Independent School District No. 271
Bloomington, Minnesota

Basic Financial Statements

June 30, 2022

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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, 2022

Board of Education	Position	Term Expires
Tom Bennett	Chair	January 5, 2026
Heather Starks	Vice Chair	January 1, 2024
Nelly Korman	Clerk	January 1, 2024
Mia Olson	Treasurer	January 1, 2024
Beth Beebe	Director	January 5, 2026
Matt Dymoke	Director	January 5, 2026
Dawn Steigauf	Director	January 5, 2026

Administration	
Dr. Eric Melbye	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 Audit of the Financial Statements

We have audited 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, 2022 and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements 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, as of June 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Independent School District No. 271 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Implementation of GASB 87

The District has adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The management of Independent School District No. 271 is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, which raise substantial doubt about the District's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, which raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

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 Required Supplementary information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the 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.

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

Such information 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2022, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

BerganKDV, Ltd.

Minneapolis, Minnesota
November 17, 2022

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, 2022. 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 (2021-2022) and the prior year (2020-2021).

Financial Highlights

- Total net position at June 30, 2022, was negative $78.5 million, an $8.0 million increase in net position compared to the prior year.

- Overall program and general revenues were $205.8 million, $8.0 million more than related expenses of $197.8 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

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.

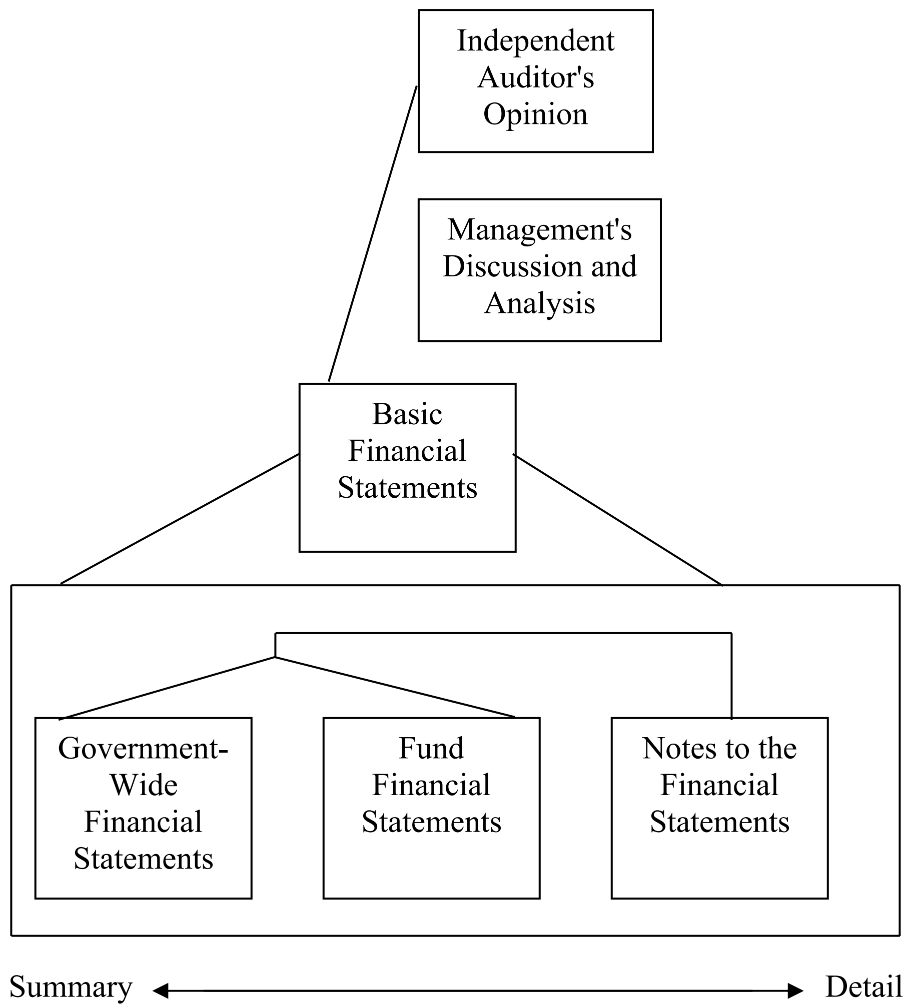
    - Proprietary funds statements present short-term and long-term financial information about the activities the District operates like businesses, such as dental and medical self-insurance, retiree severance and vacation funds.

    - 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.

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.

Overview of the Financial Statements (Continued)

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



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	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances	• Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows	• Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/ Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

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).

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.

Fund Financial Statements (Continued)

- **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, 2022 was negative $78.5 million, an $8.0 million increase in net position compared to the prior year (See Figure A-3).

Figure A-3
Net Position - Governmental Activities

	Year Ended 2022	Year Ended 2021	Percentage Change
Assets			
Current and other assets	$ 184,173,717	$ 188,536,337	-2.31%
Capital assets	138,521,801	130,094,926	6.48%
Total assets	322,695,518	318,631,263	1.28%
Deferred Outflows of Resources	48,154,967	55,368,474	-13.03%
Total assets and deferred outflows of resources	$ 370,850,485	$ 373,999,737	-0.84%
Liabilities			
Other liabilities	$ 25,980,570	$ 24,067,460	7.95%
Long-term liabilities	240,478,791	289,881,823	-17.04%
Total liabilities	$ 266,459,361	$ 313,949,283	-15.13%
Deferred Inflows of Resources	$ 182,923,839	$ 146,587,794	24.79%
Net Position			
Net investment in capital assets	$ 8,909,592	$ 12,958,318	-31.24%
Restricted	24,570,333	21,390,714	14.86%
Unrestricted	(112,012,640)	(120,886,372)	7.34%
Total net position	$ (78,532,715)	$ (86,537,340)	9.25%

Changes in Net Position: The District's total revenues were $205.8 million for the year ended June 30, 2022 (See Figure A-4). Property taxes and state formula aid accounted for 69% of the District's revenue. (See Figure A-5). Another 28% came from grants and contributions restricted for specific programs. The remainder came from fees charged for services and miscellaneous sources. The total cost of all programs and services was $197.8 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 6% of total costs.

Financial Analysis of the District as a Whole

Figure A-4
Change in Net Position

		Year Ended 2022		Year Ended 2021	Percentage Change
Revenues					
Program revenues					
Charges for services	$	6,395,827	$	3,759,095	70.14%
Operating grants and contributions		58,233,379		54,476,870	6.90%
Capital grants and contributions		1,691,044		1,691,323	-0.02%
General revenues					
Property taxes		62,602,155		61,612,330	1.61%
State aid-formula grants		75,501,280		74,909,561	0.79%
Other		1,352,325		1,712,025	-21.01%
Total revenues		205,776,010		198,161,204	3.84%
Expenses					
Administration		6,299,767		6,809,759	-7.49%
District Support Services		5,340,935		5,020,392	6.38%
Elementary and Secondary Regular Instruction		74,303,591		79,830,337	-6.92%
Vocational Education Instruction		1,189,630		1,240,462	-4.10%
Special Education Instruction		36,822,004		38,392,860	-4.09%
Instructional Support Services		11,131,950		11,424,505	-2.56%
Pupil Support Services		15,568,741		12,935,233	20.36%
Sites and Buildings		15,519,974		14,631,030	6.08%
Fiscal and other fixed cost programs		396,050		379,238	4.43%
Food Service		5,307,909		4,716,478	12.54%
Community Education and Services		10,721,141		10,046,396	6.72%
Unallocated depreciation		10,828,017		9,678,485	11.88%
Interest and fiscal charges on long-term debt		4,341,676		4,967,473	-12.60%
Total expenses		197,771,385		200,072,648	-1.15%
Increase (decrease) in net position		8,004,625		(1,911,444)	-518.77%
Net Position					
Net position - beginning, as previously stated		(86,537,340)		(86,803,677)	-0.31%
Prior period adjustment		-		2,177,781	
Beginning of year, as restated		(86,537,340)		(84,625,896)	-2.26%
End of year	$	(78,532,715)	$	(86,537,340)	9.25%

Financial Analysis of the District as a Whole (Continued)

Figure A-5
Source of Revenues for Fiscal Year 2022

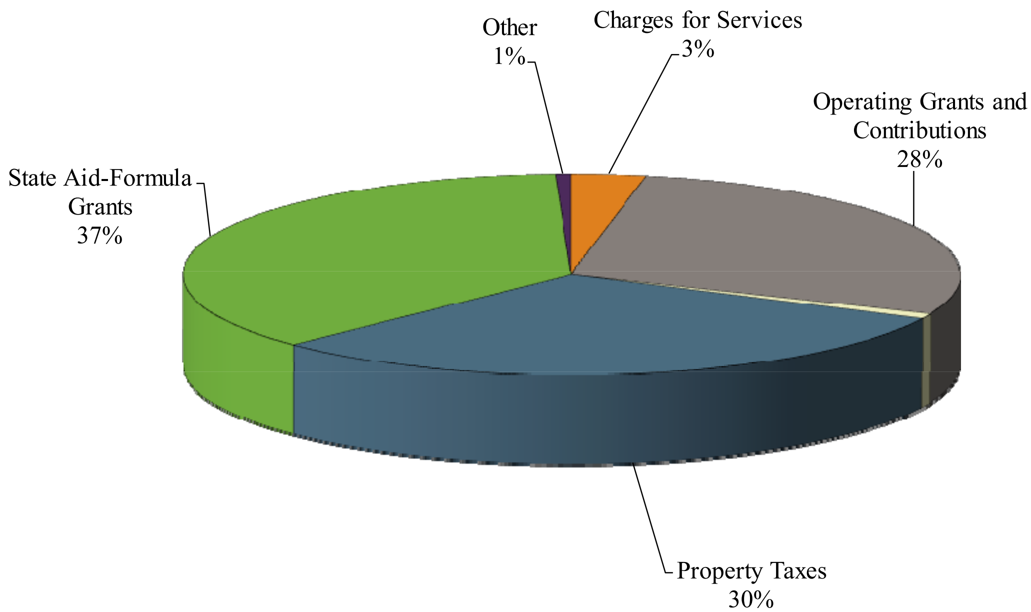
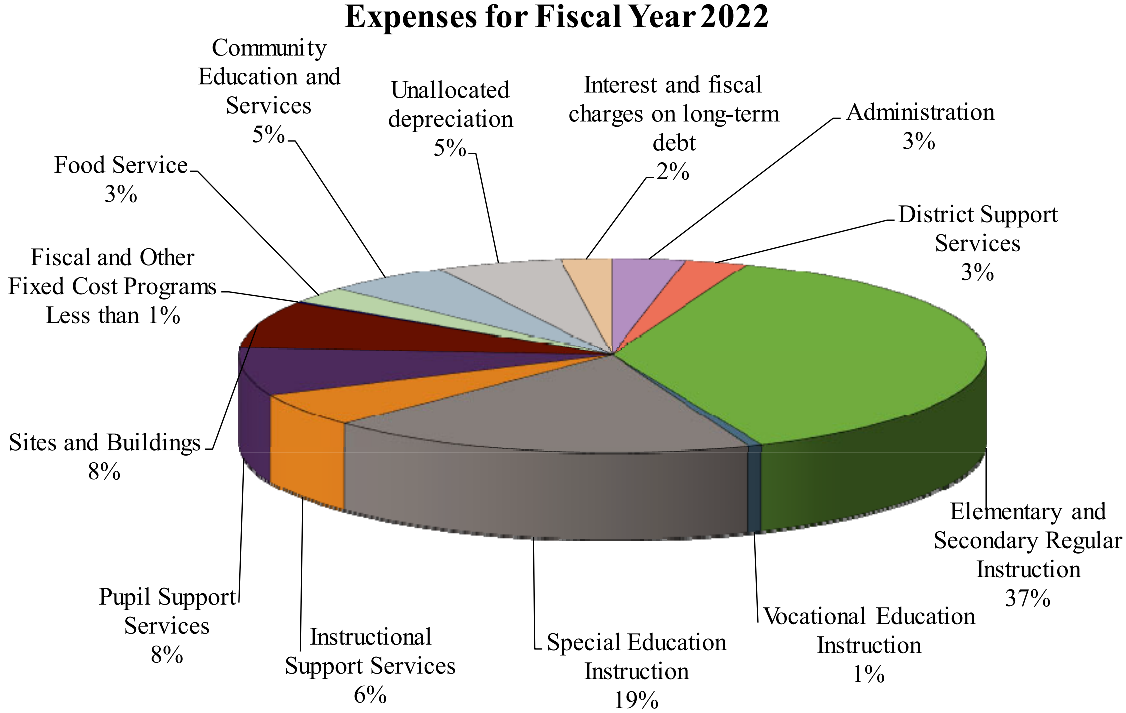


