

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

**Financial Statements**

**June 30, 2020**



**Independent School District No. 271  
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**Independent School District No. 271**  
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**Independent School District No. 271  
Board of Education and Administration  
June 30, 2020**

<u>Board of Education</u>	<u>Position</u>	<u>Term Expires</u>
Nelly Korman	Chair	January 1, 2024
Tom Bennett	Vice Chair	January 3, 2022
Dawn Steigauf	Clerk	January 3, 2022
Beth Beebe	Treasurer	January 3, 2022
Mia Olson	Director	January 1, 2024
Jim Sorum	Director	January 3, 2022
Heather Starks	Director	January 1, 2024

Administration

Les Fujitake	Superintendent
Rod Zivkovich	Executive Director of Finance and Support Services
Kim Agate	Controller

## Independent Auditor's Report

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

### Report on the 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. 271, Bloomington, Minnesota, as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## **Opinions**

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 271, Bloomington, Minnesota, as of June 30, 2020, 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.

## **Implementation of GASB 84**

As discussed in Note 12 to the financial statements, the District has adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

## Other Matters (Continued)

### *Other Information (Continued)*

The accompanying supplementary information identified in the Table of Contents is the responsibility of management and was derived from and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2020, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Bergan KDV Ltd .

Minneapolis, Minnesota  
December 4, 2020

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

This section of the Independent School District No. 271, Bloomington Public Schools' (the "District") annual financial report presents the Management's Discussion and Analysis (MD&A) of the District's financial performance during the fiscal year ended June 30, 2020. Please read it in conjunction with the District's financial statements, which immediately follow this section.

The MD&A is required supplementary information specified in the GASB Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued in June 1999*. Certain comparative information is required to be presented in the MD&A between the current year (2019-2020) and the prior year (2018-2019).

### **Financial Highlights**

- Total net position at June 30, 2020, was a negative \$86.8 million, \$8.0 million more than the prior year's balance.
- Overall program and general revenues were \$197.8 million, \$8.0 million less than related expenses of \$205.8 million.
- Total General Fund balance (under the governmental fund presentation) increased \$3.3 million from the prior year.

### **Overview of the Financial Statements**

This annual financial report consists of four parts:

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

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

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



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

### **Overview of the Financial Statements (Continued)**

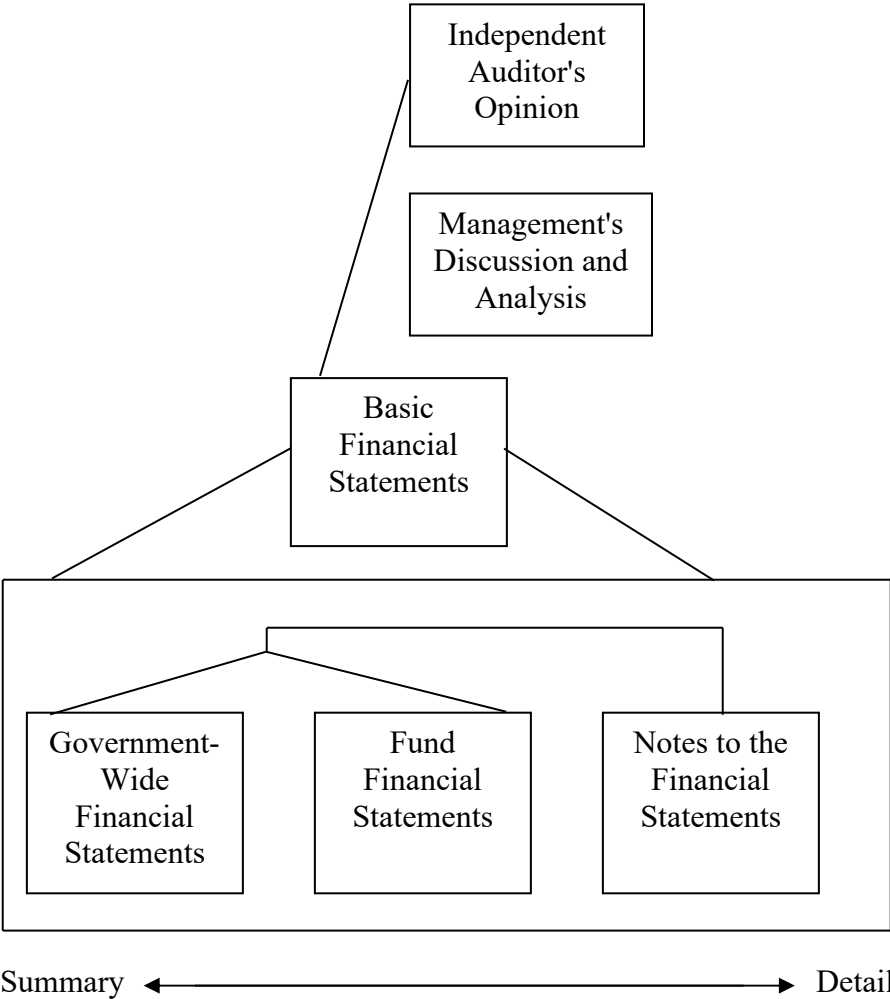
2. The fund financial statements focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.
  - The governmental funds statements examine how basic services, such as regular and special education were financed in the short-term,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

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

**Overview of the Financial Statements (Continued)**

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

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



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

### Overview of the Financial Statements (Continued)

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

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

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

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

### **Government-Wide Financial Statements**

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

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

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

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

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

### **Fund Financial Statements**

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

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

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

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

**Fund Financial Statements (Continued)**

The District has two kinds of funds:

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

**Net Position:** The District's combined net position on June 30, 2020 was negative \$86.8 million, \$7.8 million more than the prior year's balance. (See Figure A-3.)

**General Fund Expenditures**

	Final Budget	Net Actual Amounts	Variance with Final Budget - Over (Under)
Administrative	\$ 6,058,722	\$ 6,000,864	\$ (57,858)
District support services	4,839,344	4,352,354	(486,990)
Elementary and secondary regular instruction	72,605,226	74,173,508	1,568,282
Vocational education instruction	1,492,051	1,414,984	(77,067)
Special education instruction	36,239,575	36,599,424	359,849
Instructional support services	12,473,187	10,731,880	(1,741,307)
Pupil support services	13,429,491	12,470,401	(959,090)
Sites and buildings	9,727,506	10,643,264	915,758
Fiscal and other fixed cost programs	398,610	377,948	(20,662)
Capital outlay	8,781,030	6,926,312	(1,854,718)
Debt service	69,844	69,844	-
<b>Total</b>	<b>\$ 166,114,586</b>	<b>\$ 163,760,783</b>	<b>\$ (2,353,803)</b>

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

### Fund Financial Statements (Continued)

**Changes in Net Position:** The District's total revenues were \$197.8 million for the year ended June 30, 2020. (See figure A-4.) Property taxes and state formula aid accounted for 68% of the District's revenue. (See Figure A-5.) Another 25% came from grants and contributions restricted for specific programs. The remainder came from fees charged for services and miscellaneous sources. The total cost of all programs and services was \$205.8 million. The District's expenses are predominantly related to direct instruction, instructional, and pupil support services (72%). (See Figure A-6.) The District's administration and district support expenses are 5% of total costs.

### Financial Analysis of the District as A Whole

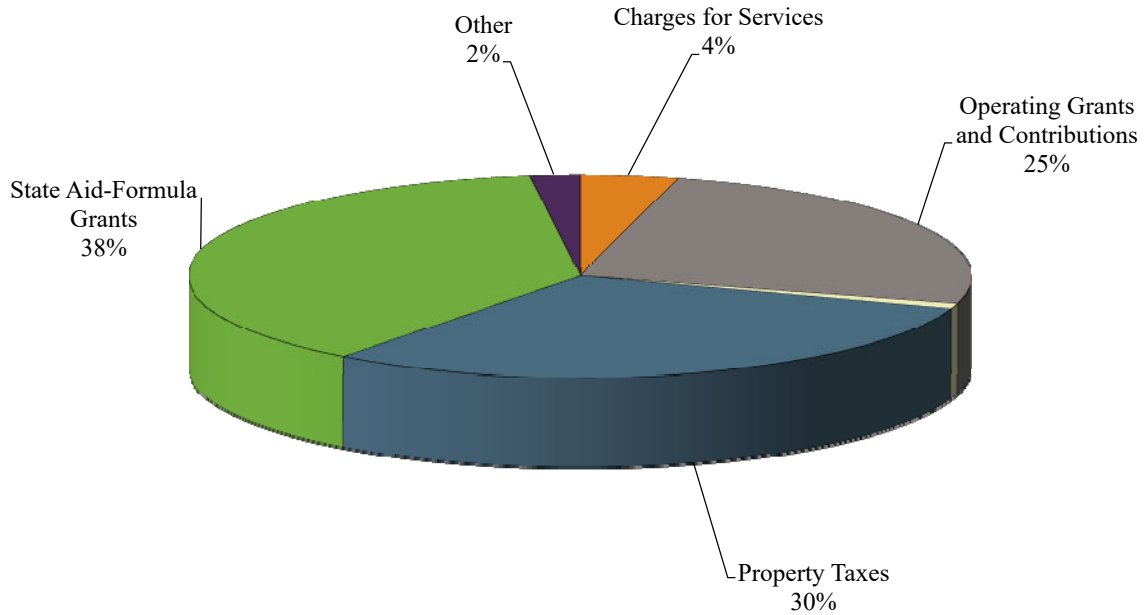
**Figure A-4  
Change in Net Position**

	Year Ended 2020	Year Ended 2019	Percentage Change
<b>Revenues</b>			
Program revenues			
Charges for services	\$ 8,024,161	\$ 9,066,397	-11.50%
Operating grants and contributions	50,106,637	45,832,862	9.32%
Capital grants and contributions	1,691,323	1,708,236	-0.99%
General revenues			
Property taxes	59,446,988	56,938,079	4.41%
State aid-formula grants	74,516,543	68,366,336	9.00%
Other	4,044,492	4,360,979	-7.26%
Total revenues	<u>197,830,144</u>	<u>186,272,889</u>	6.20%
<b>Expenses</b>			
Administration	6,331,550	4,404,293	43.76%
District support services	4,531,238	3,899,408	16.20%
Elementary and secondary regular instruction	80,564,920	47,801,836	68.54%
Vocational education instruction	1,509,663	1,081,409	39.60%
Special education instruction	38,945,281	24,999,473	55.78%
Instructional support services	13,494,832	9,743,532	38.50%
Pupil support services	13,290,782	11,905,725	11.63%
Sites and buildings	15,587,788	15,123,388	3.07%
Fiscal and other fixed cost programs	377,948	357,357	5.76%
Food service	5,345,931	5,149,622	3.81%
Community education and services	12,433,263	10,646,697	16.78%
Unallocated depreciation	9,702,591	8,949,395	8.42%
Interest and fiscal charges on long-term debt	3,664,735	3,624,565	1.11%
Total expenses	<u>205,780,522</u>	<u>147,686,700</u>	39.34%
Increase (decrease) in net position	(7,950,378)	38,586,189	-120.60%
<b>Net Position</b>			
Net position - beginning, as previously stated	(78,997,541)	(117,583,730)	-32.82%
Change in accounting principle	144,242	-	
Beginning of year	<u>(78,853,299)</u>	<u>(117,583,730)</u>	32.94%
End of year	<u>\$ (86,803,677)</u>	<u>\$ (78,997,541)</u>	-9.88%

