BROOKLYN CENTER COMMUNITY SCHOOLS

WE STAND FRONT AND CENTER

Independent School District No. 286
Brooklyn Center, Minnesota

Annual Financial Report
for the
Fiscal Year Ended June 30, 2021

INDEPENDENT SCHOOL DISTRICT NO. 286
BROOKLYN CENTER, MINNESOTA

Financial Statements and
Supplemental Information

Year Ended
June 30, 2021

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INTRODUCTORY SECTION

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INDEPENDENT SCHOOL DISTRICT NO. 286

School Board and Administration
Year Ended June 30, 2021

SCHOOL BOARD

	Board Position
Cheryl Jechorek	Chair
Ruthie Dallas	Vice Chair
Amy Bailey	Clerk
Benjamin Woksonsommers	Treasurer
Jeff Palm	Director
John Solomon	Director

ADMINISTRATION

Carly Baker	Superintendent
Sara Bratsch	Finance Director
Briana Volkers	Accountant

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FINANCIAL SECTION

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CERTIFIED PUBLIC
ACCOUNTANTS

PRINCIPALS
Thomas A. Karnowski, CPA
Paul A. Radosevich, CPA
William J. Lauer, CPA
James H. Eichten, CPA
Aaron J. Nielsen, CPA
Victoria L. Holinka, CPA/CMA
Jaclyn M. Huegel, CPA
Kalen T. Karnowski, CPA

INDEPENDENT AUDITOR'S REPORT

To the School Board and Management of
Independent School District No. 286
Brooklyn Center, Minnesota

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 286 (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

(continued)

Malloy, Montague, Karnowski, Radosevich & Co., P.A.
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OPINIONS

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information (RSI), as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI 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 introductory section, supplemental information, and other district information, are presented for purposes of additional analysis and are not required parts of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements of the District. The accompanying Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Table is presented for purposes of additional analysis as required by the Minnesota Department of Education, and is also not a required part of the basic financial statements of the District.

The supplemental information, the Schedule of Expenditures of Federal Awards, and the UFARS Compliance Table 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and other district information sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

(continued)

Prior Year Comparative Information

We have previously audited the District's 2020 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated December 17, 2020. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

Minneapolis, Minnesota
December 6, 2021

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This section of Independent School District No. 286's (the District) annual financial statements presents management's narrative overview and analysis of the District's financial performance during the fiscal year ended June 30, 2021. Please read it in conjunction with the other components of the District's annual financial statements.

FINANCIAL HIGHLIGHTS

- The District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2021 by $18,792,226 (net position deficit). The District's total net position increased by $2,614,048 during the fiscal year ended June 30, 2021.

- Government-wide revenues totaled $43,698,952 and were $2,614,048 more than expenses of $41,084,904.

- The General Fund's total fund balance (under the governmental fund presentation) increased $2,408,484 from the prior year, compared to a decrease of $1,258,073 planned in the budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual financial statements consists of the following parts:

- Independent Auditor's Report;
- Management's discussion and analysis;
- Basic financial statements, including the government-wide financial statements, fund financial statements, and the notes to basic financial statements;
- Required supplementary information; and
- Supplemental information consisting of combining and individual fund statements and schedules.

The following explains the two types of statements included in the basic financial statements:

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

- To assess the overall health of the District requires consideration of additional nonfinancial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements the District's activities are all shown in one category titled "governmental activities." These activities, including regular and special education instruction, transportation, administration, food services, and community education, are primarily financed with state aids and property taxes.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds, rather than the District as a whole. Funds (Food Service Special Revenue and Community Service Special Revenue) that do not meet the threshold to be classified as major funds are called nonmajor funds. Detailed financial information for nonmajor funds can be found in the supplemental information section.

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. For Minnesota schools, funds are established in accordance with Uniform Financial Accounting and Reporting Standards in accordance with statutory requirements and accounting principles generally accepted in the United States of America. Some funds are required by state law and by bond covenants. The District can establish other funds to control and manage money for particular purposes or to show that it is properly using certain revenues.

The District maintains the following kinds of funds:

Governmental Funds – 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 fund financial statements provide a detailed *short-term* view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, we provide additional information (reconciliation schedules) immediately following the governmental fund financial statements that explain the relationship (or differences) between these two types of financial statement presentations.

Proprietary Funds – The District maintains one type of proprietary fund. The internal service funds are used as an accounting device to accumulate and allocate costs internally among the District's various functions. The District uses its internal service funds to account for the self-insurance activities of district employees' medical and dental claims. These services have been included within governmental activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Fiduciary Funds – The District is the trustee, or fiduciary, for assets that belong to other organizations or individuals. 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 and a Statement of Changes in Fiduciary Net Position. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table 1 is a summarized view of the District's Statement of Net Position:

Table 1
Summary Statement of Net Position
as of June 30, 2021 and 2020

	2021	2020
Assets		
Current and other assets	$ 20,485,531	$ 20,979,826
Capital assets, net of depreciation	50,365,295	48,114,134
Total assets	$ 70,850,826	$ 69,093,960
Deferred outflows of resources		
Pension plan deferments	$ 9,619,500	$ 14,924,992
OPEB plan deferments	67,115	55,827
Total deferred outflows of resources	$ 9,686,615	$ 14,980,819
Liabilities		
Current and other liabilities	$ 5,541,188	$ 6,428,774
Long-term liabilities, including due within one year	71,254,170	69,952,012
Total liabilities	$ 76,795,358	$ 76,380,786
Deferred inflows of resources		
Property taxes levied for subsequent year	$ 6,095,762	$ 5,808,404
Pension plan deferments	15,868,640	22,795,832
OPEB plan deferments	569,907	496,031
Total deferred inflows of resources	$ 22,534,309	$ 29,100,267
Net position		
Net investment in capital assets	$ 3,205,099	$ 2,510,515
Restricted	2,352,830	1,107,908
Unrestricted	(24,350,155)	(25,024,697)
Total net position	$ (18,792,226)	$ (21,406,274)

The District's financial position is the product of many factors. For example, the determination of the District's net investment in capital assets involves many assumptions and estimates, such as current and accumulated depreciation amounts. A conservative versus liberal approach to depreciation estimates, as well as capitalization policies, will produce a significant difference in the calculated amounts. Another major factor in determining net position as compared to fund balances is the liabilities for long-term severance, pension, and other post-employment benefits (OPEB), which impacts the unrestricted portion of net position.

The District's increase in net investment in capital assets is due mostly to the relationship between the rate at which the District's capital assets are being added, depreciated, and how that compares to the rate at which the District is repaying the debt issued to purchase or construct those assets. The increase in net position restricted for capital asset acquisition, debt service, and other state funding restrictions contributed to the change in this portion of net position. The change in the District's share of the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) pension plans contributed to the change in deferred outflows of resources, long-term liabilities, deferred inflows of resources, and unrestricted net position. The District's positive operations in the current year contributed to the increase in unrestricted net position. The shift between current and capital assets reflects the continued completion of ongoing projects in the current year.

Table 2 presents a summarized version of the District's Statement of Activities:

Table 2
Summary Statement of Activities
for the Years Ended June 30, 2021 and 2020

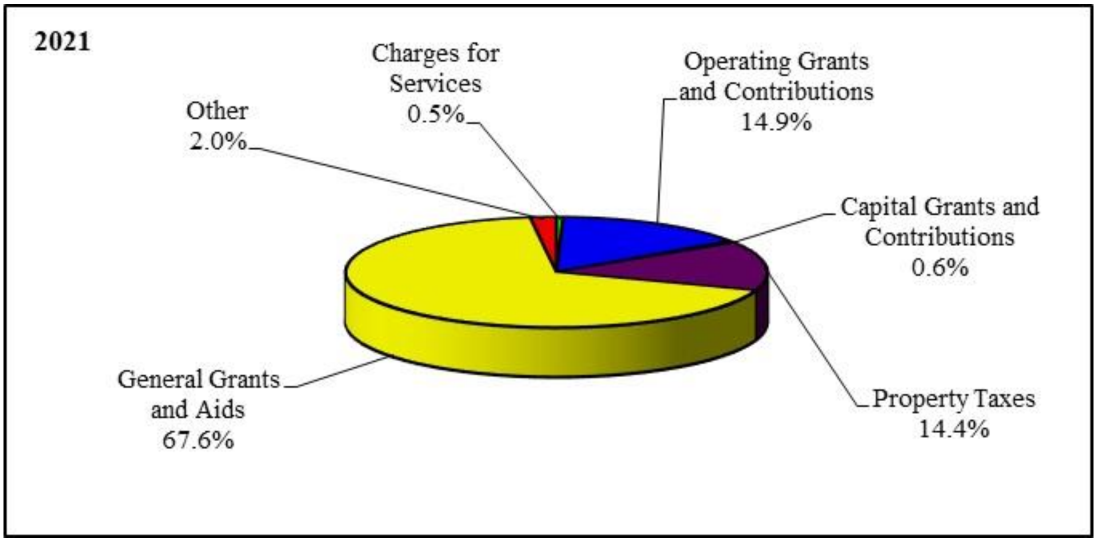
	2021	2020
Revenues		
Program revenues		
Charges for services	$ 194,750	$ 381,030
Operating grants and contributions	6,520,628	6,648,406
Capital grants and contributions	250,000	–
General revenues		
Property taxes	6,308,682	5,691,397
General grants and aids	29,547,862	27,929,703
Other	877,030	668,942
Total revenues	43,698,952	41,319,478
Expenses		
Administration	1,359,218	1,629,090
District support services	1,766,092	2,273,950
Elementary and secondary regular instruction	16,812,425	18,564,610
Vocational education instruction	218,637	448,986
Special education instruction	5,272,277	5,380,434
Instructional support services	3,335,394	2,462,982
Pupil support services	5,036,603	4,463,074
Sites and buildings	3,350,462	3,149,556
Fiscal and other fixed cost programs	100,856	95,656
Food service	930,327	1,547,150
Community service	1,146,191	1,607,168
Interest and fiscal charges	1,756,422	1,791,410
Total expenses	41,084,904	43,414,066
Change in net position	2,614,048	(2,094,588)
Net position – beginning	(21,406,274)	(19,311,686)
Net position – ending	$ (18,792,226)	$ (21,406,274)

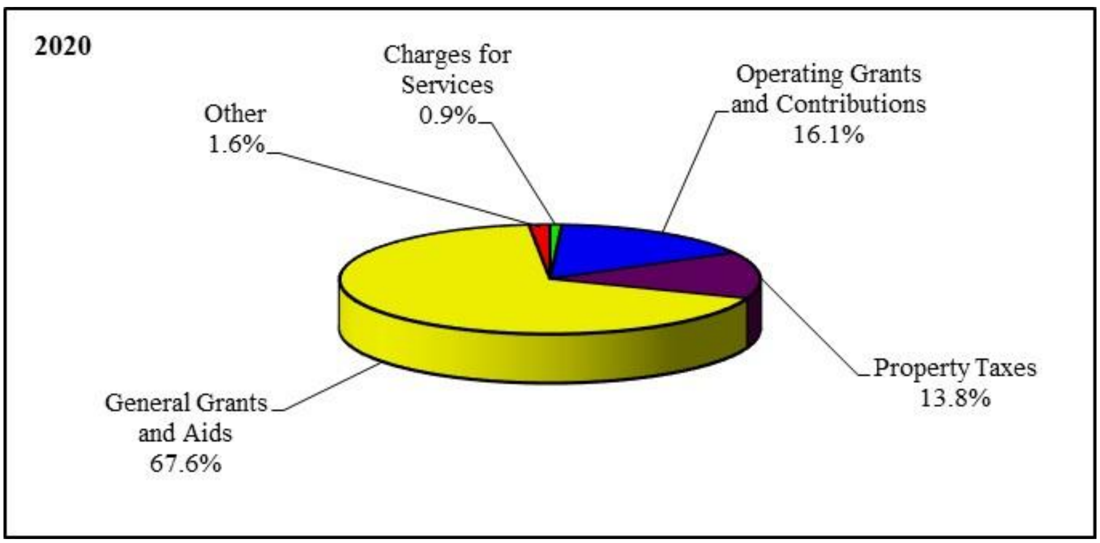
This table is presented on an accrual basis of accounting, and it includes all of the governmental activities of the District. This statement includes depreciation expense, but excludes capital asset purchase costs, debt proceeds, and the repayment of debt principal.

The COVID-19 pandemic and declining enrollment impacted financial activity in several areas in the current year. Revenues shifted with more federal revenues recognized through new pandemic-related grants, offset in part by less charges for services and other local sources. Expenses changed to adapt to new distance and hybrid learning models impacting transportation, technology, and other program areas.

Figure A shows further analysis of these revenue sources:

Figure A – Sources of Revenue for Fiscal Years 2021 and 2020





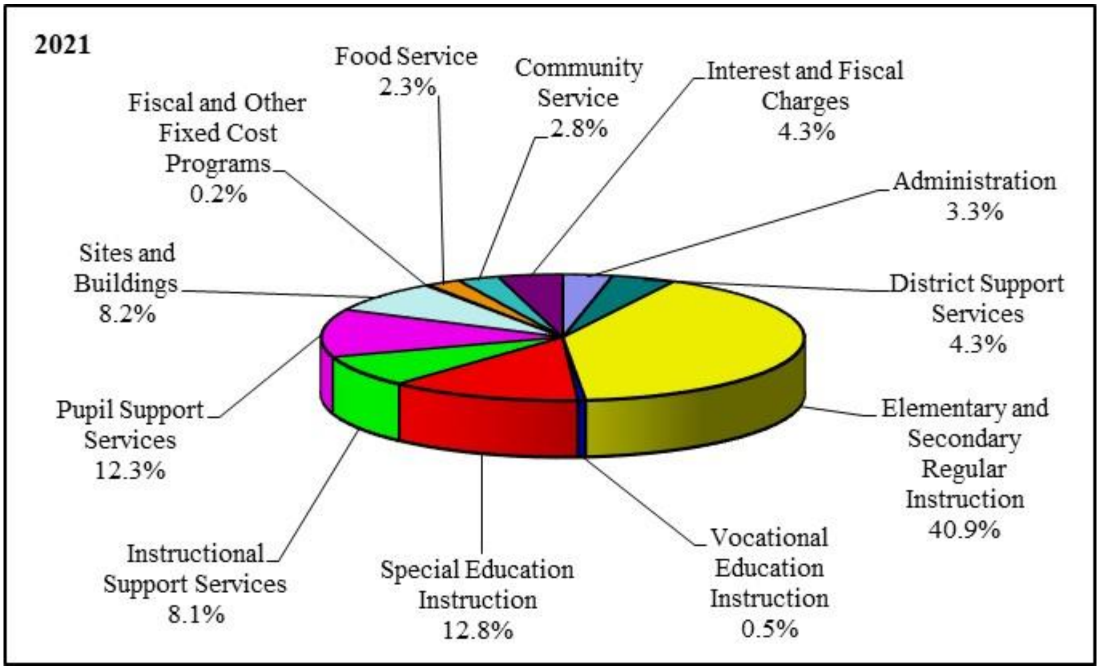
The largest share of the District's revenue is received from the state, including the general education aid formula and most of the operating grants.

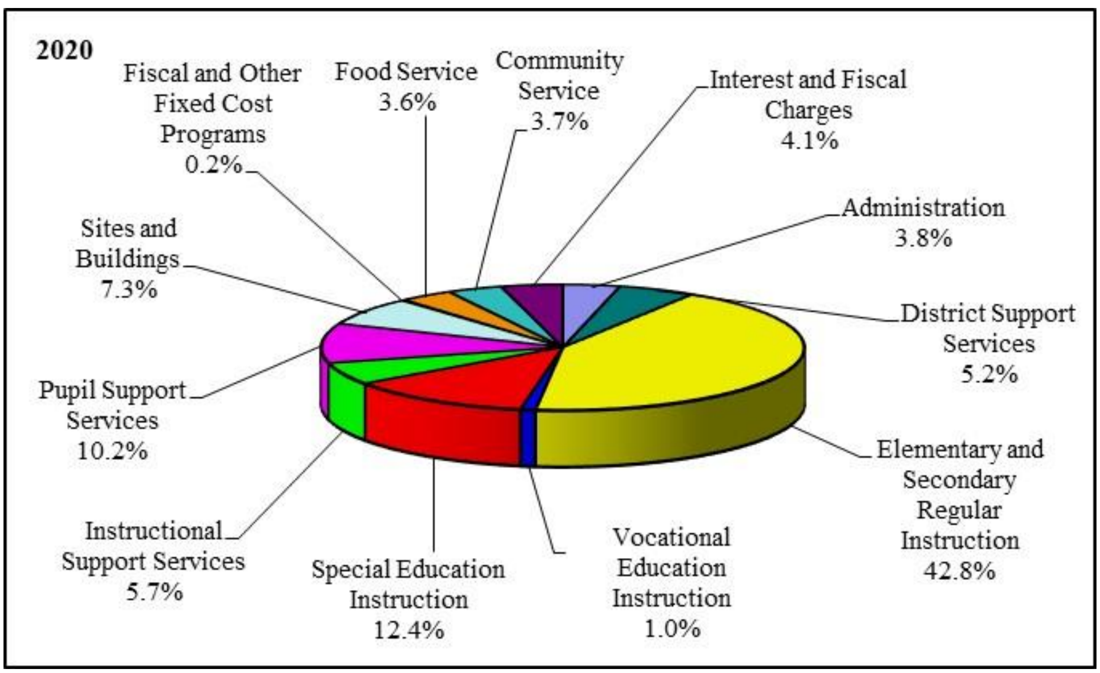
Property taxes are generally the next largest source of funding. The level of revenue property tax sources provide is not only dependent on district taxpayers by way of operating and building referenda, but also by decisions made by the Legislature in the mix of state aid and local effort in a variety of funding formulas.

