INDEPENDENT SCHOOL DISTRICT NO. 273
EDINA, MINNESOTA

Financial Statements
and Supplemental Information

Year Ended
June 30, 2021

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INDEPENDENT SCHOOL DISTRICT NO. 273

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INTRODUCTORY SECTION

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INDEPENDENT SCHOOL DISTRICT NO. 273

School Board and Administration
Year Ended June 30, 2021

SCHOOL BOARD

	Position
Erica Allenburg	Chair
Leny Wallen-Friedman	Vice Chair
Matthew Fox	Treasurer
Ellen Jones	Clerk
Owen Michaelson	Assistant Treasurer
Julie Greene	Assistant Clerk
Janie Shaw	Assistant Clerk

ADMINISTRATION

Dr. John Schultz	Superintendent
Dr. Randy Smasal	Assistant Superintendent
John Toop	Director of Business Services
Steve Buettner	Director of District Media and Technology
Valerie Burke	Director of Community Education
Eric Hamilton	Director of Buildings and Grounds
Jody De St. Hubert	Director of Teaching and Learning
Jeff Jorgensen	Director of Student Support
Donna Roper	Director of Research and Evaluation
Nicole Tuescher	Director of Human Resources
Mary Woitte	Director of Communications
Ra Chhoth	Controller

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FINANCIAL SECTION

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MMKR
CERTIFIED PUBLIC
ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT

To the School Board and Management of
Independent School District No. 273
Edina, Minnesota

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 273, Edina, Minnesota (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

(continued)

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

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

OTHER MATTERS

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, supplemental information, and other District information section, as listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements of the District. The accompanying Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Table is presented for purposes of additional analysis as required by the Minnesota Department of Education, and is also not a required part of the basic financial statements of the District.

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

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

(continued)

Prior Year Comparative Information

We have previously audited the District's 2020 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated December 28, 2020. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota
December 29, 2021

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This section of Independent School District No. 273, Edina, Minnesota's (the District) annual financial statements presents management's narrative overview and analysis of the District's financial performance during the fiscal year ended June 30, 2021. Please read it in conjunction with the other components of the District's annual financial statements.

FINANCIAL HIGHLIGHTS

- The District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2021 by $44,933,767 (net position deficit). The District's total net position increased by $971,656 during the fiscal year ended June 30, 2021.

- Government-wide revenues totaled $153,715,095 and were $971,656 more than expenses of $152,743,439.

- The General Fund's total fund balance (under the governmental fund presentation) increased $2,669,512 during the year, compared to a $2,018,459 decrease projected in the final budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- Independent Auditor's Report;

- Management's discussion and analysis;

- Basic financial statements, including the government-wide financial statements, fund financial statements, and the notes to basic financial statements;

- Required supplementary information; and

- Combining and individual fund statements and schedules, presented as supplemental information.

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

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

FUND FINANCIAL STATEMENTS

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

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

The District maintains the following kinds of funds:

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

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

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

	2021	2020
Assets		
Current and other assets	$ 105,579,559	$ 105,091,262
Capital assets, net of depreciation	276,700,869	265,650,906
Total assets	$ 382,280,428	$ 370,742,168
Deferred outflows of resources	$ 40,980,456	$ 63,408,060
Liabilities		
Current and other liabilities	$ 20,770,236	$ 20,108,608
Long-term liabilities, including due within one year	325,345,734	309,256,097
Total liabilities	$ 346,115,970	$ 329,364,705
Deferred inflows of resources	$ 122,078,681	$ 150,690,946
Net position		
Net investment in capital assets	$ 74,779,603	$ 69,414,627
Restricted	10,673,134	11,777,774
Unrestricted	(130,386,504)	(127,097,824)
Total net position	$ (44,933,767)	$ (45,905,423)

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

The District's total net position increased by $971,656 in fiscal 2021. The increase in net investment in capital assets is due to the relationship between the rate at which the capital assets are added and depreciated versus the rate at which the related debt is repaid, along with capital asset additions financed through a property tax levy, rather than a new debt issuance. A reduction in resources restricted for capital asset acquisition was the main reason for the decrease in restricted net position. The change in the District's share of the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) pension plans contributed to the change in deferred outflows of resources, long-term liabilities, deferred inflows of resources, and unrestricted net position.

Table 2 presents a condensed version of the Statement of Activities of the District:

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

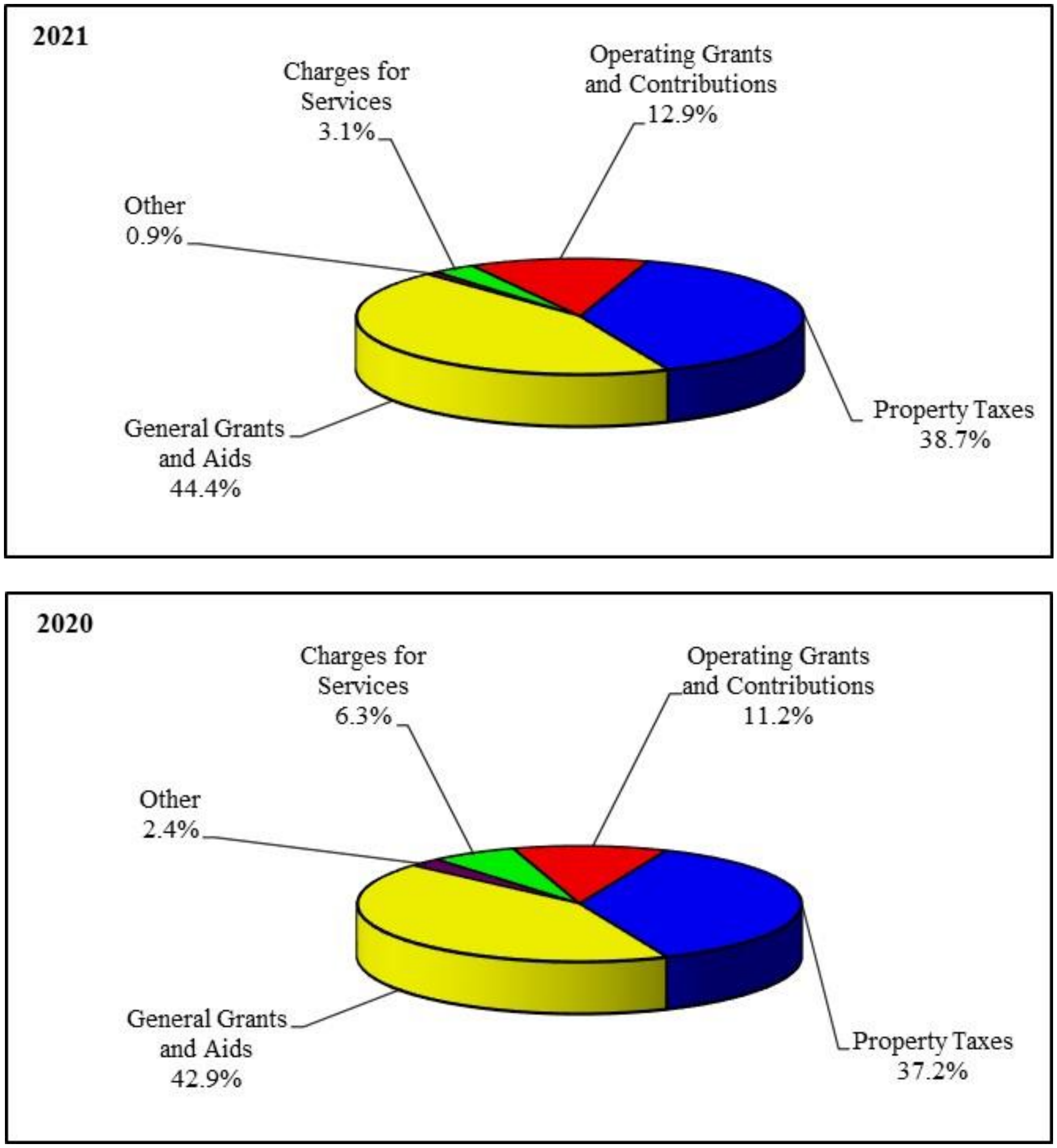
	2021	2020
Revenues		
Program revenues		
Charges for services	$ 4,821,502	$ 9,600,637
Operating grants and contributions	19,889,104	16,936,588
General revenues		
Property taxes	59,446,976	56,335,374
General grants and aids	68,134,313	64,777,362
All other	1,423,200	3,706,657
Total revenues	153,715,095	151,356,618
Expenses		
Administration	3,545,896	3,355,426
District support services	2,798,389	2,831,412
Elementary and secondary regular instruction	64,417,805	64,939,467
Vocational education instruction	435,878	584,027
Special education instruction	23,809,800	24,253,131
Instructional support services	9,134,634	6,123,950
Pupil support services	10,075,079	11,019,797
Sites and buildings	25,836,493	24,750,786
Fiscal and other fixed cost programs	451,186	305,513
Food service	1,432,491	2,637,069
Community service	5,239,236	8,103,181
Interest and fiscal charges	5,566,552	6,253,404
Total expenses	152,743,439	155,157,163
Change in net position	971,656	(3,800,545)
Net position – beginning	(45,905,423)	(42,104,878)
Net position – ending	$ (44,933,767)	$ (45,905,423)

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

Total revenues for fiscal year 2021 were $2,358,477 greater than last year, mainly due to increases in property taxes, state general and special education aid, and COVID-19-related federal funding. Expenses decreased $2,413,724 compared to fiscal year 2020 levels, mainly due to the change in the PERA and the TRA pension plans mentioned earlier.