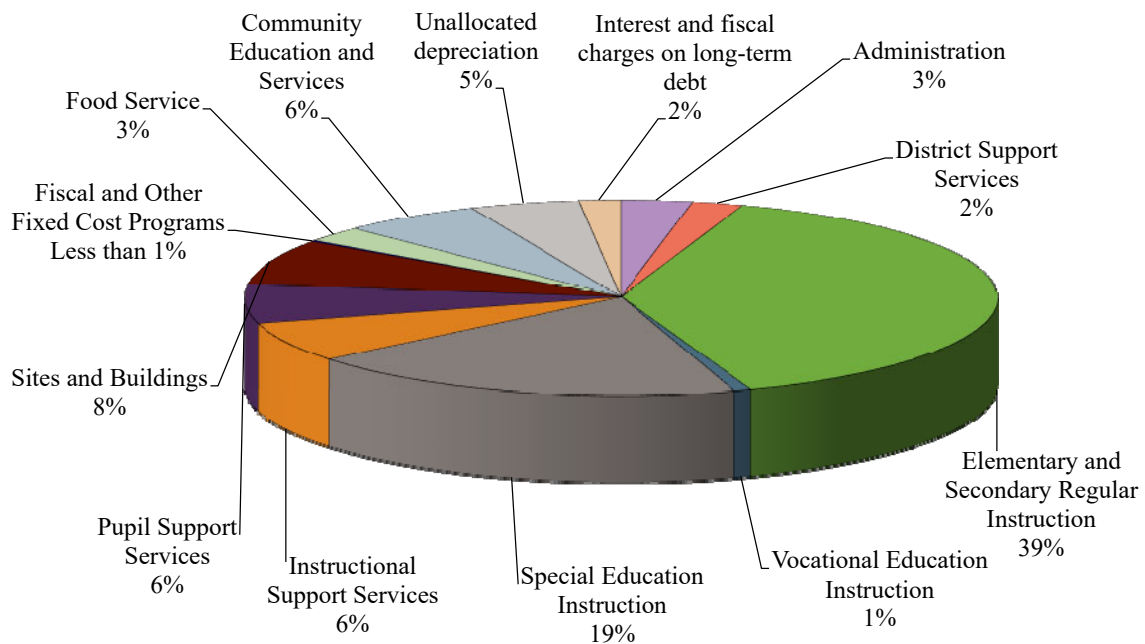
**Independent School District No. 271  
Management's Discussion and Analysis**

**Financial Analysis of the District as A Whole (Continued)**

**Figure A-5  
Source of Revenues for Fiscal Year 2020**



**Figure A-6  
Expenses for Fiscal Year 2020**



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

**Governmental Activities**

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

**Figure A-7**

**Net Cost of Governmental Activities  
Year Ended June 30, 2020**

	Total Cost of Services	Net Cost of Services
Administrative	\$ 6,331,550	\$ 6,331,550
District support services	4,531,238	4,474,772
Elementary and secondary regular instruction	80,564,920	62,611,678
Vocational education instruction	1,509,663	1,443,832
Special education instruction	38,945,281	13,919,415
Instructional support services	13,494,832	13,494,832
Pupil support services	13,290,782	13,066,692
Sites and buildings	15,587,788	13,755,008
Fiscal and other fixed cost programs	377,948	377,948
Food service	5,345,931	(57,890)
Community education and services	12,433,263	3,173,238
Unallocated depreciation	9,702,591	9,702,591
Interest and fiscal charges on long-term debt	3,664,735	3,664,735
	\$ 205,780,522	\$ 145,958,401
Total		

- Various fees and charges paid by users of the District services accounted for 3.9% or \$8.0 million of expenses.
- Grants and contributions totaling \$51.8 million, or 25.2%, offset other specific program costs.
- Local property taxes, state aid, federal grants and District fund balances (when expenses exceed revenues) provided funding for remaining costs of District services (\$146.0 million).

**Financial Analysis of the District's Funds**

At the end of the 2019-2020 fiscal year, the District's governmental funds reported a combined fund balance of \$36.8 million, a decrease of \$14.9 million from the June 30, 2019, combined fund balance of \$51.6 million. The planned spend down of Capital Projects and Long-Term Facility Maintenance fund balances for completed projects were the main reason for the decrease.



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

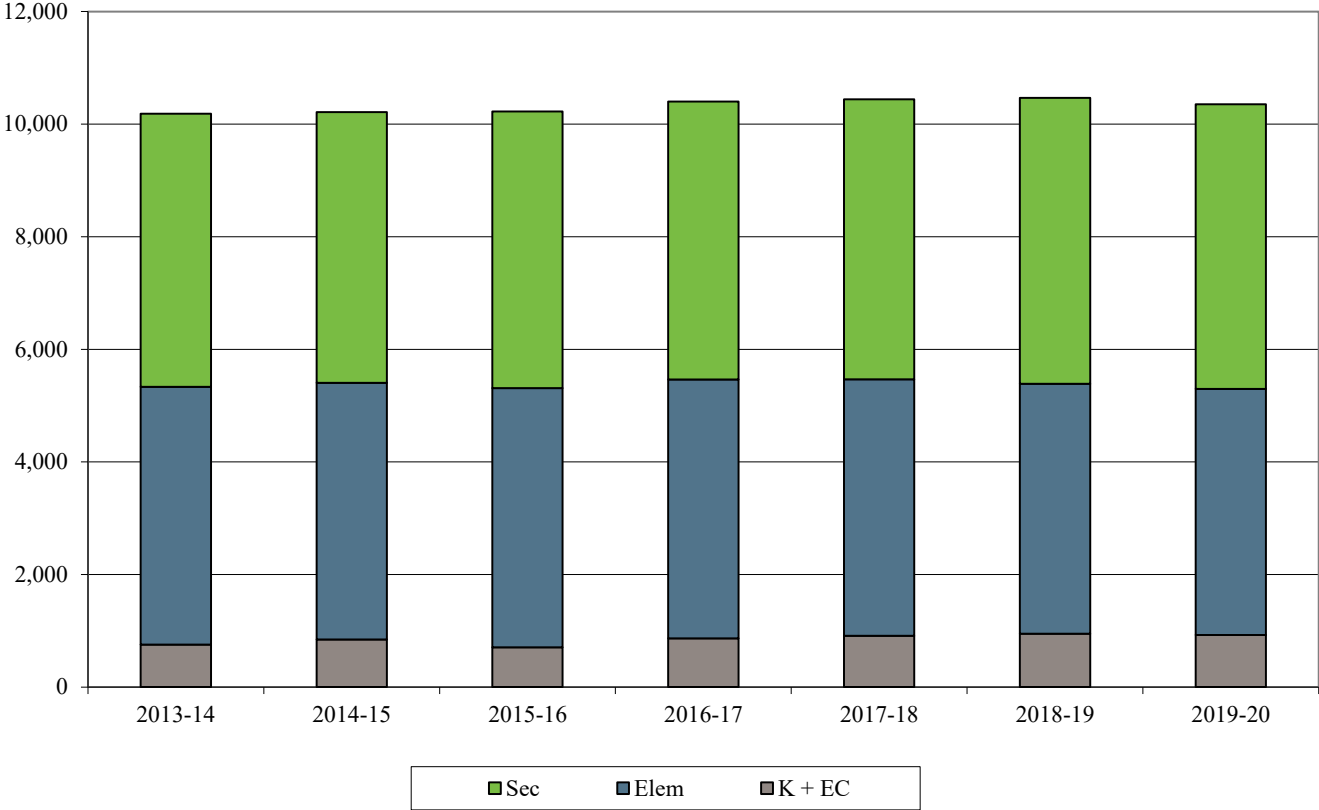
**General Fund**

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

School funding in Minnesota is driven largely by pupil enrollment. In 2019-2020, the District saw a decrease of 113 average daily membership (ADM) over 2018-2019. Current ADM is 10,354.

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

**ADM (Average Daily Memberships)**



**General Fund Budgetary Highlights**

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

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

**General Fund Budgetary Highlights (Continued)**

While the District's amended budget for the General Fund projected a net decrease in the fund balance of \$2.75 million, the actual performance shows a net increase of \$3.3 million. The majority of this difference was due to higher than expected state special education revenue and the cost savings to utilities and substitute cost during the shutdown.

Actual revenues were \$167.4 million or \$3.7 million over the budget of \$163.7 million. Actual expenditures were \$163.8 million, or \$2.4 million under the budget of \$166.1 million.

**Figure A-8  
General Fund Expenditures**

	Final Budget	Net Actual Amounts	Variance with Final Budget - Over (Under)
Administrative	\$ 6,058,722	\$ 6,000,864	\$ (57,858)
District support services	4,839,344	4,352,354	(486,990)
Elementary and secondary regular instruction	72,605,226	74,173,508	1,568,282
Vocational education instruction	1,492,051	1,414,984	(77,067)
Special education instruction	36,239,575	36,599,424	359,849
Instructional support services	12,473,187	10,731,880	(1,741,307)
Pupil support services	13,429,491	12,470,401	(959,090)
Sites and buildings	9,727,506	10,643,264	915,758
Fiscal and other fixed cost programs	398,610	377,948	(20,662)
Capital outlay	8,781,030	6,926,312	(1,854,718)
Debt service	69,844	69,844	-
<b>Total</b>	<b>\$ 166,114,586</b>	<b>\$ 163,760,783</b>	<b>\$ (2,353,803)</b>

**Food Service Fund**

The Food Service Fund is used to record financial activity for the purpose of preparation and service of milk, meals and snacks in connection with school and community service activities. The Food Service Fund revenues exceed expenditures by \$136,823 in 2019-2020. The increase was due to promoting Grab and Go meals program at multiple sites during the shutdown March to June.

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

**Community Service Fund**

The Community Service Fund is used to record financial activities of the Community Services Preschool to Senior Citizens Programs. The Community Service Fund balance decreased \$349,697 in 2019-2020.

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

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

**Debt Service Fund**

The Debt Service Fund is used to record revenues and expenditures for a school district's outstanding bonded indebtedness, whether for building construction, operating capital or for initial or refunding bonds. The Debt Service Fund balance for 2019-2020 totaled \$1.1 million. This is a decrease of \$362 thousand over the prior year.

**Capital Asset and Debt Administration**

***Capital Assets***

By the end of 2020, the District had invested \$133.5 million in a broad range of capital assets, including school buildings, athletic facilities, computers and audio-visual equipment. (See Figure A-9.) (More detailed information about capital assets can be found in Note 4 to the financial statements.)

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

	Year Ended 2020	Year Ended 2019
Land	\$ 2,085,954	\$ 2,085,954
Construction in progress	17,516,862	2,331,601
Buildings and buildings improvement	109,878,524	118,267,829
Furniture and equipment	4,033,958	3,883,040
Total capital assets	\$ 133,515,298	\$ 126,568,424

**Debt Administration**

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

	Year Ended 2020	Year Ended 2019
General Obligation (G.O.) bonds and loans	\$ 134,030,961	\$ 143,176,202
Benefits payable	1,746,244	1,509,972
Total long-term liabilities	\$ 135,777,205	\$ 144,686,174

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

### **Debt Administration (Continued)**

At year-end, the District had \$135.8 million in long-term liabilities, including G.O. bonds, capital leases, severance benefits, and compensated absences. (More detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements).

### **Factors Bearing on the District's Future**

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

- The District always has positioned itself financially for anticipated flat or limited funding in the future. This continues to be true as we deal with the affects nationally, statewide and locally with the Covid-19 pandemic. The District is projecting 0% increases in state formula revenue over the next biennium.