The COVID-19 pandemic impacted current year revenue sources when compared to the prior year, as mentioned on the previous page. The District received more federal COVID-19-related grants, however this increase was offset, in part, by declining enrollment that is the basis for certain state general education grants.

Figure B shows further analysis of these expense functions:

Figure B – Expenses for Fiscal Years 2020 and 2019





The District's expenses are predominately related to educating students. Programs (or functions), such as elementary and secondary regular instruction, vocational education instruction, special education instruction, and instructional support services are directly related to classroom instruction, while the rest of the programs support instruction and other necessary costs to operate the District.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is also reflected in its governmental funds. Table 3 shows the change in total fund balances of each of the District's governmental funds:

Table 3
Governmental Fund Balances
as of June 30, 2021 and 2020

	2021	2020	Change
Major funds			
General	$ 6,589,650	$ 4,181,166	$ 2,408,484
Capital Projects – Building Construction	1,044,615	3,926,250	(2,881,635)
Debt Service	913,424	713,952	199,472
Nonmajor funds			
Food Service Special Revenue	77,446	159,212	(81,766)
Community Service Special Revenue	98,142	199	97,943
Total governmental funds	$ 8,723,277	$ 8,980,779	$ (257,502)

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance, which has not yet been limited to use for a particular purpose by either an external party, the District itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the District's School Board.

At June 30, 2021, the District's governmental funds reported a combined fund balance of $8,723,277, a decrease of $257,502 in comparison with the prior year. Approximately 51.5 percent of this amount ($4,490,954) constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of the fund balance is either nonspendable or restricted, to indicate that it is: 1) not in spendable form ($123,588); or 2) restricted for particular purposes ($4,108,735).

Changes in the table above are discussed on the following pages.

ANALYSIS OF THE GENERAL FUND

Table 4 summarizes the amendments to the General Fund budget:

Table 4
General Fund
Budget

	Original Budget	Final Budget	Change	Percent Change
Revenues	$ 34,230,818	$ 36,491,002	$ 2,260,184	6.6%
Expenditures	$ 34,730,818	$ 37,749,075	$ 3,018,257	8.7%

The District is required to adopt an operating budget prior to the beginning of its fiscal year, referred to above as the original budget. During the year, the District amended the budget for known significant changes in circumstances such as: updated enrollment estimates, legislative changes, additional funding received from grants or other local sources, staffing changes, employee contract settlements, insurance premium changes, special education tuition changes, or for new debt issued.

Table 5 summarizes the operating results of the General Fund:

Table 5
General Fund
Operating Results

		Over (Under) Final Budget		Over (Under) Prior Year	
	2021 Actual	Amount	Percent	Amount	Percent
Revenues	$ 37,397,187	$ 906,185	2.5%	$ 1,852,234	5.2%
Expenditures	35,385,433	(2,363,642)	(6.3%)	76,828	0.2%
Excess of revenue over expenditures	2,011,754	3,269,827		1,775,406	
Net other financing sources (uses)	396,730	396,730		364,230	
Net change in fund balances	$ 2,408,484	$ 3,666,557		$ 2,139,636	

The fund balance of the General Fund increased $2,408,484, compared to a decrease of $1,258,073 approved in the final budget.

The General Fund revenue variance to budget was primarily in state sources, with more state special education categorical grant funding earned than anticipated. The increase in revenues over the prior year includes an increase in the property tax levy and more federal sources with an increase in COVID-19 pandemic-related grant funding in the current year.

General Fund expenditures were under appropriations, largely in budgets for purchased services and supplies and materials, which were impacted by changes in learning models (hybrid, distance, and in-person) during the pandemic and timing delays in spending for the long-term facilities maintenance program. Conservative management by budget administrators of approved program budgets also contributed to expenditures, ending the year less than anticipated. As presented in the previous table, expenditures increased slightly from the prior year, with an increase of $76,828 or 0.2 percent.

COMMENTS ON SIGNIFICANT ACTIVITIES IN OTHER FUNDS

Capital Projects – Building Construction Fund

The Capital Projects – Building Construction Fund reported a fund balance decrease of $2,881,635, due to capital spending in the current year. The District is spending down bond proceeds issued in a prior year. The year-end fund balance is restricted for capital projects as approved in the bond referendum by district taxpayers for a variety of facility needs.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources and payment of the District's general obligation debt. Activity of the Debt Service Fund is primarily controlled with each debt issue's financing plan. The remaining fund balance of $913,424 at June 30, 2021, is available for meeting future debt service obligations.

During the 2021 fiscal year, the District issued refunding bonds that were utilized to pay-off previously issued bonds in order to reduce future debt levies to taxpayers of the District.

Other Governmental Funds

The Food Service Special Revenue Fund ended the year with expenditures exceeding revenues and other financing sources, reducing equity by $81,766, compared to a budgeted decrease of $450.

The Community Service Special Revenue Fund ended the year with revenues exceeding expenditures, increasing equity by $97,943, compared to a budgeted decrease of $37,000.

Internal Service Funds

Internal service funds are used to account for the financing of goods and services provided by one department or agency of a government to other departments or agencies on a cost-reimbursement basis. The District currently maintains two internal service funds. These funds are used to account for the District's self-insured medical and dental insurance functions.

Operating revenues for the internal service funds for fiscal year 2021 totaled $3,627,923. This is a decrease from the fiscal year 2020 operating revenue level of $3,838,616. Nonoperating revenues totaled $2,192, which is a decrease from the fiscal year 2020 nonoperating revenue of $6,622. Operating expenses totaled $3,228,100, which represents a decrease from fiscal year 2020 operating expenditures of $3,698,786, primarily due to less medical benefit claims.

The net position balance for all internal service funds as of June 30, 2021 was $847,998, which represents an increase of $402,015 from the prior year.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

Table 6 shows the District's capital assets, together with changes from the previous year. The table also shows the total depreciation expense for fiscal years ended June 30, 2021 and 2020:

Table 6
Capital Assets

	2021	2020	Change
Land	$ 85,990	$ 85,990	$ –
Construction in progress	676,000	24,737,428	(24,061,428)
Land and building improvements	32,175,380	4,671,918	27,503,462
Buildings	38,361,013	38,361,013	–
Furniture and equipment	9,403,217	9,319,310	83,907
Less accumulated depreciation	(30,336,305)	(29,061,525)	(1,274,780)
Total	$ 50,365,295	$ 48,114,134	$ 2,251,161
Depreciation expense	$ 1,274,780	$ 1,207,704	$ 67,076

By the end of 2021, the District had invested in a broad range of capital assets, including school buildings, athletic facilities, and other equipment for various instructional programs (see Table 6).

The changes presented in the table above reflect the ongoing activity and completion of projects at district sites during fiscal year 2021, consistent with the activity of the Capital Projects – Building Construction Fund discussed on the previous page.

The District defines capital assets as those with an initial, individual cost of $5,000 or more, which benefit more than one fiscal year.

Additional details about capital assets can be found in the notes to basic financial statements.

Long-Term Liabilities

Table 7 illustrates the components of the District's long-term liabilities with changes from the prior year:

Table 7
Outstanding Long-Term Liabilities

	2021	2020	Change
General obligation bonds payable	$ 46,259,000	$ 47,814,000	$ (1,555,000)
Unamortized premium/discount	1,519,811	1,553,336	(33,525)
Capital leases payable	426,000	162,533	263,467
Net pension liability	22,571,831	19,779,438	2,792,393
Net OPEB liability	330,885	409,238	(78,353)
Severance benefits payable	17,224	68,790	(51,566)
Compensated absences payable	129,419	164,677	(35,258)
Total	$ 71,254,170	$ 69,952,012	$ 1,302,158

The changes in general obligation bonds payable, capital leases payable, and unamortized premium/discount in the table above, are primarily due to principal payments and amortization during fiscal year 2021, as planned in the approved repayment schedules. The District issued one new refunding bond in the current year, as previously mentioned. The District also entered into a new capital lease in the current year to finance four new tennis courts.

The differences in the net pension liability reflect the change in the District's proportionate share of the state-wide pension obligations for the PERA and the TRA.

The state limits the amount of general obligation debt the District can issue to 15 percent of the market value of all taxable property within the District's corporate limits (see Table 8):

Table 8
Limitations on Debt

District's market value	$ 863,616,800
Limit rate	15.0%
Legal debt limit	$ 129,542,520

Additional details of the District's long-term debt activity can be found in the notes to basic financial statements.

FACTORS BEARING ON THE DISTRICT'S FUTURE

With the exception of the voter-approved operating referendum, the District is dependent on the state of Minnesota for a majority of its revenue authority.

The general education program is the method by which school districts receive the majority of their financial support. This source of funding is primarily state aid and, as such, school districts rely heavily on the state of Minnesota for educational resources. The Legislature has added $161, or 2.45 percent, per pupil to the basic general education funding formula for fiscal year 2022, and an additional $135, or 2.00 percent, per pupil to the formula for fiscal year 2023.

The COVID-19 pandemic caused numerous financial and operational challenges for school districts in fiscal 2021, and is expected to continue to have a significant impact in fiscal 2022 and possibly beyond.

The amount of funding a district receives is also dependent on the number of students it serves, meaning attracting and retaining students is critical to the District's financial well-being. The COVID-19 pandemic will impact how many students the District attracts and maintains. Students choosing to enroll in other online schools, private school options, or kindergarten families choosing to wait a year, will mean less revenue for the District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

These financial statements are designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about these statements or need additional financial information, contact the Business Office, Independent School District No. 286, 6300 Shingle Creek Parkway, Suite 286, Brooklyn Center, Minnesota 55430.

BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 286

Statement of Net Position
as of June 30, 2021
(With Partial Comparative Information as of June 30, 2020)

	Governmental Activities	
	2021	2020
Assets		
Cash and temporary investments	$ 11,227,791	$ 12,488,519
Receivables		
Current taxes	3,398,749	3,247,214
Delinquent taxes	33,731	63,054
Accounts and interest	26,923	119,909
Due from other governmental units	5,674,749	5,025,020
Inventory	16,739	24,873
Prepaid items	106,849	11,237
Capital assets		
Not depreciated	761,990	24,823,418
Depreciated, net of accumulated depreciation	49,603,305	23,290,716
Total capital assets, net of accumulated depreciation	50,365,295	48,114,134
Total assets	70,850,826	69,093,960
Deferred outflows of resources		
Pension plan deferments	9,619,500	14,924,992
OPEB plan deferments	67,115	55,827
Total deferred outflows of resources	9,686,615	14,980,819
Total assets and deferred outflows of resources	$ 80,537,441	$ 84,074,779
Liabilities		
Salaries payable	$ 1,708,749	$ 1,632,380
Accounts and contracts payable	2,353,252	3,780,271
Accrued interest payable	736,645	769,789
Due to other governmental units	82,882	67,792
Unearned revenue	391,120	24,552
Claims incurred, but not reported	268,540	153,990
Long-term liabilities		
Due within one year	1,720,417	1,883,133
Due in more than one year	69,533,753	68,068,879
Total long-term liabilities	71,254,170	69,952,012
Total liabilities	76,795,358	76,380,786
Deferred inflows of resources		
Property taxes levied for subsequent year	6,095,762	5,808,404
Pension plan deferments	15,868,640	22,795,832
OPEB plan deferments	569,907	496,031
Total deferred inflows of resources	22,534,309	29,100,267
Net position		
Net investment in capital assets	3,205,099	2,510,515
Restricted for		
Capital asset acquisition	1,910,214	758,523
Debt service	184,914	–
Food service	77,446	159,212
Community service	98,623	112,811
Other purposes (state funding restrictions)	81,633	77,362
Unrestricted	(24,350,155)	(25,024,697)
Total net position	(18,792,226)	(21,406,274)
Total liabilities, deferred inflows of resources, and net position	$ 80,537,441	$ 84,074,779

See notes to basic financial statements

Statement of Activities
Year Ended June 30, 2021
(With Partial Comparative Information for the Year Ended June 30, 2020)

	2021					2020
		Program Revenues			Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Governmental Activities
Governmental activities						
Administration	$ 1,359,218	$ –	$ –	$ –	$ (1,359,218)	$ (1,629,090)
District support services	1,766,092	–	–	–	(1,766,092)	(2,273,950)
Elementary and secondary regular instruction	16,812,425	15,339	1,287,003	–	(15,510,083)	(16,864,901)
Vocational education instruction	218,637	–	53,336	–	(165,301)	(382,342)
Special education instruction	5,272,277	–	3,406,928	–	(1,865,349)	(2,819,986)
Instructional support services	3,335,394	–	–	–	(3,335,394)	(2,462,982)
Pupil support services	5,036,603	–	32,159	–	(5,004,444)	(4,433,359)
Sites and buildings	3,350,462	–	–	250,000	(3,100,462)	(3,149,556)
Fiscal and other fixed cost programs	100,856	–	–	–	(100,856)	(95,656)
Food service	930,327	1,066	828,770	–	(100,491)	(155,447)
Community service	1,146,191	178,345	912,432	–	(55,414)	(325,951)
Interest and fiscal charges	1,756,422	–	–	–	(1,756,422)	(1,791,410)
Total governmental activities	$ 41,084,904	$ 194,750	$ 6,520,628	$ 250,000	(34,119,526)	(36,384,630)
General revenue						
Taxes						
Property taxes, levied for general purposes					3,515,249	3,170,545
Property taxes, levied for community service					145,197	145,205
Property taxes, levied for debt service					2,648,236	2,375,647
General grants and aids					29,547,862	27,929,703
Other general revenues					411,882	319,581
Gain on sale of capital assets					443,771	–
Investment earnings					21,377	349,361
Total general revenue					36,733,574	34,290,042
Change in net position					2,614,048	(2,094,588)
Net position – beginning					(21,406,274)	(19,311,686)
Net position – ending					$ (18,792,226)	$ (21,406,274)

INDEPENDENT SCHOOL DISTRICT NO. 286

Balance Sheet
Governmental Funds
as of June 30, 2021
(With Partial Comparative Information as of June 30, 2020)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Assets			
Cash and temporary investments	$ 6,832,603	$ 1,141,769	$ 2,133,600
Receivables			
Current taxes	1,922,873	–	1,399,838
Delinquent taxes	17,251	–	15,509
Accounts and interest	15,922	–	–
Due from other governmental units	4,874,594	250,000	88,991
Due from other funds	170,336	–	–
Inventory	–	–	–
Prepaid items	106,849	–	–
Total assets	$ 13,940,428	$ 1,391,769	$ 3,637,938
Liabilities			
Salaries payable	$ 1,708,749	$ –	$ –
Accounts and contracts payable	2,284,923	20,421	–
Due to other governmental units	82,762	–	–
Due to other funds	–	–	–
Unearned revenue	37,265	326,733	–
Total liabilities	4,113,699	347,154	–
Deferred inflows of resources			
Property taxes levied for subsequent year	3,230,305	–	2,717,818
Unavailable revenue – delinquent taxes	6,774	–	6,696
Total deferred inflows of resources	3,237,079	–	2,724,514
Fund balances			
Nonspendable	106,849	–	–
Restricted	1,991,847	1,044,615	913,424
Assigned	–	–	–
Unassigned	4,490,954	–	–
Total fund balances	6,589,650	1,044,615	913,424
Total liabilities, deferred inflows of resources, and fund balances	$ 13,940,428	$ 1,391,769	$ 3,637,938