Figure A-6
Expenses for Fiscal Year 2022



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, 2022

	Total Cost of Services	Net Cost of Services
Administration	$ 6,299,767	$ 6,299,767
District Support Services	5,340,935	5,286,676
Elementary and Secondary Regular Instruction	74,303,591	53,644,339
Vocational Education Instruction	1,189,630	1,137,676
Special Education Instruction	36,822,004	10,951,655
Instructional Support Services	11,131,950	11,130,960
Pupil Support Services	15,568,741	14,250,458
Sites and Buildings	15,519,974	13,465,458
Fiscal and other fixed cost programs	396,050	396,050
Food Service	5,307,909	(1,288,697)
Community Education and Services	10,721,141	1,007,100
Unallocated depreciation	10,828,017	10,828,017
Interest and fiscal charges on long-term debt	4,341,676	4,341,676
Total	$ 197,771,385	$ 131,451,135

- Various fees and charges paid by users of the District services accounted for 3.1% or $6.4 million of expenses.
- Grants and contributions totaling $59.9 million, or 29.1%, 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 ($139.5 million).

Financial Analysis of the District's Funds

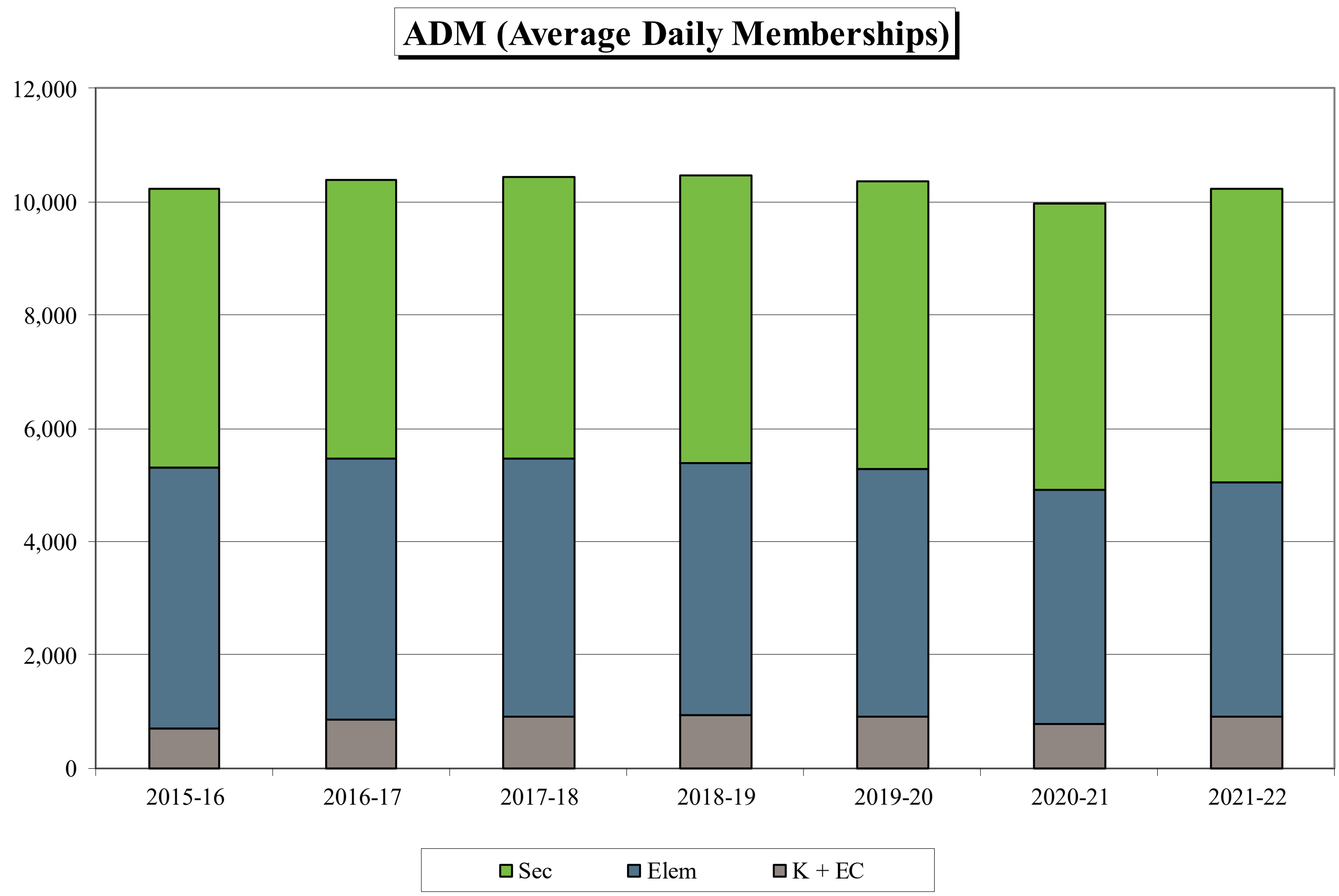
At the end of the 2021-2022 fiscal year, the District's governmental funds reported a combined fund balance of $60.4 million, a decrease of $6.1 million from the June 30, 2021, combined fund balance of $66.5 million. The decrease was due to spending of 2020-21 bond proceeds for current year Long-Term Facility Maintenance (LTFM) projects. This was offset by this lower expenditures due to unfilled open positions along with deferring projects in operating capital and capital projects levy budgets.

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 2021-2022, the District saw an increase of 248.3 average daily membership (ADM) over 2020-2021. Current ADM is 10,230.

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



General Fund Budgetary Highlights

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

General Fund Budgetary Highlights (Continued)

While the District's amended budget for the General Fund projected a net decrease in the fund balance of $4.0 million, the actual performance shows a net increase of $3.3 million. This improvement was due to unfilled open positions throughout the District along with deferring projects in operating capital and capital projects levy budgets.

Actual revenues were $174.2 million or $2.0 million over the budget of $172.3 million. Actual expenditures were $170.6 million, or $5.4 million under the budget of $176.0 million.

Figure A-8
General Fund Expenditures

	Final Budget	Net Actual Amounts	Variance with Final Budget - Over (Under)
Administration	$ 5,974,893	$ 6,553,666	$ 578,773
District Support Services	4,997,313	5,431,087	433,774
Elementary and Secondary Regular Instruction	77,939,676	77,165,815	(773,861)
Vocational Education Instruction	1,575,502	1,242,696	(332,806)
Special Education Instruction	40,173,315	38,394,858	(1,778,457)
Instructional Support Services	12,670,554	10,486,207	(2,184,347)
Pupil Support Services	15,987,400	15,667,830	(319,570)
Sites and Buildings	10,683,731	11,545,528	861,797
Fiscal and other fixed cost programs	399,974	396,050	(3,924)
Capital outlay	5,485,049	2,902,060	(2,582,989)
Debt service	69,844	806,612	736,768
Total	$ 175,957,251	$ 170,592,409	$ (5,364,842)

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 $1,264,937 in 2021-2022. The improvement was due to Federal Government COVID-19 requirements that allows Summer Meal Program (higher reimbursement rate) and the ability to provide meals for free to students.

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 increased $622,062 in 2021-2022.

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

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 2021-2022 totaled $1.1 million. This is a decrease of $107,736 over the prior year.

Capital Asset and Debt Administration

Capital Assets
By the end of 2022, the District had invested $138.5 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/Amortization)

	Year Ended 2022	Year Ended 2021
Land	$ 2,085,954	$ 2,085,954
Construction in progress	7,396,762	-
Buildings and buildings improvement	115,919,808	124,476,533
Leased building	10,511,660	-
Furniture and equipment	2,487,503	3,532,439
Leased equipment	120,114	-
Total capital assets	$ 138,521,801	$ 130,094,926

Debt Administration

Figure A-10
Outstanding Long-Term Liabilities

	Year Ended 2022	Year Ended 2021
General Obligation (G.O.) bonds and loans	$ 144,469,185	$ 154,332,279
Lease liability	10,893,741	-
Benefits payable	1,806,568	1,758,315
Total long-term liabilities	$ 157,169,494	$ 156,090,594

Debt Administration (Continued)
At year-end, the District had $157.2 million in long-term liabilities, including G.O. bonds, 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 anticipating at least a 2% per year increases in state formula revenue over the next biennium based on current state surpluses.

- The district is projecting flat to slight decline in enrollment over the next five years.

