segregate all of the accounting duties, the cost of obtaining desirable segregation of accounting duties can often exceed benefits which could be derived. Because of this reason, management has determined a complete segregation of accounting duties is impractical to correct.

Questioned Costs:
None

Context:
This finding impacts the internal control for all significant accounting functions.

Effect:
The lack of adequate segregation of accounting 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.

Cause:
There are a limited number of office employees.

Independent School District No. 277
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

Audit Finding 2021-001 (Continued)

Recommendation:
Continue to review the accounting system, including changes that may occur. Implement segregation whenever practical.

Management's Response:

CORRECTIVE ACTION PLAN (CAP)

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 take the necessary corrective action to address the lack of segregation of duties identified as an audit finding. The District will also evaluate other key accounting processes and procedures to ensure adequate segregation of duties is achieved.

3. Official Responsible for Ensuring CAP
   Kathy Miller, Director of Finance, is the official responsible for ensuring corrective action of the deficiency.

4. Planned Completion Date for CAP
   The planned completion date for the CAP is June 30, 2022.

5. Plan to Monitor Completion of CAP
   The School Board will be monitoring this CAP.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no federal award findings or questioned costs.

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Audit Finding 2020-001

Criteria or Specific Requirement:
Internal control that supports the District's ability to initiate, record, process, and report financial data requires adequate processes to ensure all required adjustments to the financial statements are identified and properly recorded by District personnel.

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS (CONTINUED)

Audit Finding 2020-001 (Continued)

Condition:
During the course of our audit, we proposed material audit adjustments that would not have been identified as a result of the District's existing internal controls and, therefore, could have resulted in a material misstatement of the District's financial statements. In order to ensure financial statements were free from material misstatement, audit adjustments were required to remove expenditures and increase cash balances related to incorrectly recording reconciling activity near year end.

Corrective Action:
During the course of our audit for fiscal year 2021, no material audit adjustments were identified.

Minnesota Legal Compliance

Independent Auditor's Report

To the School Board
Independent School District No. 277
Minnetrista, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 277, Minnetrista, Minnesota, as of and for the year ended June 30, 2021, and the related notes to basic financial statements, and have issued our report thereon dated September 28, 2021.

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

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

BerganKDV, Ltd.

Minneapolis, Minnesota
September 28, 2021