See notes to basic financial statements

Nonmajor Funds	Total Governmental Funds 2021	Total Governmental Funds 2020
$ –	$ 10,107,972	$ 11,886,776
76,038	3,398,749	3,247,214
971	33,731	63,054
9,915	25,837	118,823
461,164	5,674,749	5,025,020
–	170,336	238,169
16,739	16,739	24,873
–	106,849	11,237
$ 564,827	$ 19,534,962	$ 20,615,166
$ –	$ 1,708,749	$ 1,632,380
43,541	2,348,885	3,778,554
120	82,882	66,653
170,336	170,336	238,169
27,122	391,120	24,552
241,119	4,701,972	5,740,308
147,639	6,095,762	5,808,404
481	13,951	85,675
148,120	6,109,713	5,894,079
16,739	123,588	36,110
158,849	4,108,735	5,720,550
–	–	500,000
–	4,490,954	2,724,119
175,588	8,723,277	8,980,779
$ 564,827	$ 19,534,962	$ 20,615,166

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INDEPENDENT SCHOOL DISTRICT NO. 286

Reconciliation of the Balance Sheet to the
Statement of Net Position
Governmental Funds
as of June 30, 2021
(With Partial Comparative Information as of June 30, 2020)

	2021	2020
Total fund balances – governmental funds	$ 8,723,277	$ 8,980,779
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets are included in net position, but are excluded from fund balances because they do not represent financial resources.		
Cost of capital assets	80,701,600	77,175,659
Accumulated depreciation	(30,336,305)	(29,061,525)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable. Debt issuance premiums and discounts are excluded from net position until amortized, but are included in fund balances upon issuance as other financing sources and uses.		
General obligation bonds payable	(46,259,000)	(47,814,000)
Unamortized premium/discount	(1,519,811)	(1,553,336)
Capital leases payable	(426,000)	(162,533)
Net pension liability	(22,571,831)	(19,779,438)
Net OPEB liability	(330,885)	(409,238)
Severance benefits payable	(17,224)	(68,790)
Compensated absences payable	(129,419)	(164,677)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.	847,998	445,983
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.	(736,645)	(769,789)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – pension plan deferments	9,619,500	14,924,992
Deferred outflows of resources – OPEB plan deferments	67,115	55,827
Deferred inflows of resources – pension plan deferments	(15,868,640)	(22,795,832)
Deferred inflows of resources – OPEB plan deferments	(569,907)	(496,031)
Deferred inflows of resources – unavailable revenue – delinquent taxes	13,951	85,675
Total net position – governmental activities	$ (18,792,226)	$ (21,406,274)

INDEPENDENT SCHOOL DISTRICT NO. 286

Statement of Revenue, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2021
(With Partial Comparative Information for the Year Ended June 30, 2020)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Revenue			
Local sources			
Property taxes	$ 3,555,149	$ –	$ 2,678,254
Investment earnings (charges)	17,158	(2,158)	4,185
Other	427,221	250,000	–
State sources	30,022,038	–	889,911
Federal sources	3,375,621	–	–
Total revenue	37,397,187	247,842	3,572,350
Expenditures			
Current			
Administration	1,386,505	–	–
District support services	1,740,209	–	–
Elementary and secondary regular instruction	15,513,006	–	–
Vocational education instruction	208,740	–	–
Special education instruction	5,101,560	–	–
Instructional support services	3,250,101	–	–
Pupil support services	4,909,120	–	–
Sites and buildings	3,007,590	–	–
Fiscal and other fixed cost programs	100,856	–	–
Food service	–	–	–
Community service	–	–	–
Capital outlay	–	3,555,477	–
Debt service			
Principal	162,533	–	1,515,000
Interest and fiscal charges	5,213	–	1,901,192
Total expenditures	35,385,433	3,555,477	3,416,192
Excess (deficiency) of revenue over expenditures	2,011,754	(3,307,635)	156,158
Other financing sources (uses)			
Sale of capital assets	443,771	–	–
Refunding debt issued	–	–	965,000
Premium on debt issued	–	–	83,314
Payment of refunded debt	–	–	(1,005,000)
Capital lease issued	–	426,000	–
Transfers in	–	–	–
Transfers out	(47,041)	–	–
Total other financing sources (uses)	396,730	426,000	43,314
Net change in fund balances	2,408,484	(2,881,635)	199,472
Fund balances			
Beginning of year	4,181,166	3,926,250	713,952
End of year	$ 6,589,650	$ 1,044,615	$ 913,424

Nonmajor Funds	Total Governmental Funds 2021	Total Governmental Funds 2020
$ 147,003	$ 6,380,406	$ 5,625,375
–	19,185	342,739
179,411	856,632	700,611
421,043	31,332,992	30,671,478
1,320,159	4,695,780	3,900,421
2,067,616	43,284,995	41,240,624
–	1,386,505	1,498,178
–	1,740,209	2,194,566
–	15,513,006	16,757,349
–	208,740	431,070
–	5,101,560	5,037,558
–	3,250,101	2,305,838
–	4,909,120	4,218,341
–	3,007,590	2,558,999
–	100,856	95,656
952,923	952,923	1,512,900
1,139,837	1,139,837	1,555,742
5,720	3,561,197	16,436,534
–	1,677,533	1,990,361
–	1,906,405	1,937,097
2,098,480	44,455,582	58,530,189
(30,864)	(1,170,587)	(17,289,565)
–	443,771	32,500
–	965,000	–
–	83,314	–
–	(1,005,000)	–
–	426,000	–
47,041	47,041	–
–	(47,041)	–
47,041	913,085	32,500
16,177	(257,502)	(17,257,065)
159,411	8,980,779	26,237,844
$ 175,588	$ 8,723,277	$ 8,980,779

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INDEPENDENT SCHOOL DISTRICT NO. 286

Reconciliation of the Statement of
Revenue, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
Year Ended June 30, 2021
(With Partial Comparative Information for the Year Ended June 30, 2020)

	2021	2020
Total net change in fund balances – governmental funds	$ (257,502)	$ (17,257,065)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are recorded as net position and the cost is allocated over their estimated useful lives as depreciation expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase.		
Capital outlays	3,525,941	16,090,419
Depreciation expense	(1,274,780)	(1,207,704)
A gain or loss on the disposal of capital assets, including the difference between the carrying value and any related sale proceeds, is included in the change in net position. However, only the sale proceeds are included in the change in fund balances.	–	(40,502)
The amount of debt issued is reported in the governmental funds as a source of financing. Debt obligations are not revenues in the Statement of Activities, but rather constitute long-term liabilities.		
General obligation bonds payable	(965,000)	–
Capital leases payable	(426,000)	–
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds payable	2,520,000	1,791,000
Capital leases payable	162,533	199,361
Debt issuance premiums and discounts are included in the change in net position as they are amortized over the life of the debt. However, they are included in the change in fund balances upon issuance as other financing sources and uses.	33,525	124,504
Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.		
Net pension liability	(2,792,393)	226,488
Net OPEB liability	78,353	(30,132)
Severance benefits payable	51,566	42,002
Compensated absences payable	35,258	(63,804)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is included in the governmental activities in the Statement of Activities.	402,015	146,452
Interest on long-term debt is included in the change in net position as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due.	33,144	21,183
The recognition of certain revenues and expenses/expenditures differs between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – pension plan deferments	(5,305,492)	(7,512,527)
Deferred outflows of resources – OPEB plan deferments	11,288	24,018
Deferred inflows of resources – pension plan deferments	6,927,192	5,184,260
Deferred inflows of resources – OPEB plan deferments	(73,876)	101,437
Deferred inflows of resources – unavailable revenue – delinquent taxes	(71,724)	66,022
Change in net position – governmental activities	$ 2,614,048	$ (2,094,588)

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INDEPENDENT SCHOOL DISTRICT NO. 286

Statement of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
General Fund
Year Ended June 30, 2021

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Final Budget
Revenue				
Local sources				
Property taxes	$ 3,158,300	$ 3,158,300	$ 3,555,149	$ 396,849
Investment earnings	70,000	60,000	17,158	(42,842)
Other	428,883	431,983	427,221	(4,762)
State sources	28,807,024	28,754,407	30,022,038	1,267,631
Federal sources	1,766,611	4,086,312	3,375,621	(710,691)
Total revenue	34,230,818	36,491,002	37,397,187	906,185
Expenditures				
Current				
Administration	1,318,303	1,390,470	1,386,505	(3,965)
District support services	1,676,764	1,736,968	1,740,209	3,241
Elementary and secondary regular instruction	16,195,773	16,985,035	15,513,006	(1,472,029)
Vocational education instruction	107,231	108,925	208,740	99,815
Special education instruction	5,116,361	5,075,983	5,101,560	25,577
Instructional support services	2,394,438	3,022,592	3,250,101	227,509
Pupil support services	4,248,604	4,595,366	4,909,120	313,754
Sites and buildings	3,418,912	4,553,785	3,007,590	(1,546,195)
Fiscal and other fixed cost programs	114,444	113,315	100,856	(12,459)
Debt service				
Principal	139,988	161,437	162,533	1,096
Interest and fiscal charges	–	5,199	5,213	14
Total expenditures	34,730,818	37,749,075	35,385,433	(2,363,642)
Excess (deficiency) of revenue over expenditures	(500,000)	(1,258,073)	2,011,754	3,269,827
Other financing sources (uses)				
Sale of capital assets	–	–	443,771	443,771
Transfers out	–	–	(47,041)	(47,041)
Total other financing sources (uses)	–	–	396,730	396,730
Net change in fund balances	$ (500,000)	$ (1,258,073)	2,408,484	$ 3,666,557
Fund balances				
Beginning of year			4,181,166	
End of year			$ 6,589,650	

INDEPENDENT SCHOOL DISTRICT NO. 286

Statement of Net Position
Internal Service Funds
as of June 30, 2021
(With Partial Comparative Information as of June 30, 2020)

	2021	2020
Assets		
Current assets		
Cash and temporary investments	$ 1,119,819	$ 601,743
Receivables		
Accounts and interest	1,086	1,086
Due from other funds	16,812	20,109
Total current assets	1,137,717	622,938
Liabilities		
Current liabilities		
Accounts and contracts payable	4,367	1,717
Due to other governmental units	–	1,139
Due to other funds	16,812	20,109
Claims incurred, but not reported	268,540	153,990
Total current liabilities	289,719	176,955
Net position		
Unrestricted	$ 847,998	$ 445,983

INDEPENDENT SCHOOL DISTRICT NO. 286

Statement of Revenue, Expenses, and Changes in Net Position
Internal Service Funds
Year Ended June 30, 2021
(With Partial Comparative Information for the Year Ended June 30, 2020)

	2021	2020
Operating revenue		
Charges for services		
Contributions from governmental funds	$ 3,627,923	$ 3,838,616
Operating expenses		
Health benefit claims	3,009,427	3,523,773
Dental benefit claims	218,673	175,013
Total operating expenses	3,228,100	3,698,786
Operating income	399,823	139,830
Nonoperating revenue		
Investment earnings	2,192	6,622
Change in net position	402,015	146,452
Net position		
Beginning of year	445,983	299,531
End of year	$ 847,998	$ 445,983

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INDEPENDENT SCHOOL DISTRICT NO. 286

Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2021
(With Partial Comparative Information for the Year Ended June 30, 2020)

	2021	2020
Cash flows from operating activities		
Contributions from governmental funds	$ 3,627,923	$ 3,505,489
Payment for health claims	(2,897,213)	(3,514,356)
Payment for dental claims	(214,826)	(180,578)
Net cash flows from operating activities	515,884	(189,445)
Cash flows from noncapital financing activities		
Cash received from other funds	3,297	19,880
Cash paid to other funds	(3,297)	(19,880)
Net cash flows from noncapital financing activities	–	–
Cash flows from investing activities		
Investment income received	2,192	6,622
Net change in cash and cash equivalents	518,076	(182,823)
Cash and cash equivalents		
Beginning of year	601,743	784,566
End of year	$ 1,119,819	$ 601,743
Reconciliation of operating income to net cash flows from operating activities		
Operating income	$ 399,823	$ 139,830
Adjustments to reconcile operating income to net cash flows from operating activities		
Changes in assets and liabilities		
Accounts payable	2,650	(1,519)
Due to other governmental units	(1,139)	35
Unearned revenue	–	(333,127)
Claims incurred, but not reported	114,550	5,336
Net cash flows from operating activities	$ 515,884	$ (189,445)

Statement of Fiduciary Net Position
Fiduciary Fund
as of June 30, 2021

	Post-Employment Benefits Trust Fund
Assets	
Cash and investments held by trustee	
Nonnegotiable certificates of deposit	$ 1,100,000
MNTrust Investment Shares Portfolio	243,823
Receivables	
Accounts and interest	718
Total assets	1,344,541
Net position	
Restricted for OPEB	$ 1,344,541

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

	Post-Employment Benefits Trust Fund
Additions	
Investment earnings	$ 5,838
Deductions	
Administrative expenses	250
Change in net position	5,588
Net position	
Beginning of year	1,338,953
End of year	$ 1,344,541

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Independent School District No. 15 (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a School Board elected by voters of the District. The District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

The accompanying financial statements include all funds, departments, agencies, boards, commissions, and other organizations that comprise the District, along with any component units.

Component units are legally separate entities for which the District (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit. Based on these criteria, there are no organizations considered to be component units of the District.

C. Government-Wide Financial Statement Presentation

The government-wide financial statements (Statement of Net Position and 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. Generally, the effect of material interfund activity has been removed from the government-wide financial statements. Transactions representing interfund services provided and used are not eliminated in the consolidation process to the government-wide financial statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 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 internally directed revenues are reported instead as general revenues.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amounts advance recognized in accordance with a statutory "tax shift" described later in these notes. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

Depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. Interest on debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements.

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. For this purpose, the District generally considers revenues, including property taxes, to be available if they are collected within 60 days after year-end. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to funding formulas established by Minnesota Statutes. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

2. **Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt and other long-term obligations, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as capital outlay expenditures in the governmental funds. In the General Fund, capital outlay expenditures are included within the applicable functional areas.

The proprietary (internal service) funds are presented in the proprietary fund financial statements. Because the principal users of the internal services are the District's governmental activities, the internal service funds are consolidated into the governmental activities column when presented in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity.

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 revenue of the District's internal service funds are charges to customers (other district funds) for service. Operating expenses for the internal service funds include the cost of providing the services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary funds are presented in the fiduciary fund financial statements by type: the District has a Pension (and Other Employee Benefit) Trust Fund. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide financial statements.

Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as described earlier in these notes.

Description of Funds

The existence of the various district funds has been established by the Minnesota Department of Education. Each fund is accounted for as an independent entity. Descriptions of the funds included in this report are as follows:

Major Governmental Funds

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

Capital Projects – Building Construction Fund – The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition, construction, or improvement of capital facilities authorized by bond or other debt issue.

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

Nonmajor Governmental Funds

Food Service Special Revenue Fund – The Food Service Special Revenue Fund is used primarily to record financial activities of the District's child nutrition program.

Community Service Special Revenue Fund – The Community Service Special Revenue Fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, adult or early childhood programs, or other similar services.

Proprietary Funds

Internal Service Funds – Internal service funds account for the financing of goods or services provided by one department to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The District's internal service funds are used to account for dental and health insurance benefits offered by the District to its employees as self-insured plans.

Fiduciary Funds

Post-Employment Benefits Trust Fund – The Post-Employment Benefits Trust Fund is used to administer resources received and held by the District as the trustee for others. The Post-Employment Benefits Trust Fund includes assets held in an irrevocable trust to fund post-employment insurance benefits of eligible employees.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Information

The School Board adopts an annual budget for all governmental funds prepared on the same basis of accounting as the fund financial statements. Legal budgetary control is at the fund level. Budgeted appropriations lapse at year-end.

F. Cash and Temporary Investments

Cash and temporary investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund. Debt proceeds recorded in the Capital Projects – Building Construction Fund are not pooled, and earnings on these proceeds are allocated directly to the fund.

Cash and investments held by trustee include balances held in segregated accounts that are established for specific purposes. In the Post-Employment Benefits Trust Fund, this represents assets contributed to an irrevocable trust established to finance the District's liability for post-employment insurance benefits. Interest earned on these investments is allocated directly to these accounts.

For purposes of the Statement of Cash Flows, the District considers all highly liquid debt instruments with an original maturity from the time of purchase by the District of three months or less to be cash equivalents. The proprietary (internal service) fund's equity in the government-wide cash and investment management pool is considered to be cash equivalent.