Figures A and B show further analysis of these revenue sources and expense functions:

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

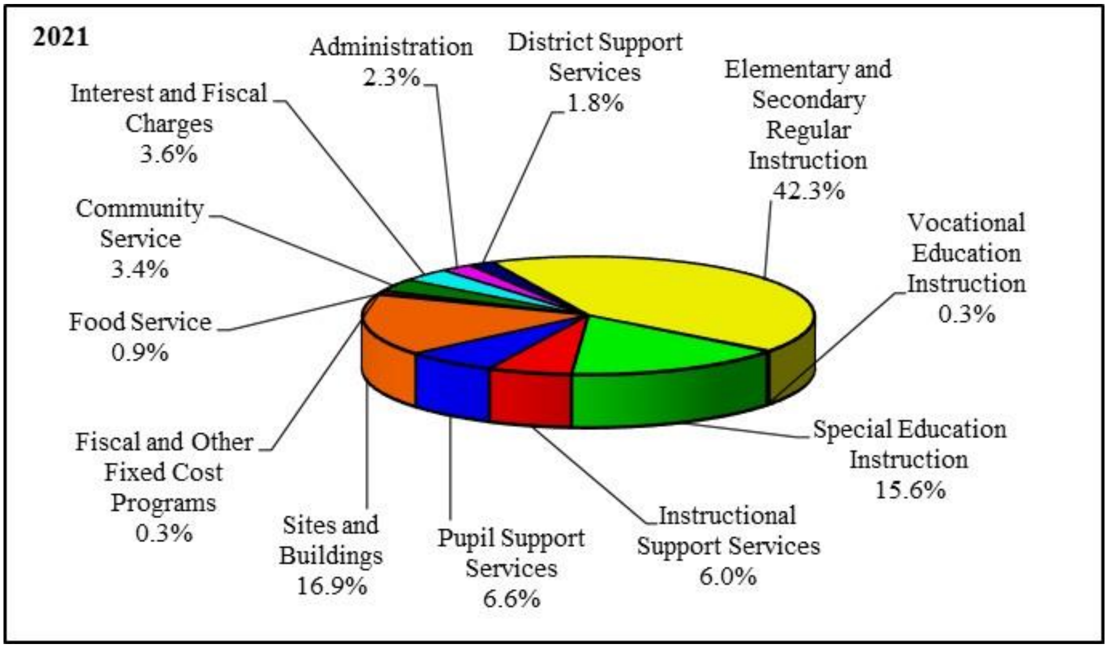


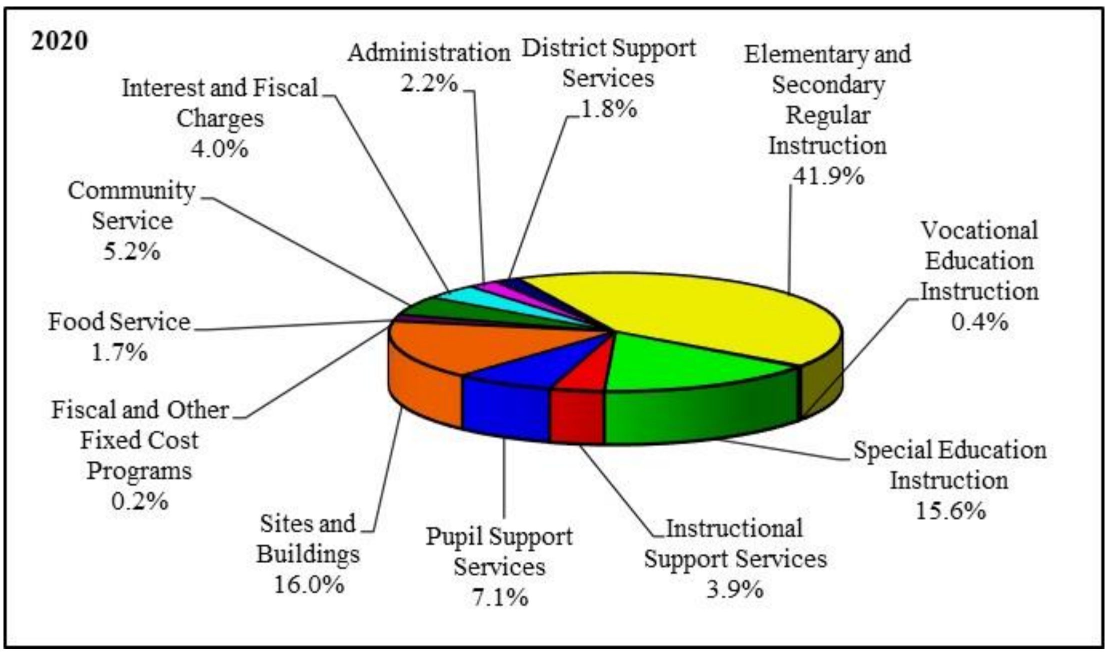
The largest share of the District's revenue is received from the state, including the aid formula and most of the operating grants.

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

Charges for services decreased and operating grants and contributions increased, both due in part, to the District's food service program operating under the federal Summer Food Service Program for Children for the entire fiscal year, through which all students were eligible for federally funded breakfast or lunch, provided by the District. The decrease in other revenue compared to the prior year was directly related to the COVID-19 pandemic, which caused decreases in donations, investment income, and other miscellaneous revenues collected.

Figure B – Expenses for Fiscal Years 2021 and 2020





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

The year-to-year changes in the percentage of expenses incurred in several program areas shown above were due to a combination of factors, including changes in the District's learning model in response to the COVID-19 pandemic, and changes in expenses related to the two state-wide pension plans.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

	2021	2020	Change
Major funds			
General	$ 17,563,606	$ 14,894,094	$ 2,669,512
Capital Projects – Building Construction	7,392,643	12,413,939	(5,021,296)
Debt Service	3,314,963	3,026,960	288,003
Nonmajor funds			
Food Service Special Revenue	921,842	927,125	(5,283)
Community Service Special Revenue	688,972	528,055	160,917
Total governmental funds	$ 29,882,026	$ 31,790,173	$ (1,908,147)

Nonspendable fund balances increased $11,431 in fiscal 2021 for prepaid items in the Capital Projects – Building Construction Fund. Fund balances restricted for various purposes decreased $4,638,099, mainly due to the District spending down restricted fund balance in the Capital Projects – Building Construction Fund for construction projects. Fund balances committed by School Board resolution for cash flow needs in the General Fund increased $6,193. Fund balances assigned for various purposes increased $2,341,969, mainly due to a new assignment for literacy and virtual programming in the General Fund. Unassigned fund balances, which include Uniform Financial Accounting and Reporting Standards fund balance restrictions with deficit balances, increased $370,359 during the year, primarily due to General Fund operations.

GENERAL FUND

The General Fund is used to account for all revenues and expenditures of the District not accounted for elsewhere. The General Fund is used to account for: K–12 educational activities, district instructional and student support programs, expenditures for the superintendent, district administration, normal operations and maintenance, pupil transportation, capital expenditures, and other legal school district expenditures not specifically designated to be accounted for in any other fund.

Table 4 summarizes the amendments to the General Fund budget:

Table 4
General Fund
Budget

	Original Budget	Final Budget	Change	Percent Change
Revenue	$ 123,752,659	$ 126,813,539	$ 3,060,880	2.5%
Expenditures	$ 121,690,618	$ 127,273,783	$ 5,583,165	4.6%
Other financing sources (uses)	$ (1,558,215)	$ (1,558,215)	$ –	–

The District is required to adopt an operating budget prior to the beginning of its fiscal year, referred to above as the original budget. In the fall and spring, the District amends the budget for known changes in circumstances such as enrollment levels, legislative funding, staffing changes, employee contract settlements, and prior year carryover balances. Between the original and final budget, the District increased both the revenue and expenditure budgets for these factors.

Table 5 summarizes the operating results of the General Fund:

Table 5
General Fund
Operating Results

		Over (Under) Final Budget		Over (Under) Prior Year	
	2021 Actual	Amount	Percent	Amount	Percent
Revenue	$ 126,850,449	$ 36,910	–	$ 8,496,369	7.2%
Expenditures	118,468,569	$ (8,805,214)	(6.9%)	$ 801,068	0.7%
Other financing sources (uses)	(5,712,368)	$ (4,154,153)	266.6%	$ (5,712,368)	(100.0%)
Net change in fund balances	$ 2,669,512				

Actual revenues for fiscal year 2021 were less than 0.1 percent over budget. The budget-to-actual variance in expenditures was spread across several programs, with the largest savings occurring in elementary and secondary regular instruction, special education instruction, and sites and buildings, primarily due to the District implementing a distance learning model and COVID-19 restrictions.

An increase in the District's voter-approved operating referendum tax levy, along with additional state funding for general education and special education and additional federal funding related to the COVID-19 pandemic, contributed to the 7.2 percent increase in total General Fund revenue.

The slight increase in expenditures compared to the prior year was mainly due to higher instructional support services costs to support the District's distance learning model, along with growth consistent with regional inflationary trends. This was offset by a decrease in pupil support services costs, due to less transportation expenditures as a result of distance learning. Additionally, the District had fewer long-term facilities maintenance (LTFM) projects accounted for in the General Fund than the previous year.

The District made a $6.0 million transfer to the Capital Projects – Building Construction Fund for LTFM projects compared to a $1.6 million transfer budgeted for this purpose. A much smaller transfer was made in the prior year. This transfer in excess of budget, was partially offset by a capital lease issued in the current year that was not anticipated in the budget.

Food Service Special Revenue Fund

Food Service Special Revenue Fund revenue for fiscal year 2021 totaled $1,424,437, and expenditures were $1,429,720. The June 30, 2021 fund balance is $921,842, a decrease of $5,283 from fiscal year 2020, compared to a budgeted decrease of $352,387. Revenue was over budget by $192,468 and expenditures were under budget by $154,636, due to changes in the District's child nutrition program resulting from the COVID-19 pandemic.

Community Service Special Revenue Fund

Community Service Special Revenue Fund revenue for fiscal year 2021 totaled $5,391,274, and expenditures were $5,230,357. The June 30, 2021 fund balance is $688,972, an increase of $160,917 from fiscal year 2020, compared to a budgeted increase of $199,093. Revenue and expenditures were over budget by $684,746 and $722,922, respectively, due to pandemic-related uncertainties in program participation when preparing the budget, as well as COVID-19-related federal funding received that was not anticipated.

Capital Projects – Building Construction Fund

Capital Projects – Building Construction Fund revenue for fiscal year 2021 totaled $5,145,494, and expenditures were $27,557,795. The fund also had other financing sources at $17,391,005 in fiscal year 2021, including facilities bond proceeds of $11.4 million and a transfer from the General Fund of $6.0 million. The June 30, 2021 fund balance is $7,392,643, a decrease of $5,021,296 from fiscal year 2020, compared to a planned decrease of $5,226,360. This variance was mainly due to the timing of capital projects.

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. Debt Service Fund revenue for fiscal year 2021 totaled $14,742,101, and expenditures were $14,729,481. The District also issued refunding bonds during the year to redeem $10,430,000 of outstanding debt and replace it with bonds at a more favorable interest rate. The June 30, 2021 fund balance is $3,314,963, an increase of $288,003 from fiscal year 2020, as compared to a $134,445 increase anticipated in the budget.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

By the end of 2021, the District had invested $276,700,869 in a broad range of capital assets, including school buildings, athletic facilities, and technology and equipment (see Table 6). Total depreciation expense for this year was $12,365,330.