Contacting the District's Financial Management

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

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

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BASIC FINANCIAL STATEMENTS

Independent School District No. 271
Statement of Net Position
June 30, 2022

	Governmental Activities
Assets	
Cash and investments	$ 128,780,536
Current property taxes receivable	32,348,071
Delinquent property taxes receivable	302,516
Accounts receivable	396,008
Lease receivable	742,155
Interest receivable	106,243
Due from Department of Education	13,450,881
Due from other Minnesota school districts	470,615
Due from Federal Government through Department of Education	6,349,552
Due from other governmental units	612,716
Inventory	291,609
Prepaid items	322,815
Capital assets not being depreciated	
Land	2,085,954
Construction in progress	7,396,762
Capital assets net of depreciation/amortization	
Buildings and building improvements	115,919,808
Leased building	10,511,660
Furniture and equipment	2,487,503
Leased equipment	120,114
Total assets	322,695,518
Deferred Outflows of Resources	
Deferred amount on refunding	255,915
Deferred outflows related to OPEB	1,091,716
Deferred outflows related to pensions	46,807,336
Total deferred outflows of resources	48,154,967
Total assets and deferred outflows of resources	$ 370,850,485
Liabilities	
Accounts and contracts payable	$ 3,993,689
Salaries and benefits payable	18,272,101
Interest payable	1,912,539
Due to other Minnesota school districts	714,008
Due to other governmental units	367,505
Unearned revenue	720,728
Net bond principal payable	
Due within one year	8,820,000
Due in more than one year	135,649,185
Lease liability	
Payable within one year	911,841
Payable after one year	9,981,900
Compensated absences payable	
Due within one year	151,107
Due in more than one year	1,359,963
Severance payable	
Due within one year	29,550
Due in more than one year	265,948
OPEB Liability	10,366,595
Net pension liability	72,942,702
Total liabilities	266,459,361
Deferred Inflows of Resources	
Property taxes levied for subsequent year's expenditures	59,328,295
Deferred inflows related to lease receivable	742,155
Deferred inflows related to OPEB	3,174,556
Deferred inflows related to pensions	119,678,833
Total deferred inflows of resources	182,923,839
Net Position	
Net investment in capital assets	8,909,592
Restricted for	
Other purposes	24,570,333
Unrestricted	(112,012,640)
Total net position	(78,532,715)
Total liabilities, deferred inflows of resources, and net position	$ 370,850,485

Independent School District No. 271
Statement of Activities
Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position: Governmental Activities
Governmental activities					
Administration	$ 6,299,767	$ -	$ -	$ -	$ (6,299,767)
District support services	5,340,935	-	54,259	-	(5,286,676)
Elementary and secondary regular instruction	74,303,591	1,038,703	19,620,549	-	(53,644,339)
Vocational education instruction	1,189,630	-	51,954	-	(1,137,676)
Special education instruction	36,822,004	575,419	25,294,930	-	(10,951,655)
Instructional support services	11,131,950	-	990	-	(11,130,960)
Pupil support services	15,568,741	69,074	1,249,209	-	(14,250,458)
Sites and buildings	15,519,974	175,328	188,144	1,691,044	(13,465,458)
Fiscal and other fixed cost programs	396,050	-	-	-	(396,050)
Food service	5,307,909	39,108	6,557,498	-	1,288,697
Community education and services	10,721,141	4,498,195	5,215,846	-	(1,007,100)
Unallocated depreciation/amortization	10,828,017	-	-	-	(10,828,017)
Interest and fiscal charges on long-term debt	4,341,676	-	-	-	(4,341,676)
Total governmental activities	$ 197,771,385	$ 6,395,827	$ 58,233,379	$ 1,691,044	(131,451,135)
General revenues					
Taxes					
Property taxes, levied for general purposes					48,118,141
Property taxes, levied for debt service					12,230,836
Property taxes, levied for community service					2,253,178
State aid-formula grants					75,501,280
Other general revenues					1,727,352
Investment income					(375,027)
Total general revenues					139,455,760
Change in net position					8,004,625
Net position - beginning					(86,537,340)
Net position - ending					$ (78,532,715)

See notes to basic financial statements.

Independent School District No. 271
Balance Sheet - Governmental Funds
June 30, 2022

	General	Debt Service	Capital Projects	Nonmajor Funds	Total Governmental Funds
Assets					
Cash and investments	$ 54,047,880	$ 6,858,380	$ 17,780,719	$ 11,386,708	$ 90,073,687
Current property taxes receivable	25,027,769	6,150,161	-	1,170,141	32,348,071
Delinquent property taxes receivable	234,256	55,973	-	12,287	302,516
Accounts receivable	164,780	-	-	50,000	214,780
Lease receivable	742,155	-	-	-	742,155
Interest receivable	31,882	-	20,401	-	52,283
Due from Department of Education	12,925,036	168,871	-	356,974	13,450,881
Due from Federal Government through Department of Education	5,581,651	-	-	767,901	6,349,552
Due from other Minnesota school districts	228,267	-	-	242,348	470,615
Due from other governmental units	612,716	-	-	-	612,716
Inventory	144,772	-	-	146,837	291,609
Prepaid items	276,392	-	-	46,423	322,815
Total assets	$ 100,017,556	$ 13,233,385	$ 17,801,120	$ 14,179,619	$ 145,231,680
Liabilities					
Accounts payable	$ 1,081,888	$ -	$ 2,305,361	$ 99,684	$ 3,486,933
Contracts payable	-	-	402,506	-	402,506
Salaries and benefits payable	14,762,317	-	3,398	1,134,264	15,899,979
Due to other Minnesota school districts	714,008	-	-	-	714,008
Due to other governmental units	358,692	-	-	1,163	359,855
Interfund payable	2,603,430	-	53	210,649	2,814,132
Unearned revenue	418,698	-	-	302,030	720,728
Total liabilities	19,939,033	-	2,711,318	1,747,790	24,398,141
Deferred inflows of resources					
Property tax levied for subsequent year's expenditures	45,010,115	12,029,386	-	2,288,794	59,328,295
Unavailable revenue - delinquent property taxes	289,815	69,692	-	14,750	374,257
Deferred inflows related to lease receivable	742,155	-	-	-	742,155
Total deferred inflows of resources	46,042,085	12,099,078	-	2,303,544	60,444,707
Fund Balances					
Nonspendable for					
Inventory	144,772	-	-	146,837	291,609
Prepaid items	276,392	-	-	46,423	322,815
Restricted for					
Student activities	111,433	-	-	-	111,433
Scholarships	41,286	-	-	-	41,286
Capital projects levy	4,812,552	-	-	-	4,812,552
Operating capital	8,892,713	-	-	-	8,892,713
Medical assistance	27,295	-	-	-	27,295
State approved alternative program	1,119,788	-	-	-	1,119,788
Long-term facilities maintenance	-	-	15,089,802	-	15,089,802
Fund purpose	-	1,134,307	-	9,935,025	11,069,332
Committed for					
Wellness	84,331	-	-	-	84,331
Uniform and instrument replacement	121,566	-	-	-	121,566
Athletic activities	521,081	-	-	-	521,081
Site department carryover funds	955,095	-	-	-	955,095
Staff development	563,923	-	-	-	563,923
Donations	258,637	-	-	-	258,637
Assigned for					
Property and casualty insurance	120,000	-	-	-	120,000
Q Comp collaborative	3,000	-	-	-	3,000
Unassigned	15,982,574	-	-	-	15,982,574
Total fund balances	34,036,438	1,134,307	15,089,802	10,128,285	60,388,832
Total liabilities, deferred inflows of resources, and fund balances	$ 100,017,556	$ 13,233,385	$ 17,801,120	$ 14,179,619	$ 145,231,680

Independent School District No. 271
Bloomington, Minnesota
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2022

Total fund balances - governmental funds	$ 60,388,832
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	317,418,598
Less accumulated depreciation/amortization	(178,896,797)
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	(140,445,000)
Bond premiums	(4,024,185)
Deferred amount on refunding	255,915
Lease liability	(10,893,741)
Compensated absences payable	(1,511,070)
Severance payable	(295,498)
OPEB liability	(10,366,595)
Net pension liability	(72,942,702)
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	46,807,336
Deferred inflows related to pensions	(119,678,833)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to OPEB that are not recognized in the governmental funds.	
Deferred inflows related to OPEB	(3,174,556)
Deferred outflows related to OPEB	1,091,716
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.	374,257
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.	17,281,088
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.	21,991,059
Governmental funds do not report a liability for accrued interest on bonds and capital loans until due and payable.	(1,912,539)
Total net position - governmental activities	$ (78,532,715)

Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2022

	General	Debt Service	Capital Projects	Nonmajor Funds	Total Governmental Funds
Revenues					
Local property taxes	$ 48,077,277	$ 11,881,153	$ -	$ 2,590,343	$ 62,548,773
Other local and county revenues	3,703,962	872	(177,593)	4,751,849	8,279,090
Revenue from state sources	112,229,104	1,691,229	-	3,770,276	117,690,609
Revenue from federal sources	10,229,953	-	-	7,517,146	17,747,099
Sales and other conversion of assets	-	-	-	30,903	30,903
Interdistrict revenue	-	-	-	242,348	242,348
Total revenues	174,240,296	13,573,254	(177,593)	18,902,865	206,538,822
Expenditures					
Current					
Administration	6,553,666	-	-	-	6,553,666
District support services	5,431,087	-	-	-	5,431,087
Elementary and secondary regular instruction	77,165,815	-	-	99,999	77,265,814
Vocational education instruction	1,242,696	-	-	-	1,242,696
Special education instruction	38,394,858	-	-	-	38,394,858
Instructional support services	10,486,207	-	-	-	10,486,207
Pupil support services	15,667,830	-	-	-	15,667,830
Sites and buildings	11,545,528	-	23,538	-	11,569,066
Fiscal and other fixed cost programs	396,050	-	-	-	396,050
Food service	-	-	-	5,264,853	5,264,853
Community education and services	-	-	-	11,123,272	11,123,272
Capital outlay					
Administration	23,273	-	-	-	23,273
District support services	106,927	-	-	-	106,927
Elementary and secondary regular instruction	426,682	-	-	-	426,682
Special education instruction	14,502	-	-	-	14,502
Instructional support services	947,028	-	-	-	947,028
Sites and buildings	1,381,723	-	10,953,142	-	12,334,865
Food service	1,925	-	-	113,900	115,825
Community education and services	-	-	-	37,709	37,709
Debt service					
Principal	611,287	8,785,000	-	443,862	9,840,149
Interest and fiscal charges	195,325	4,895,990	-	397,577	5,488,892
Total expenditures	170,592,409	13,680,990	10,976,680	17,481,172	212,731,251
Excess of revenues over (under) expenditures	3,647,887	(107,736)	(11,154,273)	1,421,693	(6,192,429)
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	314	-	-	44,526	44,840
Transfers in	-	-	-	380,056	380,056
Transfers out	(380,056)	-	-	-	(380,056)
Total other financing sources (uses)	(379,742)	-	-	424,582	44,840
Net change in fund balances	3,268,145	(107,736)	(11,154,273)	1,846,275	(6,147,589)
Fund Balances					
Beginning of year	30,768,293	1,242,043	26,244,075	8,282,010	66,536,421
End of year	$ 34,036,438	$ 1,134,307	$ 15,089,802	$ 10,128,285	$ 60,388,832

See notes to basic financial statements.

Independent School District No. 271
Bloomington, Minnesota
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances to the
Statement of Activities - Governmental Funds
Year Ended June 30, 2022

Net change in fund balances - total governmental funds	$	(6,147,589)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the useful lives as depreciation expense. as depreciation expense.		
Capital outlays		8,411,742
Depreciation/amortization expense		(11,472,848)
Loss on disposal		(289,159)
Compensated absences and severance are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.		(48,253)
Net OPEB are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.		32,889
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.		9,840,149
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.		8,560,693
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.		321,553
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.		825,663
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.		(667,569)
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.		(1,416,028)
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.		53,382
Change in net position - governmental activities	$	8,004,625

See notes to basic financial statements.