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

- The District always has positioned itself financially for anticipated flat or limited funding in the future. This continues to be true as we deal with the affects nationally, statewide and locally with the Covid-19 pandemic. The District is projecting 0% increases in state formula revenue over the next biennium.
- The District has seen a 3% enrollment decline for 2020-21 school year during the pandemic. The most significant decline being the kindergarten level. We project the majority of the students associated with this decline to return in 2021-22.

### **Contacting the District's Financial Management**

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

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

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## **BASIC FINANCIAL STATEMENTS**

**Independent School District No. 271**  
**Statement of Net Position**  
**June 30, 2020**

	Governmental Activities
<b>Assets</b>	
Cash and investments	\$ 104,614,544
Current property taxes receivable	34,820,320
Delinquent property taxes receivable	378,494
Accounts receivable	354,945
Interest receivable	801,228
Due from Department of Education	11,921,759
Due from other Minnesota school districts	332,969
Due from Federal Government through Department of Education	4,287,031
Due from other governmental units	106,889
Inventory	427,078
Prepaid items	29,071
Capital assets not being depreciated	
Land	2,085,954
Construction in progress	17,516,862
Capital assets net of depreciation	
Buildings and building improvements	109,878,524
Furniture and equipment	4,033,958
Total assets	291,589,626
<b>Deferred Outflows of Resources</b>	
Deferred amount on refunding	417,277
Deferred outflows related to OPEB	1,035,696
Deferred outflows related to pensions	85,272,478
Total deferred outflows of resources	86,725,451
 Total assets and deferred outflows of resources	 \$ 378,315,077
<b>Liabilities</b>	
Accounts and contracts payable	\$ 5,876,258
Salaries and benefits payable	16,620,403
Interest payable	2,038,812
Due to other Minnesota school districts	640,557
Due to other governmental units	128,733
Unearned revenue	759,910
Net bond principal payable	
Due within one year	8,195,000
Due in more than one year	125,706,385
Loan payable	
Due within one year	62,827
Due in more than one year	66,749
Compensated absences payable	
Due within one year	140,255
Due in more than one year	1,262,290
Severance payable	
Due within one year	34,370
Due in more than one year	309,329
OPEB Liability	12,196,862
Net pension liability	106,984,030
Total liabilities	281,022,770
<b>Deferred Inflows of Resources</b>	
Property taxes levied for subsequent year's expenditures	57,617,505
Deferred inflows related to OPEB	1,069,531
Deferred inflows related to pensions	125,408,948
Total deferred inflows of resources	184,095,984
<b>Net Position</b>	
Net investment in capital assets	14,869,353
Restricted for	
Other purposes	15,843,660
Unrestricted	(117,516,690)
Total net position	(86,803,677)
 Total liabilities, deferred inflows of resources, and net position	 \$ 378,315,077

See notes to financial statements.

**Independent School District No. 271**  
**Statement of Activities**  
**Year Ended June 30, 2020**

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Governmental Activities	Net (Expense) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions			
Governmental activities						
Administration	\$ 6,331,550	\$ -	\$ -	\$ -	\$ (6,331,550)	
District support services	4,531,238	-	56,466	-	(4,474,772)	
Elementary and secondary regular instruction	80,564,920	1,023,687	16,929,555	-	(62,611,678)	
Vocational education instruction	1,509,663	-	65,831	-	(1,443,832)	
Special education instruction	38,945,281	334,983	24,690,883	-	(13,919,415)	
Instructional support services	13,494,832	-	-	-	(13,494,832)	
Pupil support services	13,290,782	72,561	151,529	-	(13,066,692)	
Sites and buildings	15,587,788	141,457	-	1,691,323	(13,755,008)	
Fiscal and other fixed cost programs	377,948	-	-	-	(377,948)	
Food service	5,345,931	1,369,817	4,034,004	-	57,890	
Community education and services	12,433,263	5,081,656	4,178,369	-	(3,173,238)	
Unallocated depreciation	9,702,591	-	-	-	(9,702,591)	
Interest and fiscal charges on long-term debt	3,664,735	-	-	-	(3,664,735)	
<b>Total governmental activities</b>	<b><u>\$ 205,780,522</u></b>	<b><u>\$ 8,024,161</u></b>	<b><u>\$ 50,106,637</u></b>	<b><u>\$ 1,691,323</u></b>	<b>(145,958,401)</b>	
General revenues						
Taxes						
Property taxes, levied for general purposes					46,541,310	
Property taxes, levied for debt service					10,651,386	
Property taxes, levied for community service					2,254,292	
State aid-formula grants					74,516,543	
Other general revenues					2,130,107	
Investment income					1,914,385	
Total general revenues					<u>138,008,023</u>	
Change in net position					(7,950,378)	
Net position - beginning					(78,997,541)	
Change in accounting principle (see Note 12)					<u>144,242</u>	
Net position - beginning, as restated					<u>(78,853,299)</u>	
Net position - ending					<u>\$ (86,803,677)</u>	



**Independent School District No. 271**  
**Balance Sheet - Governmental Funds**  
**June 30, 2020**

	General	Debt Service	Capital Projects	Nonmajor Funds	Total Governmental Funds
<b>Assets</b>					
Cash and investments	\$ 45,654,920	\$ 5,800,531	\$ 7,312,162	\$ 7,739,730	\$ 66,507,343
Current property taxes receivable	27,213,815	6,311,871	-	1,294,634	34,820,320
Delinquent property taxes receivable	295,892	64,790	-	17,812	378,494
Accounts receivable	291,962	-	-	62,983	354,945
Interest receivable	481,624	-	59,978	-	541,602
Due from Department of Education	11,370,897	169,144	-	381,718	11,921,759
Due from Federal Government through Department of Education	3,770,619	-	-	516,412	4,287,031
Due from other Minnesota school districts	120,482	-	-	212,487	332,969
Due from other governmental units	106,889	-	-	-	106,889
Inventory	255,554	-	-	171,524	427,078
Prepaid items	28,380	-	-	691	29,071
<b>Total assets</b>	<b>\$ 89,591,034</b>	<b>\$ 12,346,336</b>	<b>\$ 7,372,140</b>	<b>\$ 10,397,991</b>	<b>\$ 119,707,501</b>
<b>Liabilities</b>					
Accounts payable	\$ 1,539,110	\$ -	\$ 3,181,108	\$ 295,383	\$ 5,015,601
Contracts payable	10,509	-	850,148	-	860,657
Salaries and benefits payable	13,701,468	-	-	1,131,740	14,833,208
Due to other Minnesota school districts	640,557	-	-	-	640,557
Due to other governmental units	128,733	-	-	-	128,733
Interfund payable	2,550,984	-	-	241,603	2,792,587
Unearned revenue	478,672	-	-	281,238	759,910
<b>Total liabilities</b>	<b>19,050,033</b>	<b>-</b>	<b>4,031,256</b>	<b>1,949,964</b>	<b>25,031,253</b>
<b>Deferred inflows of resources</b>					
Property tax levied for subsequent year's expenditures	44,130,078	11,191,830	-	2,295,597	57,617,505
Unavailable revenue - delinquent property taxes	180,503	39,583	-	11,035	231,121
<b>Total deferred inflows of resources</b>	<b>44,310,581</b>	<b>11,231,413</b>	<b>-</b>	<b>2,306,632</b>	<b>57,848,626</b>
<b>Fund Balances</b>					
Nonspendable for					
Inventory	255,554	-	-	171,524	427,078
Prepaid items	28,380	-	-	691	29,071
Restricted for					
Student activities	148,489	-	-	-	148,489
Scholarships	45,645	-	-	-	45,645
Capital projects levy	2,736,419	-	-	-	2,736,419
Operating capital	6,074,729	-	-	-	6,074,729
Medical assistance	308,394	-	-	-	308,394
State approved alternative program	699,630	-	-	-	699,630
Achievement and integration	84,692	-	-	-	84,692
Long-term facilities maintenance	-	-	3,340,884	-	3,340,884
Fund purpose	-	1,114,923	-	5,969,180	7,084,103
Committed for					
Wellness	123,495	-	-	-	123,495
Uniform and instrument replacement	119,531	-	-	-	119,531
Athletic activities	527,410	-	-	-	527,410
Site department carryover funds	793,892	-	-	-	793,892
Staff development	324,018	-	-	-	324,018
Donations	19,826	-	-	-	19,826
Assigned for					
Q Comp collaborative	3,000	-	-	-	3,000
Unassigned	13,937,316	-	-	-	13,937,316
<b>Total fund balances</b>	<b>26,230,420</b>	<b>1,114,923</b>	<b>3,340,884</b>	<b>6,141,395</b>	<b>36,827,622</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 89,591,034</b>	<b>\$ 12,346,336</b>	<b>\$ 7,372,140</b>	<b>\$ 10,397,991</b>	<b>\$ 119,707,501</b>

See notes to financial statements.

**Independent School District No. 271  
Bloomington, Minnesota  
Reconciliation of the Balance Sheet to  
the Statement of Net Position - Governmental Funds  
June 30, 2020**

Total fund balances - governmental funds	\$ 36,827,622
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	
Cost of capital assets	291,885,091
Less accumulated depreciation	(158,369,793)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of:	
Bond principal payable	(130,325,000)
Loan payable	(129,576)
Bond premiums	(3,576,385)
Deferred amount on refunding	417,277
Compensated absences payable	(1,402,545)
Severance payable	(343,699)
OPEB liability	(12,196,862)
Net pension liability	(106,984,030)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.	
Deferred outflows related to pensions	85,272,478
Deferred inflows related to pensions	(125,408,948)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to OPEB that are not recognized in the governmental funds.	
Deferred inflows related to OPEB	(1,069,531)
Deferred outflows related to OPEB	1,035,696
Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	
	231,121
The retiree benefit and OPEB internal service funds are used to charge the benefits to the fund that incurs the cost. This amount represents assets available to fund the liabilities.	
	17,776,520
The dental and self insured medical benefit plans internal service funds are used by management to charge the costs of the self-insured plans. The assets and liabilities of the Internal Service funds are included in governmental activities in the Statement of Net Position and interfund activity is removed.	
	21,595,699
Governmental funds do not report a liability for accrued interest on bonds and capital loans until due and payable.	
	<u>(2,038,812)</u>
Total net position - governmental activities	<u>\$ (86,803,677)</u>

**Independent School District No. 271**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Governmental Funds**  
**Year Ended June 30, 2020**