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

Table 6
Capital Assets

	2021	2020	Change
Land	$ 5,240,001	$ 5,240,001	$ –
Land improvements	26,335,782	26,542,807	(207,025)
Buildings	350,388,566	346,558,478	3,830,088
Furniture and equipment	21,853,716	21,677,137	176,579
Construction in progress	31,865,085	13,579,584	18,285,501
Less accumulated depreciation	(158,982,281)	(147,947,101)	(11,035,180)
Total	$ 276,700,869	$ 265,650,906	$ 11,049,963
Depreciation expense	$ 12,365,330	$ 12,135,663	$ 229,667

The changes presented in the table above reflect the ongoing construction activity at various district sites during fiscal year 2021. The most significant change from last year is in construction in progress, related to previously issued building bonds and the 10-year LTFM plan.

The District capitalizes furniture, equipment, and land improvements valued at $5,000 or more.

Long-Term Liabilities

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

Table 7
Outstanding Long-Term Liabilities

	2021	2020	Change
General obligation bonds payable	$ 183,765,000	$ 181,575,000	$ 2,190,000
Certificates of participation payable	735,000	845,000	(110,000)
Unamortized premiums	14,202,540	13,282,191	920,349
Capital leases payable	1,492,912	1,477,131	15,781
Severance benefits payable	472,756	626,667	(153,911)
Net/total pension liabilities	103,195,273	90,846,264	12,349,009
Total OPEB liability	21,482,253	20,603,844	878,409
Total	$ 325,345,734	$ 309,256,097	$ 16,089,637

The increases in general obligation bonds payable, unamortized premiums, and capital leases payable were due to the issuance of two new bonds during fiscal year 2021, as discussed previously, and a new capital lease agreement entered into for Apple iPads. The differences in the net/total pension and OPEB liabilities reflect the changes in the District's proportionate share of the state-wide PERA and TRA pension plans, along with changes in the District's pension and OPEB plans.

The state limits the amount of general obligation debt the District can issue at 15.0 percent of the market value of all taxable property within the District's corporate limits (see Table 8).

Table 8
Limitations on Debt

District's market value	$ 10,774,411,075
Limit rate	15.0%
Legal debt limit	$ 1,616,161,661

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

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

Annually, the School Board approves a rolling 10-year LTFM plan. Goals of the plan are to support learning environment and initiatives for students, staff, and community; increase long-term facilities funding of annual deferred maintenance to meet ongoing needs; address backlog of deferred maintenance in buildings; improve energy efficiency; support strategic plan initiatives; and minimize impact to taxpayers. In conformance with this 10-year plan, the District issued in Spring 2019, $24.1 million in LTFM bonds. The plan invests approximately $15.0 million biannually in the remaining years of the LTFM plan to improve mechanical systems, exterior envelope, and paving throughout the District. In accordance with the District's approved 10-year LTFM plan, the District issued LTFM bonds of $10.6 million in Spring 2021.

On May 11, 2021, the voters of the Edina School District approved a renewal and increase of $500,000 annually to the Capital Projects/Tech Levy for the next 10 years. The voters also approved a $7,000,000 bond for expansion of the bus depot, parking lot, and lighting improvements at two elementary and one middle school.

In Fall 2020, the District refinanced its 2013 alternative facilities bonds and continued to maintain its top credit rating from one of the leading global rating agencies. Moody's Investors Service reaffirmed its AAA rating of the District, the highest assigned by Moody's. The AAA rating allows the District to obtain the lowest interest rates available when borrowing money by issuing bonds and certificates. The District is one of three in the state to have the highest rating.

In November 2017, the District was successful in its request to renew and increase the existing operating levy scheduled to sunset in 2018–2019. The voters approved the increase in a two-step process, with an increase for taxes payable in 2018 of $445 per pupil unit, and an increase of $218 per pupil unit for taxes payable starting in 2020. The increase in the operating referendum has maintained the quality of programs and services expected in Edina.

The amount of funding a district receives is also dependent on the number of students it serves, meaning attracting and retaining students is critical to the District's financial well-being. The COVID-19 pandemic caused numerous financial and operational challenges for school districts in fiscal 2021, including impacting the number of students districts served, and is expected to continue to have a significant impact in fiscal 2022 and possibly beyond.

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

These financial statements are designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about these statements or need additional financial information, contact the Business Services Department, Independent School District No. 273, 5701 Normandale Road, Edina, Minnesota 55424, or visit the District's website at www.edinaschools.org.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	
	2021	2020
Assets		
Cash and temporary investments	$ 63,202,126	$ 63,085,769
Receivables		
Current taxes	30,429,785	30,910,894
Delinquent taxes	543,396	473,701
Accounts and interest	434,803	290,250
Due from other governmental units	10,958,018	10,330,648
Prepaid items	11,431	–
Capital assets		
Not depreciated	37,105,086	18,819,585
Depreciated, net of accumulated depreciation	239,595,783	246,831,321
Total assets	382,280,428	370,742,168
Deferred outflows of resources		
Pension plan deferments	39,019,289	61,864,735
OPEB plan deferments	1,961,167	1,543,325
Total deferred outflows of resources	40,980,456	63,408,060
Total assets and deferred outflows of resources	$ 423,260,884	$ 434,150,228
Liabilities		
Salaries and benefits payable	$ 11,315,657	$ 10,964,182
Accounts and contracts payable	4,496,313	4,733,470
Accrued interest payable	3,090,463	3,295,919
Due to other governmental units	404,602	540,644
Unearned revenue	1,463,201	574,393
Long-term liabilities		
Due within one year	10,406,809	7,599,598
Due in more than one year	314,938,925	301,656,499
Total long-term liabilities	325,345,734	309,256,097
Total liabilities	346,115,970	329,364,705
Deferred inflows of resources		
Bond refunding deferments	1,884,295	2,556,458
Property taxes levied for subsequent year	57,065,831	55,491,894
Pension plan deferments	62,062,564	91,498,816
OPEB plan deferments	1,065,991	1,143,778
Total deferred inflows of resources	122,078,681	150,690,946
Net position		
Net investment in capital assets	74,779,603	69,414,627
Restricted for		
Capital asset acquisition	8,577,036	10,242,776
Debt service	311,374	–
Food service	921,842	927,125
Community service	637,052	476,979
Other state restrictions	225,830	130,894
Unrestricted	(130,386,504)	(127,097,824)
Total net position	(44,933,767)	(45,905,423)
Total liabilities, deferred inflows of resources, and net position	$ 423,260,884	$ 434,150,228

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 273

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

	2021				2020
		Program Revenues		Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Governmental Activities
Governmental activities					
Administration	$ 3,545,896	$ 13,655	$ –	$ (3,532,241)	$ (3,310,632)
District support services	2,798,389	–	–	(2,798,389)	(2,831,412)
Elementary and secondary regular instruction	64,417,805	1,039,250	309,020	(63,069,535)	(63,154,959)
Vocational education instruction	435,878	–	–	(435,878)	(584,027)
Special education instruction	23,809,800	42,675	16,134,113	(7,633,012)	(9,810,267)
Instructional support services	9,134,634	646	–	(9,133,988)	(6,123,950)
Pupil support services	10,075,079	32,979	1,077,084	(8,965,016)	(10,083,932)
Sites and buildings	25,836,493	349,991	–	(25,486,502)	(24,181,043)
Fiscal and other fixed cost programs	451,186	–	–	(451,186)	(305,513)
Food service	1,432,491	31,490	1,391,279	(9,722)	(186,886)
Community service	5,239,236	3,310,816	977,608	(950,812)	(1,793,913)
Interest and fiscal charges	5,566,552	–	–	(5,566,552)	(6,253,404)
Total governmental activities	$ 152,743,439	$ 4,821,502	$ 19,889,104	(128,032,833)	(128,619,938)
	General revenues				
	Taxes				
	Property taxes, levied for general purposes			38,700,828	33,408,171
	Property taxes, levied for community service			1,100,338	1,116,918
	Property taxes, levied for capital projects			4,920,118	5,914,554
	Property taxes, levied for debt service			14,725,692	15,895,731
	General grants and aids			68,134,313	64,777,362
	Other general revenues			1,333,919	2,674,991
	Investment earnings			89,281	1,031,666
	Total general revenues			129,004,489	124,819,393
	Change in net position			971,656	(3,800,545)
	Net position – beginning			(45,905,423)	(42,104,878)
	Net position – ending			$ (44,933,767)	$ (45,905,423)

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 273

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

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Assets			
Cash and temporary investments	$ 38,310,611	$ 10,441,302	$ 10,822,279
Receivables			
Current taxes	22,339,585	–	7,531,693
Delinquent taxes	403,361	–	128,640
Accounts and interest	357,062	5,067	–
Due from other governmental units	10,464,280	–	–
Prepaid items	–	11,431	–
Total assets	$ 71,874,899	$ 10,457,800	$ 18,482,612
Liabilities			
Salaries and benefits payable	$ 11,136,020	$ 10,662	$ –
Accounts and contracts payable	1,224,750	3,054,495	–
Due to other governmental units	370,717	–	–
Unearned revenue	432,491	–	–
Total liabilities	13,163,978	3,065,157	–
Deferred inflows of resources			
Property taxes levied for subsequent year	40,866,739	–	15,080,775
Unavailable revenue – delinquent taxes	280,576	–	86,874
Total deferred inflows of resources	41,147,315	–	15,167,649
Fund balances			
Nonspendable	–	11,431	–
Restricted	1,333,034	7,458,401	3,314,963
Committed	1,074,602	–	–
Assigned	6,094,910	–	–
Unassigned	9,061,060	(77,189)	–
Total fund balances	17,563,606	7,392,643	3,314,963
Total liabilities, deferred inflows of resources, and fund balances	$ 71,874,899	$ 10,457,800	$ 18,482,612

See notes to basic financial statements

Nonmajor Funds	Total Governmental Funds 2021	Total Governmental Funds 2020
$ 3,025,266	$ 62,599,458	$ 62,468,883
558,507	30,429,785	30,910,894
11,395	543,396	473,701
47,805	409,934	265,294
493,738	10,958,018	10,330,648
–	11,431	–
$ 4,136,711	$ 104,952,022	$ 104,449,420
$ 168,975	$ 11,315,657	$ 10,964,182
165,743	4,444,988	4,692,833
33,885	404,602	540,644
1,030,710	1,463,201	574,393
1,399,313	17,628,448	16,772,052
1,118,317	57,065,831	55,491,894
8,267	375,717	395,301
1,126,584	57,441,548	55,887,195
–	11,431	–
1,610,814	13,717,212	18,355,311
–	1,074,602	1,068,409
–	6,094,910	3,752,941
–	8,983,871	8,613,512
1,610,814	29,882,026	31,790,173
$ 4,136,711	$ 104,952,022	$ 104,449,420