Investments are generally stated at fair value, except for investments in certain external investment pools, which are stated at amortized cost. Short-term, highly liquid debt instruments (including commercial paper, bankers' acceptance, and U.S. treasury and agency obligations) purchased with a remaining maturity of one year or less may also be reported at amortized cost. Investment income is accrued at the Balance Sheet date.

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

See Note 2 for the District's recurring fair value measurements as of year-end.

G. Receivables

When necessary, the District utilizes an allowance for uncollectible accounts to value its receivables. However, the District considers all of its current receivables to be collectible. The only receivables not expected to be fully collected within one year are property taxes receivable.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Inventories

Inventories are recorded using the consumption method of accounting and consist of purchased food and surplus commodities received from the federal government. Purchased food inventory is recorded at cost on a first-in, first-out basis. Surplus commodities are stated at standardized costs, as determined by the U.S. Department of Agriculture.

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are recorded as expenditures/expenses at the time of consumption.

J. Property Taxes

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

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes $502,987 of the property tax levy collectible in 2021 as revenue to the District in fiscal year 2020–2021. The remaining portion of the taxes collectible in 2021 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

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

Taxes which remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is reported as a deferred inflow of resources (unavailable revenue) in the fund financial statements because it is not known to be available to finance the operations of the District in the current year.

K. Capital Assets

Capital assets that are purchased or constructed by the District are recorded at historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation. The District defines capital assets as those with an initial, individual cost of $5,000 or more, which benefit more than one fiscal year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide financial statements, but are not reported in the governmental fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are generally sold for an immaterial amount or scrapped when declared as no longer fit or needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 10 to 50 years for land and building improvements and buildings, and 5 to 15 years for furniture and equipment. Land and construction in progress are not depreciated.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District does not possess material amounts of infrastructure capital assets, such as sidewalks or parking lots. Such items are considered to be part of the cost of buildings or other improvable property.

L. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. If material, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period as other financing sources or uses, respectively. The face amount of debt issued is reported as other financing sources.

M. Compensated Absences

Under the terms of collectively bargained contracts, eligible employees accrue vacation and sick leave at varying rates, portions of which may be carried over to future years. Employees are reimbursed for unused, accrued vacation to the limit specified in their labor contract or School Board policy upon termination. Unused sick leave enters into the calculation of severance benefits for some employees upon termination. Compensated absences are accrued when earned in the government-wide financial statements. Compensated absences are accrued in the governmental fund financial statements only to the extent they have been used or otherwise matured prior to year-end, due to employee termination or similar circumstances.

N. Severance

The District provides lump sum severance benefits to eligible employees in accordance with provisions in certain collectively bargained contracts. Eligibility for these benefits is based on years of service and/or minimum age requirements. Severance benefits are calculated by converting a portion of an eligible employee's unused accumulated sick leave. No individual can receive severance benefits in excess of one year's salary.

Severance benefits payable are recorded as a liability in the government-wide financial statements as they are earned and it becomes probable they will vest at some point in the future. Severance benefits payable are accrued in the governmental fund financial statements as the liability matures, due to employee termination.

O. State-Wide Pension Plans

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 the Teachers Retirement Association (TRA) and additions to/deductions from the PERA's and the TRA's fiduciary net positions have been determined on the same basis as they are reported by the PERA and the 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.

The TRA has a special funding situation created by direct aid contributions made by the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association into the TRA in 2006. A second direct aid source is from the state of Minnesota for the merger of the Duluth Teachers Retirement Fund Association in 2015.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Other Post-Employment Benefits (OPEB) Plan

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources, and OPEB expense, information about the fiduciary net position of the District's OPEB Plan and additions to/dedications from the District's fiduciary net position have been determined on the same basis as they are reported by the District. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and certain investments that have a maturity at the time of purchase of one year or less, which are reported at amortized cost.

Q. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, statements of financial position or balance sheets will sometimes report separate sections for deferred outflows or inflows of resources. These separate financial statement elements represent a consumption or acquisition of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) or an inflow of financial resources (revenue) until then.

The District reports deferred outflows and inflows of resources related to pensions and OPEB plans reported in the government-wide Statement of Net Position. These deferred outflows and inflows result from differences between expected and actual economic experience, changes in actuarial assumptions, difference between projected and actual investment earnings, changes in proportion, and contributions to the plan subsequent to the measurement date and before the end of the reporting period. These amounts are deferred and amortized as required under pension and OPEB standards.

Property taxes levied for subsequent years, which represents property taxes received or reported as a receivable before the period for which the taxes are levied, are 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.

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.

R. 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 and disclosure in the financial statements during the reporting period. Actual results could differ from those estimates.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Net Position

In the government-wide and internal service fund financial statements, net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position is displayed in three components:

- **Net Investment in Capital Assets –** Consists of capital assets, net of accumulated depreciation, reduced by any outstanding debt attributable to acquire capital assets.
- **Restricted Net Position** – Consists of net position restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- **Unrestricted Net Position** – All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

The District applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available.

T. Fund Balance Classifications

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.
- **Restricted** – Consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.
- **Committed** – Consists of internally imposed constraints that are established by resolution of the School Board. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
- **Assigned** – Consists of internally imposed constraints. These constraints consist of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to School Board resolution, the District's board chair, superintendent, finance committee, or finance director are authorized to establish assignments of fund balance.
- **Unassigned** – The residual classification for the General Fund, which also reflects negative residual amounts in other funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to first use restricted resources, then use unrestricted resources as they are needed.

When committed, assigned, or unassigned resources are available for use, it is the District's policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. Risk Management and Self-Insurance

1. **General Insurance** – 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 workers' compensation for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's coverage in the current year.

2. **Self-Insurance** – The District has established two internal service funds to account for and finance its self-insured risk of loss for respective employee dental and health insurance plans. Under these plans, the internal service funds provide coverage to participating employees and their dependents for various dental and healthcare costs as described in the plans.

   The District makes premium payments that include both employer and employee contributions to the internal service funds on behalf of program participants based on rates determined by insurance company estimates of monthly claims paid for each coverage class, plus the stop-loss health insurance premium costs and administrative service charges.

   District claim liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred, but not reported. Because actual claim liabilities depend on complex factors, such as inflation, changes in legal doctrines, and damage awards, the process used in computing a claim liability does not necessarily result in an exact amount. Claim liabilities are evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

   Changes in the balance of dental claim liabilities for the last two years were as follows:

	Balance – Beginning of Year	Charges and Changes in Estimates	Claim Payments	Balance – End of Year
2020	$ 19,686	$ 175,013	$ 180,578	$ 14,121
2021	$ 14,121	$ 218,673	$ 214,826	$ 17,968

   Changes in the balance of health claim liabilities for the last two years were as follows:

	Balance – Beginning of Year	Charges and Changes in Estimates	Claim Payments	Balance – End of Year
2020	$ 128,968	$ 3,523,773	$ 3,512,872	$ 139,869
2021	$ 139,869	$ 3,009,427	$ 2,898,724	$ 250,572

V. Prior Period Comparative Financial Information/Reclassification

The basic financial statements include certain prior year partial comparative information in total, but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the prior year, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

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, including checking accounts, savings accounts, and nonnegotiable certificates of deposit.

The following is considered the most significant risk associated with deposits:

Custodial Credit Risk – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may be lost.

Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The District's deposit policies do not further limit depository choices.

At year-end, the carrying amount of the District's deposits was $4,018,395, while the balance on the bank records was $4,426,567. At June 30, 2021, all deposits were fully covered by federal deposit insurance, surety bonds, or by collateral held by the District's agent in the District's name.

B. Investments

Investments are subject to various risks, the following of which are considered the most significant:

Custodial Credit Risk – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the District would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in investment pools and money markets are not evidenced by securities that exist in physical or book entry form and, therefore, are not subject to custodial credit risk disclosures. Although the District's investment policies do not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments, or by the control of who holds the securities.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Concentration Risk – This is the risk associated with investing a significant portion of the District's investments (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The District's investment policies do not address concentration risk.

Interest Rate Risk – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The District's investment policies do not limit the maturities of investments; however, when purchasing investments, the District considers such things as interest rates and cash flow needs.

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the District's investments to direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that receive the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated "A" or better; revenue obligations rated "AA" or better; general obligations of the Minnesota Housing Finance Agency rated "A" or better; bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000; that are a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; or certain Minnesota securities broker-dealers. For assets held in the Post-Employment Benefits Trust Fund, the investment options available to the District are expanded to include the investment types specified in Minnesota Statutes § 356A.06, Subd. 7. The District's investment policies do not further restrict investing in specific financial instruments.

The following table presents the District's deposits and investments at year-end:

Deposits/Investments	Credit Risk Rating	Credit Risk Agency	Fair Value Measurements Using	Maturity Duration	Total
Investment pools/mutual funds					
MSDLAF – Liquid Class	AAA	S&P	Amortized Cost	N/A	$ 62,859
MSDLAF – MAX Class	AAA	S&P	Amortized Cost	N/A	6,131,535
MNTrust Investment Shares Portfolio	AAA	S&P	Amortized Cost	N/A	248,065
MNTrust Limited Term Duration Series	N/R	N/A	Amortized Cost	N/A	2,110,760
Total investments					8,553,219
Deposits					4,018,395
Total deposits and investments					$ 12,571,614

N/R – Not Rated
N/A – Not Applicable

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

Statement of Net Position	
Cash and temporary investments	$ 11,227,791
Statement of Fiduciary Net Position	
Cash and investments held by trustee – Post-Employment Benefits Trust Fund	1,343,823
Total	$ 12,571,614

The District's investments include investment pools managed by MNTrust and the Minnesota School District Liquid Asset Fund (MSDLAF), which are external investment pools regulated by Minnesota Statutes not registered with the Securities and Exchange Commission. The District's investments in these investment pools are measured at the net asset value per share provided by the pools, which are based on amortized cost methods that approximate fair value. There are no restrictions or limitations on withdrawals from the MNTrust Investment Shares Portfolio or MSDLAF Liquid Class investment pools. Investments in the MSDLAF MAX Class must be deposited for a minimum of 14 calendar days with the exception of direct investments of funds distributed by the state of Minnesota. Withdrawals prior to the 14-day restriction period may be subject to a penalty and there is a 24-hour hold on all requests for redemptions. Investments in the MNTrust Limited Term Duration must be deposited for a minimum of 30 calendar days.

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended is as follows:

	Beginning Balance	Additions	Deletions	Completed Construction	Ending Balance
Capital assets, not depreciated					
Land	$ 85,990	$ –	$ –	$ –	$ 85,990
Construction in progress	24,737,428	3,416,517	–	(27,477,945)	676,000
Total capital assets, not depreciated	24,823,418	3,416,517	–	(27,477,945)	761,990
Capital assets, depreciated					
Land and building improvements	4,671,918	25,517	–	27,477,945	32,175,380
Buildings	38,361,013	–	–	–	38,361,013
Furniture and equipment	9,319,310	83,907	–	–	9,403,217
Total capital assets, depreciated	52,352,241	109,424	–	27,477,945	79,939,610
Less accumulated depreciation for					
Land and building improvements	1,673,959	230,383	–	–	1,904,342
Buildings	19,730,314	783,103	–	–	20,513,417
Furniture and equipment	7,657,252	261,294	–	–	7,918,546
Total accumulated depreciation	29,061,525	1,274,780	–	–	30,336,305
Net capital assets, depreciated	23,290,716	(1,165,356)	–	27,477,945	49,603,305
Total capital assets, net	$ 48,114,134	$ 2,251,161	$ –	$ –	$ 50,365,295

NOTE 3 – CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to the following governmental functions:

Administration	$ 655
District support services	50,959
Elementary and secondary regular instruction	777,413
Special education instruction	6,964
Pupil support services	156,622
Sites and buildings	266,684
Food service	14,501
Community service	982
Total depreciation expense	$ 1,274,780

NOTE 4 – LONG-TERM LIABILITIES

A. Components of Long-Term Liabilities

The District currently has the following long-term obligations outstanding:

Issue	Issue Date	Interest Rate	Face/Par Value	Final Maturity	Principal Outstanding
General obligation bonds payable					
2015A Building Refunding Bonds	12/09/2015	3.00–5.00%	$ 21,450,000	02/01/2031	$ 15,460,000
2018A School Building Bonds	03/15/2018	3.00–4.00%	$ 29,395,000	02/01/2043	29,395,000
2018B Tax Abatement Bonds	12/12/2018	4.17%	$ 525,000	02/01/2029	439,000
2020A Capital Facilities Refunding Bonds	11/03/2020	2.00–4.00%	$ 965,000	02/01/2026	965,000
Total general obligation bonds payable					46,259,000
Unamortized premium/discount					1,519,811
Capital leases payable					426,000
Net pension liability					22,571,831
Net OPEB liability					330,885
Severance benefits payable					17,224
Compensated absences payable					129,419
Total long-term obligations					$ 71,254,170

B. Description of Long-Term Liabilities

General Obligation Bonds Payable – These obligations were issued to finance acquisition, construction, and/or improvements of capital facilities to finance the retirement (refunding) of prior bond issues, or to finance OPEB obligations. Assets of the Debt Service Fund, together with scheduled deferred ad valorem tax levies, are dedicated for the retirement of these obligations. The annual future debt service levies authorized are equal to 105 percent of the principal and interest due each year. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

In November 2020, the District issued $965,000 of Capital Facilities Refunding Bonds, Series 2020A. The proceeds of this issue refunded, in advance of their stated maturities, the remaining maturities of the District's 2009A General Obligation Capital Facilities Bonds and 2011A General Obligation Capital Facilities Bonds. This current refunding reduced the District's future debt service payments by $69,123 and resulted in a present value savings of approximately $65,040. The difference between the carrying amount of the refunded debt and its reacquisition price was not material, and was included in current year expense on the government-wide financial statements.

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

Capital Leases Payable – The District has purchased various assets through capitalized lease-purchase agreements. Annual principal and interest on these leases will be paid from the General Fund.

Assets Leased	Asset Value Capitalized	Interest Rate	Lease Date	Final Maturity	Principal Outstanding
Tennis court project	$ 676,000	2.589%	05/01/2021	04/01/2031	$ 426,000

Amortization of assets capitalized through these lease agreements is included in depreciation expense in the government-wide financial statements. At year-end, the District has one remaining lease outstanding, which was used to finance a portion of the tennis court project. The asset is currently included in construction in progress and no deprecation or accumulated depreciation was reported on this asset in the current year.

The leases are secured by the original property purchased and includes terms that upon default all rental payments may become due and payable. The lessor also may repossess the property and seek full recovery of any losses upon default.

Other Long-Term Liabilities

The District offers a number of benefits to its employees, including pensions, OPEB, severance benefits, and compensated absences. The details of these various benefit liabilities are discussed elsewhere in these notes. Such benefits are financed primarily from the General Fund. The District has also established a Post-Employment Benefits Trust Fund to finance OPEB obligations.

District employees participate in two state-wide, cost-sharing, multiple-employer defined benefit pension plans administered by the PERA and the TRA.

The following is a summary of the net pension liabilities, deferred outflows and inflows of resources, and pension expense reported for these plans for the current year:

Pension Plans	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
PERA	$ 6,229,279	$ 1,216,694	$ 276,347	$ 449,330
TRA	16,342,552	8,402,806	15,592,293	2,451,043
Total	$ 22,571,831	$ 9,619,500	$ 15,868,640	$ 2,900,373

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

C. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
General obligation bonds payable	$ 47,814,000	$ 965,000	$ 2,520,000	$ 46,259,000	$ 1,552,000
Unamortized premium/discount	1,553,336	83,314	116,839	1,519,811	–
Subtotal	49,367,336	1,048,314	2,636,839	47,778,811	1,552,000
Capital leases payable	162,533	426,000	162,533	426,000	38,998
Net pension liability	19,779,438	5,121,452	2,329,059	22,571,831	–
Net OPEB liability	409,238	185,846	264,199	330,885	–
Severance benefits payable	68,790	–	51,566	17,224	–
Compensated absences payable	164,677	323,490	358,748	129,419	129,419
	$ 69,952,012	$ 7,105,102	$ 5,802,944	$ 71,254,170	$ 1,720,417

D. Minimum Debt Payments

Minimum annual principal and interest payments to maturity for general obligation bonds and capital leases are as follows:

Year Ending	General Obligation Bonds		Capital Leases	
June 30,	Principal	Interest	Principal	Interest
2022	$ 1,552,000	$ 1,776,597	$ 38,998	$ 9,483
2023	1,634,000	1,699,439	38,710	9,771
2024	1,706,000	1,625,447	39,719	8,762
2025	1,789,000	1,547,920	40,754	7,727
2026	1,871,000	1,462,419	41,816	6,665
2027–2031	8,992,000	6,466,540	226,003	16,401
2032–2036	10,395,000	4,864,106	–	–
2037–2041	12,565,000	2,698,400	–	–
2042–2043	5,755,000	347,600	–	–
	$ 46,259,000	$ 22,488,468	$ 426,000	$ 58,809

NOTE 5 – FUND BALANCES

The following is a breakdown of equity components of governmental funds, which are defined earlier in the report. When applicable, certain restrictions, which have an accumulated deficit balance at June 30 are included in unassigned fund balance in the District's financial statements in accordance with accounting principles generally accepted in the United States of America. A description of these deficit balance restrictions is included herein since the District has specific authority to future resources for such deficits.