Independent School District No. 271
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Local property taxes	$ 46,189,229	$ 46,669,000	$ 48,077,277	$ 1,408,277
Other local and county revenues	4,094,135	3,994,135	3,703,962	(290,173)
Revenue from state sources	110,692,457	111,713,236	112,229,104	515,868
Revenue from federal sources	8,718,213	9,881,825	10,229,953	348,128
Sales and other conversion of assets	2,000	2,000	-	(2,000)
Total revenues	169,696,034	172,260,196	174,240,296	1,980,100
Expenditures				
Current				
Administration	5,885,831	5,974,893	6,553,666	578,773
District support services	5,144,306	4,997,313	5,431,087	433,774
Elementary and secondary regular instruction	78,062,284	77,939,676	77,165,815	(773,861)
Vocational education instruction	1,575,502	1,575,502	1,242,696	(332,806)
Special education instruction	39,538,539	40,173,315	38,394,858	(1,778,457)
Instructional support services	12,312,414	12,670,554	10,486,207	(2,184,347)
Pupil support services	15,086,055	15,987,400	15,667,830	(319,570)
Sites and buildings	10,683,731	10,683,731	11,545,528	861,797
Fiscal and other fixed cost programs	399,974	399,974	396,050	(3,924)
Capital outlay				
Administration	214,743	114,743	23,273	(91,470)
District support services	223,500	223,500	106,927	(116,573)
Elementary and secondary regular instruction	348,082	452,124	426,682	(25,442)
Vocational education instruction	6,000	6,000	-	(6,000)
Special education instruction	90,100	90,100	14,502	(75,598)
Instructional support services	1,261,595	1,261,595	947,028	(314,567)
Pupil support services	788,425	788,425	-	(788,425)
Sites and buildings	2,538,692	2,548,562	1,381,723	(1,166,839)
Food service	-	-	1,925	1,925
Debt service				
Principal	66,750	66,750	611,287	544,537
Interest and fiscal charges	3,094	3,094	195,325	192,231
Total expenditures	174,229,617	175,957,251	170,592,409	(5,364,842)
Excess of revenues over (under) expenditures	(4,533,583)	(3,697,055)	3,647,887	7,344,942
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	314	314
Transfers out	(344,060)	(344,060)	(380,056)	(35,996)
Total other financing sources (uses)	(344,060)	(344,060)	(379,742)	(35,682)
Net change in fund balance	$ (4,877,643)	$ (4,041,115)	3,268,145	$ 7,309,260
Fund Balance				
Beginning of year			30,768,293	
End of year			$ 34,036,438	

See notes to basic financial statements.

Independent School District No. 271
Statement of Net Position - Proprietary Funds
As of June 30, 2022

	Governmental Activities - Internal Service Funds
Assets	
Cash and cash equivalents	$ 25,622,430
Investments	13,084,419
Accounts receivable	181,228
Interfund receivable	2,814,132
Interest receivable	53,960
Total assets	$ 41,756,169
Liabilities and Net Position	
Liabilities	
Accounts payable	$ 104,250
Due to other governments	7,650
Incurred but not reported claims	2,372,122
Benefits payable	1,539,240
Unearned revenue	5,000,989
Total liabilities	9,024,251
Net Position	
Unrestricted	32,731,918
Total liabilities and net position	$ 41,756,169

See notes to basic financial statements.

Independent School District No. 271
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
Year Ended June 30, 2022

	Governmental Activities - Internal Service Funds
Operating Revenue	
Charges for services	$ 25,408,748
District contribution	193,155
Total revenue	25,601,903
Operating Expenses	
Salaries and benefits	59,997
Employee benefits	25,514,583
Administrative	2,062,226
Total operating expenses	27,636,806
Operating income	(2,034,903)
Nonoperating Revenue	
Investment income	(207,291)
Change in net position	(2,242,194)
Net Position	
Beginning of year	34,974,112
End of year	$ 32,731,918

Independent School District No. 271
Statement of Cash Flows - Proprietary Funds
As of June 30, 2022

	Governmental Activities - Internal Service Funds
Cash Flows - Operating Activities	
Receipts from employee contributions	$ 25,356,621
Receipts from district contributions	260,450
Employee claims paid	(24,676,878)
Payments to employees	(333,573)
Payments to suppliers	(1,957,989)
Net cash flows - operating activities	(1,351,369)
Cash Flows - Investment Activities	
Investment purchases	(137,699)
Interest received	(173,074)
Net cash flows - investment activities	(310,773)
Net change in cash and cash equivalents	(1,662,142)
Cash and Cash Equivalents	
Beginning of year, restated	27,284,572
End of year	$ 25,622,430
Reconciliation of Operating Income to Net Cash Flows - Operating Activities	
Operating income	$ (2,034,903)
Adjustments to reconcile operating income	
To net cash flows - operating activities	
Accounts payable	96,587
Due to other governments	7,650
Benefits payable	67,295
Incurred but not reported dental claims	564,129
Accounts receivable	(75,701)
Interfund receivable	(67,728)
Unearned revenue	91,302
Net adjustments	683,534
Net cash flows - operating activities	$ (1,351,369)

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

The student activity accounts of the District are under board control and are reported in the General Fund.

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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statement Information (Continued)

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

2. Recording of Expenditures (Continued)

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deposits and Investments (Continued)
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.

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 2021, less various components and their related adjustments as mandated by the state. These portions of that levy were recognized as revenue in 2022. The remaining portion of the levy will be recognized when measurable and available.

G. Inventories

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

H. Prepaid Items

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

I. Property Taxes

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

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

J. Capital Assets

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

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

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

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

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 assets 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 assets 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.

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, 2022, the District recorded a liability of $1,511,070 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Fund Equity (Continued)

1. Classification (Continued)

- Committed Fund Balances – These are amounts that can only be used for specific purposes pursuant to constraints imposed by the School Board (highest level of decision making authority) through resolution.

- Assigned Fund Balances – The School Board delegates to the Superintendent, the authority to assign fund balances for specific purposes.

- Unassigned fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to a specific purpose in the General Fund.

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

2. Minimum Fund Balance Policy

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

P. Net Position

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

Q. Use of Estimates

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Budgetary Information

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

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

Custodial Credit Risk – Deposits: The District has a policy in place to address custodial credit risk for deposits, stating all deposits will be invested at financial institutions that are members of the Federal Deposit Insurance Corporation (FDIC) system and be willing and capable of posting collateral, private insurance or letters of credit for funds in excess of FDIC insurable limits and in amounts required by the District. The District had certificates of deposit totaling $26,216,854 at June 30, 2022 that were covered by FDIC insurance or collateral pledged.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

As of June 30, 2022, the District had the following investments:

Investment	Weighted Average Maturities (in Years)	Fair Value	Moody's/ S&P Rating
Pooled Investments			
MSDLAF+ Liquid Class	N/A	$ 1,674,037	AAAm
MSDLAF+ Max Class	N/A	456,908	AAAm
Minnesota Trust Investment Shares	N/A	43,237,866	AAAm
MNTrust - Full Flex	N/A	10,014,093	AAAm
U.S. Treasury Notes	0.75	993,255	AAAm
Term Series	0.42	18,000,000	AAAm
Limited Term Series	N/A	5,271,000	AAAm
Total pooled investments		79,647,159	
OPEB Investments			
Minnesota Trust Investment Shares	N/A	(333,239)	AAAm
Local Government Obligations	1.18	12,622,303	AA1, AA
Total OPEB investments		12,289,064	
Capital Project Investments			
Minnesota Trust Investment Shares	N/A	1,363,650	AAAm
Local Governmental Obligations	0.97	7,260,545	AA, Aaa
MNTrust - Full Flex	N/A	1,001,860	AAAm
Term Series	0.46	1,000,000	AAAm
Total capital projects investments		10,626,055	
Total investments		$ 102,562,278	

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.

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, 2022:

- Investments of $27,111,146 are significant other observable inputs (Level 2 inputs)

C. Deposits and Investments

Summary of cash, deposits, and investments as of June 30, 2022:

Deposits	$ 26,216,854
Investments (Note 3.B.)	102,562,278
Petty cash	1,404
Total deposits and investments	$128,780,536

Cash, deposits, and investments are presented in the June 30, 2022, basic financial statements as follows:

Statement of Net Position	
Cash and investments	$128,780,536

NOTE 3 – INTERFUND TRANSACTIONS

A. Interfund Transfers

	Transfers in
	Other Nonmajor
Transfers out	
General Fund	$ 380,056

NOTE 3 – INTERFUND TRANSACTIONS (CONTINUED)

A. Interfund Transfers (Continued)

Transfers of $380,056 were made from the General Fund to the other nonmajor funds to subsidize certain costs at the Pond and Southwood Early Learning Centers ($378,093) along with Food Service balances ($1,963).

B. Interfund Receivable/Payable

	Interfund Payable			
	General	Capital Projects	Other Nonmajor	Total
Interfund receivable				
Internal service fund	$ 2,603,430	$ 53	$ 210,649	$ 2,814,132

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, 2022, follows:

	Beginning Balance	Change in Accounting Principle	Increases	Decreases	Ending Balance
Governmental activities					
Capital assets not being depreciated					
Land and land improvements	$ 2,085,954	$ -	$ -	$ -	$ 2,085,954
Construction in progress	-	-	7,396,762	-	7,396,762
Total capital assets not being depreciated	2,085,954	-	7,396,762	-	9,482,716
Capital assets being depreciated and amortized					
Buildings and building improvements	280,263,988	-	694,987	280,408	280,678,567
Leased building	-	11,618,151	-	-	11,618,151
Furniture and equipment	16,178,025	-	319,993	1,017,843	15,480,175
Leased equipment	-	158,989	-	-	158,989
Total capital assets being depreciated	296,442,013	11,777,140	1,014,980	1,298,251	307,935,882
Less accumulated Depreciation and amortization for					
Buildings and building improvements	155,787,455	-	8,971,304	-	164,758,759
Leased building	-	-	1,106,491	-	1,106,491
Furniture and equipment	12,645,586	-	1,356,178	1,009,092	12,992,672
Leased equipment	-	-	38,875	-	38,875
Total accumulated depreciation/amortization	168,433,041	-	11,472,848	1,009,092	178,896,797
Total capital assets being depreciated and amortized, net	128,008,972	11,777,140	(10,457,868)	289,159	129,039,085
Governmental activities, capital assets, net	$ 130,094,926	$ 11,777,140	$ (3,061,106)	$ 289,159	$ 138,521,801

NOTE 4 – CAPITAL ASSETS (CONTINUED)

Depreciation/amortization expense for the year ended June 30, 2022, was charged to the following functions:

Administration	$ 1,611
District support services	39,676
Elementary and secondary regular instruction	20,749
Special education instruction	730
Community service	13,315
Instructional support	86,983
Pupil support	471,936
Food service	9,831
Unallocated	10,828,017
Total depreciation/amortization expense	$ 11,472,848

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 Faclities Bonds	06/04/13	3.00%-5.00%	$ 16,275,000	02/01/34	$ 16,175,000	$ -
2014B Alternative Facilities Bonds	12/30/14	3.125% - 3.50%	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	11,845,000	8,710,000
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	10,405,000	110,000
2019A Facility Maintenance Bonds	03/14/19	3.00-5.00%	23,935,000	02/01/42	23,935,000	-
2020A Facility Maintenance Bonds	09/03/20	1.00-2.00%	23,935,000	02/01/42	27,205,000	-
Total G.O. bonds					140,445,000	8,820,000
Unamortized bond premiums					4,024,185	
Other long-term liabilities						
Lease liability					10,893,741	911,841
Compensated absences payable					1,511,070	151,107
Severance payable					295,498	29,549
Total long-term liabilities					$ 157,169,494	$ 9,912,497

NOTE 5 – LONG-TERM DEBT (CONTINUED)

A. Components of Long-Term Liabilities (Continued)

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.