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

	2021	2020
Total fund balances – governmental funds	$ 29,882,026	$ 31,790,173
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets are included in net position, but are excluded from fund balances because they do not represent financial resources.		
Cost of capital assets	435,683,150	413,598,007
Accumulated depreciation	(158,982,281)	(147,947,101)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable. Debt issuance premiums and discounts are excluded from net position until amortized, but are included in fund balances upon issuance as other financing sources and uses.		
General obligation bonds payable	(183,765,000)	(181,575,000)
Certificates of participation payable	(735,000)	(845,000)
Unamortized premiums	(14,202,540)	(13,282,191)
Capital leases payable	(1,492,912)	(1,477,131)
Severance benefits payable	(472,756)	(626,667)
Net/total pension liabilities	(103,195,273)	(90,846,264)
Total OPEB liability	(21,482,253)	(20,603,844)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the Statement of Net Position.	576,212	601,205
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.	(3,090,463)	(3,295,919)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – pension plan deferments	39,019,289	61,864,735
Deferred outflows of resources – OPEB plan deferments	1,961,167	1,543,325
Deferred inflows of resources – bond refunding deferments	(1,884,295)	(2,556,458)
Deferred inflows of resources – pension plan deferments	(62,062,564)	(91,498,816)
Deferred inflows of resources – OPEB plan deferments	(1,065,991)	(1,143,778)
Deferred inflows of resources – unavailable revenue – delinquent taxes	375,717	395,301
Total net position – governmental activities	$ (44,933,767)	$ (45,905,423)

See notes to basic financial statements

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

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Revenue			
Local sources			
Property taxes	$ 38,708,163	$ 4,920,118	$ 14,737,097
Investment earnings	70,969	9,138	5,004
Other	2,591,692	216,238	–
State sources	80,834,800	–	–
Federal sources	4,644,825	–	–
Total revenue	126,850,449	5,145,494	14,742,101
Expenditures			
Current			
Administration	3,342,784	–	–
District support services	2,714,576	–	–
Elementary and secondary regular instruction	56,763,928	–	–
Vocational education instruction	347,713	–	–
Special education instruction	22,568,276	–	–
Instructional support services	8,891,998	–	–
Pupil support services	9,321,573	–	–
Sites and buildings	13,571,083	–	–
Fiscal and other fixed cost programs	451,186	–	–
Food service	–	–	–
Community service	–	–	–
Capital outlay	–	27,405,852	–
Debt service			
Principal	411,830	–	7,050,000
Interest and fiscal charges	83,622	151,943	7,679,481
Total expenditures	118,468,569	27,557,795	14,729,481
Excess (deficiency) of revenue over expenditures	8,381,880	(22,412,301)	12,620
Other financing sources (uses)			
Sale of capital assets	5,185	–	–
Capital lease issued	317,611	–	–
Debt issued	–	10,411,556	9,258,444
Premium on debt issued	–	944,285	1,446,939
Payment on refunded debt	–	–	(10,430,000)
Transfers in	–	6,035,164	–
Transfers (out)	(6,035,164)	–	–
Total other financing sources (uses)	(5,712,368)	17,391,005	275,383
Net change in fund balances	2,669,512	(5,021,296)	288,003
Fund balances			
Beginning of year	14,894,094	12,413,939	3,026,960
End of year	$ 17,563,606	$ 7,392,643	$ 3,314,963

See notes to basic financial statements

Nonmajor Funds	Total Governmental Funds 2021	Total Governmental Funds 2020
$ 1,101,182	$ 59,466,560	$ 56,429,303
3,336	88,447	1,031,666
3,342,306	6,150,236	12,275,628
531,801	81,366,601	79,168,635
1,837,086	6,481,911	2,515,385
6,815,711	153,553,755	151,420,617
–	3,342,784	3,009,563
–	2,714,576	2,800,341
–	56,763,928	56,626,943
–	347,713	417,775
–	22,568,276	22,535,544
–	8,891,998	5,600,116
–	9,321,573	10,138,725
–	13,571,083	15,903,909
–	451,186	305,513
1,321,720	1,321,720	2,371,549
5,202,701	5,202,701	7,805,415
135,656	27,541,508	20,021,117
–	7,461,830	8,382,929
–	7,915,046	7,681,704
6,660,077	167,415,922	163,601,143
155,634	(13,862,167)	(12,180,526)
–	5,185	–
–	317,611	–
–	19,670,000	19,890,000
–	2,391,224	2,061,538
–	(10,430,000)	(21,895,000)
–	6,035,164	–
–	(6,035,164)	–
–	11,954,020	56,538
155,634	(1,908,147)	(12,123,988)
1,455,180	31,790,173	43,914,161
$ 1,610,814	$ 29,882,026	$ 31,790,173

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INDEPENDENT SCHOOL DISTRICT NO. 273

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

	2021	2020
Total net change in fund balances – governmental funds	$ (1,908,147)	$ (12,123,988)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital assets are recorded in net position and the cost is allocated over their estimated useful lives as depreciation expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase.		
Capital outlays	23,415,293	19,256,474
Depreciation expense	(12,365,330)	(12,135,663)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is included in the governmental activities in the Statement of Activities.	(24,993)	111,600
The amount of debt issued is reported in the governmental funds as a source of financing. Debt obligations are not revenues in the Statement of Activities, but rather constitute long-term liabilities.		
General obligation bonds payable	(19,670,000)	(19,890,000)
Capital leases payable	(317,611)	–
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds and certificates of participation	17,590,000	30,140,000
Capital leases payable	301,830	137,929
Interest on long-term debt is included in the change in net position as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due.	205,456	(276,438)
Debt issuance premiums and discounts are included in the change in net position as they are amortized over the life of the debt. However, they are included in the change in fund balances upon issuance as other financing sources and uses.	(920,349)	2,199,658
Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.		
Severance benefits payable	153,911	67,938
Net/total pension liabilities	(12,349,009)	(1,795,719)
Total OPEB liability	(878,409)	(1,359,603)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – pension plan deferments	(22,845,446)	(28,441,754)
Deferred outflows of resources – OPEB plan deferments	417,842	532,368
Deferred inflows of resources – bond refunding deferments	672,163	(2,556,458)
Deferred inflows of resources – pension plan deferments	29,436,252	22,263,642
Deferred inflows of resources – OPEB plan deferments	77,787	163,398
Deferred inflows of resources – unavailable revenue – delinquent taxes	(19,584)	(93,929)
Change in net position – governmental activities	$ 971,656	$ (3,800,545)

See notes to basic financial statements

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INDEPENDENT SCHOOL DISTRICT NO. 273

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

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Final Budget
Revenue				
Local sources				
Property taxes	$ 37,412,258	$ 37,787,258	$ 38,708,163	$ 920,905
Investment earnings	150,000	150,000	70,969	(79,031)
Other	3,219,168	2,600,417	2,591,692	(8,725)
State sources	81,067,540	81,207,726	80,834,800	(372,926)
Federal sources	1,903,693	5,068,138	4,644,825	(423,313)
Total revenue	123,752,659	126,813,539	126,850,449	36,910
Expenditures				
Current				
Administration	3,444,923	3,796,149	3,342,784	(453,365)
District support services	2,491,272	2,701,546	2,714,576	13,030
Elementary and secondary regular instruction	57,122,056	59,265,455	56,763,928	(2,501,527)
Vocational education instruction	176,001	170,781	347,713	176,932
Special education instruction	23,661,036	23,635,831	22,568,276	(1,067,555)
Instructional support services	6,309,152	8,848,934	8,891,998	43,064
Pupil support services	10,103,440	9,665,875	9,321,573	(344,302)
Sites and buildings	17,515,544	18,352,634	13,571,083	(4,781,551)
Fiscal and other fixed cost programs	534,916	504,300	451,186	(53,114)
Debt service				
Principal	238,317	238,317	411,830	173,513
Interest and fiscal charges	93,961	93,961	83,622	(10,339)
Total expenditures	121,690,618	127,273,783	118,468,569	(8,805,214)
Excess (deficiency) of revenue over expenditures	2,062,041	(460,244)	8,381,880	8,842,124
Other financing sources (uses)				
Sale of capital assets	–	–	5,185	5,185
Capital lease issued	–	–	317,611	317,611
Transfers (out)	(1,558,215)	(1,558,215)	(6,035,164)	(4,476,949)
Total other financing sources (uses)	(1,558,215)	(1,558,215)	(5,712,368)	(4,154,153)
Net change in fund balances	$ 503,826	$ (2,018,459)	2,669,512	$ 4,687,971
Fund balances				
Beginning of year			14,894,094	
End of year			$ 17,563,606	

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 273

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

	2021	2020
Assets		
Current assets		
Cash and temporary investments	$ 602,668	$ 616,886
Accounts receivable	24,869	24,956
Total assets	627,537	641,842
Liabilities		
Current liabilities		
Accounts and contracts payable	51,325	40,637
Net position		
Unrestricted	$ 576,212	$ 601,205

INDEPENDENT SCHOOL DISTRICT NO. 273

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

	2021	2020
Operating revenue		
Charges for services	$ 870,451	$ 855,860
Operating expenses		
Dental claims and expenses	896,278	744,260
Operating income (loss)	(25,827)	111,600
Nonoperating revenue		
Investment earnings	834	–
Change in net position	(24,993)	111,600
Net position		
Beginning of year	601,205	489,605
End of year	$ 576,212	$ 601,205

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

	2021	2020
Cash flows from operating activities		
Contributions from governmental funds	$ 870,538	$ 854,737
Dental claims and other expense payments	(885,590)	(745,501)
Net cash flows from operating activities	(15,052)	109,236
Cash flows from investing activities		
Investment income received	834	–
Net change in cash and cash equivalents	(14,218)	109,236
Cash and temporary investments		
Beginning of year	616,886	507,650
End of year	$ 602,668	$ 616,886
Reconciliation of operating income (loss) to net cash flows from operating activities		
Operating income (loss)	$ (25,827)	$ 111,600
Adjustments to reconcile operating income (loss) to net cash flows from operating activities		
Changes in assets and liabilities		
Accounts receivable	87	(1,123)
Accounts and contracts payable	10,688	(1,241)
Net cash flows from operating activities	$ (15,052)	$ 109,236

See notes to basic financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Organization

Independent School District No. 273, Edina, Minnesota (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District serves pre-kindergarten through 12th grade students attending the District either as a resident of the District or through an open enrollment option election. It is governed by a School Board elected by voters of the District to four-year terms. The District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

The District's policy is to include in the financial statements all funds, departments, agencies, boards, commissions, and other component units for which the District is considered to be financially accountable.