	General	Debt Service	Capital Projects	Nonmajor Funds	Total Governmental Funds
<b>Revenues</b>					
Local property taxes	\$ 46,594,678	\$ 9,935,744	\$ -	\$ 2,992,843	\$ 59,523,265
Other local and county revenues	4,524,210	78,172	323,813	5,047,761	9,973,956
Revenue from state sources	110,715,071	1,691,442	-	3,543,455	115,949,968
Revenue from federal sources	5,503,066	-	-	4,616,587	10,119,653
Sales and other conversion of assets	15,480	-	-	1,359,646	1,375,126
Interdistrict revenue	-	-	-	212,487	212,487
Total revenues	<u>167,352,505</u>	<u>11,705,358</u>	<u>323,813</u>	<u>17,772,779</u>	<u>197,154,455</u>
<b>Expenditures</b>					
<b>Current</b>					
Administration	6,000,864	-	-	-	6,000,864
District support services	4,352,354	-	-	-	4,352,354
Elementary and secondary regular instruction	74,173,508	-	-	124,283	74,297,791
Vocational education instruction	1,414,984	-	-	-	1,414,984
Special education instruction	36,599,424	-	-	-	36,599,424
Instructional support services	10,731,880	-	-	-	10,731,880
Pupil support services	12,470,401	-	-	-	12,470,401
Sites and buildings	10,643,264	-	4,100	-	10,647,364
Fiscal and other fixed cost programs	377,948	-	-	-	377,948
Food service	-	-	-	5,294,113	5,294,113
Community education and services	-	-	-	11,897,473	11,897,473
<b>Capital outlay</b>					
Administration	3,525	-	-	-	3,525
District support services	86,412	-	-	-	86,412
Elementary and secondary regular instruction	267,786	-	-	-	267,786
Special education instruction	91,549	-	-	-	91,549
Instructional support services	2,149,493	-	-	-	2,149,493
Pupil support services	833,071	-	-	-	833,071
Sites and buildings	3,494,476	-	17,993,514	-	21,487,990
Community education and services	-	-	-	248,584	248,584
<b>Debt service</b>					
Principal	59,134	7,250,000	-	445,000	7,754,134
Interest and fiscal charges	10,710	4,817,345	2,453	283,753	5,114,261
Total expenditures	<u>163,760,783</u>	<u>12,067,345</u>	<u>18,000,067</u>	<u>18,293,206</u>	<u>212,121,401</u>
Excess of revenues over (under) expenditures	3,591,722	(361,987)	(17,676,254)	(520,427)	(14,966,946)
<b>Other Financing Sources (Uses)</b>					
Proceeds from sale of capital assets	58,683	-	-	-	58,683
Transfers in	-	-	-	321,522	321,522
Transfers out	(321,522)	-	-	-	(321,522)
Total other financing sources (uses)	<u>(262,839)</u>	<u>-</u>	<u>-</u>	<u>321,522</u>	<u>58,683</u>
Net change in fund balances	3,328,883	(361,987)	(17,676,254)	(198,905)	(14,908,263)
<b>Fund Balances</b>					
Beginning of year	22,695,065	1,476,910	21,017,138	6,402,530	51,591,643
Change in accounting principle (See Note 12)	206,472	-	-	(62,230)	144,242
Beginning of year, restated	<u>22,901,537</u>	<u>1,476,910</u>	<u>21,017,138</u>	<u>6,340,300</u>	<u>51,735,885</u>
End of year	<u>\$ 26,230,420</u>	<u>\$ 1,114,923</u>	<u>\$ 3,340,884</u>	<u>\$ 6,141,395</u>	<u>\$ 36,827,622</u>

See notes to financial statements.

**Independent School District No. 271  
Bloomington, Minnesota  
Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances to the  
Statement of Activities - Governmental Funds  
Year Ended June 30, 2020**

Net change in fund balances - total governmental funds \$ (14,908,263)

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

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the useful lives as depreciation expense.

Capital outlays	17,347,228
Depreciation expense	(10,361,555)
Loss on disposal	(38,798)

Compensated absences and severance are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.

(236,272)

Net OPEB are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.

(666,260)

Principal payments on long-term debt are recognized as expenditures in the governmental funds but have no effect on net position in the Statement of Activities.

7,754,134

Governmental funds recognized pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.

(9,749,197)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

23,700

Governmental funds report the effect of bond premiums when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

1,425,826

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

315,730

The dental and self-insured medical benefit plans internal service funds are used by management to charge the costs of the self insured plans. The increase in net position is reported within the governmental activities in the Statement of Activities.

1,219,626

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

(76,277)

Change in net position - governmental activities

\$ (7,950,378)

**Independent School District No. 271**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
**Year Ended June 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues</b>				
Local property taxes	\$ 43,139,146	\$ 46,734,468	\$ 46,594,678	\$ (139,790)
Other local and county revenues	3,980,700	4,196,036	4,524,210	328,174
Revenue from state sources	106,627,418	108,251,355	110,715,071	2,463,716
Revenue from federal sources	4,467,203	4,467,259	5,503,066	1,035,807
Sales and other conversion of assets	2,000	2,000	15,480	13,480
Total revenues	<u>158,216,467</u>	<u>163,651,118</u>	<u>167,352,505</u>	<u>3,701,387</u>
<b>Expenditures</b>				
<b>Current</b>				
Administration	5,972,310	6,058,722	6,000,864	(57,858)
District support services	4,835,800	4,839,344	4,352,354	(486,990)
Elementary and secondary regular instruction	71,997,964	72,605,226	74,173,508	1,568,282
Vocational education instruction	1,486,637	1,492,051	1,414,984	(77,067)
Special education instruction	36,110,136	36,239,575	36,599,424	359,849
Instructional support services	11,843,582	12,473,187	10,731,880	(1,741,307)
Pupil support services	13,051,355	13,429,491	12,470,401	(959,090)
Sites and buildings	9,727,466	9,727,506	10,643,264	915,758
Fiscal and other fixed cost programs	398,610	398,610	377,948	(20,662)
<b>Capital outlay</b>				
Administration	108,450	108,450	3,525	(104,925)
District support services	248,300	248,300	86,412	(161,888)
Elementary and secondary regular instruction	238,092	238,515	267,786	29,271
Vocational education instruction	6,000	6,000	-	(6,000)
Special education instruction	91,600	91,600	91,549	(51)
Instructional support services	2,241,723	2,241,723	2,149,493	(92,230)
Pupil support services	630,055	1,122,692	833,071	(289,621)
Sites and buildings	2,719,750	4,723,750	3,494,476	(1,229,274)
<b>Debt service</b>				
Principal	59,134	59,134	59,134	-
Interest and fiscal charges	10,710	10,710	10,710	-
Total expenditures	<u>161,777,674</u>	<u>166,114,586</u>	<u>163,760,783</u>	<u>(2,353,803)</u>
Excess of revenues under expenditures	(3,561,207)	(2,463,468)	3,591,722	6,055,190
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	25,000	25,000	58,683	33,683
Transfers out	(312,359)	(312,359)	(321,522)	(9,163)
Total other financing sources (uses)	<u>(287,359)</u>	<u>(287,359)</u>	<u>(262,839)</u>	<u>24,520</u>
Net change in fund balance	<u>\$ (3,848,566)</u>	<u>\$ (2,750,827)</u>	3,328,883	<u>\$ 6,079,710</u>
<b>Fund Balance</b>				
Beginning of year			22,695,065	
Change in accounting principle (Note 12)			206,472	
Beginning of year, restated			<u>22,901,537</u>	
End of year			<u>\$ 26,230,420</u>	

See notes to financial statements.

**Independent School District No. 271**  
**Statement of Net Position - Proprietary Funds**  
**As of June 30, 2020**

	Governmental Activities - Internal Service Funds
<b>Assets</b>	
Cash and cash equivalents	\$ 26,422,519
Investments	11,684,682
Interfund receivable	2,792,587
Interest receivable	259,626
	\$ 41,159,414
<b>Liabilities and Net Position</b>	
Liabilities	
Incurred but not reported claims	\$ 1,787,195
Benefits payable	1,402,545
Unearned revenue	4,970,367
Total liabilities	8,160,107
Net Position	
Unrestricted	32,999,307
Total liabilities and net position	\$ 41,159,414

**Independent School District No. 271**  
**Statement of Revenues, Expenses, and Changes**  
**in Fund Net Position - Proprietary Funds**  
**Year Ended June 30, 2020**

	<u>Governmental Activities - Internal Service Funds</u>
<b>Operating Revenue</b>	
Charges for services	\$ 22,213,214
District contribution	342,808
Total revenue	<u>22,556,022</u>
<b>Operating Expenses</b>	
Salaries and benefits	54,996
Employee benefits	20,100,501
Administrative	1,799,887
Total operating expenses	<u>21,955,384</u>
Operating income	600,638
<b>Nonoperating Revenue</b>	
Investment income	<u>711,538</u>
Income before transfers	1,312,176
<b>Net Position</b>	
Beginning of year	<u>31,687,131</u>
End of year	<u><u>\$ 32,999,307</u></u>

**Independent School District No. 271**  
**Statement of Cash Flows - Proprietary Funds**  
**As of June 30, 2020**

	Governmental Activities - Internal Service Funds
<b>Cash Flows - Operating Activities</b>	
Receipts from employee contributions	\$ 22,191,008
Receipts from district contributions	579,080
Employee claims paid	(19,759,498)
Payments to employees	(397,804)
Payments to suppliers	(1,819,467)
Net cash flows - operating activities	793,319
<b>Cash Flows - Investment Activities</b>	
Investment purchases	1,784,919
Interest received	668,889
Net cash flows - investment activities	2,453,808
Net change in cash and cash equivalents	3,247,127
<b>Cash and Cash Equivalents</b>	
Beginning of year	23,175,392
End of year	\$ 26,422,519
<b>Reconciliation of Operating Income to</b>	
<b>Net Cash Flows - Operating Activities</b>	
Operating income	\$ 600,638
Adjustments to reconcile operating income	
To net cash flows - operating activities	
Accounts payable	(19,580)
Benefits payable	236,272
Incurred but not reported dental claims	(1,805)
Due from other governments	1,027
Interfund receivable	(10,142)
Unearned revenue	(13,091)
Net adjustments	192,681
Net cash flows - operating activities	\$ 793,319



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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**A. Reporting Entity**

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

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

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

As of July 1, 2019, the student activity accounts of the District have been taken under board control and will not be reported separately.

**B. Basic Financial Statement Information**

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

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

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

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

**B. Basic Financial Statement Information (Continued)**

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

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

**C. Measurement Focus and Basis of Accounting**

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

**1. Revenue Recognition**

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

**2. Recording of Expenditures**

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

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

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

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

**C. Measurement Focus and Basis of Accounting (Continued)**

**2. Recording of Expenditures (Continued)**

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

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

**Description of Funds:**

Major Funds:

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

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

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

Nonmajor Funds:

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

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

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

Proprietary Funds:

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

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

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

**D. Deposits and Investments**

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

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

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

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

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

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

**E. Property Tax Receivable**

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

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

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

**F. Property Taxes Levied for Subsequent Year's Expenditures**

Property taxes levied for subsequent year's expenditures consist principally of property taxes levied in the current year which will be collected and recognized as revenue in the District's following fiscal year to properly match those revenues with the budgeted expenditures for which they were levied. This amount is equal to the amount levied by the School Board in December 2019, less various components and their related adjustments as mandated by the state. These portions of that levy were recognized as revenue in 2020. The remaining portion of the levy will be recognized when measurable and available.

**G. Inventories**

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

**H. Prepaid Items**

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

**I. Property Taxes**

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

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

**J. Capital Assets**

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

Capital assets are defined by the District as assets with an initial individual cost of more than \$4,000 and an estimated useful life in excess of one year. Such assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their acquisition value at the date of donation.

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

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

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

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

**J. Capital Assets (Continued)**

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

**K. Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has three items that qualify for reporting in this category. A deferred charge on refunding, deferred outflows of resources related to pensions, and deferred outflows of resources related to OPEB are reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows of resources related to pensions is recorded for various estimate differences that will be amortized and recognized over future years. Deferred outflows of resources related to OPEB is recorded for various estimate differences that will be amortized and recognized over future years.

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

**L. Long-Term Obligations**

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

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

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

**L. Long-Term Obligations (Continued)**

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

**M. Compensated Absences**

The District compensates most full-time classified employees upon termination of employment for unused vacation up to a set maximum. At June 30, 2020, the District recorded a liability of \$1,402,545 for unused vacation in the Internal Service Fund. District employees are entitled to sick leave at various rates for each month of full-time service. Certain employees are compensated for unused sick leave upon termination of employment; unused sick leave also enters into the calculation of some employee's severance pay.