The District entered into lease agreements for buildings and equipment. The lease agreements include annual principal and interest payments that are shown below. The interest and discount rate for leases range from 3.0% to 7.74%.

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. Lease liabilities will be retired with assets from the General Fund and Community Service Fund.

B. Minimum Debt Payments for Bonds and Leases

Year Ending	G.O. Bonds			Lease Liability		
June 30,	Principal	Interest	Total	Principal	Interest	Total
2023	$ 8,820,000	$ 4,523,566	$ 13,343,566	$ 911,841	$ 319,321	$ 13,343,566
2024	9,390,000	4,085,426	13,475,426	956,755	289,544	13,475,426
2025	7,930,000	3,771,099	11,701,099	1,007,688	258,735	11,701,099
2026	6,725,000	3,581,769	10,306,769	1,058,731	226,794	10,306,769
2027	6,185,000	3,365,519	9,550,519	1,116,327	193,713	9,550,519
2028-2032	33,975,000	13,976,844	47,951,844	5,842,399	417,887	47,951,844
2033-2037	36,000,000	9,353,783	45,353,783	-	-	45,353,783
2038-2042	31,420,000	2,923,351	34,343,351	-	-	34,343,351
Total	$ 140,445,000	$ 45,581,357	$ 186,026,357	$ 10,893,741	$ 1,705,994	$ 186,026,357

C. Changes in Long-Term Liabilities

	Beginning Balance	Change in Accounting Principle	Additions	Reductions	Ending Balance
Long-term liabilities					
G.O. Bonds	$ 149,335,000	$ -	$ -	$ 8,890,000	$ 140,445,000
Build America Bonds	66,750	-	-	66,750	-
Unamortized bond premiums	4,930,529	-	-	906,344	4,024,185
Lease liability	-	11,777,140	-	883,399	10,893,741
Compensated absence payable	1,471,945	-	1,091,093	1,051,968	1,511,070
Severance benefits payable	286,370	-	9,128	-	295,498
Total long-term liabilities	$ 156,090,594	$ 11,777,140	$ 1,100,221	$ 11,798,461	$ 157,169,494

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.

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

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

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

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

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

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

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

NOTE 6 – FUND BALANCES (CONTINUED)

A. Restricted/Reserved Fund Equity (Continued)

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.

Restricted/Reserved for School Readiness – This balance represents the resources available to provide for services for school readiness programs (*Minnesota Statues* 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, 2022, was $602,105. The components of pension expense are noted in the following plan summaries.

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

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

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.

B. Benefits Provided

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

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

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

Tier 1 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).

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

Teachers' Retirement Association (Continued)

A. 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.

B. Contribution Rate

Per *Minnesota Statutes*, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year ended June 30, 2020, June 30, 2021, and June 30, 2022, were:

	June 30, 2020		June 30, 2021		June 30, 2022	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic	11.0%	11.92%	11.0%	12.13%	11.0%	12.34%
Coordinated	7.5%	7.92%	7.5%	8.13%	7.5%	8.34%

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 ACFR "Statement of Changes in Fiduciary Net Position" to the employer contributions used in Schedule of Employer and Non-Employer Pension Allocations. Amounts are reported in thousands.

Employer contributions reported in TRA's ACFR Statement of Changes in Fiduciary Net Position	$	448,829
Add employer contributions not related to future contribution efforts		379
Deduct TRA's contributions not included in allocation		(538)
Total employer contributions		448,670
Total non-employer contributions		37,840
Total contributions reported in Schedule of Employer and Non-Employer Allocations	$	486,510

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

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

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions

The total pension liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information	
Valuation date	July 1, 2021
Measurement date	June 30, 2021
Experience study	June 5, 2019 (demographic assumptions) November 6, 2017 (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	7.00%
Price inflation	2.50%
Projected salary increase	2.85% to 8.85% before July 1, 2028 and 3.25 to 9.25 thereafter.
Cost of living adjustment	1.0% for January 2020 through January 2023, then increasing by 0.1% each year up to 1.5% annually.
Mortality Assumptions	
Pre-retirement	RP 2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP 2015 scale.
Post-retirement	years and female rates set back three years, with further adjustments of the rates. Generational projections uses the MP 2015 scale.
Post-disability	RP 2014 disabled retiree mortality table, without adjustment.

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

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	35.5 %	5.10 %
International equity	17.5	5.30
Private markets	25.0	5.90
Fixed income	20.0	0.75
Unallocated cash	2.0	0.00
Total	100.0 %	

The TRA actuary has determined the average of the expected remaining services lives of all members for fiscal year 2022 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 2020 valuation:

- The investment return assumption was changed from 7.5% to 7.0%.

E. Discount Rate

The discount rate used to measure the total pension liability was 7.0%. The discount rate used to measure the total pension liability at the prior measurement date was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2021 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

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

Teachers' Retirement Association (Continued)

F. Net Pension Liability

On June 30, 2022, the District reported a liability of $56,817,490 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. District proportionate share was 1.2983% at the end of the measurement period and 1.3403% 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	$ 56,817,490
State's proportionate share of the net pension liability associated with the district	4,791,928

For the year ended June 30, 2022, the District recognized pension expense of $1,018,409. Included in this amount, the District recognized ($53,655) as pension expense for the support provided by direct aid.

On June 30, 2022, the District had deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,588,657	$ 1,609,035
Net difference between projected and actual earnings on plan investments	-	47,462,167
Changes of assumptions	20,823,342	51,411,820
Changes in proportion	4,691,800	2,705,109
Contributions to TRA subsequent to the measurement date	6,899,747	-
Total	$ 34,003,546	$ 103,188,131

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

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)

The $6,899,747 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, 2023.

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
2023	$ (36,330,555)
2024	(27,255,077)
2025	(6,984,828)
2026	(9,007,256)
2027	3,493,384
Total	$ (76,084,332)

G. Pension Liability Sensitivity

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.0% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percent lower (6.0%) and 1 percent higher (8.0%) than the current rate.

District proportionate share of NPL		
1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
$ 114,774,095	$ 56,817,490	$ 9,288,454

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.

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

Teachers' Retirement Association (Continued)

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

Public Employees' Retirement Association

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

General Employees Retirement Plan

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

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

General Employees Plan Benefits

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

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

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

General Employees Plan Benefits (Continued)

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

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2022 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, 2022, were $2,276,978. The District's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At June 30, 2022, the District reported a liability of $16,125,212 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled $492,391.

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

Public Employees' Retirement Association (Continued)

E. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

The net pension liability was measured as of June 30, 2021, 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, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.3776% at the end of the measurement period and 0.4176% for the beginning of the period.

District's proportionate share of net pension liability	$ 16,125,212
State's proportionate share of the net pension liability associated with the District	492,391
Total	$ 16,617,603

For the year ended June 30, 2022, the District recognized pension expense of ($416,304) for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized $39,728 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, 2022, 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.

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

Public Employees' Retirement Association (Continued)

C. Pension Costs (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 105,573	$ 499,526
Changes in actuarial assumptions	9,845,720	389,916
Difference between projected and actual investments earnings	-	13,802,622
Change in proportion	575,519	1,798,638
Contributions paid to PERA subsequent to the measurement date	2,276,978	-
Total	$ 12,803,790	$ 16,490,702

The $2,276,978 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, 2023. 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,	Expense Amount
2023	$ (900,276)
2024	(587,364)
2025	(667,210)
2026	(3,809,040)
Total	$ (5,963,890)

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

Public Employees' Retirement Association (Continued)

E. Long-Term Expected Return on Investment

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

Asset Class	Final Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33.5 %	5.10 %
International stocks	16.5	5.30
Fixed income	25.0	0.75
Private markets	25.0	5.90
Total	100.0 %	

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2021, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5% was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25% for the General Employees Plan. Benefit increases after retirement are assumed to be 1.25% for the General Employees.
Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 29 years of service and 6.0% per year thereafter.
Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The table is adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020, actuarial valuation.

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

Public Employees' Retirement Association (Continued)

F. Actuarial Methods and Assumptions (Continued)
The following changes in actuarial assumptions and plan provisions occurred in 2021:

General Employees Fund

Changes in Actuarial Assumptions
- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The mortality improvement scale was changed from scale MP-2019 to scale MP-2020.

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

G. Discount Rate
The discount rate used to measure the total pension liability in 2021 was 6.5%. 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.

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

	1% Decrease in Discount Rate (5.5%)	Current Discount Rate (6.5%)	1% Increase in Discount Rate (7.5%)
District's proportionate share of the PERA net pension liability	$ 32,887,200	$ 16,125,212	$ 2,370,977

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

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

The District's defined benefit OPEB plan provides a single-employer defined benefit health care plan to eligible retirees. The plan offers medical coverage. Medical coverage is administered by 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 2022, the District contributed $635,994 to the plan.

D. Members

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

Active employees electing coverage	1,439
Active employees waiving coverage	446
Retirees electing coverage	22
Retirees with only non-medical OPEB Coverage	331
Total	2,238

E. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total OPEB Liability	
Discount Rate	1.92%
Expected Return	n/a
Inflation	2.25%
Healthcare cost trend increases	6.7% initially, decreasing over several decades to an ultimate rate of 3.8%
Mortality Assumption	RP-2014 mortality tables with projected mortality improvements based on Scale MP-2015 and other adjustments (Teachers) Pub-2010 general mortality tables with projected mortality improvements based on Scale MP-2019 and other adjustments (Non-Teachers)

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN

E. Actuarial Assumptions (Continued)

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

Actuary's assumption changes

- The discount rate was changed from 2.45% on June 30, 2020 to 1.92% on June 30, 2021 based on the index rate for 20-year, tax-exempt municipal bonds.

F. Total OPEB Liability

The District's total OPEB liability of $10,366,595 was measured as of June 30, 2022 and was determined by an actuarial valuation as of that date.