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

C. Government-Wide Financial Statement Presentation

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. Generally, the effect of material interfund activity has been removed from the government-wide financial statements. Transactions representing interfund services provided and used are not eliminated in the consolidation process to the government-wide financial statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other internally directed revenues are reported instead as general revenues.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

D. Fund Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting, transactions are recorded in the following manner:

1. **Revenue Recognition** – Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District generally considers revenues to be available if they are collected within 60 days after year-end. Grants and similar revenues are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to Minnesota Statutes. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Internal service funds are presented in proprietary fund financial statements. Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as described earlier in these notes. Because the principal users of the internal services are the District's governmental activities, the internal service funds are consolidated into the governmental column when presented in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. An internal service fund accounts for the financing of goods or services provided by one department to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The principal operating revenue of the District's Internal Service Fund is charges to other district funds for service. Operating expenses for the Internal Service Fund include the costs of providing services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Description of Funds

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

Major Governmental Funds

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

Capital Projects – Building Construction Fund – The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition or construction of major capital facilities authorized by bond issue, capital project levies, or the Long-Term Facilities Maintenance (LTFM) Program.

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

Nonmajor Governmental Funds

Food Service Special Revenue Fund – The Food Service Special Revenue Fund is used to account for the District's child nutrition program.

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

Proprietary Funds

Internal Service Fund – The District's Internal Service Fund is used to account for dental insurance offered by the District to its employees as a self-insured plan.

E. Budgetary Information

The School Board adopts an annual budget for all governmental funds prepared on the same basis of accounting as the fund financial statements. Legal budgetary control is at the fund level. Budgeted appropriations lapse at year-end. Actual expenditures for the year ended June 30, 2021 exceeded budgeted appropriations by $722,922 in the Community Service Special Revenue Fund, by $2,956,020 in the Capital Projects – Building Construction Fund, and by $98,943 in the Debt Service Fund. Revenues and other financing sources in excess of budget, along with available fund balances, financed these variances.

F. Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the amounts reported in the financial statements during the reporting period. Actual results could differ from those estimates.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Cash and Temporary Investments

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

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

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

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

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

H. Receivables

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

I. Prepaid Items

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

J. Property Taxes

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

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

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes $3,863,954 of the property tax levy collectible in 2021 as revenue to the District in fiscal year 2020–2021. The remaining portion of the taxes collectible in 2021 is reported as a deferred inflow of resources (property taxes levied for subsequent year).

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

K. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated acquisition value at the date of donation. The District defines capital assets as those with an initial, individual cost of $5,000 or more, which benefit more than one fiscal year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The District does not possess material amounts of infrastructure capital assets. Such items are considered to be part of the cost of buildings or other improvable property.

Capital assets are reported in the government-wide financial statements, but not in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since assets are generally sold for an immaterial amount or scrapped when declared as no longer fit or needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings and 5 to 15 years for furniture and equipment. Land and construction in progress are not depreciated.

L. Long-Term Obligations

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

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

M. Compensated Absences

Under the terms of union contracts, certain employees accrue vacation and sick leave at varying rates, portions of which may be carried over to future years. Employees are reimbursed for any unused, accrued vacation and related benefits upon termination. Unused sick leave enters into the calculation of severance benefits for some employees upon termination. Compensated absences are accrued in governmental fund financial statements only to the extent they have been used or otherwise matured prior to year-end. Compensated absences, if material, are accrued when earned in the government-wide financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Severance Benefits

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

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

O. State-Wide Pension Plans

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

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

P. Risk Management and Self-Insurance

1. **General Insurance** – The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in the current fiscal year.

2. **Self-Insurance** – The District established an Internal Service Fund to account for and finance its uninsured risk of loss for its employee dental plan. Under this plan, the District provides coverage to participating employees and their dependents for various dental costs as described in the plan.

   The District makes premium payments to the Internal Service Fund on behalf of program participants based on provisional rates determined by insurance company estimates of monthly claims paid for each coverage class, plus stop-loss insurance premium costs and administrative service charges.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in the balance of dental claim liabilities were as follows:

Fiscal Year Ended June 30,	Beginning of Fiscal Year Liability		Current Year Claims and Changes in Estimates		Claim Payments		Balance at Fiscal Year-End	
2020	$	41,878	$	744,260	$	745,501	$	40,637
2021	$	40,637	$	896,278	$	885,590	$	51,325

Q. Deferred Outflows/Inflows of Resources

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

The District reports a deferred inflow of resources related to bond refunding deferments in the government-wide Statement of Net Position. A bond refunding deferment results from the difference in the carrying value of refunded debt and its reacquisition price. These amounts are deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

Property taxes levied for subsequent years, which represents property taxes received or reported as a receivable before the period for which the taxes are levied, are reported as a deferred inflow of resources in both the government-wide Statement of Net Position and the governmental funds Balance Sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied, and in the governmental fund financial statements during the year for which they are levied, if available.

Unavailable revenue from property taxes arises under a modified accrual basis of accounting and is reported only in the governmental funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available.

R. Interfund Transfers

The General Fund transferred $6,035,164 to the Capital Projects – Building Construction Fund to allocate revenue that will be expended by the Capital Projects – Building Construction Fund for LTFM projects. Such interfund transfers are reported in the fund financial statements, but are eliminated in the government-wide financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Net Position

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

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

- **Restricted Net Position** – Consists of net position restricted related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.

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

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

T. Fund Balance Classifications

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

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.

- **Restricted** – Consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.

- **Committed** – Consists of internally imposed constraints that are established by resolution of the School Board. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

- **Assigned** – Consists of internally imposed constraints. These constraints consist of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to School Board resolution, the District's superintendent and director of business services are authorized to establish assignments of fund balance.

- **Unassigned** – The residual classification for the General Fund, which also reflects negative residual amounts in other funds.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. Prior Period Comparative Financial Information/Reclassification

The basic financial statements include certain prior year partial comparative information in total, but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2020, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 2 – CASH AND INVESTMENTS

A. Components of Cash and Investments

Cash and temporary investments at year-end consist of the following:

Deposits	$	4,747,710
Investments		58,454,416
Cash and temporary investments	$	63,202,126

B. Deposits

In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the School Board, including checking accounts, savings accounts, and nonnegotiable certificates of deposit.

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

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

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

The year-end bank balances of the District's deposits totaled $4,747,745, which were fully covered by federal deposit insurance or collateral held by the District's agent in the District's name.

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

C. Investments

The District has the following investments at year-end:

Investment Type	Credit Rating	Rating Agency	Fair Value Measurements Using	Interest Rate Risk – Maturity Duration in Years		Total
				No Maturity Date	Less Than 1 Year	
Negotiable certificates of deposits	Not Rated		Level 2	$ –	$ 1,988,775	$ 1,988,775
Investment pools						
MSDLAF Liquid Class	AAA	S&P	Not Applicable	$ 21,373,078	$ –	21,373,078
MSDLAF MAX Class	AAA	S&P	Not Applicable	$ 91,118	$ –	91,118
MNTrust Investment Shares Portfolio	AAA	S&P	Not Applicable	$ 21,501,445	$ –	21,501,445
MNTrust Term Series	Not Rated		Not Applicable	$ –	$ 13,500,000	13,500,000
Total investments						$ 58,454,416

Investment pools managed by MNTrust and the Minnesota School District Liquid Asset Fund (MSDLAF) are external investment pools regulated by Minnesota Statutes not registered with the Securities and Exchange Commission. The District's investments in these investment pools are measured at the net asset value per share provided by the pools, which are based on amortized cost methods that approximate fair value. There are no restrictions or limitations on withdrawals from the MNTrust Investment Shares Portfolio or the MSDLAF Liquid Class investment pools. Investments in the MSDLAF MAX Class must be deposited for a minimum of 14 calendar days, with the exception of direct investments of funds distributed by the state of Minnesota. Withdrawals prior to the 14-day restriction period may be subject to a penalty and there is a 24-hour hold on all requests for redemptions. MNTrust Term Series Portfolios are intended to be held until maturity; a participant's withdrawal prior to maturity will require 7 days' notice of redemption and will likely carry a penalty, which could be substantial in that it would be intended to allow the MNTrust Term Series Portfolio to recoup any associated penalties, charges, losses, or other costs associated with the early redemption of the investments therein.

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

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

Custodial Credit Risk – This is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the District would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Although the District's investment policies do not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments, or by the control of who holds the securities.

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

The District's investment policy also requires that commercial paper be of corporations organized in the United States; having at least $1 billion of outstanding corporate paper obligations; rated at the highest classification by Standard and Poor's (A-1) or Moody's Investors Service (P-1); and not be on credit watch for potential downgrades. No more than 50 percent of the District's investments can be in commercial paper on any given day. District policy does not allow investments in derivatives.

Concentration Risk – This is the risk associated with investing a significant portion of the District's investments (considered 5.0 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The District's policies limit the investment on any given day, in any given corporation, to $1 million.