**N. Pensions**

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

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

**O. Fund Equity**

**1. Classification**

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

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



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

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

**O. Fund Equity (Continued)**

**1. Classification (Continued)**

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

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

**2. Minimum Fund Balance Policy**

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

**P. Net Position**

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

**Q. Use of Estimates**

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

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

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

**R. Budgetary Information**

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

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

**NOTE 2 – DEPOSITS AND INVESTMENTS**

**A. Deposits**

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

Custodial Credit Risk – Deposits: The District has a policy in place to address custodial credit risk for deposits, stating all deposits will be invested at financial institutions that are members of the Federal Deposit Insurance Corporation (FDIC) system and be willing and capable of posting collateral, private insurance or letters of credit for funds in excess of FDIC insurable limits and in amounts required by the District. The District had certificates of deposit totaling \$38,669,536 at June 30, 2020, the District was not exposed to custodial credit risk on deposits.

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

**NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)**

**B. Investments**

As of June 30, 2020, the District had the following investments:

Investment	Weighted Average Maturities (in Years)	Fair Value	Moody's/ S&P Rating
Pooled Investments			
MSDLAF+ Liquid Class	N/A	\$ 588,924	AAAm
MSDLAF+ Max Class	N/A	463,202	AAAm
Minnesota Trust Investment Shares	N/A	27,840,420	AAAm
Negotiable Certificates of Deposit	0.74	1,989,599	N/A
Term Series	0.07	15,000,000	AAAm
Limited Term Series	N/A	5,328,500	AAAm
Total pooled investments		51,210,645	
OPEB Investments			
Minnesota Trust Investment Shares	N/A	1,864,156	AAAm
Local Government Obligations	1.22	4,538,624	A3, Aa2
Total OPEB investments		6,402,780	
Capital Project Investments			
Minnesota Trust Investment Shares	N/A	4,075,175	AAAm
Local Governmental Obligations	0.05	1,254,308	AA, AA+
Term Series	0.07	3,000,000	AAAm
Total capital projects investments		8,329,483	
Total investments		\$ 65,942,908	

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

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

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

**NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)**

**B. Investments (Continued)**

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

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

The District has the following recurring fair value measurements as of June 30, 2020:

- Investments of \$13,111,031 are significant other observable inputs (Level 2 inputs)

**C. Deposits and Investments**

Summary of cash, deposits, and investments as of June 30, 2020:

Deposits	\$	38,669,536
Investments (Note 3.B.)		65,942,908
Petty cash		2,100
		2,100
Total deposits and investments	\$	104,614,544

Cash, deposits, and investments are presented in the June 30, 2020, basic financial statements as follows:

Statement of Net Position		
Cash and investments	\$	104,614,544

**NOTE 3 – INTERFUND TRANSACTIONS**

**A. Interfund Transfers**

		Transfers in
		Other
		Nonmajor
Transfers out		
General Fund	\$	321,522

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

**NOTE 3 – INTERFUND TRANSACTIONS (CONTINUED)**

**A. Interfund Transfers (Continued)**

Transfers of \$321,522 was made from the General Fund to the other nonmajor funds to subsidize certain costs at the Pond and Southwood Early Learning Centers.

**B. Interfund Receivable/Payable**

	Interfund Payable		
	General	Other Nonmajor	Total
Interfund receivable			
Internal service fund	\$ 2,550,984	\$ 241,603	\$ 2,792,587

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

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2020, follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land and land improvements	\$ 2,085,954	\$ -	\$ -	\$ 2,085,954
Construction in progress	2,331,601	17,516,862	2,331,601	17,516,862
Total capital assets not being depreciated	4,417,555	17,516,862	2,331,601	19,602,816
Capital assets being depreciated				
Buildings and building improvements, furniture, and equipment	255,505,925	1,179,465	-	256,685,390
Total capital assets being depreciated	15,408,469	982,501	794,085	15,596,885
Total capital assets being depreciated	270,914,394	2,161,966	794,085	272,282,275
Less accumulated Depreciation for				
Buildings and building improvements	137,238,096	9,568,770	-	146,806,866
Furniture and equipment	11,525,429	792,785	755,287	11,562,927
Total accumulated depreciation	148,763,525	10,361,555	755,287	158,369,793
Total capital assets being depreciated, net	122,150,869	(8,199,589)	38,798	113,912,482
Governmental activities, capital assets, net	\$ 126,568,424	\$ 9,317,273	\$ 2,370,399	\$ 133,515,298

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

**NOTE 4 – CAPITAL ASSETS (CONTINUED)**

Depreciation expense for the year ended June 30, 2020, was charged to the following functions:

Administration	\$ 1,072
District support services	1,110
Elementary and secondary regular instruction	60,048
Special education instruction	4,581
Community service	12,659
Instructional support	32,398
Pupil support	516,176
Food service	30,920
Unallocated	<u>9,702,591</u>
 Total depreciation expense	 <u><u>\$ 10,361,555</u></u>

**NOTE 5 – LONG-TERM DEBT**

**A. Components of Long-Term Liabilities**

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One Year
Long-term liabilities						
G.O. bonds including						
Refunding bonds						
2013A Alternative Facilities Bonds	06/04/13	3.00%-5.00%	\$ 16,275,000	02/01/34	\$ 16,175,000	\$ -
2013B School Refunding Bonds	06/04/13	1.50%-2.00%	11,780,000	02/01/20	-	-
2014A School Refunding Bonds	12/30/14	1.08%	23,490,000	02/01/20	-	-
2014B Alternative Facilities Bonds	12/30/14	3.47%	25,965,000	02/01/38	25,965,000	-
2015A School Refunding Bonds	12/30/15	2.00-5.00%	29,390,000	02/01/24	28,720,000	8,090,000
2017A Facility Maintenance Bonds	03/23/17	3.375-4.00%	24,915,000	02/01/41	24,915,000	-
2017B Taxable Refunding OPEB Bonds	03/23/17	0.85-2.70%	11,470,000	02/01/25	10,615,000	105,000
2019A Facility Maintenance Bonds	03/14/19	3.00-5.00%	23,935,000	02/01/42	23,935,000	-
Build America Bonds	09/29/10	6.15%	600,000	05/15/22	129,576	62,827
Total G.O. bonds					<u>130,454,576</u>	<u>8,257,827</u>
Unamortized bond premiums					3,576,385	
Other long-term liabilities						
Compensated absences payable					1,402,545	140,255
Severance payable					<u>343,699</u>	<u>34,370</u>
Total long-term liabilities					<u><u>\$ 135,777,205</u></u>	<u><u>\$ 8,432,452</u></u>

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

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

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

**NOTE 5 – LONG-TERM DEBT (CONTINUED)**

**B. Minimum Debt Payments for Bonds and Loans**

Year Ending June 30,	G.O. Bonds			Build America Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 8,195,000	\$ 4,890,758	\$ 13,085,758	\$ 62,827	\$ 7,018	\$ 69,845
2022	8,890,000	4,484,158	13,374,158	66,749	3,095	69,844
2023	8,820,000	4,042,598	12,862,598	-	-	-
2024	9,040,000	3,604,458	12,644,458	-	-	-
2025	4,390,000	3,297,130	7,687,130	-	-	-
2026-2030	16,580,000	14,529,100	31,109,100	-	-	-
2031-2035	27,505,000	11,203,563	38,708,563	-	-	-
2036-2040	38,310,000	5,669,564	43,979,564	-	-	-
2041-2042	8,595,000	312,788	8,907,788	-	-	-
Total	<u>\$ 130,325,000</u>	<u>\$ 52,034,115</u>	<u>\$ 182,359,115</u>	<u>\$ 129,576</u>	<u>\$ 10,113</u>	<u>\$ 139,689</u>

**C. Changes in Long-Term Liabilities**

	Beginning Balance	Additions	Reductions	Ending Balance
Long-term liabilities				
G.O. Bonds	\$ 138,020,000	\$ -	\$ 7,695,000	\$ 130,325,000
Build America Bonds	188,710	-	59,134	129,576
Unamortized bond premiums	4,967,492	-	1,391,107	3,576,385
Compensated absence payable	1,166,273	986,772	750,500	1,402,545
Severance benefits payable	343,699	-	-	343,699
Total long-term liabilities	<u>\$ 144,686,174</u>	<u>\$ 986,772</u>	<u>\$ 9,895,741</u>	<u>\$ 135,777,205</u>

**NOTE 6 – FUND BALANCES**

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

**Fund Equity**

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

**A. Restricted/Reserved Fund Equity**

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

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

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

**NOTE 6 – FUND BALANCES (CONTINUED)**

**A. Restricted/Reserved Fund Equity (Continued)**

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

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

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

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

Restricted/Reserved for Achievement and Integration Revenue – This balance represents unspent resources available from the achievement and integration program.

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

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

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

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

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

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



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

**NOTE 6 – FUND BALANCES (CONTINUED)**

**A. Restricted/Reserved Fund Equity (Continued)**

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

**B. Committed Fund Equity**

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

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

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

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

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

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

**C. Government-Wide Restrictions**

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

**NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE**

The District participates in various pension plans, total pension expense for the year ended June 30, 2020, was \$18,727,109. The components of pension expense are noted in the following plan summaries.

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

**Teachers' Retirement Association**

**A. Plan Description**

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

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

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

**Teachers' Retirement Association (Continued)**

**B. Benefits Provided**

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

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

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

*Tier I Benefits*

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

With these provisions:

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

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

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

**Teachers' Retirement Association (Continued)**

**B. Benefits Provided (Continued)**

*Tier II Benefits*

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

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

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

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

**C. Contribution Rate**

Per *Minnesota Statutes*, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year ended June 30, 2018, June 30, 2019, and June 30, 2020, were:

	<u>June 30, 2018</u>		<u>June 30, 2019</u>		<u>June 30, 2020</u>	
	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>
Basic	11.0%	11.5%	11.0%	11.71%	11.0%	11.92%
Coordinated	7.5%	7.5%	7.5%	7.71%	7.5%	7.92%

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

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

**Teachers' Retirement Association (Continued)**

**C. Contribution Rate (Continued)**

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

Employer contributions reported in TRA's CAFR Statement of Changes in Fiduciary Net Position	\$ 403,300
Deduct Employer contributions not related to future contribution efforts	(688)
Deduct TRA's contributions not included in allocation	<u>(486)</u>
Total employer contributions	402,126
Total non-employer contributions	<u>35,588</u>
Total contributions reported in <i>Schedule of Employer and Non-Employer Pension Allocations</i>	<u><u>\$ 437,714</u></u>

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

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

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

**Teachers' Retirement Association (Continued)**

**D. Actuarial Assumptions**

The total pension liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

**Key Methods and Assumptions Used in Valuation of Total Pension Liability**

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**Actuarial Information**

Valuation date	July 1, 2019
Experience study	June 5, 2015
	November 6, 2017 (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	7.50%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028 and 3.25% thereafter
Projected salary increase	2.85% to 8.85% before July 1, 2028 and 3.25% to 9.25% thereafter
Cost of living adjustment	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.

**Mortality Assumption**

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

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

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

**Teachers' Retirement Association (Continued)**

**D. Actuarial Assumptions (Continued)**

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

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

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

Changes in actuarial assumptions since the 2018 valuation:

- The cost of living adjustment (COLA) was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.

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

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

**Teachers' Retirement Association (Continued)**

**D. Actuarial Assumptions (Continued)**

- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019, and ending July 1, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to 0.0% beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers was reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

**E. Discount Rate**

The discount rate used to measure the total pension liability was 7.5%. There was no change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 2018 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

**F. Net Pension Liability**

On June 30, 2020, the District reported a liability of \$84,736,235 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. The District's proportionate share was 1.3294% at the end of the measurement period and 1.3098% for the beginning of the year.