A. Classifications

At year-end, a summary of the District's governmental fund balance classifications are as follows:

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Nonmajor Funds	Total
Nonspendable					
Inventory	$ –	$ –	$ –	$ 16,739	$ 16,739
Prepaid items	106,849	–	–	–	106,849
Total nonspendable	106,849	–	–	16,739	123,588
Restricted for					
Scholarships	81,633	–	–	–	81,633
Operating capital	476,380	–	–	–	476,380
Long-term facilities maintenance	1,433,834	–	–	–	1,433,834
Capital projects	–	1,044,615	–	–	1,044,615
Debt service	–	–	913,424	–	913,424
Food service	–	–	–	60,707	60,707
Community education programs	–	–	–	6,089	6,089
Early childhood family education programs	–	–	–	941	941
School readiness	–	–	–	85,799	85,799
Community service	–	–	–	5,313	5,313
Total restricted	1,991,847	1,044,615	913,424	158,849	4,108,735
Unassigned	4,490,954	–	–	–	4,490,954
Total	$ 6,589,650	$ 1,044,615	$ 913,424	$ 175,588	$ 8,723,277

B. Minimum Unassigned Fund Balance Policy

The School Board has formally adopted a fund balance policy regarding the minimum unassigned fund balance for the General Fund. The policy establishes a minimum unassigned General Fund balance of 7 percent to a maximum of 15 percent of the prior fiscal year's expenditures. At June 30, 2021, the unassigned fund balance was 13 percent of fiscal 2021 actual expenditures.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Descriptions

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

1. General Employees Retirement Fund (GERF)

The PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

All full-time and certain part-time employees of the District other than teachers are covered by the GERF. GERF members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

2. Teachers Retirement Association (TRA)

The 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. The TRA is a separate statutory entity, administered by a Board of Trustees. The Board of Trustees consists of four active members, one retired member, and three statutory officials.

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

B. Benefits Provided

The PERA and the TRA provide retirement, disability, and death benefits. Benefit provisions are established by state statutes and can only be modified by the State Legislature.

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

1. GERF Benefits

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 the PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated Plan members is 1.2 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated Plan members is 1.7 percent for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at age 66.

Benefit increases are provided to benefit recipients each January. The post-retirement increase will be equal to 50.0 percent of the cost of living adjustment (COLA) announced by the Social Security Administration, with a minimum increase of at least 1.0 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase, will receive the full increase. For recipients receiving the annuity or benefit for at least one month, but less than a full year as of the June 30 before the effective date of the increase, will receive a reduced prorated increase. For members retiring on January 1, 2024 or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

2. TRA Benefits

The 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 Statutes and vest after three years of service credit. The defined retirement benefits are based on a member's highest average salary for any five consecutive years of allowable service, age, and a formula multiplier based on years of credit at termination of service.

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

Tier I Benefits

Step-Rate Formula	Percentage per Year
Basic Plan	
First 10 years of service	2.2 %
All years after	2.7 %
Coordinated Plan	
First 10 years if service years are up to July 1, 2006	1.2 %
First 10 years if service years are July 1, 2006 or after	1.4 %
All other years of service if service years are up to July 1, 2006	1.7 %
All other years of service if service years are up to July 1, 2006 or after	1.9 %

With these provisions:

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

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

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

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Tier II Benefits

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

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

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

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

C. Contributions

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

1. **GERF Contributions**

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Coordinated Plan members were required to contribute 6.5 percent of their annual covered salary in fiscal year 2021 and the District was required to contribute 7.5 percent for Coordinated Plan members. The District's contributions to the GERF for the year ended June 30, 2021, were $473,318. The District's contributions were equal to the required contributions as set by state statutes.

2. **TRA Contributions**

Minnesota Statutes, Chapter 354 sets the rates for employer and employee contributions. Rates for each fiscal year were:

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

The District's contributions to the TRA for the plan's fiscal year ended June 30, 2021, were $1,088,324. The District's contributions were equal to the required contributions for each year as set by state statutes.

The following is a reconciliation of employer contributions in the TRA's Comprehensive Annual Financial Report Statement of Changes in Fiduciary Net Position to the employer contributions used in the Schedule of Employer and Nonemployer Pension Allocations:

	in thousands
Employer contributions reported in the TRA's Comprehensive Annual Financial Report Statement of Changes in Fiduciary Net Position	$ 425,223
Add employer contributions not related to future contribution efforts	(56)
Deduct the TRA's contributions not included in allocation	(508)
Total employer contributions	424,659
Total nonemployer contributions	35,587
Total contributions reported in the Schedule of Employer and Nonemployer Pension 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. The TRA has rounded percentage amounts to the nearest ten thousandths.

D. Pension Costs

1. GERF Pension Costs

At June 30, 2021, the District reported a liability of $6,229,279 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 nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the District totaled $192,082. 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 0.1039 percent at the end of the measurement period and 0.0919 percent for the beginning of the period.

District's proportionate share of the net pension liability	$ 6,229,279
State's proportionate share of the net pension liability associated with the District	$ 192,082

For the year ended June 30, 2021, the District recognized pension expense of $432,613 for its proportionate share of the GERF's pension expense. In addition, the District recognized $16,717 as grant revenue for its proportionate share of the state of Minnesota's pension expense for the annual $16.0 million contribution.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 50,264	$ 23,569
Changes in actuarial assumptions	–	216,720
Net collective difference between projected and actual investment earnings	163,603	–
Changes in proportion	529,509	36,058
District's contributions to the GERF subsequent to the measurement date	473,318	–
Total	$ 1,216,694	$ 276,347

The $473,318 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2022	$ (120,489)
2023	$ 153,788
2024	$ 283,228
2025	$ 150,502

2. TRA Pension Costs

At June 30, 2021, the District reported a liability of $16,342,552 for its proportionate share of the TRA's 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 the TRA in relation to total system contributions, including direct aid from the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The District's proportionate share was 0.2212 percent at the end of the measurement period and 0.2306 percent for the beginning of the period.

The pension liability amount reflected a reduction, due to direct aid provided to the 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 the net pension liability	$ 16,342,552
State's proportionate share of the net pension liability associated with the District	$ 1,369,341

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

For the year ended June 30, 2021, the District recognized pension expense of $2,325,602. It also recognized $125,441 as an increase to pension expense for the support provided by direct aid.

At 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 economic experience	$ 327,734	$ 259,343
Changes in actuarial assumptions	6,085,927	14,599,163
Net difference between projected and actual investment earnings on pension plan investments	191,924	–
Changes in proportion	708,897	733,787
District's contributions to the TRA subsequent to the measurement date	1,088,324	–
Total	$ 8,402,806	$ 15,592,293

A total of $1,088,324 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2022	$ 357,437
2023	$ (5,187,097)
2024	$ (3,624,415)
2025	$ 208,116
2026	$ (31,852)

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:

Assumptions	GERF	TRA
Inflation	2.25%	2.50%
Wage growth rate		2.85% before July 1, 2028, and 3.25% thereafter
Projected salary increase	3.00%	
Active member payroll growth		2.85% to 8.85% before July 1, 2028, and 3.25% to 9.25% thereafter
Investment rate of return	7.50%	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on Pub-2010 General Employee Mortality Table for the GERF Plan and the RP-2014 tables for the TRA for males and females, as appropriate, with slight adjustments to fit the PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the GERF and 1.00 percent for January 2020 through January 2023, then increasing by 0.10 percent each year, up to 1.50 percent annually for the TRA.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Actuarial assumptions used in the June 30, 2020 valuations were based on the results of actuarial experience studies. The most recent four-year experience study in the GERF plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation. The most recent experience study in the TRA plan was completed in 2015, with economic assumptions updated in 2017.

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

1. **GERF**

CHANGES IN ACTUARIAL ASSUMPTIONS

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years two through five, 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 MP-2018 to MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100.00 percent joint and survivor option changed from 35.00 percent to 45.00 percent. The assumed number of married female new retirees electing the 100.00 percent joint and survivor option changed from 15.00 percent to 30.00 percent. The corresponding number of married new retirees electing the life annuity option was adjusted accordingly.

CHANGES IN PLAN PROVISIONS

- Augmentation for current privatized members were reduced to 2.00 percent for the period July 1, 2020 through December 31, 2023, and zero percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2. **TRA**

CHANGES IN ACTUARIAL ASSUMPTIONS

- Employer contribution rate increased from 7.92 percent to 8.13 percent in July 2020.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	35.50 %	5.10 %
Private markets	25.00	5.90 %
Fixed income	20.00	0.75 %
International equity	17.50	5.30 %
Cash equivalents	2.00	– %
Total	100.00 %	

F. Discount Rate

1. GERF

The discount rate used to measure the total pension liability in 2020 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the GERF 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.

2. TRA

The discount rate used to measure the total pension liability was 7.50 percent. There was no change since the prior measurement. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2020 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (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	Discount Rate	1% Increase in Discount Rate
GERF discount rate	6.50%	7.50%	8.50%
District's proportionate share of the GERF net pension liability	$ 9,983,375	$ 6,229,279	$ 3,132,453
TRA discount rate	6.50%	7.50%	8.50%
District's proportionate share of the TRA net pension liability	$ 25,020,275	$ 16,342,552	$ 9,192,548

H. Pension Plan Fiduciary Net Position

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

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

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

A. Plan Description

The District provides post-employment benefits to certain eligible employees through the OPEB Plan, a single-employer defined benefit plan administered by the District. Management of the plan is vested with the School Board of the District. All post-employment benefits are based on contractual agreements with employee groups. Eligibility for these benefits is based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements.

The District administers a defined benefit Post-Employment Benefits Trust Fund. The assets of the plan are reported in the District's financial report in the Post-Employment Benefits Trust Fund, established by the District to finance these obligations. The plan assets may be used only for the payment of benefits of the plan, in accordance with the terms of the plan. The plan does not issue a publicly available financial report.

B. Benefits Provided

All retirees of the District upon retirement have the option under state law to continue their medical insurance coverage through the District. For members of certain employee groups, the District pays for all or part of the eligible retiree's premiums for medical and/or dental insurance from the time of retirement until the employee reaches the age of eligibility for Medicare. Benefits paid by the District differ by bargaining unit and date of hire, with some contracts specifying a certain dollar amount per month, and some covering premium costs as defined within each collective bargaining agreement. Retirees not eligible for these District-paid premium benefits must pay the full district premium rate for their coverage.

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

C. Contributions

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the District. The District has established the Post-Employment Benefits Trust Fund to finance these obligations. The District's contributions in the current year totaled $53,828 as required on a pay-as-you-go basis to finance current year benefits as described in the previous section.

D. Membership

Membership in the plan consisted of the following as of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	8
Active plan members	386
Total members	394

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

E. Net OPEB Liability of the District

The District's net OPEB liability was calculated using a valuation date of July 1, 2020, and a measurement and reporting date of June 30, 2021. The components of the net OPEB liability of the District at year-end were as follows:

Total OPEB liability	$ 1,675,426
Plan fiduciary net position	(1,344,541)
District's net OPEB liability	$ 330,885
Plan fiduciary net position as a percentage of the total OPEB liability	80.25%

F. Actuarial Methods and Assumptions

The total OPEB liability was determined using an actuarial valuation date of July 1, 2020, and a measurement date of June 30, 2021. The liabilities are based on the entry-age normal level percent of pay cost method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	2.30%
Expected long-term investment return	2.90% (net of investment expenses)
20-year municipal bond yield	2.10%
Inflation rate	2.50%
Salary increases	Service graded table
Medical trend rate	6.50%, grading to 5.00% over 6 years, and then 4.00% over the next 48 years
Dental trend rate	4.00%

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

The actuarial assumptions used in the latest valuation were based on those used to value pension liabilities for Minnesota school district employees. The state pension plans base their assumptions on periodic experience studies.

The District's policy in regard to the allocation of invested assets is established and may be amended by the School Board by a majority vote of its members. It is the policy of the School Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes allowable under state statutes.

The long-term expected rate of return on OPEB Plan investments was set based on the plan's target investment allocation described below, along with long-term return expectations by asset class. When there is sufficient historical evidence of market outperformance, historical average returns may be considered.

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Fixed income	95.00 %	3.00 %
Cash equivalents	5.00	1.00 %
Total	100.00 %	2.90 %

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

G. Rate of Return

For the current year ended, the annual money-weighted rate of return on investments, net of investment expense, was 0.40 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

H. Discount Rate

The discount rate used to measure the total OPEB liability was 2.30 percent. The projection of cash flows used to determine the discount rate was determined by projecting forward the fiduciary net position (assets) as of the valuation date, increasing by the investment return assumption, and reducing by benefit payments in each period until assets are exhausted. Expected benefit payments by year were discounted using the expected asset return assumptions for the years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the 20-year municipal bond rate. The equivalent single rate is the discount rate. The contribution and benefit payment history, as well as the funding policy, have also been considered. The District discount rate used in the prior measurement date was 2.50 percent.

I. Changes in the Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a-b)
Beginning balance	$ 1,748,191	$ 1,338,953	$ 409,238
Changes for the year			
Service cost	139,083	–	139,083
Interest	46,513	–	46,513
Changes in actuarial assumptions	(57,473)	–	(57,473)
Employer contributions	–	53,828	(53,828)
Projected investment return	–	38,830	(38,830)
Differences between expected and actual experience	(147,060)	(32,992)	(114,068)
Benefit payments	(53,828)	(53,828)	–
Administrative expenses	–	(250)	250
Total net changes	(72,765)	5,588	(78,353)
Ending balance	$ 1,675,426	$ 1,344,541	$ 330,885

Changes since the prior measurement date include the following:

- The discount rate was changed from 2.50 percent to 2.30 percent.
- The healthcare trend rates, mortality tables, and salary increase rates were updated.

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

J. Net OPEB Liability Sensitivity to Discount and Healthcare Cost Trend Rate Changes

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 a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
OPEB discount rate	1.30%	2.30%	3.30%
Net OPEB liability	$ 414,539	$ 330,885	$ 247,830

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 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease in Healthcare Trend Rate	Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
OPEB medical trend rate	5.50% grading to 4.00%, then 3.00%	6.50% grading to 5.00%, then 4.00%	7.50% grading to 6.00%, then 5.00%
OPEB dental trend rate	3.00%	4.00%	5.00%
Net OPEB liability	$ 165,280	$ 330,885	$ 526,739

K. OPEB Expense and Related Deferred Outflows of Resources and Deferred Inflows of Resources

For the current year ended, the District recognized OPEB expense of $38,063. As of year-end, 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
Difference between expected and actual economic experience	$ –	$ 400,901
Changes in actuarial assumptions	28,144	169,006
Differences between projected and actual investment earnings	38,971	–
Total	$ 67,115	$ 569,907

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

Year Ending June 30,	OPEB Expense Amount
2022	$ (112,435)
2023	$ (111,789)
2024	$ (118,481)
2025	$ (107,278)
2026	$ (23,596)
Thereafter	$ (29,213)

NOTE 8 – INTERFUND BALANCES AND TRANSACTIONS

At June 30, 2021, the District's General Fund had an interfund receivable of $34,633 from the Food Service Special Revenue Fund and $135,703 from the Community Service Special Revenue Fund to eliminate temporary cash deficits. The Health Benefits Self-Insurance Fund also reported an interfund receivable of $16,812 from the Dental Self-Insurance Fund to eliminate a temporary cash deficit.

During the year, the General Fund transferred $47,041 to the Food Service Special Revenue Fund to finance certain costs and support child nutrition operations.

Such interfund balances and transactions are reported in the fund financial statements, but are eliminated as necessary in the government-wide financial statements.

NOTE 9 – STEWARDSHIP AND ACCOUNTABILITY

At June 30, 2021, the District had a deficit net position total in the Dental Self-Insurance Fund of $33,920.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. Construction Contracts

At year-end, the District had commitments totaling $326,733 under construction contracts for which the work was not yet completed.