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

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year is as follows:

	Balance – Beginning of Year	Additions	Deletions	Completed Construction	Balance – End of Year
Capital assets, not depreciated					
Land	$ 5,240,001	$ –	$ –	$ –	$ 5,240,001
Construction in progress	13,579,584	21,799,222	–	(3,513,721)	31,865,085
Total capital assets, not depreciated	18,819,585	21,799,222	–	(3,513,721)	37,105,086
Capital assets, depreciated					
Land improvements	26,542,807	89,588	(296,613)	–	26,335,782
Buildings	346,558,478	369,557	(53,190)	3,513,721	350,388,566
Furniture and equipment	21,677,137	1,156,926	(980,347)	–	21,853,716
Total capital assets, depreciated	394,778,422	1,616,071	(1,330,150)	3,513,721	398,578,064
Less accumulated depreciation for					
Land improvements	(6,834,580)	(1,302,683)	296,613	–	(7,840,650)
Buildings	(125,628,512)	(9,833,206)	53,190	–	(135,408,528)
Furniture and equipment	(15,484,009)	(1,229,441)	980,347	–	(15,733,103)
Total accumulated depreciation	(147,947,101)	(12,365,330)	1,330,150	–	(158,982,281)
Net capital assets, depreciated	246,831,321	(10,749,259)	–	3,513,721	239,595,783
Total capital assets, net	$ 265,650,906	$ 11,049,963	$ –	$ –	$ 276,700,869

Depreciation for the year was charged to the following governmental functions:

Administration	$ 49,869
Elementary and secondary regular instruction	3,219,248
Vocational education instruction	88,165
Special education instruction	1,329
Instructional support services	15,059
Pupil support services	719,566
Sites and buildings	8,258,793
Community service	13,301
Total depreciation expense	$ 12,365,330

NOTE 4 – LONG-TERM LIABILITIES

A. General Obligation Bonds Payable

The District currently has the following general obligation bonds payable outstanding:

Issue	Issue Date	Interest Rate	Face/Par Value	Final Maturity	Principal Outstanding
Alternative facilities bonds	12/30/2014	3.00–3.50%	$ 6,050,000	02/01/2035	$ 6,050,000
School building bonds	07/22/2015	4.00–5.00%	$ 113,385,000	02/01/2037	102,155,000
Facilities maintenance and building bonds	04/13/2017	2.50–4.00%	$ 16,350,000	02/01/2031	16,350,000
Facilities maintenance bonds	05/02/2019	3.00–5.00%	$ 24,075,000	02/01/2036	24,075,000
School building refunding bonds	11/14/2019	5.00%	$ 19,890,000	02/01/2024	15,465,000
Alternative facilities refunding bonds	11/05/2020	3.00–4.00%	$ 9,085,000	02/01/2026	9,085,000
Facilities maintenance bonds	05/27/2021	2.00–3.00%	$ 10,585,000	02/01/2031	10,585,000
Total general obligation bonds payable					$ 183,765,000

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

The District issued $9,085,000 of General Obligation Alternative Facilities Refunding Bonds, Series 2020A, the proceeds of which were used to refund, in advance of their stated maturities, the 2022–2026 maturities of the District's General Obligation Alternative Facilities Bonds, Series 2013A on their February 1, 2021 call date. This refunding reduced the District's total future debt service payments by $747,675, and resulted in a net present value savings of $737,043.

B. Certificates of Participation Payable

Issue	Issue Date	Interest Rate	Face/Par Value	Final Maturity	Principal Outstanding
2011C Certificates of Participation	11/17/2011	2.00–3.75%	$ 1,615,000	04/01/2027	$ 735,000

The District sold certificates of participation under Minnesota Statutes § 123B.51 to finance the construction of an addition to South View Middle School. Scheduled future ad valorem lease obligation tax levies will be made to finance the retirement of principal and interest payments on the certificates. These certificates of participation are being paid by the General Fund.

C. Capital Leases Payable

In fiscal year 2014, the District entered into two capital lease agreements to finance the construction of several building additions. The leases, with an effective interest rate of 3.43 percent, require annual principal and interest payments through January 15, 2029, and are being paid by the General Fund. The leased assets were recorded at $2,233,000 (the present value of future minimum lease payments as of the inception dates of the leases). Total accumulated depreciation on these assets at June 30, 2021 was $312,620.

In fiscal year 2021, the District entered into a capital lease agreement to finance the purchase of Apple iPads valued at $317,611. The lease, with an effective interest rate of 2.51 percent, requires annual principal and interest payments through May 27, 2023, and is being paid by the General Fund. The assets acquired through this capital lease were not capitalized as individual asset amounts do not meet the capitalization threshold.

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

D. Other Long-Term Liabilities

The District offers a number of benefits to its employees, including pension, OPEB, and severance benefits for eligible employees based on unused sick leave, as further described elsewhere in these notes. Such benefits are paid primarily from the General Fund.

E. Minimum Debt Payments

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

Year Ending	General Obligation Bonds		Certificates of Participation		Capital Leases	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2022	$ 7,540,000	$ 7,385,884	$ 110,000	$ 25,525	$ 225,893	$ 48,496
2023	8,015,000	7,011,113	115,000	22,088	232,968	41,422
2024	7,625,000	6,629,463	120,000	18,350	158,028	34,124
2025	7,780,000	6,251,613	125,000	14,150	163,494	28,658
2026	10,510,000	5,929,763	130,000	9,775	169,151	23,002
2027–2031	70,750,000	21,887,788	135,000	5,063	543,378	33,078
2032–2036	62,135,000	8,874,663	–	–	–	–
2037	9,410,000	376,400	–	–	–	–
	$183,765,000	$ 64,346,685	$ 735,000	$ 94,951	$ 1,492,912	$ 208,780

F. Changes in Long-Term Liabilities

	Beginning of Year	Additions	Retirements	End of Year	Due Within One Year
General obligation bonds payable	$ 181,575,000	$ 19,670,000	$ 17,480,000	$ 183,765,000	$ 7,540,000
Certificates of participation payable	845,000	–	110,000	735,000	110,000
Unamortized premiums	13,282,191	2,391,224	1,470,875	14,202,540	–
Capital leases payable	1,477,131	317,611	301,830	1,492,912	225,893
Severance benefits payable	626,667	6,518	160,429	472,756	208,511
Net/total pension liability	90,846,264	19,695,017	7,346,008	103,195,273	834,763
Total OPEB liability	20,603,844	1,870,422	992,013	21,482,253	1,487,642
	$ 309,256,097	$ 43,950,792	$ 27,861,155	$ 325,345,734	$ 10,406,809

NOTE 5 – FUND BALANCES

The table on the following page presents a breakdown of governmental fund equity components as defined earlier in these notes. State mandated restrictions that have an accumulated deficit at June 30, if any, are included in unassigned fund balance in the District's financial statements in accordance with accounting principles generally accepted in the United States of America. However, a description of any deficit balance restrictions is included herein since the District has specific authority to future resources for such deficits.

The School Board has formally adopted a fund balance policy regarding maintaining a minimum unassigned General Fund balance goal of 6.0 percent of budgeted unassigned General Fund expenditures. At June 30, 2021, the unassigned fund balance of the General Fund was 7.1 percent of budgeted unassigned expenditures for fiscal 2022.

NOTE 5 – FUND BALANCES (CONTINUED)

At June 30, 2021, a summary of the District's governmental fund balance classifications are as follows:

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Nonmajor Funds	Total
Nonspendable					
Prepaid items	$ –	$ 11,431	$ –	$ –	$ 11,431
Restricted					
Student activities	25,830	–	–	–	25,830
Staff development	200,000	–	–	–	200,000
Operating capital	1,107,204	–	–	–	1,107,204
Capital projects levy	–	659,275	–	–	659,275
LTFM	–	6,799,126	–	–	6,799,126
Debt service	–	–	3,314,963	–	3,314,963
Food service	–	–	–	921,842	921,842
Community education	–	–	–	492,617	492,617
ECFE	–	–	–	76,232	76,232
School readiness	–	–	–	68,726	68,726
Community service	–	–	–	51,397	51,397
Total restricted	1,333,034	7,458,401	3,314,963	1,610,814	13,717,212
Committed					
Cash flow	1,074,602	–	–	–	1,074,602
Assigned					
Separation/retirement benefits	3,518,111	–	–	–	3,518,111
Carryover	573,023	–	–	–	573,023
Literacy and virtual programming	1,738,818	–	–	–	1,738,818
Alternative compensation	264,958	–	–	–	264,958
Total assigned	6,094,910	–	–	–	6,094,910
Unassigned	9,061,060	(77,189)	–	–	8,983,871
Total	$ 17,563,606	$ 7,392,643	$ 3,314,963	$ 1,610,814	$ 29,882,026

NOTE 6 – DEFINED BENEFIT PENSION PLANS

District employees participate in three defined benefit pension plans described later in these notes, including two state-wide, cost-sharing, multiple-employer plans, and a single-employer plan administered by the District. The following is a summary of the net/total pension liabilities, deferred outflows and inflows of resources, and pension expense reported for these plans as of and for the year ended June 30, 2021:

Pension Plans	Net/Total Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
State-wide, multiple-employer – PERA	$ 17,147,008	$ 2,028,484	$ 878,783	$ 876,004
State-wide, multiple-employer – TRA	71,672,288	34,977,353	60,835,615	11,010,449
Single-employer – District	14,375,977	2,013,452	348,166	1,501,223
Total	$ 103,195,273	$ 39,019,289	$ 62,062,564	$ 13,387,676

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Descriptions

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

1. General Employees Retirement Fund (GERF)

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

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

2. Teachers Retirement Association (TRA)

The TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with Minnesota Statutes, Chapters 354 and 356. The TRA is a separate statutory entity, administered by a Board of Trustees. The Board of Trustees consists of four active members, one retired member, and three statutory officials.

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

B. Benefits Provided

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

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

1. GERF Benefits

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

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

2. TRA Benefits

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

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

Tier I Benefits

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

With these provisions:

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

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

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

Tier II Benefits

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

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

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

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

C. Contributions

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

1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Coordinated Plan members were required to contribute 6.5 percent of their annual covered salary in fiscal year 2021 and the District was required to contribute 7.5 percent for Coordinated Plan members. The District’s contributions to the GERF for the year ended June 30, 2021, were $1,476,311. The District’s contributions were equal to the required contributions as set by state statutes.

2. TRA Contributions

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

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

The District’s contributions to the TRA for the plan’s fiscal year ended June 30, 2021, were $4,751,341. The District’s contributions were equal to the required contributions for each year as set by state statutes.

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

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

	in thousands
Employer contributions reported in the TRA's Comprehensive Annual Financial Report Statement of Changes in Fiduciary Net Position	$ 425,223
Add employer contributions not related to future contribution efforts	(56)
Deduct the TRA's contributions not included in allocation	(508)
Total employer contributions	424,659
Total nonemployer contributions	35,587
Total contributions reported in the Schedule of Employer and Nonemployer Pension Allocations	$ 460,246

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

D. Pension Costs

1. GERF Pension Costs

At June 30, 2021, the District reported a liability of $17,147,008 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the state of Minnesota's contribution of $16 million. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the District totaled $528,718. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.2860 percent at the end of the measurement period and 0.2832 percent for the beginning of the period.

District's proportionate share of the net pension liability	$ 17,147,008
State's proportionate share of the net pension liability associated with the District	$ 528,718

For the year ended June 30, 2021, the District recognized pension expense of $829,989 for its proportionate share of the GERF's pension expense. In addition, the District recognized $46,015 as grant revenue for its proportionate share of the state of Minnesota's pension expense for the annual $16 million contribution.