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

District's proportionate share of net pension liability	\$ 84,736,235
State's proportionate share of the net pension liability associated with the District	7,498,653

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

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

**Teachers' Retirement Association (Continued)**

**F. Net Pension Liability (Continued)**

For the year ended June 30, 2020, the District recognized pension expense of \$16,516,918. It also recognized \$569,987 as an increase to this pension expense for the support provided by direct aid.

On June 30, 2020, the District had deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 12,174	\$ 1,993,179
Net difference between projected and actual earnings on plan investments	-	6,784,218
Changes of assumptions	67,566,450	109,846,467
Changes in proportion	8,252,063	2,056,872
Contributions to TRA subsequent to the measurement date	6,199,933	-
Total	\$ 82,030,620	\$ 120,680,736

\$6,199,933 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

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

Year Ended June 30,	Pension Expense Amount
2021	\$ 4,848,317
2022	(226,061)
2023	(29,297,944)
2024	(20,222,443)
2025	48,082
Total	\$ (44,850,049)



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

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

**Teachers' Retirement Association (Continued)**

**G. Pension Liability Sensitivity**

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

District proportionate share of NPL		
1% decrease (6.50%)	Current (7.50%)	1% increase (8.50%)
\$ 135,090,278	\$ 84,736,235	\$ 43,220,070

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

**H. Pension Plan Fiduciary Net Position**

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

**Public Employees' Retirement Association**

**A. Plan Description**

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

**General Employees Retirement Plan**

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

**B. Benefits Provided**

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

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

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

**Public Employees' Retirement Association (Continued)**

**B. Benefits Provided (Continued)**

General Employees Plan Benefits

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

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1.0% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. 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.

**C. Contributions**

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5%, of their annual covered salary in fiscal year 2020 and the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2020, were \$2,156,207. The District's contributions were equal to the required contributions as set by state statute.

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

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

**Public Employees' Retirement Association (Continued)**

**D. Pension Costs**

General Employees Fund Pension Costs

At June 30, 2020, the District reported a liability of \$22,247,795 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 to the fund in 2019. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$691,470. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the District's proportionate share was 0.4024% at the end of the measurement period and 0.3912% for the beginning of the period.

District's proportionate share of net pension liability	\$ 22,247,795
State's proportionate share of the net pension liability associated with the District	691,470
Total	\$ 22,939,265

For the year ended June 30, 2020, the District recognized pension expense of \$2,210,191 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional \$51,785 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At June 30, 2020, the District reported its proportionate share of deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources as listed on the following page.

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

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

**Public Employees' Retirement Association (Continued)**

**D. Pension Costs (Continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 619,652	\$ -
Changes in actuarial assumptions	-	1,734,198
Difference between projected and actual investments earnings	-	2,187,511
Change in proportion	465,999	806,503
Contributions paid to PERA subsequent to the measurement date	2,156,207	-
Total	\$ 3,241,858	\$ 4,728,212

The \$2,156,207 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense
2021	\$ (1,522,630)
2022	(1,878,701)
2023	(277,079)
2024	35,849
Total	\$ (3,642,561)

**E. Actuarial Assumptions**

The total pension liability in the June 30, 2019, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

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

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

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

**Public Employees' Retirement Association (Continued)**

**E. Actuarial Assumptions (Continued)**

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year.

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2019:

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

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

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

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

**Public Employees' Retirement Association (Continued)**

**F. Actuarial Assumptions (Continued)**

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

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

**F. Discount Rates**

The discount rate used to measure the total pension liability in 2019 was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**G. Pension Liability Sensitivity**

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

	<u>1% Decrease in Discount Rate (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase in Discount Rate (8.5%)</u>
District's proportionate share of the PERA net pension liability	\$ 36,574,176	\$ 22,247,795	\$ 10,418,518

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

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

**Public Employees' Retirement Association (Continued)**

**H. Pension Plan Fiduciary Net Position**

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

**NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN**

**A. Plan Description**

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

**B. Benefits Provided**

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

**C. Contributions**

Retirees contribute to the health care plan at the same rate as District employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the District, based on the contract terms with Corporate Health. The required contributions are based on projected pay-as-you-go financing requirements. For the year 2020, the District contributed \$611,558 to the plan.

**D. Members**

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

Active employees electing coverage	1,409
Active employees waiving coverage	449
Retirees electing coverage	45
	<hr/>
Total	1,903
	<hr/> <hr/>

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

**NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)**

**E. Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

---

Discount Rate	3.13%
Expected Return	n/a
Inflation	2.50%
Healthcare cost trend increases	6.9% initially, decreasing over several decades to an ultimate rate of 4.0%
Mortality Assumption	RP-2014 mortality tables with projected mortality improvements based on Scale MP-2017 and other adjustments

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

Actuary's assumption changes:

- The discount rate used to measure the total OPEB liability was 3.13%, an increase from 3.62% in the prior year, based on updated 20-year municipal bond rates.

**F. Total OPEB Liability**

The District's total OPEB liability of \$12,196,862 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.



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

**NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)**

**F. Total OPEB Liability (Continued)**

Changes in the total OPEB liability are as follows:

	Total OPEB Liability
Balances at June 30, 2019	\$ 11,237,919
Changes for the year	
Service cost	807,734
Interest	424,983
Differences between expected and actual economic experience	-
Changes in assumptions	337,784
Employer contributions	-
Net investment income	-
Benefit payments	(611,558)
Administrative expense	-
Other charges	-
Net changes	958,943
Balances at June 30, 2020	\$ 12,196,862

Changes of assumptions and other inputs reflect a change in the discount rate from 3.62% in 2018 to 3.13% in 2019 based on updated 20-year municipal bond rates.

**G. OPEB Liability Sensitivity**

The following presents the District's total OPEB liability calculated using the discount rate of 3.13% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

	1% decrease (2.13%)	Current (3.13%)	1% increase (4.13%)
Total OPEB liability (asset)	\$ 12,891,218	\$ 12,196,862	\$ 11,511,037

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

	1% decrease (5.9% decreasing to 3.0%)	Current (6.9% decreasing to 4.0%)	1% increase (7.9% decreasing to 5.0%)
Total OPEB liability (asset)	\$ 11,290,481	\$ 12,196,862	\$ 13,278,550

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

**NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)**

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$1,104,099. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	\$ -	\$ -
Differences between expected and actual economic experience	-	334,622
Changes of assumptions	297,998	734,909
Contributions made subsequent to measurement date	737,698	-
Total	\$ 1,035,696	\$ 1,069,531

\$737,698 reported as deferred outflows of resources related to OPEB resulting from District contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

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

Year Ending December 31,	Total
2021	\$ (128,618)
2022	(128,618)
2023	(128,618)
2024	(128,618)
2025	(128,618)
Thereafter	(128,443)
Total	\$ (771,533)

**NOTE 9 – CONTINGENCIES**

**Program Compliance**

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

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

**NOTE 10 – RISK MANAGEMENT**

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

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

Payments are made based on actuarial estimates of the amounts needed to pay claims. The Dental Insurance Internal Service Fund includes a reserve of \$1,207,214 for catastrophe losses. The total claims liability reported in the Fund at June 30, 2020, is \$27,195 and include amounts for known claims and for estimated incurred but not reported claims. These estimates are determined based on the probability that a loss has occurred and the amount of the loss can be reasonably estimated.

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

	Balance Beginning of Year	Claims, Expense, and Estimates	Claims Payments	Balance End of Year
2017-2018	\$ 37,000	\$ 1,170,194	\$ (1,180,194)	\$ 27,000
2018-2019	27,000	1,236,026	(1,234,026)	29,000
2019-2020	29,000	1,117,841	(1,119,646)	27,195

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

The General, Food Service, Community Service, and Agency Funds of the District participate in the program and make payments to the Self Insured Medical Benefits Internal Service Fund. Based on the requirements of GASB Statement No. 10, a liability is reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Participants in the program make premium payments to the fund based on the insurance premium. The Self Insured Medical Benefits Internal Service Fund does not include a reserve for catastrophe losses. The total claims liability reported in the Fund at June 30, 2020, is \$1,760,000 and include amounts for known claims and for estimated incurred but not reported claims. These estimates are determined based on the probability that a loss has occurred and the amount of the loss can be reasonably estimated.

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

**NOTE 10 – RISK MANAGEMENT (CONTINUED)**

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

	Balance, Beginning of Year	Claims, Expense and Estimates	Claims Payments	Balance, End of Year
2017-2018	\$ 1,710,691	\$ 17,414,089	\$ (17,364,780)	\$ 1,760,000
2018-2019	1,760,000	16,606,209	(16,606,209)	1,760,000
2019-2020	1,760,000	18,350,611	(18,350,611)	1,760,000

**NOTE 11 – COMMITMENTS**

At June 30, 2020, the District had various construction contract commitments for projects outstanding totaling \$5,034,394.

**NOTE 12 – CHANGE IN ACCOUNTING PRINCIPLE**

For the fiscal year ended June 30, 2020, the District has adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities. The student activity accounts of the District, as of July 1, 2019, have been taken under board control and will not be reported separately. Balances of prior year agency and private purpose trust funds are also now presented within governmental funds in response to the new accounting guidance. These adjustments affected beginning fund balance for the General Fund in the amount of \$206,472, the nonmajor Community Service Fund in the amount of (\$62,230), and beginning net position for governmental activities in the amount of \$144,242.

**NOTE 13 – SUBSEQUENT EVENTS**

On September 3, 2020, the District issued \$27,205,000 General Obligation Facilities Maintenance Bonds, Series 2020A. Pursuant to a resolution adopted by the School Board on August 10, 2020, the Board authorized the sale of its General Obligation Maintenance and Refunding Bonds, Series 2020A, to finance deferred maintenance projects included in the ten-year facility plan of the District and approved by the Commissioner of Education.

**NOTE 14 – GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED**

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

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**REQUIRED SUPPLEMENTARY INFORMATION**

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

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

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

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

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

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

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

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

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



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

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	\$ 1,804,559	\$ 1,804,559	\$ -	\$ 24,890,469	7.25%
2015	1,959,747	1,959,747	-	26,129,960	7.50%
2016	1,962,014	1,962,014	-	26,160,187	7.50%
2017	1,968,704	1,968,704	-	26,249,387	7.50%
2018	1,971,779	1,971,779	-	26,290,387	7.50%
2019	2,135,936	2,135,936	-	28,479,147	7.50%
2020	2,156,207	2,156,207	-	28,749,427	7.50%

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

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

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	\$ 4,302,335	\$ 4,302,335	\$ -	\$ 61,461,929	7.00%
2015	5,104,212	5,104,212	-	68,056,160	7.50%
2016	4,909,723	4,909,723	-	65,462,973	7.50%
2017	5,069,032	5,069,032	-	67,587,093	7.50%
2018	5,427,459	5,427,459	-	72,366,120	7.50%
2019	5,818,880	5,818,880	-	75,471,855	7.71%
2020	6,199,933	6,199,933	-	78,281,982	7.92%

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

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

**TRA Retirement Fund**

**2019 Changes**

Changes in Actuarial Assumptions

- None

**2018 Changes**

Changes in Actuarial Assumptions

- The discount rate was increased to 7.5% from 5.12%.
- The cost of living adjustment (COLA) was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019, and ending July 1, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to 0.0% beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers was reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

**2017 Changes**

Changes in Actuarial Assumptions

- The discount rate was increased to 5.12% from 4.66%.
- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5% but remain at 2.0% for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 2.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for ten years followed by 3.25% thereafter.