B. Federal and State Programs

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

C. Legal Claims

The District has the usual and customary types of miscellaneous legal claims pending at year-end, mostly of a minor nature and usually covered by insurance carried for that purpose. Although the outcomes of these claims are not presently determinable, the District believes that the resolution of these matters will not have a material adverse effect on its financial position.

D. COVID-19

The COVID-19 pandemic has caused numerous financial and operational challenges for districts in fiscal 2021, and is expected to have a significant impact for fiscal 2022 and possibly beyond. Any potential effects it may have on the District's future operations and financial condition cannot be determined at this time and have not been reflected in these financial statements.

NOTE 10 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

E. Operating Leases

Alternative Learning Center (ALC) Lease – During fiscal 2015, the District entered into a contract with a company to lease space to suit the needs of the District's ALC beginning April 1, 2015. The term of the lease is for 10 years and 10 months through fiscal year 2026. Total General Fund expenditures on this lease for the year ended June 30, 2021 totaled $328,191.

District Office Lease – During fiscal 2016, the District entered into a contract with a company to lease space to suit the needs of the District's business office beginning January 1, 2016. The term of the lease is for 10 years through fiscal year 2026. Total General Fund expenditures on this lease for the year ended June 30, 2021 totaled $62,475.

District Office Lease Expansion – During fiscal 2018, the District entered into a contract with a company to expand the space leased in the original district office beginning March 1, 2018. The term of the lease is for eight years through fiscal year 2026. Total General Fund expenditures on this lease for the year ended June 30, 2021 totaled $73,790.

The future minimum payments on these leases are as follows:

Year Ending June 30,	ALC Lease	District Office Lease	District Office Expansion Lease
2022	$ 332,421	$ 64,040	$ 75,638
2023	336,549	65,637	77,524
2024	340,862	67,266	79,449
2025	350,509	68,926	81,450
2026	215,502	34,878	41,236
Total	$ 1,575,843	$ 300,747	$ 355,297

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REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 286

Public Employees Retirement Association Pension Benefits Plan
Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability
Year Ended June 30, 2021

District Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.0991%	$ 4,655,222	$ –	$ 4,655,222	$ 5,202,262	89.48%	78.70%
06/30/2016	06/30/2015	0.0873%	$ 4,524,339	$ –	$ 4,524,339	$ 5,048,933	89.61%	78.20%
06/30/2017	06/30/2016	0.0928%	$ 7,534,899	$ 98,396	$ 7,633,295	$ 5,756,957	130.88%	68.90%
06/30/2018	06/30/2017	0.0912%	$ 5,822,148	$ 73,226	$ 5,895,374	$ 5,851,573	99.50%	75.90%
06/30/2019	06/30/2018	0.0932%	$ 5,170,355	$ 169,672	$ 5,340,027	$ 6,261,347	82.58%	79.50%
06/30/2020	06/30/2019	0.0919%	$ 5,080,946	$ 157,993	$ 5,238,939	$ 6,815,107	74.55%	80.20%
06/30/2021	06/30/2020	0.1039%	$ 6,229,279	$ 192,082	$ 6,421,361	$ 7,015,813	88.79%	79.10%

Public Employees Retirement Association Pension Benefits Plan
Schedule of District Contributions
Year Ended June 30, 2021

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	$ 378,670	$ 378,670	$ –	$ 5,048,933	7.50%
06/30/2016	$ 431,774	$ 431,774	$ –	$ 5,756,957	7.50%
06/30/2017	$ 438,868	$ 438,868	$ –	$ 5,851,573	7.50%
06/30/2018	$ 469,601	$ 469,601	$ –	$ 6,261,347	7.50%
06/30/2019	$ 511,133	$ 511,133	$ –	$ 6,815,107	7.50%
06/30/2020	$ 526,186	$ 526,186	$ –	$ 7,015,813	7.50%
06/30/2021	$ 473,318	$ 473,318	$ –	$ 6,310,907	7.50%

Note: The District implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2014 measurement date). This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

Teachers Retirement Association Pension Benefits Plan
Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability
Year Ended June 30, 2021

District Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.2252%	$ 10,377,054	$ 729,883	$ 11,106,937	$ 10,278,596	100.96%	81.50%
06/30/2016	06/30/2015	0.2206%	$ 13,646,292	$ 1,674,127	$ 15,320,419	$ 11,177,280	122.09%	76.80%
06/30/2017	06/30/2016	0.2296%	$ 54,765,078	$ 5,495,987	$ 60,261,065	$ 11,991,480	456.70%	44.88%
06/30/2018	06/30/2017	0.2317%	$ 46,251,523	$ 4,471,027	$ 50,722,550	$ 12,579,853	367.66%	51.57%
06/30/2019	06/30/2018	0.2362%	$ 14,835,571	$ 1,393,892	$ 16,229,463	$ 13,051,053	113.67%	78.07%
06/30/2020	06/30/2019	0.2306%	$ 14,698,492	$ 1,300,734	$ 15,999,226	$ 13,056,213	112.58%	78.21%
06/30/2021	06/30/2020	0.2212%	$ 16,342,552	$ 1,369,341	$ 17,711,893	$ 12,783,497	127.84%	75.48%

Teachers Retirement Association Pension Benefits Plan
Schedule of District Contributions
Year Ended June 30, 2021

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	$ 838,296	$ 838,296	$ –	$ 11,177,280	7.50%
06/30/2016	$ 899,361	$ 899,361	$ –	$ 11,991,480	7.50%
06/30/2017	$ 943,489	$ 943,489	$ –	$ 12,579,853	7.50%
06/30/2018	$ 978,829	$ 978,829	$ –	$ 13,051,053	7.50%
06/30/2019	$ 1,006,634	$ 1,006,634	$ –	$ 13,056,213	7.71%
06/30/2020	$ 1,012,453	$ 1,012,453	$ –	$ 12,783,497	7.92%
06/30/2021	$ 1,088,324	$ 1,088,324	$ –	$ 13,389,635	8.13%

Note: The District implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2014 measurement date). This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 286

Other Post-Employment Benefits Plan
Schedule of Changes in the District's Net
OPEB Liability and Related Ratios
Year Ended June 30, 2021

	District Fiscal Year-End Date				
	2017	2018	2019	2020	2021
Total OPEB liability					
Service cost	$ 172,302	$ 174,418	$ 113,288	$ 125,812	$ 139,083
Interest	57,456	61,695	77,653	51,961	46,513
Changes in actuarial assumptions	–	(77,993)	(151,062)	39,404	(57,473)
Changes in plan provisions	–	79,738	–	–	–
Differences between expected and actual experience	–	–	(480,992)	–	(147,060)
Benefit payments	(66,185)	(94,960)	(97,631)	(149,282)	(53,828)
Net change in total OPEB liability	163,573	142,898	(538,744)	67,895	(72,765)
Total OPEB liability – beginning of year	1,912,569	2,076,142	2,219,040	1,680,296	1,748,191
Total OPEB liability – end of year	2,076,142	2,219,040	1,680,296	1,748,191	1,675,426
Plan fiduciary net position					
Employer contributions	66,185	–	97,631	149,282	53,828
Projected investment return	27,103	27,290	35,095	37,735	38,830
Differences between expected and actual experience	(17,427)	3,244	(33,483)	278	(32,992)
Benefit payments	(66,185)	(94,960)	(97,631)	(149,282)	(53,828)
Administrative expenses	(250)	(250)	(250)	(250)	(250)
Net change in plan fiduciary net position	9,426	(64,676)	1,362	37,763	5,588
Plan fiduciary net position – beginning of year	1,355,078	1,364,504	1,299,828	1,301,190	1,338,953
Plan fiduciary net position – end of year	1,364,504	1,299,828	1,301,190	1,338,953	1,344,541
Net OPEB liability	$ 711,638	$ 919,212	$ 379,106	$ 409,238	$ 330,885
Plan fiduciary net position as a percentage of the total OPEB liability	65.72%	58.58%	77.44%	76.59%	80.25%
Covered-employee payroll	$ 17,090,700	$ 17,603,421	$ 17,192,530	$ 17,708,306	$ 21,090,362
Net OPEB liability as a percentage of covered-employee payroll	4.16%	5.22%	2.21%	2.31%	1.57%

Note: The District implemented GASB Statement Nos. 74 and 75 for the year ended June 30, 2017. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 286

Other Post-Employment Benefits Plan
Schedule of Investment Returns
Year Ended June 30, 2021

Year	Annual Money-Weighted Rate of Return, Net of Investment Expense
2017	0.71 %
2018	2.20 %
2019	0.12 %
2020	2.90 %
2021	0.40 %

Note: The District implemented GASB Statement Nos. 74 and 75 for the year ended June 30, 2017. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

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PERA – GENERAL EMPLOYEES RETIREMENT FUND

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years two through five, 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 MP-2018 to MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100.00 percent joint and survivor option changed from 35.00 percent to 45.00 percent. The assumed number of married female new retirees electing the 100.00 percent joint and survivor option changed from 15.00 percent to 30.00 percent. The corresponding number of married new retirees electing the life annuity option was adjusted accordingly.

2020 CHANGES IN PLAN PROVISIONS

- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020 through December 31, 2023, and zero percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 CHANGES IN PLAN PROVISIONS

- The employer supplemental contribution was changed prospectively, decreasing from $31.0 million to $21.0 million per year. The state’s special funding contribution was changed prospectively, requiring $16.0 million due per year through 2031.

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

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

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2018 CHANGES IN PLAN PROVISIONS

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to zero percent, 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 1.00 percent per year, with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio, to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age. Does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2017 CHANGES IN PLAN PROVISIONS

- The state's contribution for the Minneapolis Employees Retirement Fund equals $16.0 million in 2017 and 2018, and $6.0 million thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from $21.0 million to $31.0 million in calendar years 2019 to 2031. The state's contribution changed from $16.0 million to $6.0 million in calendar years 2019 to 2031.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and nonvested deferred members. The revised CSA loads are now zero percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for nonvested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years, to 1.00 percent per year through 2044, and 2.50 percent per year thereafter.

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035, and 2.50 percent per year thereafter, to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth, and 2.50 percent for inflation.

2015 CHANGES IN PLAN PROVISIONS

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Retirement Fund, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892.0 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.

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

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

TEACHERS RETIREMENT ASSOCIATION (TRA)

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The cost of living adjustment (COLA) was reduced from 2.00 percent each January 1 to 1.00 percent, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.10 percent each year until reaching the ultimate rate of 1.50 percent on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit, are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.50 percent if the funded ratio was at least 90.00 percent for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.00 percent to 3.00 percent, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.50 percent to 7.50 percent, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years, (7.71 percent in 2018, 7.92 percent in 2019, 8.13 percent in 2020, 8.34 percent in 2021, 8.55 percent in 2022, and 8.75 percent in 2023). In addition, the employee contribution rate will increase from 7.50 percent to 7.75 percent on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.
- The single discount rate changed from 5.12 percent to 7.50 percent.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The COLA was assumed to increase from 2.00 percent annually to 2.50 percent annually on July 1, 2045.
- The COLA was not assumed to increase to 2.50 percent, but remain at 2.00 percent for all future years.
- Adjustments were made to the CSA loads. The active load was reduced from 1.40 percent to zero percent, the vested inactive load increased from 4.00 percent to 7.00 percent, and the nonvested inactive load increased from 4.00 percent to 9.00 percent.
- The investment return assumption was changed from 8.00 percent to 7.50 percent.
- The price inflation assumption was lowered from 2.75 percent to 2.50 percent.
- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.
- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for 10 years, followed by 3.25 percent thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.
- The single discount rate changed from 4.66 percent to 5.12 percent.

TEACHERS RETIREMENT ASSOCIATION (TRA) (CONTINUED)

2016 Changes in Actuarial Assumptions

- The single discount rate was changed from 8.00 percent to 4.66 percent.

2015 Changes in Plan Provisions

- The Duluth Teachers Retirement Fund Association was merged into the TRA on June 30, 2015.

2015 Changes in Actuarial Assumptions

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

OTHER POST-EMPLOYMENT BENEFITS PLAN

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 2.50 percent to 2.30 percent.
- The healthcare trend rates, mortality tables, and salary increase rates were updated.

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.00 percent to 2.50 percent.
- The expected long-term rate of return on plan assets changed from 2.00 percent to 2.90 percent.

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The healthcare 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 retiree plan participation assumption for participants not eligible for a pre-65 subsidy was changed from 0.50 percent to 0.30 percent.
- The discount rate was changed from 3.40 percent to 3.00 percent.

2018 CHANGES IN PLAN PROVISIONS

- The superintendent will receive post-employment subsidized medical, dental, and life insurance until Medicare eligibility.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 2.80 percent to 3.40 percent.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality table was updated from RP-2000 projected to 2014 with Scale BB, to the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale.
- The withdrawal table for all employees and retirement tables for only employees eligible to retire with Rule of 90 also were updated.
- The discount rate was changed from 3.00 percent to 2.80 percent.

SUPPLEMENTAL INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 286

Nonmajor Governmental Funds
Combining Balance Sheet
as of June 30, 2021

	Special Revenue Funds		
	Food Service	Community Service	Total
Assets			
Receivables			
Current taxes	$ –	$ 76,038	$ 76,038
Delinquent taxes	–	971	971
Accounts and interest	–	9,915	9,915
Due from other governmental units	115,986	345,178	461,164
Inventory	16,739	–	16,739
Total assets	$ 132,725	$ 432,102	$ 564,827
Liabilities			
Accounts and contracts payable	$ 18,623	$ 24,918	$ 43,541
Due to other governmental units	120	–	120
Due to other funds	34,633	135,703	170,336
Unearned revenue	1,903	25,219	27,122
Total liabilities	55,279	185,840	241,119
Deferred inflows of resources			
Property taxes levied for subsequent year	–	147,639	147,639
Unavailable revenue – delinquent taxes	–	481	481
Total deferred inflows of resources	–	148,120	148,120
Fund balances			
Nonspendable	16,739	–	16,739
Restricted	60,707	98,142	158,849
Total fund balances	77,446	98,142	175,588
Total liabilities, deferred inflows of resources, and fund balances	$ 132,725	$ 432,102	$ 564,827

Nonmajor Governmental Funds
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2021

	Special Revenue Funds		
	Food Service	Community Service	Total
Revenue			
Local sources			
Property taxes	$ –	$ 147,003	$ 147,003
Other	1,066	178,345	179,411
State sources	–	421,043	421,043
Federal sources	828,770	491,389	1,320,159
Total revenue	829,836	1,237,780	2,067,616
Expenditures			
Current			
Food service	952,923	–	952,923
Community service	–	1,139,837	1,139,837
Capital outlay	5,720	–	5,720
Total expenditures	958,643	1,139,837	2,098,480
Excess (deficiency) of revenue over expenditures	(128,807)	97,943	(30,864)
Other financing sources			
Transfers in	47,041	–	47,041
Net change in fund balances	(81,766)	97,943	16,177
Fund balances			
Beginning of year	159,212	199	159,411
End of year	$ 77,446	$ 98,142	$ 175,588

INDEPENDENT SCHOOL DISTRICT NO. 286

General Fund
Comparative Balance Sheet
as of June 30, 2021 and 2020

	2021	2020
Assets		
Cash and temporary investments	$ 6,832,603	$ 4,411,102
Receivables		
Current taxes	1,922,873	1,791,102
Delinquent taxes	17,251	33,901
Accounts and interest	15,922	85,998
Due from other governmental units	4,874,594	4,544,579
Due from other funds	170,336	238,169
Prepaid items	106,849	10,837
Total assets	$ 13,940,428	$ 11,115,688
Liabilities		
Salaries payable	$ 1,708,749	$ 1,632,380
Accounts and contracts payable	2,284,923	2,159,125
Due to other governmental units	82,762	66,653
Unearned revenue	37,265	22,649
Total liabilities	4,113,699	3,880,807
Deferred inflows of resources		
Property taxes levied for subsequent year	3,230,305	3,007,041
Unavailable revenue – delinquent taxes	6,774	46,674
Total deferred inflows of resources	3,237,079	3,053,715
Fund balances		
Nonspendable for prepaid items	106,849	10,837
Restricted for scholarships	81,633	77,362
Restricted for operating capital	476,380	–
Restricted for long-term facilities maintenance	1,433,834	758,523
Assigned for subsequent year's budget	–	500,000
Unassigned	4,490,954	2,834,444
Total fund balances	6,589,650	4,181,166
Total liabilities, deferred inflows of resources, and fund balances	$ 13,940,428	$ 11,115,688