Changes in the total OPEB liability are as follows:

	Total OPEB Liability
Balances at June 30, 2021	$ 9,731,041
Changes for the year	
Service cost	749,348
Interest	248,979
Differences between expected and actual economic experience	(33,909)
Changes in assumptions	307,130
Benefit payments	(635,994)
Net changes	635,554
Balances at June 30, 2022	$ 10,366,595

G. OPEB Liability Sensitivity

The following presents the District's total OPEB liability calculated using the discount rate of 1.92% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

	1% Decrease in Discount Rate (0.92%)	Current Discount Rate (1.92%)	1% Increase in Discount Rate (2.92%)
Total OPEB liability (asset)	$ 10,945,823	$ 10,366,595	$ 9,788,349

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

G. OPEB Liability Sensitivity (Continued)

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

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

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

For the year ended June 30, 2022, the District recognized OPEB expense of $535,527. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	$ -	$ -
Differences between expected and actual liability	-	893,472
Changes of assumptions	489,802	2,281,084
Contributions made subsequent to measurement date	601,914	-
Total	$ 1,091,716	$ 3,174,556

The $601,914 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, 2023.

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

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

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

Year Ending December 31,		Total
2023	$	(462,800)
2024		(462,800)
2025		(462,800)
2026		(462,803)
2027		(353,500)
Thereafter		(480,051)
Total	$	(2,684,754)

NOTE 9 – CONTINGENCIES

Program Compliance

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

NOTE 10 – RISK MANAGEMENT

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

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

NOTE 10 – RISK MANAGEMENT (CONTINUED)

Payments are made based on actuarial estimates of the amounts needed to pay claims. The Dental Insurance Internal Service Fund includes a reserve of $1,089,734 for catastrophe losses. The total claims liability reported in the Fund at June 30, 2022, is $22,122 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
2019-2020	$ 29,000	$ 1,117,841	$ (1,119,646)	$ 27,195
2020-2021	27,195	1,296,660	(1,275,862)	47,993
2021-2022	47,993	1,286,038	(1,311,909)	22,122

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

The General, Food Service, Community Service, and Agency Funds of the District participate in the program and make payments to the Self Insured Medical Benefits Internal Service Fund. Based on the requirements of GASB Statement No. 10, a liability is reported if information prior to the issuance of the basic financial statements indicates that it is probable that a liability has been incurred at the date of the basic financial statements and the amount of the loss can be reasonably estimated. Participants in the program make premium payments to the fund based on the insurance premium. The Self Insured Medical Benefits Internal Service Fund does not include a reserve for catastrophe losses. The total claims liability reported in the Fund at June 30, 2022, is $2,350,000 and include amounts for known claims and for estimated incurred but not reported claims. These estimates are determined based on the probability that a loss has occurred and the amount of the loss can be reasonably estimated.

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

	Balance, Beginning of Year	Claims, Expense and Estimates	Claims Payments	Balance, End of Year
2019-2020	$ 1,760,000	$ 18,350,611	$ (18,350,611)	$ 1,760,000
2020-2021	1,760,000	22,607,203	(22,607,203)	1,760,000
2021-2022	1,760,000	23,520,715	(22,930,715)	2,350,000

NOTE 11 – COMMITMENTS

At June 30, 2022, the District had various construction contract commitments for projects outstanding totaling $7,801,655.

NOTE 12 – CHANGE IN ACCOUNTING PRINCIPLE

The District has adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. This resulted in the District recognizing leased assets and lease liability and also resulted in the recognition of a lease receivable and related deferred inflows of resources.

NOTE 13 – GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* establishes that a Subscription-Based Information Technology Arrangement (SBITA) results in a right-to-use subscription asset and a corresponding liability. Under this statement, a governmental entity generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. This statement will be effective for the year ending June 30, 2023.

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	June 30, 2021	June 30, 2022
Total OPEB Liability					
Service cost	$ 1,004,898	$ 968,403	$ 807,734	$ 919,388	$ 749,348
Interest	341,865	428,159	424,983	400,494	248,979
Differences between expected and actual experience	-	(437,742)	-	(823,816)	(33,909)
Changes of assumptions	(429,969)	(586,402)	337,784	(2,320,033)	307,130
Benefit payments	(902,286)	(590,516)	(611,558)	(641,854)	(635,994)
Net change in total OPEB liability	14,508	(218,098)	958,943	(2,465,821)	635,554
Beginning of year	11,441,509	11,456,017	11,237,919	12,196,862	9,731,041
End of year	$ 11,456,017	$ 11,237,919	$ 12,196,862	$ 9,731,041	$ 10,366,595
Covered payroll	$ 87,324,967	$ 95,356,875	$ 96,344,843	$ 96,512,871	$ 100,979,066
Total OPEB liability as a percentage of covered-employee payroll	13.1%	11.8%	12.7%	10.1%	10.3%

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

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

For Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.4741%	$ 22,270,843	$ -	$ 22,270,843	$ 24,890,469	89.5%	78.7%
2016	0.4521%	23,430,168	-	23,430,168	26,129,960	89.7%	78.2%
2017	0.4216%	34,231,829	447,074	34,678,903	26,160,187	132.6%	68.9%
2018	0.4075%	26,014,531	327,077	26,341,608	26,249,387	100.4%	75.9%
2019	0.3912%	21,702,172	711,813	22,413,985	26,290,387	85.3%	79.5%
2020	0.4024%	22,247,795	691,470	22,939,265	28,479,147	80.5%	80.2%
2021	0.4176%	25,037,028	772,094	25,809,122	29,783,587	86.7%	79.1%
2022	0.3776%	16,125,212	492,391	16,617,603	27,612,107	60.2%	87.0%

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

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

For Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	1.3465%	$ 62,045,751	$ 4,364,762	$ 66,410,513	$ 61,461,929	100.9%	81.5%
2016	1.3409%	82,947,927	10,174,529	93,122,456	68,056,160	121.9%	76.8%
2017	1.2585%	300,182,278	30,130,021	330,312,299	65,462,973	458.6%	44.9%
2018	1.2555%	250,620,575	24,227,300	274,847,875	67,587,093	370.8%	51.6%
2019	1.3098%	82,268,864	7,729,497	89,998,361	72,366,120	113.7%	78.1%
2020	1.3294%	84,736,235	7,498,653	92,234,888	75,471,855	112.3%	78.2%
2021	1.3403%	99,023,160	8,298,307	107,321,467	77,886,376	127.1%	75.5%
2022	1.2983%	56,817,490	4,791,928	61,609,418	78,156,384	72.7%	86.6%

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

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

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	$ 1,804,559	$ 1,804,559	$ -	$ 24,890,469	7.25%
2015	1,959,747	1,959,747	-	26,129,960	7.50%
2016	1,962,014	1,962,014	-	26,160,187	7.50%
2017	1,968,704	1,968,704	-	26,249,387	7.50%
2018	1,971,779	1,971,779	-	26,290,387	7.50%
2019	2,135,936	2,135,936	-	28,479,147	7.50%
2020	2,233,769	2,233,769	-	29,783,587	7.50%
2021	2,070,908	2,070,908	-	27,612,107	7.50%
2022	2,276,978	2,276,978	-	30,359,707	7.50%

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

Schedule Of District Contributions
TRA Retirement Fund
Last Ten Years

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	$ 4,302,335	$ 4,302,335	$ -	$ 61,461,929	7.00%
2015	5,104,212	5,104,212	-	68,056,160	7.50%
2016	4,909,723	4,909,723	-	65,462,973	7.50%
2017	5,069,032	5,069,032	-	67,587,093	7.50%
2018	5,427,459	5,427,459	-	72,366,120	7.50%
2019	5,818,880	5,818,880	-	75,471,855	7.71%
2020	6,168,601	6,168,601	-	77,886,376	7.92%
2021	6,354,114	6,354,114	-	78,156,384	8.13%
2022	6,899,747	6,899,747	-	82,730,779	8.34%

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

TRA Retirement Fund

2021 Changes
Changes in Actuarial Assumptions
- The investment return assumption was changed from 7.5% to 7.0%.

2020 Changes
Changes in Actuarial Assumptions
- Assumed termination rates were changed to more closely reflect actual experience.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP 2015 scale.
- Assumed form of annuity election proportions were changed to more closely reflect actual experience for female retirees.

2019 Changes
Changes in Actuarial Assumptions
- None

2018 Changes
Changes in Actuarial Assumptions
- The discount rate was increased to 7.5% from 5.12%.
- The cost of living adjustment (COLA) was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending July 1, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to 0% 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.

TRA Retirement Fund (Continued)

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.
- 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.

TRA Retirement Fund (Continued)

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%.

General Employees Fund

2021 Changes

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The mortality improvement scale was changed from scale MP-2019 to scale MP-2020.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2019 Changes

Changes in Actuarial Assumptions

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

General Employees Fund (Continued)

2019 Changes (Continued)
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.

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 was decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes
Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

Post Employment Health Care Plan
No assets are acclimated in a trust.

2022 Changes
- The discount rate was changed from 2.45% to 1.92% based on updated 20-year municipal bond rates.

2021 Changes
- The discount rate was changed from 3.13% to 2.45% based on updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations, including the repeal of the Affordable Care Act's Excise Tax on high-cost health insurance plans.
- Medical per capita claims costs were updated to reflect recent experience and new plan offerings, including an adjustment to reflect age/gender based risk scores published by the Society of Actuaries.
- Withdrawal, retirement, mortality, and salary increase rates were updated from the rates used in the 7/1/2018 PERA General Employees Plan and 7/1/2018 Teachers Retirement Association valuations to the rates used in the 7/1/2020 valuations.
- The percent of future retirees eligible for a flat-dollar medical explicit subsidy assumed to elect coverage at retirement changed from 50% to 40% to reflect recent plan experience.
- The percent of future retirees not eligible for a medical explicit subsidy assumed to elect coverage at retirement changed from 10% to 5% to reflect recent plan experience.
- The percent of future retirees assumed to elect spouse coverage at retirement changed from 40% to 30% to reflect recent plan experience.
- The inflation assumption was changed from 2.50% to 2.25% based on an updated historical analysis of inflation rates and forward-looking market expectations.

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

Post Employment Health Care Plan (Continued)

2020 Changes (Continued)

- The percent of future retirees assumed to elect spouse coverage at retirement changed from 40% to 30% to reflect recent plan experience.
- The inflation assumption was changed from 2.50% to 2.25% based on an updated historical analysis of inflation rates and forward-looking market expectations.