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

**TRA Retirement Fund (Continued)**

**2017 Changes (Continued)**

Changes in Actuarial Assumptions (Continued)

- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

**2016 Changes**

Changes in Actuarial Assumptions

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

**2015 Changes**

Changes of Benefit Terms

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

Changes in Actuarial Assumptions

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

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

**General Employees Fund**

**2019 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**2018 Changes**

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

**2017 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

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

**General Employees Fund (Continued)**

**2016 Changes**

Changes in Actuarial Assumptions

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

**2015 Changes**

Changes in Plan Provisions

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

Changes in Actuarial Assumptions

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

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

**Post Employment Health Care Plan**

No assets are acclimated in a trust.

**2019 Changes**

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

**2018 Changes**

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

**2017 Changes**

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

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**SUPPLEMENTARY INFORMATION**



**Independent School District No. 271**  
**Combining Balance Sheet -**  
**Nonmajor Governmental Funds**  
**June 30, 2020**

	Special Revenue Funds			OPEB Debt Service	Total Nonmajor Funds
	Food Service	Community Service	Total		
<b>Assets</b>					
Cash and investments	\$ 1,399,682	\$ 5,998,951	\$ 7,398,633	\$ 341,097	\$ 7,739,730
Current property taxes receivable	-	1,099,421	1,099,421	195,213	1,294,634
Delinquent property taxes receivable	-	12,419	12,419	5,393	17,812
Accounts receivable	1,952	61,031	62,983	-	62,983
Due from Department of Education	-	381,718	381,718	-	381,718
Due from other Minnesota school districts	-	212,487	212,487	-	212,487
Due from Federal Government through Department of Education	236,264	280,148	516,412	-	516,412
Inventory	171,524	-	171,524	-	171,524
Prepaid items	-	691	691	-	691
<b>Total assets</b>	<b>\$ 1,809,422</b>	<b>\$ 8,046,866</b>	<b>\$ 9,856,288</b>	<b>\$ 541,703</b>	<b>\$ 10,397,991</b>
<b>Liabilities</b>					
Accounts payable	\$ 92,663	\$ 202,720	\$ 295,383	\$ -	\$ 295,383
Salaries and benefits payable	464,435	667,305	1,131,740	-	1,131,740
Interfund payable	110,655	130,948	241,603	-	241,603
Unearned revenue	170,991	110,247	281,238	-	281,238
<b>Total liabilities</b>	<b>838,744</b>	<b>1,111,220</b>	<b>1,949,964</b>	<b>-</b>	<b>1,949,964</b>
<b>Deferred Inflows of Resources</b>					
Property taxes levied for subsequent year's expenditures	-	1,949,428	1,949,428	346,169	2,295,597
Unavailable revenue - delinquent property taxes	-	7,569	7,569	3,466	11,035
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>1,956,997</b>	<b>1,956,997</b>	<b>349,635</b>	<b>2,306,632</b>
<b>Fund Balances</b>					
Nonspendable					
Inventory	171,524	-	171,524	-	171,524
Prepaid items	-	691	691	-	691
Restricted					
Community education programs	-	2,910,184	2,910,184	-	2,910,184
Adult basic education	-	1,063,582	1,063,582	-	1,063,582
Early childhood family and education programs	-	501,353	501,353	-	501,353
School readiness	-	502,839	502,839	-	502,839
Fund purpose	799,154	-	799,154	192,068	991,222
<b>Total fund balances</b>	<b>970,678</b>	<b>4,978,649</b>	<b>5,949,327</b>	<b>192,068</b>	<b>6,141,395</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 1,809,422</b>	<b>\$ 8,046,866</b>	<b>\$ 9,856,288</b>	<b>\$ 541,703</b>	<b>\$ 10,397,991</b>

**Independent School District No. 271**  
**Combining Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances - Nonmajor Governmental Funds**  
**Year Ended June 30, 2020**

	Special Revenue Funds			OPEB Debt Service	Total Nonmajor Funds
	Food Service	Community Service	Total		
<b>Revenues</b>					
Local property taxes	\$ -	\$ 2,256,892	\$ 2,256,892	\$ 735,951	\$ 2,992,843
Other local and county revenues	29,623	5,011,367	5,040,990	6,771	5,047,761
Revenue from state sources	228,844	3,314,611	3,543,455	-	3,543,455
Revenue from federal sources	3,812,823	803,764	4,616,587	-	4,616,587
Sales and other conversion of assets	1,359,646	-	1,359,646	-	1,359,646
Interdistrict revenue	-	212,487	212,487	-	212,487
Total revenues	<u>5,430,936</u>	<u>11,599,121</u>	<u>17,030,057</u>	<u>742,722</u>	<u>17,772,779</u>
<b>Expenditures</b>					
Current					
Elementary and secondary regular instruction	-	124,283	124,283	-	124,283
Food service	5,294,113	-	5,294,113	-	5,294,113
Community education and services	-	11,897,473	11,897,473	-	11,897,473
Capital outlay					
Community education and services	-	248,584	248,584	-	248,584
Debt service					
Principal	-	-	-	445,000	445,000
Interest and fiscal charges	-	-	-	283,753	283,753
Total expenditures	<u>5,294,113</u>	<u>12,270,340</u>	<u>17,564,453</u>	<u>728,753</u>	<u>18,293,206</u>
Excess of revenues over (under) expenditures	136,823	(671,219)	(534,396)	13,969	(520,427)
<b>Other Financing Source</b>					
Transfers in	-	321,522	321,522	-	321,522
Net change in fund balances	136,823	(349,697)	(212,874)	13,969	(198,905)
<b>Fund Balances</b>					
Beginning of year	833,855	5,390,576	6,224,431	178,099	6,402,530
Change in accounting principle (See Note 12)	-	(62,230)	(62,230)	-	(62,230)
Beginning of year, restated	<u>833,855</u>	<u>5,328,346</u>	<u>6,162,201</u>	<u>178,099</u>	<u>6,340,300</u>
End of year	<u>\$ 970,678</u>	<u>\$ 4,978,649</u>	<u>\$ 5,949,327</u>	<u>\$ 192,068</u>	<u>\$ 6,141,395</u>

**Independent School District No. 271**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - Food Service Fund**  
**Year Ended June 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues</b>				
Other local and county revenues	\$ 19,999	\$ 19,999	\$ 29,623	\$ 9,624
Revenue from state sources	250,436	250,436	228,844	(21,592)
Revenue from federal sources	2,847,178	2,847,178	3,812,823	965,645
Sales and other conversion of assets	1,961,098	1,961,098	1,359,646	(601,452)
Total revenues	<u>5,078,711</u>	<u>5,078,711</u>	<u>5,430,936</u>	<u>352,225</u>
<b>Expenditures</b>				
Current				
Food service	<u>5,127,495</u>	<u>5,127,495</u>	<u>5,294,113</u>	<u>166,618</u>
Excess of revenues over (under) expenditures	<u>\$ (48,784)</u>	<u>\$ (48,784)</u>	136,823	<u>\$ 185,607</u>
<b>Fund Balance</b>				
Beginning of year			<u>833,855</u>	
End of year			<u>\$ 970,678</u>	

**Independent School District No. 271**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - Community Service Fund**  
**Year Ended June 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues</b>				
Local property taxes	\$ 2,301,631	\$ 2,301,631	\$ 2,256,892	\$ (44,739)
Other local and county revenues	6,102,020	6,102,020	5,011,367	(1,090,653)
Revenue from state sources	3,308,544	3,308,544	3,314,611	6,067
Revenue from federal sources	715,295	715,295	803,764	88,469
Interdistrict revenue	219,765	219,765	212,487	(7,278)
Total revenues	<u>12,647,255</u>	<u>12,647,255</u>	<u>11,599,121</u>	<u>(1,048,134)</u>
<b>Expenditures</b>				
Current				
Elementary and secondary regular instruction	111,556	111,556	124,283	12,727
Community education and services	13,104,863	13,043,863	11,897,473	(1,146,390)
Capital outlay				
Community education and services	243,000	243,000	248,584	5,584
Total expenditures	<u>13,459,419</u>	<u>13,398,419</u>	<u>12,270,340</u>	<u>(1,128,079)</u>
Excess of revenues over (under) expenditures	(812,164)	(751,164)	(671,219)	79,945
<b>Other Financing Sources</b>				
Transfers in	<u>312,359</u>	<u>312,359</u>	<u>321,522</u>	<u>9,163</u>
Net change in fund balance	<u>\$ (499,805)</u>	<u>\$ (438,805)</u>	<u>(349,697)</u>	<u>\$ 89,108</u>
<b>Fund Balance</b>				
Beginning of year			5,390,576	
Change in accounting principle (Note 12)			(62,230)	
Beginning of year, restated			<u>5,328,346</u>	
End of year			<u>\$ 4,978,649</u>	

**Independent School District No. 271**  
**Combining Statement of**  
**Net Position - Internal Service Funds**  
**June 30, 2020**

	Internal Service Funds				Total
	Retiree Benefits	Dental Insurance	Self Insured Medical Benefits	OPEB	
<b>Assets</b>					
Cash and cash equivalents	\$ 3,968,056	\$ 1,343,651	\$ 19,246,656	\$ 1,864,156	\$ 26,422,519
Investments	-	-	-	11,684,682	11,684,682
Interfund receivable	-	140,936	2,651,651	-	2,792,587
Interest receivable	-	-	-	259,626	259,626
<b>Total assets</b>	<u>\$ 3,968,056</u>	<u>\$ 1,484,587</u>	<u>\$ 21,898,307</u>	<u>\$ 13,808,464</u>	<u>\$ 41,159,414</u>
<b>Liabilities</b>					
Incurred but not reported claims	\$ -	\$ 27,195	\$ 1,760,000	\$ -	\$ 1,787,195
Benefits payable	1,402,545	-	-	-	1,402,545
Unearned revenue	-	250,178	4,720,189	-	4,970,367
<b>Total liabilities</b>	<u>1,402,545</u>	<u>277,373</u>	<u>6,480,189</u>	<u>-</u>	<u>8,160,107</u>
<b>Net Position</b>					
Unrestricted	<u>2,565,511</u>	<u>1,207,214</u>	<u>15,418,118</u>	<u>13,808,464</u>	<u>32,999,307</u>
<b>Total liabilities and net position</b>	<u>\$ 3,968,056</u>	<u>\$ 1,484,587</u>	<u>\$ 21,898,307</u>	<u>\$ 13,808,464</u>	<u>\$ 41,159,414</u>

**Independent School District No. 271**  
**Combining Statement of Revenues, Expenses, and Changes**  
**in Fund Net Position - Internal Service Funds**  
**Year Ended June 30, 2020**

	Internal Service Funds				Total
	Retiree Benefits	Dental Insurance	Self Insured Medical Benefits	OPEB	
Operating revenues					
Charges for services	\$ -	\$ 1,226,374	\$ 20,986,840	\$ -	\$ 22,213,214
Contribution	342,808	-	-	-	342,808
Total revenue	<u>342,808</u>	<u>1,226,374</u>	<u>20,986,840</u>	<u>-</u>	<u>22,556,022</u>
Operating expenses					
Salaries and benefits	-	54,996	-	-	54,996
Employee benefits	342,808	1,117,841	18,350,611	289,241	20,100,501
Administrative	-	75,119	1,722,018	2,750	1,799,887
Total operating expenses	<u>342,808</u>	<u>1,247,956</u>	<u>20,072,629</u>	<u>291,991</u>	<u>21,955,384</u>
Operating income (loss)	-	(21,582)	914,211	(291,991)	600,638
Nonoperating revenues					
Investment income	59,764	18,095	321,993	311,686	711,538
Income before transfers	59,764	(3,487)	1,236,204	19,695	1,312,176
Net position					
Beginning of year	<u>2,505,747</u>	<u>1,210,701</u>	<u>14,181,914</u>	<u>13,788,769</u>	<u>31,687,131</u>
End of year	<u>\$ 2,565,511</u>	<u>\$ 1,207,214</u>	<u>\$ 15,418,118</u>	<u>\$ 13,808,464</u>	<u>\$ 32,999,307</u>