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 154,947	$ 64,876
Changes in actuarial assumptions	–	636,384
Net collective difference between projected and actual investment earnings	277,930	–
Changes in proportion	119,296	177,523
District's contributions to the GERF subsequent to the measurement date	1,476,311	–
Total	$ 2,028,484	$ 878,783

The $1,476,311 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2022	$ (1,034,947)
2023	$ (70,397)
2024	$ 364,458
2025	$ 414,276

2. TRA Pension Costs

At June 30, 2021, the District reported a liability of $71,672,288 for its proportionate share of the TRA's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the TRA in relation to total system contributions, including direct aid from the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The District's proportionate share was 0.9701 percent at the end of the measurement period and 0.9711 percent for the beginning of the period.

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

District's proportionate share of the net pension liability	$ 71,672,288
State's proportionate share of the net pension liability associated with the District	$ 6,006,361

For the year ended June 30, 2021, the District recognized pension expense of $10,460,226. It also recognized $550,223 as an increase to pension expense for the support provided by direct aid.

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

At June 30, 2021, the District had deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 1,437,320	$ 1,073,733
Changes in actuarial assumptions	25,009,777	59,708,765
Net difference between projected and actual investment earnings on pension plan investments	1,180,983	–
Changes in proportion	2,597,932	53,117
District's contributions to the TRA subsequent to the measurement date	4,751,341	–
Total	$ 34,977,353	$ 60,835,615

A total of $4,751,341 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2022	$ 2,034,492
2023	$ (20,580,856)
2024	$ (14,005,103)
2025	$ 1,654,233
2026	$ 287,631

E. Actuarial Assumptions

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

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

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

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

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

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

1. GERF

CHANGES IN ACTUARIAL ASSUMPTIONS

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years two through five, and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 Table to the Pub-2010 General Mortality Table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality Table to the Pub-2010 General/Teacher Disabled Annuitant Mortality Table, with adjustments.
- The mortality improvement scale was changed from MP-2018 to MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100.00 percent joint and survivor option changed from 35.00 percent to 45.00 percent. The assumed number of married female new retirees electing the 100.00 percent joint and survivor option changed from 15.00 percent to 30.00 percent. The corresponding number of married new retirees electing the life annuity option was adjusted accordingly.

CHANGES IN PLAN PROVISIONS

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

2. TRA

CHANGES IN ACTUARIAL ASSUMPTIONS

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

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

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

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

F. Discount Rate

1. GERF

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

2. TRA

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

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

G. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
GERF discount rate	6.50%	7.50%	8.50%
District's proportionate share of the GERF net pension liability	$ 27,480,705	$ 17,147,008	$ 8,622,537
TRA discount rate	6.50%	7.50%	8.50%
District's proportionate share of the TRA net pension liability	$ 109,729,515	$ 71,672,288	$ 40,315,057

H. Pension Plan Fiduciary Net Position

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

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

NOTE 8 – DEFINED BENEFIT PENSION PLAN – DISTRICT

A. Plan Description

The District provides pension benefits to certain eligible employees through its Pension Benefits Plan, a single-employer defined benefit plan administered by the District. The following employee groups receive the benefit: Superintendent, Superintendent's Advisory Council, Administrators (Edina Administrative Council), Controller, Director of Buildings and Grounds, Teachers, Classified Supervisors, and Edina Professional Association of Support Staff. All pension benefits are based on contractual agreements with these employee groups. Eligibility for these benefits is based on years of service and/or minimum age requirements. The benefits are calculated using a predetermined number of days depending on the employee group, multiplied by the employee's daily base pay, or in certain cases, a fixed amount per year of service. Payments are made in either a lump sum or installments to a 403(b) plan or in a lump sum directly to the employee. These contractual agreements do not include any specific contribution or funding requirements. The plan does not issue a separate financial report.

B. Contributions and Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the District. The District has not established a trust fund to finance these pension benefits.

C. Membership

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

Retirees and beneficiaries receiving benefits	50
Active plan members	754
Total members	804

D. Actuarial Methods and Assumptions

The total pension liability was determined by an actuarial study with a valuation date as of July 1, 2020 and measurement date as of July 1, 2020, using the entry-age method and the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	2.40%
20-year municipal bond yield	2.40%
Inflation rate	2.50%
Salary increases	Service graded table

Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale. The actuarial assumptions used in the latest valuation were based on those used to value pension liabilities for Minnesota school district employees. The state pension plans base their assumptions on periodic experience studies.

The municipal bond rate assumption was set by considering published rate information for 20-year high quality, tax-exempt, general obligation municipal bonds as of the measurement date.

NOTE 8 – DEFINED BENEFIT PENSION PLAN – DISTRICT (CONTINUED)

E. Discount Rate

The discount rate used to measure the total pension liability was 2.40 percent. The projection of cash flows used to determine the discount rate was determined by estimating the long-term investment yield on the employer funds that will be used to pay benefits as they come due. Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-year municipal bond yield rate. The District's discount rate used in the prior measurement date was 3.10 percent.

F. Changes in the Total Pension Liability

	Total Pension Liability
Beginning balance	$ 13,290,652
Changes for the year	
Service cost	987,492
Interest	431,916
Assumption changes	147,110
Plan changes	(3,674)
Difference between expected and actual experience	218,511
Benefit payments	(696,030)
Total net changes	1,085,325
Ending balance	$ 14,375,977

Assumption changes since the prior measurement date include the following:

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

Plan changes since the prior measurement date include the following:

- The Community Education Services Coordinators are no longer eligible for this benefit.

G. Total Pension Liability Sensitivity to Discount Rate Changes

The following presents the total pension liability of the District, as well as what the District's total pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Pension discount rate	1.40%	2.40%	3.40%
Total pension liability	$ 15,313,397	$ 14,375,977	$ 13,469,666

NOTE 8 – DEFINED BENEFIT PENSION PLAN – DISTRICT (CONTINUED)

H. Pension Expense and Related Deferred Outflows and Deferred Inflows of Resources

The District recognized pension expense of $1,501,223 in the current year, and at year-end reported the following deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 766,145	$ –
Changes in actuarial assumptions	412,544	348,166
District's contributions subsequent to the measurement date	834,763	–
Total	$ 2,013,452	$ 348,166

A total of $834,763 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 total pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense
2022	$ 85,489
2023	$ 85,489
2024	$ 85,489
2025	$ 85,489
2026	$ 85,489
Thereafter	$ 403,078

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

A. Plan Description and Benefits Provided

The District provides post-employment benefits to certain eligible employees through a single-employer defined benefit OPEB Plan administered by the District. All post-employment benefits are based on contractual agreements with employee groups, with benefit eligibility based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements. The plan does not issue a separate financial report.

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

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

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

B. Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the District. The District has not established a trust fund to finance these OPEB benefits.

C. Membership

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

Retirees and beneficiaries receiving benefits	87
Active plan members	1,123
Total members	1,210

D. Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial study with a valuation date as of July 1, 2020 and measurement date as of July 1, 2020, using the entry-age method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	2.40%
20-year municipal bond yield	2.40%
Inflation rate	2.50%
Salary increases	Service graded table
Medical trend rate	6.50% grading to 5.00% over 6 years, and then to 4.00% over the next 48 years
Dental trend rate	4.00%

Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers), with MP-2019 Generational Improvement Scale. The actuarial assumptions used in the latest valuation were based on those used to value pension liabilities for Minnesota school district employees. The state pension plans base their assumptions on periodic experience studies.

Future retirees electing coverage is assumed to be 100 percent when a pre-age 65 subsidy is available, and 50 percent when a pre-age 65 subsidy is not available. Married future retirees electing spouse coverage is assumed to be 100 percent when a pre-age 65 subsidy is available, and 25 percent when a pre-age 65 subsidy is not available.

The municipal bond rate assumption was set by considering published rate information for 20-year high quality, tax-exempt, general obligation municipal bonds as of the measurement date.

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

E. Discount Rate

The discount rate used to measure the total OPEB liability was 2.40 percent. The projection of cash flows used to determine the discount rate was determined by estimating the long-term investment yield on the employer funds that will be used to pay benefits as they come due. Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-year municipal bond yield rate. The District discount rate used in the prior measurement date was 3.10 percent.

F. Changes in the Total OPEB Liability

	Total OPEB Liability
Beginning balance	$ 20,603,844
Changes for the year	
Service cost	1,316,083
Interest	662,415
Assumption changes	108,111
Difference between expected and actual experience	(96,313)
Benefit payments	(1,111,887)
Total net changes	878,409
Ending balance	$ 21,482,253

Assumption changes since the prior measurement date include the following:

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

G. Total OPEB Liability Sensitivity to Discount and Healthcare Cost Trend Rate Changes

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
OPEB discount rate	1.40%	2.40%	3.40%
Total OPEB liability	$ 22,752,594	$ 21,482,253	$ 20,233,935

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (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 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease in Healthcare Cost Trend Rates	Healthcare Cost Trend Rates	1% Increase in Healthcare Cost Trend Rates
Medical trend rate	5.50% grading to 4.00% then 3.00%	6.50% grading to 5.00% then 4.00%	7.50% grading to 6.00% then 5.00%
Dental trend rate	3.00%	4.00%	5.00%
Total OPEB liability	$ 19,803,297	$ 21,482,253	$ 23,428,854

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

The District recognized OPEB expense of $1,870,422 in the current year, and at year-end reported the following deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ –	$ 1,065,991
Changes in actuarial assumptions	473,525	–
District's contributions subsequent to the measurement date	1,487,642	–
Total	$ 1,961,167	$ 1,065,991

A total of $1,487,642 reported as deferred outflows of resources related to OPEB resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Pension Expense
2022	$ (108,076)
2023	$ (108,076)
2024	$ (108,076)
2025	$ (108,076)
2026	$ (108,076)
Thereafter	$ (52,086)

NOTE 10 – FLEXIBLE BENEFIT PLAN

The District has a flexible benefit plan, which is classified as a "cafeteria plan" (the Plan) under § 125 of the IRC. All employee groups of the District are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Eligible employees can elect to participate by contributing pretax dollars withheld from payroll checks to the Plan for healthcare and dependent care benefits. Payments are made from the Plan to participating employees upon submitting a request for reimbursement of eligible expenses actually incurred by the participant.