2019 Changes

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

2018 Changes

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

2017 Changes

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

SUPPLEMENTARY INFORMATION

Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2022

	Special Revenue Funds				Total
	Food Service	Community Service	Total	OPEB Debt Service	Nonmajor Funds
Assets					
Cash and investments	$ 4,891,433	$ 6,206,032	$ 11,097,465	$ 289,243	$ 11,386,708
Current property taxes receivable	-	988,342	988,342	181,799	1,170,141
Delinquent property taxes receivable	-	9,652	9,652	2,635	12,287
Accounts receivable	-	50,000	50,000	-	50,000
Due from Department of Education	-	356,974	356,974	-	356,974
Due from other Minnesota school districts	-	242,348	242,348	-	242,348
Due from Federal Government through Department of Education	22,145	745,756	767,901	-	767,901
Inventory	146,837	-	146,837	-	146,837
Prepaid items	-	46,423	46,423	-	46,423
Total assets	$ 5,060,415	$ 8,645,527	$ 13,705,942	$ 473,677	$ 14,179,619
Liabilities					
Accounts payable	$ 55,797	$ 43,887	$ 99,684	$ -	$ 99,684
Salaries and benefits payable	282,838	851,426	1,134,264	-	1,134,264
Due to other governmental units	-	1,163	1,163	-	1,163
Interfund payable	89,849	120,800	210,649	-	210,649
Unearned revenue	192,644	109,386	302,030	-	302,030
Total liabilities	621,128	1,126,662	1,747,790	-	1,747,790
Deferred Inflows of Resources					
Property taxes levied for subsequent year's expenditures	-	1,933,145	1,933,145	355,649	2,288,794
Unavailable revenue - delinquent property taxes	-	11,879	11,879	2,871	14,750
Total deferred inflows of resources	-	1,945,024	1,945,024	358,520	2,303,544
Fund Balances					
Nonspendable					
Inventory	146,837	-	146,837	-	146,837
Prepaid items	-	46,423	46,423	-	46,423
Restricted					
Community education programs	-	2,957,892	2,957,892	-	2,957,892
Adult basic education	-	1,540,729	1,540,729	-	1,540,729
Early childhood family and education programs	-	549,980	549,980	-	549,980
School readiness	-	478,817	478,817	-	478,817
Fund purpose	4,292,450	-	4,292,450	115,157	4,407,607
Total fund balances	4,439,287	5,573,841	10,013,128	115,157	10,128,285
Total liabilities, deferred inflows of resources, and fund balances	$ 5,060,415	$ 8,645,527	$ 13,705,942	$ 473,677	$ 14,179,619

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2022

	Special Revenue Funds				
	Food Service	Community Service	Total	OPEB Debt Service	Total Nonmajor Funds
Revenues					
Local property taxes	$ -	$ 2,251,571	$ 2,251,571	$ 338,772	$ 2,590,343
Other local and county revenues	27,212	4,724,602	4,751,814	35	4,751,849
Revenue from state sources	208,354	3,561,921	3,770,275	1	3,770,276
Revenue from federal sources	6,330,732	1,186,414	7,517,146	-	7,517,146
Sales and other conversion of assets	30,903	-	30,903	-	30,903
Interdistrict revenue	-	242,348	242,348	-	242,348
Total revenues	6,597,201	11,966,856	18,564,057	338,808	18,902,865
Expenditures					
Current					
Elementary and secondary regular instruction	-	99,999	99,999	-	99,999
Food service	5,264,853	-	5,264,853	-	5,264,853
Community education and services	-	11,123,272	11,123,272	-	11,123,272
Capital outlay					
Food service	113,900	-	113,900	-	113,900
Community education and services	-	37,709	37,709	-	37,709
Debt service					
Principal	-	338,862	338,862	105,000	443,862
Interest and fiscal charges	-	123,045	123,045	274,532	397,577
Total expenditures	5,378,753	11,722,887	17,101,640	379,532	17,481,172
Excess of revenues over (under) expenditures	1,218,448	243,969	1,462,417	(40,724)	1,421,693
Other Financing Source					
Proceeds from sale of capital assets	44,526	-	44,526	-	44,526
Transfers in	1,963	378,093	380,056	-	380,056
Total other financing sources	46,489	378,093	424,582	-	424,582
Net change in fund balances	1,264,937	622,062	1,886,999	(40,724)	1,846,275
Fund Balances					
Beginning of year	3,174,350	4,951,779	8,126,129	155,881	8,282,010
End of year	$ 4,439,287	$ 5,573,841	$ 10,013,128	$ 115,157	$ 10,128,285

Independent School District No. 271
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Food Service Fund
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Other local and county revenues	$ -	$ -	$ 27,212	$ 27,212
Revenue from state sources	650,000	650,000	208,354	(441,646)
Revenue from federal sources	3,900,000	3,900,000	6,330,732	2,430,732
Sales and other conversion of assets	-	-	30,903	30,903
Total revenues	4,550,000	4,550,000	6,597,201	2,047,201
Expenditures				
Current				
Food service	4,492,988	4,492,988	5,264,853	771,865
Capital outlay				
Food service	12,183	12,183	113,900	101,717
Total expenditures	4,505,171	4,505,171	5,378,753	873,582
Excess of revenues over (under) expenditures	44,829	44,829	1,218,448	1,173,619
Other Financing Sources				
Proceeds from sale of capital asset	-	-	44,526	44,526
Transfers in	-	-	1,963	1,963
Total other financing sources	-	-	46,489	46,489
Net change in fund balance	$ 44,829	$ 44,829	1,264,937	$ 1,220,108
Fund Balance				
Beginning of year			3,174,350	
End of year			$ 4,439,287	

Independent School District No. 271
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Community Service Fund
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Local property taxes	$ 2,268,038	$ 2,264,527	$ 2,251,571	$ (12,956)
Other local and county revenues	3,912,107	4,029,538	4,724,602	695,064
Revenue from state sources	3,538,478	3,557,685	3,561,921	4,236
Revenue from federal sources	540,086	1,131,148	1,186,414	55,266
Interdistrict revenue	238,337	238,337	242,348	4,011
Total revenues	10,497,046	11,221,235	11,966,856	745,621
Expenditures				
Current				
Elementary and secondary regular instruction	147,992	99,999	99,999	-
Community education and services	11,419,257	11,553,715	11,123,272	(430,443)
Capital outlay				
Community education and services	48,000	64,600	37,709	(26,891)
Debt service:				
Principal	-	-	338,862	338,862
Interest and fiscal charges	-	-	123,045	123,045
Total expenditures	11,615,249	11,718,314	11,722,887	4,573
Excess of revenues over (under) expenditures	(1,118,203)	(497,079)	243,969	741,048
Other Financing Sources				
Transfers in	297,670	297,670	378,093	80,423
Net change in fund balance	$ (820,533)	$ (199,409)	622,062	$ 821,471
Fund Balance				
Beginning of year			4,951,779	
End of year			$ 5,573,841	

Independent School District No. 271
Combining Statement of
Net Position - Internal Service Funds
June 30, 2022

	Internal Service Funds				
	Retiree Benefits	Dental Insurance	Self Insured Medical Benefits	OPEB	Total
Assets					
Cash and cash equivalents	$ 4,041,664	$ 1,221,585	$ 20,258,136	$ 101,045	$ 25,622,430
Investments	-	-	-	13,084,419	13,084,419
Accounts receivable	-	-	181,228	-	181,228
Interfund receivable	-	210,652	2,603,480	-	2,814,132
Interest receivable	-	-	-	53,960	53,960
Total assets	$ 4,041,664	$ 1,432,237	$ 23,042,844	$ 13,239,424	$ 41,756,169
Liabilities					
Accounts payable	$ -	$ 68,949	$ 35,301	$ -	$ 104,250
Due to other governments	-	-	7,650	-	7,650
Incurred but not reported claims	-	22,122	2,350,000	-	2,372,122
Benefits payable	1,539,240	-	-	-	1,539,240
Unearned revenue	-	251,432	4,749,557	-	5,000,989
Total liabilities	1,539,240	342,503	7,142,508	-	9,024,251
Net Position					
Unrestricted	2,502,424	1,089,734	15,900,336	13,239,424	32,731,918
Total liabilities and net position	$ 4,041,664	$ 1,432,237	$ 23,042,844	$ 13,239,424	$ 41,756,169

Independent School District No. 271
Combining Statement of Revenues, Expenses. and Changes
in Fund Net Position - Internal Service Funds
Year Ended June 30, 2022

	Internal Service Funds				
	Retiree Benefits	Dental Insurance	Self Insured Medical Benefits	OPEB	Total
Operating revenues					
Charges for services	$ -	$ 1,325,777	$ 24,082,971	$ -	$ 25,408,748
Contribution	193,155	-	-	-	193,155
Total revenue	193,155	1,325,777	24,082,971	-	25,601,903
Operating expenses					
Salaries and benefits	-	59,997	-	-	59,997
Employee benefits	273,576	1,286,038	23,520,715	434,254	25,514,583
Administrative	-	90,694	1,963,774	7,758	2,062,226
Total operating expenses	273,576	1,436,729	25,484,489	442,012	27,636,806
Operating income (loss)	(80,421)	(110,952)	(1,401,518)	(442,012)	(2,034,903)
Nonoperating revenues					
Investment income	623	2,000	3,139	(213,053)	(207,291)
Change in net position	(79,798)	(108,952)	(1,398,379)	(655,065)	(2,242,194)
Net position					
Beginning of year	2,582,222	1,198,686	17,298,715	13,894,489	34,974,112
End of year	$ 2,502,424	$ 1,089,734	$ 15,900,336	$ 13,239,424	$ 32,731,918

Independent School District No. 271
Combining Statement of Cash Flows -
Internal Service Funds
As of June 30, 2022

	Internal Service Funds				
	Retiree Benefits	Dental Insurance	Self Insured Medical Benefits	OPEB	Total
Cash Flows - Operating Activities					
Receipts from employee contributions	$ -	$ 1,258,007	$ 24,098,614	$ -	$ 25,356,621
Receipts from district contributions	260,450	-	-	-	260,450
Employee claims paid	-	(1,311,909)	(22,930,715)	(434,254)	(24,676,878)
Payments to employees	(273,576)	(59,997)	-	-	(333,573)
Payments to suppliers	-	(22,516)	(1,920,823)	(14,650)	(1,957,989)
Net cash flows - operating activities	(13,126)	(136,415)	(752,924)	(448,904)	(1,351,369)
Cash Flows - Investment Activities					
Investment purchases	-	-	-	(137,699)	(137,699)
Interest received	623	2,000	3,139	(178,836)	(173,074)
Net cash flows - investment activities	623	2,000	3,139	(316,535)	(310,773)
Net change in cash and cash equivalents	(12,503)	(134,415)	(749,785)	(765,439)	(1,662,142)
Cash and Cash Equivalents					
Beginning of year	4,054,167	1,356,000	21,007,921	866,484	27,284,572
End of year	$ 4,041,664	$ 1,221,585	$ 20,258,136	$ 101,045	$ 25,622,430
Reconciliation of Operating Income (Loss) to Net Cash Flows - Operating Activities					
Operating income (loss)	$ (80,421)	$ (110,952)	$ (1,401,518)	$ (442,012)	$ (2,034,903)
Adjustments to reconcile operating income (loss) to net cash flows - operating activities					
Accounts payable	-	68,178	35,301	(6,892)	96,587
Due to other governments	-	-	7,650	-	7,650
Benefits payable	67,295	-	-	-	67,295
Accounts receivable	-	-	(75,701)	-	(75,701)
claims	-	(25,871)	590,000	-	564,129
Interfund receivable	-	(70,529)	2,801	-	(67,728)
Unearned revenue	-	2,759	88,543	-	91,302
Net adjustments	67,295	(25,463)	648,594	(6,892)	683,534
Net cash flows - operating activities	$ (13,126)	$ (136,415)	$ (752,924)	$ (448,904)	$ (1,351,369)