**Independent School District No. 271**  
**Combining Statement of Cash Flows -**  
**Internal Service Funds**  
**As of June 30, 2020**

	Internal Service Funds				Total
	Retiree Benefits	Dental Insurance	Self Insured Medical Benefits	OPEB	
<b>Cash Flows - Operating Activities</b>					
Receipts from employee contributions	\$ -	\$ 1,224,080	\$ 20,966,928	\$ -	\$ 22,191,008
Receipts from district contributions	579,080	-	-	-	579,080
Employee claims paid	-	(1,119,646)	(18,350,611)	(289,241)	(19,759,498)
Payments to employees	(342,808)	(54,996)	-	-	(397,804)
Payments to suppliers	-	(75,119)	(1,741,598)	(2,750)	(1,819,467)
Net cash flows - operating activities	<u>236,272</u>	<u>(25,681)</u>	<u>874,719</u>	<u>(291,991)</u>	<u>793,319</u>
<b>Cash Flows - Investment Activities</b>					
Investment purchases	-	-	-	1,784,919	1,784,919
Interest received	59,764	18,095	321,993	269,037	668,889
Net cash flows - investment activities	<u>59,764</u>	<u>18,095</u>	<u>321,993</u>	<u>2,053,956</u>	<u>2,453,808</u>
Net change in cash and cash equivalents	296,036	(7,586)	1,196,712	1,761,965	3,247,127
<b>Cash and Cash Equivalents</b>					
Beginning of year	<u>3,672,020</u>	<u>1,351,237</u>	<u>18,049,944</u>	<u>102,191</u>	<u>23,175,392</u>
End of year	<u>\$ 3,968,056</u>	<u>\$ 1,343,651</u>	<u>\$ 19,246,656</u>	<u>\$ 1,864,156</u>	<u>\$ 26,422,519</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Flows - Operating Activities</b>					
Operating income (loss)	\$ -	\$ (21,582)	\$ 914,211	\$ (291,991)	\$ 600,638
Adjustments to reconcile operating income (loss) to net cash flows - operating activities					
Accounts payable	-	-	(19,580)	-	(19,580)
Benefits payable	236,272	-	-	-	236,272
Incurred but not reported claims	-	(1,805)	-	-	(1,805)
Due from other governments	-	-	1,027	-	1,027
Interfund receivable	-	400	(10,542)	-	(10,142)
Unearned revenue	-	(2,694)	(10,397)	-	(13,091)
Net adjustments	<u>236,272</u>	<u>(4,099)</u>	<u>(39,492)</u>	<u>-</u>	<u>192,681</u>
Net cash flows - operating activities	<u>\$ 236,272</u>	<u>\$ (25,681)</u>	<u>\$ 874,719</u>	<u>\$ (291,991)</u>	<u>\$ 793,319</u>

**Independent School District No. 271**  
**Uniform Financial Accounting and Reporting Standards**  
**Compliance Table**  
**Year Ended June 30, 2020**

	Audit	UFARS	Audit-UFARS		Audit	UFARS	Audit-UFARS
<b>01 GENERAL FUND</b>				<b>06 BUILDING CONSTRUCTION FUND</b>			
Total revenue	\$ 167,352,505	\$ 167,352,505	\$ -	Total revenue	\$ 323,813	\$ 323,813	\$ -
Total expenditures	163,760,783	163,760,783	-	Total expenditures	18,000,067	18,000,069	(2)
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
4.60 Nonspendable fund balance	283,934	283,934	-	4.60 Nonspendable fund balance	-	-	-
<i>Restricted/reserved:</i>				<i>Restricted/reserved:</i>			
4.01 Student Activities	148,489	148,489	-	4.07 Capital Projects Levy	-	-	-
4.02 Scholarships	45,645	45,645	-	4.09 Alternative Facility Program	-	-	-
4.03 Staff Development	-	-	-	4.13 Building Projects Funded by COP/LP	-	-	-
4.07 Capital Projects Levy	2,736,419	2,736,419	-	4.67 Long-term Facilities Maintenance	3,340,884	3,340,883	1
4.08 Cooperative Programs	-	-	-	<i>Restricted:</i>			
4.09 Alternative Facility Program	-	-	-	4.64 Restricted fund balance	-	-	-
4.13 Building Projects Funded by COP/LP	-	-	-	<i>Unassigned:</i>			
4.14 Operating Debt	-	-	-	4.63 Unassigned fund balance	-	-	-
4.16 Levy Reduction	-	-	-				
4.17 Taconite Building Maintenance	-	-	-	<b>07 DEBT SERVICE FUND</b>			
4.24 Operating Capital	6,074,729	6,074,729	-	Total revenue	\$ 11,705,358	\$ 11,705,357	\$ 1
4.26 \$25 Taconite	-	-	-	Total expenditures	12,067,345	12,067,344	1
4.27 Disabled Accessibility	-	-	-	<i>Nonspendable:</i>			
4.28 Learning and Development	-	-	-	4.60 Nonspendable fund balance	-	-	-
4.34 Area Learning Center	-	-	-	<i>Restricted/reserved:</i>			
4.35 Contracted Alternative Programs	-	-	-	4.25 Bond refunding	-	-	-
4.36 State Approved Alternative Program	699,630	699,630	-	4.33 Maximum effort loan aid	-	-	-
4.38 Gifted and Talented	-	-	-	4.51 QZAB payments	-	-	-
4.40 Teacher Development and Evaluation	-	-	-	4.67 LTFM	-	-	-
4.41 Basic Skills Programs	-	-	-	<i>Restricted:</i>			
4.45 Career Technical Programs	-	-	-	4.64 Restricted fund balance	1,114,923	1,114,923	-
4.48 Achievement and Integration Revenue	84,692	84,692	-	<i>Unassigned:</i>			
4.49 Safe School Crime	-	-	-	4.63 Unassigned fund balance	-	-	-
4.51 QZAB Payments	-	-	-				
4.52 OPEB Liabilities not Held in Trust	-	-	-	<b>08 TRUST FUND</b>			
4.53 Unfunded Severance and Retirement Levy	-	-	-	Total revenue	\$ -	\$ -	\$ -
4.59 Basic Skills Extended Time	-	-	-	Total expenditures	-	-	-
4.67 Long-term Facilities Maintenance	-	-	-	<i>Unassigned:</i>			
4.72 Medical Assistance	308,394	308,394	-	4.01 Student Activities	-	-	-
4.75 Title VII - Impact Aid	-	-	-	4.02 Scholarships	-	-	-
4.76 Payments in Lieu of Taxes	-	-	-	4.22 Net position	-	-	-
<i>Restricted:</i>				<b>18 CUSTODIAL</b>			
4.72 Medical Assistance	-	-	-	Total revenue	\$ -	\$ -	\$ -
4.64 Restricted fund balance	-	-	-	Total expenditures	-	-	-
4.75 Title VII - Impact Aid	-	-	-	<i>Restricted/Reserved</i>			
4.76 Payments in Lieu of Taxes	-	-	-	4.01 Student Activities	-	-	-
<i>Committed:</i>				4.02 Scholarships	-	-	-
4.18 Committed for separation	-	-	-	4.48 Achievement and Integration	-	-	-
4.61 Committed fund balance	1,908,172	1,908,172	-	4.64 Restricted	-	-	-
<i>Assigned:</i>							
4.62 Assigned fund balance	3,000	3,000	-	<b>20 INTERNAL SERVICE FUND</b>			
<i>Unassigned:</i>				Total revenue	\$ 22,955,874	\$ 22,955,873	\$ 1
4.22 Unassigned fund balance	13,937,316	13,937,318	(2)	Total expenditures	21,663,393	21,663,393	-
				<i>Unassigned:</i>			
<b>02 FOOD SERVICE FUND</b>				4.22 Net position	19,190,843	19,190,842	1
Total revenue	\$ 5,430,936	\$ 5,430,936	\$ -				
Total expenditures	5,294,113	5,294,111	2	<b>25 OPEB REVOCABLE TRUST</b>			
<i>Nonspendable:</i>				Total revenue	\$ 311,686	\$ 311,688	\$ (2)
4.60 Nonspendable fund balance	171,524	171,524	-	Total expenditures	291,991	291,991	-
<i>Restricted/reserved:</i>				<i>Unassigned:</i>			
4.52 OPEB liabilities not held in trust	-	-	-	4.22 Net position	13,808,464	13,808,465	(1)
<i>Restricted:</i>							
4.64 Restricted fund balance	799,154	799,156	(2)	<b>45 OPEB IRREVOCABLE TRUST</b>			
<i>Unassigned:</i>				Total revenue	\$ -	\$ -	\$ -
4.63 Unassigned fund balance	-	-	-	Total expenditures	-	-	-
				<i>Unassigned:</i>			
<b>04 COMMUNITY SERVICE FUND</b>				4.22 Net position	-	-	-
Total revenue	\$ 11,599,121	\$ 11,599,119	\$ 2				
Total expenditures	12,270,340	12,270,335	5	<b>47 OPEB DEBT SERVICE</b>			
<i>Nonspendable:</i>				Total revenue	\$ 742,722	\$ 742,722	\$ -
4.60 Nonspendable fund balance	691	691	-	Total expenditures	728,753	728,753	-
<i>Restricted/reserved:</i>				<i>Nonspendable:</i>			
4.26 \$25 Taconite	-	-	-	4.60 Nonspendable fund balance	-	-	-
4.31 Community Education	2,910,184	2,910,185	(1)	<i>Restricted:</i>			
4.32 ECFE	501,353	501,353	-	4.25 Bond refundings	-	-	-
4.40 Teacher Development and Evaluation	-	-	-	4.64 Restricted fund balance	192,068	192,068	-
4.44 School Readiness	502,839	502,839	-	<i>Unassigned:</i>			
4.47 Adult Basic Education	1,063,582	1,063,582	-	4.63 Unassigned fund balance	-	-	-
4.52 OPEB Liabilities not Held in Trust	-	-	-				
<i>Restricted:</i>							
4.64 Restricted fund balance	-	-	-				
<i>Unassigned:</i>							
4.63 Unassigned fund balance	-	-	-				



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**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***

**Independent Auditor's Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 271, Bloomington, Minnesota, as of and for the year ending June 30, 2020, and the related notes to financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 4, 2020.

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.


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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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



Minneapolis, Minnesota  
December 4, 2020

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 271, Bloomington, Minnesota, as of and for the year ended June 30, 2020, and the related notes to financial statements, and have issued our report thereon dated December 4, 2020.

The *Minnesota Legal Compliance Audit Guide for School Districts* promulgated by the State Auditor pursuant to *Minnesota Statutes* § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, uniform financial accounting and reporting standards for school districts and miscellaneous provisions. Our audit considered all of the listed categories.

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 *Minnesota Legal Compliance Audit Guide for School Districts*. 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.

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



Minneapolis, Minnesota  
December 4, 2020