INDEPENDENT SCHOOL DISTRICT NO. 286

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021			2020
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 3,158,300	$ 3,555,149	$ 396,849	$ 3,137,365
Investment earnings	60,000	17,158	(42,842)	56,091
Other	431,983	427,221	(4,762)	357,307
State sources	28,754,407	30,022,038	1,267,631	29,915,749
Federal sources	4,086,312	3,375,621	(710,691)	2,078,441
Total revenue	36,491,002	37,397,187	906,185	35,544,953
Expenditures				
Current				
Administration				
Salaries	879,189	810,808	(68,381)	955,478
Employee benefits	260,069	266,174	6,105	327,156
Purchased services	55,999	82,189	26,190	151,383
Supplies and materials	180,834	221,249	40,415	27,872
Other expenditures	14,379	6,085	(8,294)	36,289
Total administration	1,390,470	1,386,505	(3,965)	1,498,178
District support services				
Salaries	1,085,541	1,111,530	25,989	1,235,556
Employee benefits	336,669	355,092	18,423	420,017
Purchased services	316,470	254,721	(61,749)	378,502
Supplies and materials	73,030	57,390	(15,640)	216,437
Capital expenditures	4,500	–	(4,500)	–
Other expenditures	(79,242)	(38,524)	40,718	(55,946)
Total district support services	1,736,968	1,740,209	3,241	2,194,566
Elementary and secondary regular instruction				
Salaries	8,212,567	8,198,706	(13,861)	8,357,329
Employee benefits	2,456,887	2,580,733	123,846	2,700,502
Purchased services	5,365,886	4,195,883	(1,170,003)	4,684,273
Supplies and materials	818,052	381,593	(436,459)	803,041
Capital expenditures	25,850	25,799	(51)	68,075
Other expenditures	105,793	130,292	24,499	144,129
Total elementary and secondary regular instruction	16,985,035	15,513,006	(1,472,029)	16,757,349

(continued)

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021			2020
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Vocational education instruction				
Salaries	66,028	122,740	56,712	297,513
Employee benefits	19,366	49,870	30,504	99,529
Purchased services	15,636	25,707	10,071	22,188
Supplies and materials	7,895	7,627	(268)	7,381
Capital expenditures	–	–	–	3,441
Other expenditures	–	2,796	2,796	1,018
Total vocational education instruction	108,925	208,740	99,815	431,070
Special education instruction				
Salaries	3,634,484	3,458,357	(176,127)	3,459,350
Employee benefits	1,108,482	1,023,891	(84,591)	1,043,686
Purchased services	272,357	587,623	315,266	485,152
Supplies and materials	60,560	29,466	(31,094)	29,742
Other expenditures	100	2,223	2,123	19,628
Total special education instruction	5,075,983	5,101,560	25,577	5,037,558
Instructional support services				
Salaries	1,607,662	1,808,245	200,583	1,607,370
Employee benefits	455,411	508,059	52,648	453,059
Purchased services	214,728	285,799	71,071	142,400
Supplies and materials	621,443	520,276	(101,167)	26,249
Capital expenditures	60,411	7,894	(52,517)	–
Other expenditures	62,937	119,828	56,891	76,760
Total instructional support services	3,022,592	3,250,101	227,509	2,305,838
Pupil support services				
Salaries	2,559,550	2,612,501	52,951	2,155,186
Employee benefits	771,042	806,890	35,848	618,257
Purchased services	965,104	1,172,509	207,405	1,271,850
Supplies and materials	289,413	283,371	(6,042)	165,395
Capital expenditures	10,017	23,000	12,983	–
Other expenditures	240	10,849	10,609	7,653
Total pupil support services	4,595,366	4,909,120	313,754	4,218,341

(continued)

INDEPENDENT SCHOOL DISTRICT NO. 286

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021			2020
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Sites and buildings				
Salaries	826,756	701,200	(125,556)	750,907
Employee benefits	288,536	287,426	(1,110)	276,461
Purchased services	3,208,939	1,753,619	(1,455,320)	1,379,615
Supplies and materials	173,103	207,456	34,353	137,984
Capital expenditures	16,053	15,150	(903)	–
Other expenditures	40,398	42,739	2,341	14,032
Total sites and buildings	4,553,785	3,007,590	(1,546,195)	2,558,999
Fiscal and other fixed cost programs				
Purchased services	110,315	98,606	(11,709)	92,956
Other expenditures	3,000	2,250	(750)	2,700
Total fiscal and other fixed cost programs	113,315	100,856	(12,459)	95,656
Debt service				
Principal	161,437	162,533	1,096	199,361
Interest and fiscal charges	5,199	5,213	14	11,689
Total debt service	166,636	167,746	1,110	211,050
Total expenditures	37,749,075	35,385,433	(2,363,642)	35,308,605
Excess (deficiency) of revenue over expenditures	(1,258,073)	2,011,754	3,269,827	236,348
Other financing sources (uses)				
Sale of capital assets	–	443,771	443,771	32,500
Transfers out	–	(47,041)	(47,041)	–
Total other financing sources (uses)	–	396,730	396,730	32,500
Net change in fund balances	$ (1,258,073)	2,408,484	$ 3,666,557	268,848
Fund balances				
Beginning of year		4,181,166		3,912,318
End of year		$ 6,589,650		$ 4,181,166

INDEPENDENT SCHOOL DISTRICT NO. 286

Food Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2021 and 2020

	2021	2020
Assets		
Receivables		
Accounts and interest	$ –	$ 2,000
Due from other governmental units	115,986	148,592
Inventory	16,739	24,873
Prepaid items	–	400
Total assets	$ 132,725	$ 175,865
Liabilities		
Accounts and contracts payable	$ 18,623	$ 12,783
Due to other governmental units	120	–
Due to other funds	34,633	1,967
Unearned revenue	1,903	1,903
Total liabilities	55,279	16,653
Fund balances		
Nonspendable for inventory	16,739	24,873
Nonspendable for prepaids items	–	400
Restricted for food service	60,707	133,939
Total fund balances	77,446	159,212
Total liabilities and fund balances	$ 132,725	$ 175,865

INDEPENDENT SCHOOL DISTRICT NO. 286

Food Service Special Revenue Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021			2020
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	$ 6,000	$ –	$ (6,000)	$ 2,352
Other – primarily meal sales	88,700	1,066	(87,634)	43,488
State sources	165,020	–	(165,020)	77,005
Federal sources	1,240,280	828,770	(411,510)	1,271,210
Total revenue	1,500,000	829,836	(670,164)	1,394,055
Expenditures				
Current				
Salaries	665,471	445,290	(220,181)	567,322
Employee benefits	251,032	161,679	(89,353)	230,836
Purchased services	43,115	–	(43,115)	87,055
Supplies and materials	517,362	343,016	(174,346)	624,200
Other expenditures	2,970	2,938	(32)	3,487
Capital outlay	20,500	5,720	(14,780)	9,298
Total expenditures	1,500,450	958,643	(541,807)	1,522,198
Excess (deficiency) of revenue over expenditures	(450)	(128,807)	(128,357)	(128,143)
Other financing sources				
Transfers in	–	47,041	47,041	–
Net change in fund balances	$ (450)	(81,766)	$ (81,316)	(128,143)
Fund balances				
Beginning of year		159,212		287,355
End of year		$ 77,446		$ 159,212

INDEPENDENT SCHOOL DISTRICT NO. 286

Community Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2021 and 2020

	2021	2020
Assets		
Receivables		
Current taxes	$ 76,038	$ 75,727
Delinquent taxes	971	1,722
Accounts and interest	9,915	10,329
Due from other governmental units	345,178	307,665
Total assets	$ 432,102	$ 395,443
Liabilities		
Accounts and contracts payable	$ 24,918	$ 11,064
Due to other funds	135,703	236,202
Unearned revenue	25,219	–
Total liabilities	185,840	247,266
Deferred inflows of resources		
Property taxes levied for subsequent year	147,639	145,691
Unavailable revenue – delinquent taxes	481	2,287
Total deferred inflows of resources	148,120	147,978
Fund balances (deficit)		
Restricted for community education programs	6,089	–
Restricted for early childhood family education programs	941	5,651
Restricted for school readiness	85,799	103,514
Restricted for community service	5,313	1,359
Unassigned – community education programs account deficit	–	(110,325)
Total fund balances	98,142	199
Total liabilities, deferred inflows of resources, and fund balances	$ 432,102	$ 395,443

INDEPENDENT SCHOOL DISTRICT NO. 286

Community Service Special Revenue Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021			2020
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 152,713	$ 147,003	$ (5,710)	$ 143,441
Other – primarily tuition and fees	417,785	178,345	(239,440)	299,816
State sources	444,861	421,043	(23,818)	430,631
Federal sources	496,900	491,389	(5,511)	550,770
Total revenue	1,512,259	1,237,780	(274,479)	1,424,658
Expenditures				
Current				
Salaries	1,031,506	826,122	(205,384)	960,116
Employee benefits	308,642	244,911	(63,731)	278,644
Purchased services	155,980	34,599	(121,381)	228,688
Supplies and materials	48,440	33,479	(14,961)	87,022
Other expenditures	2,320	726	(1,594)	1,272
Capital outlay	2,371	–	(2,371)	–
Total expenditures	1,549,259	1,139,837	(409,422)	1,555,742
Net change in fund balances	$ (37,000)	97,943	$ 134,943	(131,084)
Fund balances				
Beginning of year		199		131,283
End of year		$ 98,142		$ 199

INDEPENDENT SCHOOL DISTRICT NO. 286

Capital Projects – Building Construction Fund
Comparative Balance Sheet
as of June 30, 2021 and 2020

	2021	2020
Assets		
Cash and temporary investments	$ 1,141,769	$ 5,501,336
Receivables		
Accounts and interest	–	20,496
Due from other governmental units	250,000	–
Total assets	$ 1,391,769	$ 5,521,832
Liabilities		
Accounts and contracts payable	$ 20,421	$ 1,595,582
Unearned revenue	326,733	–
Total liabilities	347,154	1,595,582
Fund balances		
Restricted for capital projects	1,044,615	3,926,250
Total liabilities and fund balances	$ 1,391,769	$ 5,521,832

INDEPENDENT SCHOOL DISTRICT NO. 286

Capital Projects – Building Construction Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021			2020
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings (charges)	$ 35,000	$ (2,158)	$ (37,158)	$ 249,092
Other	250,000	250,000	–	–
Total revenues	285,000	247,842	(37,158)	249,092
Expenditures				
Capital outlay				
Salaries	16,437	16,437	–	52,178
Employee benefits	5,453	5,453	–	18,161
Purchased services	2,758,184	2,304,299	(453,885)	16,354,079
Supplies and materials	36,564	36,528	(36)	280
Other expenditures	839,362	1,192,760	353,398	2,538
Total expenditures	3,656,000	3,555,477	(100,523)	16,427,236
Excess (deficiency) of revenue over expenditures	(3,371,000)	(3,307,635)	63,365	(16,178,144)
Other financing sources				
Capital lease issued	394,000	426,000	32,000	–
Net change in fund balances	$ (2,977,000)	(2,881,635)	$ 95,365	(16,178,144)
Fund balances				
Beginning of year		3,926,250		20,104,394
End of year		$ 1,044,615		$ 3,926,250

INDEPENDENT SCHOOL DISTRICT NO. 286

Debt Service Fund
Comparative Balance Sheet
as of June 30, 2021 and 2020

	2021	2020
Assets		
Cash and temporary investments	$ 2,133,600	$ 1,974,338
Receivables		
Current taxes	1,399,838	1,380,385
Delinquent taxes	15,509	27,431
Due from other governmental units	88,991	24,184
Total assets	$ 3,637,938	$ 3,406,338
Deferred inflows of resources		
Property taxes levied for subsequent year	$ 2,717,818	$ 2,655,672
Unavailable revenue – delinquent taxes	6,696	36,714
Total deferred inflows of resources	2,724,514	2,692,386
Fund balances		
Restricted for debt service	913,424	713,952
Total deferred inflows of resources and fund balances	$ 3,637,938	$ 3,406,338

Debt Service Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021			2020
	Budget	Regular Debt Service Account	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 2,655,621	$ 2,678,254	$ 22,633	$ 2,344,569
Investment earnings	7,000	4,185	(2,815)	35,204
State sources	889,911	889,911	–	248,093
Total revenue	3,552,532	3,572,350	19,818	2,627,866
Expenditures				
Debt service				
Principal	1,515,000	1,515,000	–	1,791,000
Interest	1,854,507	1,852,604	(1,903)	1,920,433
Fiscal charges and other	48,200	48,588	388	4,975
Total expenditures	3,417,707	3,416,192	(1,515)	3,716,408
Excess (deficiency) of revenue over expenditures	134,825	156,158	21,333	(1,088,542)
Other financing sources (uses)				
Refunding debt issued	965,000	965,000	–	–
Premium on debt issued	83,314	83,314	–	–
Payment of refunded debt	(1,005,000)	(1,005,000)	–	–
Total other financing sources (uses)	43,314	43,314	–	–
Net change in fund balances	$ 178,139	199,472	$ 21,333	(1,088,542)
Fund balances				
Beginning of year		713,952		1,802,494
End of year		$ 913,424		$ 713,952

INDEPENDENT SCHOOL DISTRICT NO. 286

Internal Service Funds
Combining Statement of Net Position
as of June 30, 2021
(With Comparative Total Amounts as of June 30, 2020)

	Health Benefits Self-Insurance	Dental Self-Insurance	Totals 2021	Totals 2020
Assets				
Current assets				
Cash and temporary investments	$ 1,119,819	$ –	$ 1,119,819	$ 601,743
Receivables				
Accounts and interest	226	860	1,086	1,086
Due from other funds	16,812	–	16,812	20,109
Total current assets	1,136,857	860	1,137,717	622,938
Liabilities				
Current liabilities				
Accounts and contracts payable	4,367	–	4,367	1,717
Due to other governmental units	–	–	–	1,139
Due to other funds	–	16,812	16,812	20,109
Claims incurred, but not reported	250,572	17,968	268,540	153,990
Total current liabilities	254,939	34,780	289,719	176,955
Net position				
Unrestricted	$ 881,918	$ (33,920)	$ 847,998	$ 445,983

INDEPENDENT SCHOOL DISTRICT NO. 286

Internal Service Funds
Combining Statement of Revenue, Expenses, and Changes in Net Position
Year Ended June 30, 2021
(With Comparative Total Amounts for the Year Ended June 30, 2020)

	Health Benefits Self-Insurance	Dental Self-Insurance	Totals 2021	Totals 2020
Operating revenue				
Charges for services				
Contributions from governmental funds	$ 3,409,800	$ 218,123	$ 3,627,923	$ 3,838,616
Operating expenses				
Health benefit claims	3,009,427	–	3,009,427	3,523,773
Dental benefit claims	–	218,673	218,673	175,013
Total operating expenses	3,009,427	218,673	3,228,100	3,698,786
Operating income	400,373	(550)	399,823	139,830
Nonoperating revenue				
Investment earnings	2,192	–	2,192	6,622
Change in net position	402,565	(550)	402,015	146,452
Net position				
Beginning of year	479,353	(33,370)	445,983	299,531
End of year	$ 881,918	$ (33,920)	$ 847,998	$ 445,983

INDEPENDENT SCHOOL DISTRICT NO. 286

Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2021
(With Comparative Total Amounts for the Year Ended June 30, 2020)

	Health Benefits Self-Insurance	Dental Self-Insurance	Totals 2021	Totals 2020
Cash flows from operating activities				
Contributions from governmental funds	$ 3,409,800	$ 218,123	$ 3,627,923	$ 3,505,489
Payment for health claims	(2,897,213)	–	(2,897,213)	(3,514,356)
Payment for dental claims	–	(214,826)	(214,826)	(180,578)
Net cash flows from operating activities	512,587	3,297	515,884	(189,445)
Cash flows from noncapital financing activities				
Cash received from other funds	3,297	–	3,297	19,880
Cash paid to other funds	–	(3,297)	(3,297)	(19,880)
Net cash flows from noncapital financing activities	3,297	(3,297)	–	–
Cash flows from investing activities				
Investment income received	2,192	–	2,192	6,622
Net change in cash and cash equivalents	518,076	–	518,076	(182,823)
Cash and cash equivalents				
Beginning of year	601,743	–	601,743	784,566
End of year	$ 1,119,819	$ –	$ 1,119,819	$ 601,743
Reconciliation of operating income to net cash flows from operating activities				
Operating income	$ 400,373	$ (550)	$ 399,823	$ 139,830
Adjustments to reconcile operating income to net cash flows from operating activities				
Changes in assets and liabilities				
Accounts and contracts payable	2,650	–	2,650	(1,519)
Due to other governmental units	(1,139)	–	(1,139)	35
Unearned revenue	–	–	–	(333,127)
Claims incurred, but not reported	110,703	3,847	114,550	5,336
Net cash flows from operating activities	$ 512,587	$ 3,297	$ 515,884	$ (189,445)

OTHER DISTRICT INFORMATION

(UNAUDITED)

INDEPENDENT SCHOOL DISTRICT NO. 286

Student Enrollment
Last Ten Fiscal Years

Year Ended June 30,	Adjusted Average Daily Membership (ADM) Handicapped and Pre-Kindergarten	Kindergarten	Elementary	Secondary	Total	Total Pupil Units
2012	24.40	152.06	950.14	1038.62	2165.22	2505.05
2013	24.61	200.49	969.42	1025.14	2219.66	2537.56
2014	21.62	165.03	997.31	1052.22	2236.18	2578.08
2015	40.69	179.46	1043.83	1158.47	2422.45	2654.14
2016	18.37	160.46	1059.03	1171.58	2409.44	2643.76
2017	90.41	141.09	991.19	1196.06	2418.75	2657.96
2018	89.43	144.69	1010.58	1330.05	2574.75	2840.78
2019	101.75	131.38	917.41	1336.78	2487.32	2754.69
2020	100.72	128.66	862.41	1330.57	2422.36	2688.46
2021	76.30	91.54	822.61	1317.00	2307.45	2570.86

Note 1: Student enrollment numbers are estimated for the most recent fiscal year.