Independent School District No. 271
Uniform Financial Accounting and Reporting Standards
Compliance Table
Year Ended June 30, 2022

		Audit	UFARS	Audit-UFARS
01 GENERAL FUND				
Total revenue		$ 174,240,296	$ 174,240,292	$ 4
Total expenditures		170,592,409	170,592,405	4
Nonspendable:				
4.60	Nonspendable fund balance	421,164	421,164	-
Restricted/reserved:				
4.01	Student Activities	111,433	111,433	-
4.02	Scholarships	41,286	41,286	-
4.03	Staff Development	-	-	-
4.07	Capital Projects Levy	4,812,552	4,812,552	-
4.08	Cooperative Programs	-	-	-
4.09	Alternative Facility Program	-	-	-
4.13	Building Projects Funded by COP/LP	-	-	-
4.14	Operating Debt	-	-	-
4.16	Levy Reduction	-	-	-
4.17	Taconite Building Maintenance	-	-	-
4.24	Operating Capital	8,892,713	8,892,713	-
4.26	$25 Taconite	-	-	-
4.27	Disabled Accessibility	-	-	-
4.28	Learning and Development	-	-	-
4.34	Area Learning Center	-	-	-
4.35	Contracted Alternative Programs	-	-	-
4.36	State Approved Alternative Program	1,119,788	1,119,788	-
4.38	Gifted and Talented	-	-	-
4.40	Teacher Development and Evaluation	-	-	-
4.41	Basic Skills Programs	-	-	-
4.45	Career Technical Programs	-	-	-
4.48	Achievement and Integration Revenue	-	-	-
4.49	Safe School Crime	-	-	-
4.51	QZAB Payments	-	-	-
4.52	OPEB Liabilities not Held in Trust	-	-	-
4.53	Unfunded Severance and Retirement Levy	-	-	-
4.59	Basic Skills Extended Time	-	-	-
4.67	Long-term Facilities Maintenance	-	-	-
4.72	Medical Assistance	27,295	27,295	-
4.75	Title VII - Impact Aid	-	-	-
4.76	Payments in Lieu of Taxes	-	-	-
Restricted:				
4.72	Medical Assistance	-	-	-
4.64	Restricted fund balance	-	-	-
4.75	Title VII - Impact Aid	-	-	-
4.76	Payments in Lieu of Taxes	-	-	-
Committed:				
4.18	Committed for separation	-	-	-
4.61	Committed fund balance	2,504,633	2,504,634	(1)
Assigned:				
4.62	Assigned fund balance	123,000	123,000	-
Unassigned:				
4.22	Unassigned fund balance	15,982,574	15,982,570	4

		Audit	UFARS	Audit-UFARS
02 FOOD SERVICE FUND				
Total revenue		$ 6,597,201	$ 6,597,201	$ -
Total expenditures		5,378,753	5,378,754	(1)
Nonspendable:				
4.60	Nonspendable fund balance	146,837	146,836	1
Restricted/reserved:				
4.52	OPEB liabilities not held in trust	-	-	-
Restricted:				
4.64	Restricted fund balance	4,292,450	4,292,449	1
Unassigned:				
4.63	Unassigned fund balance	-	-	-

		Audit	UFARS	Audit-UFARS
04 COMMUNITY SERVICE FUND				
Total revenue		$ 11,966,856	$ 11,966,854	$ 2
Total expenditures		11,722,887	11,722,887	-
Nonspendable:				
4.60	Nonspendable fund balance	46,423	46,423	-
Restricted/reserved:				
4.26	$25 Taconite	-	-	-
4.31	Community Education	2,957,892	2,957,892	-
4.32	ECFE	549,980	549,980	-
4.40	Teacher Development and Evaluation	-	-	-
4.44	School Readiness	478,817	478,817	-
4.47	Adult Basic Education	1,540,729	1,540,729	-
4.52	OPEB Liabilities not Held in Trust	-	-	-
Restricted:				
4.64	Restricted fund balance	-	-	-
Unassigned:				
4.63	Unassigned fund balance	-	-	-

		Audit	UFARS	Audit-UFARS
06 BUILDING CONSTRUCTION FUND				
Total revenue		$ (177,593)	$ (177,593)	$ -
Total expenditures		10,976,680	10,976,681	(1)
Nonspendable:				
4.60	Nonspendable fund balance	-	-	-
Restricted/reserved:				
4.07	Capital Projects Levy	-	-	-
4.09	Alternative Facility Program	-	-	-
4.13	Building Projects Funded by COP/LP	-	-	-
4.67	Long-term Facilities Maintenance	15,089,802	15,089,801	1
Restricted:				
4.64	Restricted fund balance	-	-	-
Unassigned:				
4.63	Unassigned fund balance	-	-	-

		Audit	UFARS	Audit-UFARS
07 DEBT SERVICE FUND				
Total revenue		$ 13,573,254	$ 13,573,254	$ -
Total expenditures		13,680,990	13,680,990	-
Nonspendable:				
4.60	Nonspendable fund balance	-	-	-
Restricted/reserved:				
4.25	Bond refunding	-	-	-
4.33	Maximum effort loan aid	-	-	-
4.51	QZAB payments	-	-	-
4.67	LTFM	-	-	-
Restricted:				
4.64	Restricted fund balance	1,134,307	1,134,307	-
Unassigned:				
4.63	Unassigned fund balance	-	-	-

		Audit	UFARS	Audit-UFARS
08 TRUST FUND				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Unassigned:				
4.01	Student Activities	-	-	-
4.02	Scholarships	-	-	-
4.22	Net position	-	-	-

		Audit	UFARS	Audit-UFARS
18 CUSTODIAL				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Restricted/Reserved				
4.01	Student Activities	-	-	-
4.02	Scholarships	-	-	-
4.48	Achievement and Integration	-	-	-
4.64	Restricted	-	-	-

		Audit	UFARS	Audit-UFARS
20 INTERNAL SERVICE FUND				
Total revenue		$ 25,607,665	$ 25,607,665	$ -
Total expenditures		27,194,794	27,194,793	1
Unassigned:				
4.22	Net position	19,492,494	19,492,495	(1)

		Audit	UFARS	Audit-UFARS
25 OPEB REVOCABLE TRUST				
Total revenue		$ (213,053)	$ (213,053)	$ -
Total expenditures		442,012	442,012	-
Unassigned:				
4.22	Net position	13,239,424	13,239,424	-

		Audit	UFARS	Audit-UFARS
45 OPEB IRREVOCABLE TRUST				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Unassigned:				
4.22	Net position	-	-	-

		Audit	UFARS	Audit-UFARS
47 OPEB DEBT SERVICE				
Total revenue		$ 338,808	$ 338,808	$ -
Total expenditures		379,532	379,533	(1)
Nonspendable:				
4.60	Nonspendable fund balance	-	-	-
Restricted:				
4.25	Bond refundings	-	-	-
4.64	Restricted fund balance	115,157	115,157	-
Unassigned:				
4.63	Unassigned fund balance	-	-	-

Independent School District No. 271
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Agency/Pass Through Agency/Program Title	Federal Assistance Number	Expenditures
U.S. Department of Agriculture		
Through Minnesota Department of Education		
Child nutrition cluster		
Commodities programs (noncash assistance)	10.555	$ 405,851
School breakfast	10.553	1,203,489
Fresh fruits and vegetables program	10.582	40,684
Summer food service	10.559	75,574
Type A lunch	10.555	4,351,948
After school snack	10.555	74,818
Total child nutrition cluster		6,152,364
Child and adult care food program	10.558	4,926
Total U.S. Department of Agriculture		6,157,290
U.S. Department of Education		
Through Minnesota Department of Education		
COVID - Coronavirus State and Local Fiscal Recovery Fund	21.027	1,039,967
Title I, Part A	84.010	1,531,440
Title II, Part A - improving teacher quality	84.367	130,481
Title III, Part A - language enhancement	84.365	205,306
Title IV, Part A - safe and drug-free schools and communities	84.186	48,999
Comprehensive literacy state development	84.371	776,637
Special education cluster		
Special education	84.027	1,690,669
ARP IDEA Part B Section 611	84.027X	558,424
Handicapped early education	84.173	62,830
ARP IDEA Part B Section 619 – Preschool grants for children with disabilities	84.173X	48,495
Total special education cluster		2,360,418
Infants and toddlers	84.181	103,348
Adult basic education		
Adult basic education	84.002	198,283
Adult basic education literacy	84.002A	72,601
Total adult basic education		270,884
Education for homeless children and youth	84.196	15,827
Education Stabilization Fund		
COVID - Elementary and Secondary School Emergency Relief	84.425	1,263,554
COVID - Governor's Emergency Education Relief Fund	84.425	12,566
COVID - CRRSA - Summer School Age Care	84.425C	166,499
COVID - Elementary and Secondary School Emergency Relief II	84.425D	753,365
COVID - ARP - Learning Recovery and Emergency Relief	84.425U	2,574,477
COVID - ARP - Homeless I and II	84.425W	79,638
Total Education Stabilization Fund		4,850,099
Through Independent School District No. 273		
Carl Perkins	84.048A	51,954
Direct from federal government		
Indian elementary and secondary school assistance	84.060	32,758
Total U.S. Department of Education		11,418,118
Total federal expenditures		$ 17,575,408

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

NOTE 1 – BASIS OF PRESENTATION

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

NOTE 2 – PASS-THROUGH GRANT NUMBERS

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

NOTE 3 – INVENTORY

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

NOTE 4 – INDIRECT COST RATE

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

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 271, Bloomington, Minnesota, as of and for the year ending June 30, 2022, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 17, 2022.

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

BerganKDV, Ltd.

Minneapolis, Minnesota
November 17, 2022

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Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance

Independent Auditor's Report

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

<u>Report on Compliance for Each Major Federal Program</u>

Opinion on Each Major Federal Program

We have audited the District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the District complied in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance
Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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

Report on Internal Control over Compliance (Continued)
Our consideration of internal control over compliance was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

BerganKDV, Ltd.

Minneapolis, Minnesota
November 17, 2022

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

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516*?*	No

Identification of Major Programs

Assistance Listing No.:	21.027
Name of Federal Program or Cluster	Coronavirus State and Local Fiscal Recovery Funds
Assistance Listing No.:	84.027, 84.173
Name of Federal Program or Cluster	Special Education Cluster
Assistance Listing No.:	84.371
Name of Federal Program or Cluster	Comprehensive Literacy State Development
Assistance Listing No.:	84.425
Name of Federal Program or Cluster	Education Stabilization Fund
Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low risk auditee?	No

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

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no findings noted.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings or questioned costs noted.

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Audit Finding 2021-001 – Prior Period Adjustments

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

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

CORRECTIVE ACTION TAKEN

There were no prior period adjustments noted for the engagement ending June 30, 2022.

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Minnesota Legal Compliance

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 271, Bloomington, Minnesota, as of and for the year ended June 30, 2022, and the related notes to basic financial statements, and have issued our report thereon dated November 17, 2022.

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

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

BerganKDV, Ltd.

Minneapolis, Minnesota
November 17, 2022