Note 2: ADM is weighted as follows in computing pupil units:

	Pre-Kindergarten	Handicapped Kindergarten	Half-Day Kindergarten	Full-Day Kindergarten	Elementary 1–3	Elementary 4–6	Secondary
Fiscal 2012 through 2014	1.250	1.000	0.612	0.612	1.115	1.060	1.300
Fiscal 2015 through 2021	1.000	1.000	0.550	1.000	1.000	1.000	1.200

Source: Minnesota Department of Education student reporting system

SINGLE AUDIT AND OTHER REQUIRED REPORTS

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Federal ALN	Federal Expenditures	
U.S. Department of Agriculture			
Passed through Minnesota Department of Education			
Child nutrition cluster			
COVID-19 – Summer Food Service Program for Children	10.559	$ 727,981	
Summer Food Service Program for Children	10.559	73,584	
Total child nutrition cluster and ALN 10.559			$ 801,565
Child and Adult Care Food Program	10.558		3,276
Fresh Fruit and Vegetable Program	10.582		13,223
COVID-19 – Pandemic EBT Administrative Costs	10.649		28,760
Direct			
Farm to School Grant Program	10.575		32,159
U.S. Department of the Treasury			
Passed through Minnesota Department of Education			
COVID-19 – Coronavirus Relief Fund	21.019	840,940	
Passed through Minnesota Department of Human Services			
COVID-19 – Coronavirus Relief Fund	21.019	20,000	
Total ALN 21.019			860,940
Passed through Minnesota Department of Education			
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027		18,603
U.S. Department of Education			
Direct			
Indian Education Grants to Local Educational Agencies	84.060		5,483
Passed through Minnesota Department of Education			
Special education cluster			
Special Education Grants to States	84.027	416,028	
Special Education Preschool Grants	84.173	6,628	
Total special education cluster			422,656
Title I Grants to Local Educational Agencies	84.010		495,379
Special Education – Grants for Infants and Families	84.181		11,907
English Language Acquisition State Grants	84.365		61,481
Supporting Effective Instruction State Grants	84.367		23,481
Twenty-First Century Community Learning Centers	84.287		413,708
Student Support and Academic Enrichment Program	84.424		35,110
Education Stabilization Fund			
COVID-19 – Governor’s Emergency Education Relief (GEER) Fund	84.425C	221,578	
COVID-19 – Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	590,383	
Total ALN 84.425			811,961
Passed through Independent School District No. 284			
Career and Technical Education – Basic Grants to States	84.048		11,164
Passed through Northwest Suburban Integration School District			
Magnet Schools Assistance	84.165		558,944
Passed through Spurwink Services			
Education Innovation and Research	84.411		7,561

(continued)

Schedule of Expenditures of Federal Awards (continued)
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Federal ALN	Federal Expenditures
The Institute of Museum and Library Services		
Passed through Minnesota Department of Education		
Grants to States	45.310	14,729
Direct		
National Leadership Grants	45.312	2,608
U.S. Department of Health and Human Services		
Passed through Minnesota Department of Human Services		
Child Care and Development Fund Cluster		
COVID-19 – Child Care and Development Block Grant	93.575	53,500
Passed through Minnesota Department of Education		
Improving Student Health and Academic Achievement through Nutrition, Physical Activity, and the Management of Chronic Conditions in Schools	93.981	7,583
Total federal awards		$ 4,695,781

Note 1: The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the OMB's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.* Therefore, some amounts presented in this schedule may differ from the amounts presented in, or used in the preparation of, the District's basic financial statements.

Note 2: All pass-through entities listed above use the same Assistance Listing Numbers (ALN) as the federal grantors to identify these grants, and have not assigned any additional identifying numbers.

Note 3: The District did not elect to use the 10 percent de minimis indirect cost rate.

Note 4: The District had $72,370 of noncash assistance included in the Summer Food Service Program for Children, ALN 10.559.

Note 5: The District had $35,110 transferred into Title I ALN 84.010 from other Title programs.

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

To the School Board and Management of
Independent School District No. 286
Brooklyn Center, 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. 286 (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 6, 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. 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 one deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as finding 2021-001, that we consider to be a significant deficiency.

(continued)

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COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether 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 FINDING

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. 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 report is not suitable for any other purpose.

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

Minneapolis, Minnesota
December 6, 2021

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

To the School Board and Management of
Independent School District No. 286
Brooklyn Center, Minnesota

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Independent School District No. 286's (the District) 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 Audit Results section of the accompanying Schedule of Findings and Questioned Costs.

MANAGEMENT'S RESPONSIBILITY

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on compliance for each of 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 for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

(continued)

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OPINION ON EACH MAJOR FEDERAL PROGRAM

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to on the previous page 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 on the previous page. 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 a 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.

PURPOSE OF THIS REPORT

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.

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

Minneapolis, Minnesota
December 6, 2021

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INDEPENDENT AUDITOR'S REPORT

ON MINNESOTA LEGAL COMPLIANCE

To the School Board and Management of
Independent School District No. 286
Brooklyn Center, 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. 286 (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 6, 2021.

MINNESOTA LEGAL COMPLIANCE

In connection with our audit, we noted that the District failed to comply with provisions of the claims and disbursements section 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 as described in the Schedule of Findings and Questioned Costs as finding 2021-002. Also, 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, miscellaneous provisions, and uniform financial accounting and reporting standards sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

DISTRICT'S RESPONSE TO FINDING

The District's response to the legal compliance finding identified in our audit has been included in the Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in our 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 compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

Minneapolis, Minnesota
December 6, 2021

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Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

A. SUMMARY OF AUDIT RESULTS

This summary is formatted to provide federal granting agencies and pass-through agencies answers to specific questions regarding the audit of federal awards.

Financial Statements

What type of auditor's report is issued?		X Unmodified ___ Qualified ___ Adverse ___ Disclaimer
Internal control over financial reporting:		
Material weakness(es) identified?	___ Yes	X No
Significant deficiencies identified?	X Yes	___ None reported
Noncompliance material to the financial statements noted?	___ Yes	X No

Federal Awards

Internal controls over major federal award programs:		
Material weakness(es) identified?	___ Yes	X No
Significant deficiencies identified?	___ Yes	X None reported
Type of auditor's report issued on compliance for major programs?		
U.S. Department of the Treasury – COVID-19 Coronavirus Relief Fund		Unmodified
U.S. Department of Education – COVID-19 Education Stabilization Fund		Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?	___ Yes	X No

Programs tested as major programs:

Program or Cluster	Federal ALN
U.S. Department of the Treasury – COVID-19 Coronavirus Relief Fund	21.019
U.S. Department of Education – COVID-19 Education Stabilization Fund	84.425

Threshold for distinguishing type A and B programs.	$ 750,000	
Does the auditee qualify as a low-risk auditee?	X Yes	___ No

B. FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCY

2021-001 Segregation of Duties

Criteria – Internal control over financial reporting.

Condition – Independent School District No. 286 (the District) has limited segregation of duties in several areas, including the processing of general disbursements, payroll transactions, cash receipts, and journal entries.

Questioned Costs – Not applicable.

Context – The condition applies to multiple areas as noted above.

Repeat Finding – This is a current year and prior year finding.

Cause – The limited segregation of duties is primarily caused by the limited size of the District's business office staff.

Effect – One important element of internal accounting controls is an adequate segregation of duties such that no one individual has responsibility to execute a transaction, have physical access to the related assets, and have responsibility or authority to record the transaction. A lack of segregation of duties subjects the District to a higher risk that errors or fraud could occur and not be detected in a timely manner in the normal course of business.

Recommendation – We recommend that the District continue its efforts to segregate duties as best it can within the limits of what the District considers to be cost-beneficial.

View of Responsible Official and Planned Corrective Actions – The District agrees with the finding. The District intends to review policies, procedures, and transaction cycles, and work with the District's financial auditors to review specific weaknesses identified during the annual audit and actions needed to eliminate or mitigate this internal control weakness. The District has separately issued a Corrective Action Plan related to this finding.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

D. MINNESOTA LEGAL COMPLIANCE FINDINGS

2021-002 Claims and Disbursements

Criteria – Minnesota Statutes § 471.425, Subd. 2.

Condition – Minnesota Statutes require districts to pay each vendor obligation according to the terms of each contract or within 35 days after the receipt of the goods or services or the invoice for the goods or services. If such obligations are not paid within the appropriate time period, the District must pay interest on the unpaid obligations at the rate of 1.5 percent per month or part of a month. For five disbursements selected for testing, the District did not pay the obligations within the required time period and did not pay interest on the unpaid obligations.

Questioned Costs – Not applicable.

Context – Five of forty disbursements tested were not in compliance.

Repeat Finding – This is a current year and prior year finding.

Cause – All general disbursement invoices are received at the district office. A copy of the invoice is sent to the school and/or department prior to payment to ensure that the item was properly received. On occasion, there is a timing delay from when the invoice is approved for payment, and when it is sent back to the district office for payment.

Effect – Certain payments made to vendors were not paid within the timeframe as required by state statutes, and the vendors were not paid interest to which they were entitled.

Recommendation – We recommend that the District review claims and disbursement payment procedures in place to ensure future compliance with state statutes.

View of Responsible Official and Planned Corrective Actions – The District agrees with the finding. The District will review the payment procedures and will properly pay all invoices within the 35-day time limit and verify compliance with state statutes. The District has separately issued a Corrective Action Plan related to this finding.

INDEPENDENT SCHOOL DISTRICT NO. 286

Uniform Financial Accounting and Reporting Standards
Compliance Table
June 30, 2021

		Audit	UFARS	Audit – UFARS
General Fund				
Total revenue		$ 37,397,187	$ 37,397,187	$ –
Total expenditures		$ 35,385,433	$ 35,385,432	$ 1
Nonspendable				
460	Nonspendable fund balance	$ 106,849	$ 106,849	$ –
Restricted				
401	Student activities	$ –	$ –	$ –
402	Scholarships	$ 81,633	$ 81,633	$ –
403	Staff development	$ –	$ –	$ –
407	Capital projects levy	$ –	$ –	$ –
408	Cooperative revenue	$ –	$ –	$ –
413	Projects funded by COP	$ –	$ –	$ –
414	Operating debt	$ –	$ –	$ –
416	Levy reduction	$ –	$ –	$ –
417	Taconite building maintenance	$ –	$ –	$ –
424	Operating capital	$ 476,380	$ 476,380	$ –
426	$25 taconite	$ –	$ –	$ –
427	Disabled accessibility	$ –	$ –	$ –
428	Learning and development	$ –	$ –	$ –
434	Area learning center	$ –	$ –	$ –
435	Contracted alternative programs	$ –	$ –	$ –
436	State approved alternative program	$ –	$ –	$ –
438	Gifted and talented	$ –	$ –	$ –
440	Teacher development and evaluation	$ –	$ –	$ –
441	Basic skills programs	$ –	$ –	$ –
448	Achievement and integration	$ –	$ –	$ –
449	Safe schools levy	$ –	$ –	$ –
451	QZAB payments	$ –	$ –	$ –
452	OPEB liability not in trust	$ –	$ –	$ –
453	Unfunded severance and retirement levy	$ –	$ –	$ –
459	Basic skills extended time	$ –	$ –	$ –
467	Long-term facilities maintenance	$ 1,433,834	$ 1,433,834	$ –
472	Medical Assistance	$ –	$ –	$ –
473	PPP loans	$ –	$ –	$ –
474	EIDL loans	$ –	$ –	$ –
464	Restricted fund balance	$ –	$ –	$ –
475	Title VII – Impact Aid	$ –	$ –	$ –
476	PILT	$ –	$ –	$ –
Committed				
418	Committed for separation	$ –	$ –	$ –
461	Committed fund balance	$ –	$ –	$ –
Assigned				
462	Assigned fund balance	$ –	$ –	$ –
Unassigned				
422	Unassigned fund balance	$ 4,490,954	$ 4,490,954	$ –
Food Service				
Total revenue		$ 829,836	$ 829,837	$ (1)
Total expenditures		$ 958,643	$ 958,643	$ –
Nonspendable				
460	Nonspendable fund balance	$ 16,739	$ 16,739	$ –
Restricted				
452	OPEB liability not in trust	$ –	$ –	$ –
474	EIDL loans	$ –	$ –	$ –
464	Restricted fund balance	$ 60,707	$ 60,707	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –
Community Service				
Total revenue		$ 1,237,780	$ 1,237,779	$ 1
Total expenditures		$ 1,139,837	$ 1,139,837	$ –
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
426	$25 taconite	$ –	$ –	$ –
431	Community education	$ 6,089	$ 6,089	$ –
432	ECFE	$ 941	$ 941	$ –
440	Teacher development and evaluation	$ –	$ –	$ –
444	School readiness	$ 85,799	$ 85,799	$ –
447	Adult basic education	$ –	$ –	$ –
452	OPEB liability not in trust	$ –	$ –	$ –
473	PPP loans	$ –	$ –	$ –
474	EIDL loans	$ –	$ –	$ –
464	Restricted fund balance	$ 5,313	$ 5,313	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –

INDEPENDENT SCHOOL DISTRICT NO. 286

Uniform Financial Accounting and Reporting Standards
Compliance Table (continued)
June 30, 2021

		Audit	UFARS	Audit – UFARS
Building Construction				
Total revenue		$ 247,842	$ 247,842	$ –
Total expenditures		$ 3,555,477	$ 3,555,477	$ –
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
407	Capital projects levy	$ –	$ –	$ –
413	Projects funded by COP	$ –	$ –	$ –
467	Long-term facilities maintenance	$ –	$ –	$ –
464	Restricted fund balance	$ 1,044,615	$ 1,044,615	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –
Debt Service				
Total revenue		$ 3,572,350	$ 3,572,350	$ –
Total expenditures		$ 3,416,192	$ 3,416,192	$ –
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
425	Bond refundings	$ –	$ –	$ –
433	Maximum effort loan	$ –	$ –	$ –
451	QZAB payments	$ –	$ –	$ –
467	Long-term facilities maintenance	$ –	$ –	$ –
464	Restricted fund balance	$ 913,424	$ 913,424	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –
Trust				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
401	Student activities	$ –	$ –	$ –
402	Scholarships	$ –	$ –	$ –
422	Net position	$ –	$ –	$ –
Custodial Fund				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
401	Student activities	$ –	$ –	$ –
402	Scholarships	$ –	$ –	$ –
448	Achievement and integration	$ –	$ –	$ –
464	Restricted fund balance	$ –	$ –	$ –
Internal Service				
Total revenue		$ 3,630,115	$ 3,630,115	$ –
Total expenditures		$ 3,228,100	$ 3,228,100	$ –
422	Net position	$ 847,998	$ 847,998	$ –
OPEB Revocable Trust Fund				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
422	Net position	$ –	$ –	$ –
OPEB Irrevocable Trust Fund				
Total revenue		$ 5,838	$ 5,838	$ –
Total expenditures		$ 250	$ 250	$ –
422	Net position	$ 1,344,541	$ 1,344,541	$ –
OPEB Debt Service Fund				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
425	Bond refundings	$ –	$ –	$ –
464	Restricted fund balance	$ –	$ –	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –

Note: Statutory restricted deficits, if any, are reported in unassigned fund balances in the financial statements in accordance with accounting principles generally accepted in the United States of America.

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