NOTE 10 – FLEXIBLE BENEFIT PLAN (CONTINUED)

Before the beginning of the Plan year, which is from January 1 to December 31, each participant designates a total amount of pretax dollars to be contributed to the Plan during the year. The Plan is administered by an outside administrator and is accounted for in the District's General Fund. At June 30, the District is contingently liable for claims against the total amount of participants' annual contributions to the medical reimbursement portion of the Plan, whether or not such contributions have been made.

All property of the Plan and income attributable to that property is solely the property of the District, subject to the claims of the District's general creditors. Participants' rights under the Plan are equal to those of general creditors of the District in an amount equal to the eligible healthcare and dependent care expenses incurred by the participants. The District believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

A. Federal and State Revenues

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

B. Construction Commitments

At June 30, 2021, the District had commitments totaling $2,524,378 under various construction contracts for which the work was not yet completed.

C. Legal Claims

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

D. COVID-19 Impact

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

NOTE 12 – SUBSEQUENT EVENTS

A. Bond Issue

In September 2021, the District sold $7,000,000 of General Obligation School Building Bonds, Series 2021B to finance the acquisition and betterment of school sites and facilities. The bonds bear interest rates ranging from 2.00–3.00 percent, and have a final maturity of February 1, 2035.

B. Bus Lease-Purchase Agreements

In August and October of 2021, the District entered into two lease-purchase agreements to acquire a total of six school buses. Three buses, valued at $259,328, were purchased through a lease with an interest rate of 2.40 percent, requiring eight annual payments of $35,240 through September 15, 2028. Three additional buses, valued at $206,619, were purchased through a lease with an interest rate of 2.00 percent, requiring three annual payments of $70,360 through November 25, 2023.

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REQUIRED SUPPLEMENTARY INFORMATION

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

District Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.2999%	$ 14,087,800	$ –	$ 14,087,800	$ 15,747,600	89.46%	78.70%
06/30/2016	06/30/2015	0.2742%	$ 14,210,468	$ –	$ 14,210,468	$ 16,108,678	88.22%	78.20%
06/30/2017	06/30/2016	0.2774%	$ 22,523,504	$ 294,246	$ 22,817,750	$ 17,218,936	130.81%	68.90%
06/30/2018	06/30/2017	0.2894%	$ 18,475,105	$ 232,340	$ 18,707,445	$ 18,646,353	99.08%	75.90%
06/30/2019	06/30/2018	0.2896%	$ 16,065,821	$ 526,989	$ 16,592,810	$ 18,550,623	86.61%	79.50%
06/30/2020	06/30/2019	0.2832%	$ 15,657,494	$ 486,646	$ 16,144,140	$ 20,000,631	78.29%	80.20%
06/30/2021	06/30/2020	0.2860%	$ 17,147,008	$ 528,718	$ 17,675,726	$ 20,329,984	84.34%	79.10%

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

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	$ 1,195,515	$ 1,195,515	$ –	$ 16,108,678	7.42%
06/30/2016	$ 1,291,318	$ 1,291,318	$ –	$ 17,218,936	7.50%
06/30/2017	$ 1,398,478	$ 1,398,478	$ –	$ 18,646,353	7.50%
06/30/2018	$ 1,391,159	$ 1,391,159	$ –	$ 18,550,623	7.50%
06/30/2019	$ 1,492,966	$ 1,492,966	$ –	$ 20,000,631	7.46%
06/30/2020	$ 1,527,748	$ 1,527,748	$ –	$ 20,329,984	7.51%
06/30/2021	$ 1,476,311	$ 1,476,311	$ –	$ 19,693,058	7.50%

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

INDEPENDENT SCHOOL DISTRICT NO. 273

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

District Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.9949%	$ 45,844,276	$ 3,225,114	$ 49,069,390	$ 45,414,080	100.95%	81.50%
06/30/2016	06/30/2015	0.9238%	$ 57,146,166	$ 7,009,435	$ 64,155,601	$ 46,887,773	121.88%	76.80%
06/30/2017	06/30/2016	0.9434%	$225,023,410	$ 22,586,637	$247,610,047	$ 48,890,860	460.26%	44.88%
06/30/2018	06/30/2017	0.9473%	$189,098,264	$ 18,280,007	$207,378,271	$ 50,958,882	371.08%	51.57%
06/30/2019	06/30/2018	0.9661%	$ 60,680,123	$ 5,701,256	$ 66,381,379	$ 53,228,684	114.00%	78.07%
06/30/2020	06/30/2019	0.9711%	$ 61,898,118	$ 5,477,592	$ 67,375,710	$ 52,764,016	117.31%	78.21%
06/30/2021	06/30/2020	0.9701%	$ 71,672,288	$ 6,006,361	$ 77,678,649	$ 56,562,354	126.71%	75.48%

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

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	$ 3,516,583	$ 3,516,583	$ –	$ 46,887,773	7.50%
06/30/2016	$ 3,680,210	$ 3,680,210	$ –	$ 48,890,860	7.53%
06/30/2017	$ 3,820,933	$ 3,820,933	$ –	$ 50,958,882	7.50%
06/30/2018	$ 3,990,842	$ 3,990,842	$ –	$ 53,228,684	7.50%
06/30/2019	$ 4,071,634	$ 4,071,634	$ –	$ 52,764,016	7.72%
06/30/2020	$ 4,470,670	$ 4,470,670	$ –	$ 56,562,354	7.90%
06/30/2021	$ 4,751,341	$ 4,751,341	$ –	$ 58,442,263	8.13%

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

INDEPENDENT SCHOOL DISTRICT NO. 273

Pension Benefits Plan
Schedule of Changes in the District's Total
Pension Liability and Related Ratios
Year Ended June 30, 2021

	District Fiscal Year Ended June 30,				
	2017	2018	2019	2020	2021
Total pension liability					
Service cost	$ 706,737	$ 669,633	$ 712,907	$ 784,741	$ 987,492
Interest	326,649	332,966	390,691	448,042	431,916
Assumption changes	–	(370,946)	(121,816)	334,570	147,110
Plan changes	–	–	74,470	–	(3,674)
Differences between expected and actual experience	–	–	756,667	–	218,511
Benefit payments	(794,118)	(762,623)	(567,874)	(581,302)	(696,030)
Net change in total pension liability	239,268	(130,970)	1,245,045	986,051	1,085,325
Total pension liability – beginning of year	10,951,258	11,190,526	11,059,556	12,304,601	13,290,652
Total pension liability – end of year	$ 11,190,526	$ 11,059,556	$ 12,304,601	$ 13,290,652	$ 14,375,977
Covered-employee payroll	$ 48,516,585	$ 49,972,083	$ 57,844,851	$ 59,580,197	$ 57,275,903
Total pension liability as a percentage of covered-employee payroll	23.07%	22.13%	21.27%	22.31%	25.10%

Note 1: The District has not established a trust fund to finance GASB Statement No. 73 related benefits.

Note 2: The District implemented GASB Statement No. 73 for the year ended June 30, 2017. The schedules within the RSI section require a 10-year presentation. Additional years will be presented as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 273

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

	District Fiscal Year Ended June 30,			
	2018	2019	2020	2021
Total OPEB liability				
Service cost	$ 1,168,447	$ 1,082,683	$ 1,187,453	$ 1,316,083
Interest	670,515	697,232	697,658	662,415
Assumption changes	–	5,718	480,367	108,111
Differences between expected and actual experience	–	(1,470,574)	–	(96,313)
Benefit payments	(953,365)	(981,707)	(1,005,875)	(1,111,887)
Net change in total OPEB liability	885,597	(666,648)	1,359,603	878,409
Total OPEB liability – beginning of year	19,025,292	19,910,889	19,244,241	20,603,844
Total OPEB liability – end of year	$ 19,910,889	$ 19,244,241	$ 20,603,844	$ 21,482,253
Covered-employee payroll	$ 62,990,740	$ 69,887,838	$ 71,984,473	$ 67,776,263
Total OPEB liability as a percentage of covered-employee payroll	31.61%	27.54%	28.62%	31.70%

Note 1: The District has not established a trust fund to finance GASB Statement No. 75 related benefits.

Note 2: The District implemented GASB Statement No. 75 for the year ended June 30, 2018. The schedules within the RSI section require a 10-year presentation. Additional years will be presented as they become available.

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PERA – GENERAL EMPLOYEES RETIREMENT FUND

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years two through five, and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 Table to the Pub-2010 General Mortality Table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality Table to the Pub-2010 General/Teacher Disabled Annuitant Mortality Table, with adjustments.
- The mortality improvement scale was changed from MP-2018 to MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100.00 percent joint and survivor option changed from 35.00 percent to 45.00 percent. The assumed number of married female new retirees electing the 100.00 percent joint and survivor option changed from 15.00 percent to 30.00 percent. The corresponding number of married new retirees electing the life annuity option was adjusted accordingly.

2020 CHANGES IN PLAN PROVISIONS

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

2019 CHANGES IN PLAN PROVISIONS

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

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

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

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2018 CHANGES IN PLAN PROVISIONS

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

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2017 CHANGES IN PLAN PROVISIONS

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

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

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

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2015 CHANGES IN PLAN PROVISIONS

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Retirement Fund, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892.0 million. Upon consolidation, state and employer contributions were revised; the state's contribution of $6.0 million, which meets the special funding situation definition, was due September 2015.

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

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

TEACHERS RETIREMENT ASSOCIATION (TRA)

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

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

TEACHERS RETIREMENT ASSOCIATION (TRA) (CONTINUED)

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2015 CHANGES IN PLAN PROVISIONS

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

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

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

PENSION BENEFITS PLAN

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2020 CHANGES IN PLAN PROVISIONS

- The Community Education Service Coordinators are no longer eligible for this benefit.

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.50 percent to 3.10 percent.

2018 CHANGES IN PLAN PROVISIONS

- Severance benefits are now available for the Edina Professional Association of Support Staff and the Superintendent.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The discount rate was changed from 3.40 percent to 3.50 percent.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 2.90 percent to 3.40 percent.

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality table was updated from RP-2000 projected to 2014 with Scale BB, to the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale.
- The withdrawal table for all employees and retirement tables for only employees eligible to retire with Rule of 90 also were updated.
- The discount rate was changed from 4.00 percent to 2.90 percent.

OTHER POST-EMPLOYMENT BENEFITS PLAN

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.50 percent to 3.10 percent.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 2.90 percent to 3.40 percent.

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SUPPLEMENTAL INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 273

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

	Special Revenue Funds		
	Food Service	Community Service	Total
Assets			
Cash and temporary investments	$ 982,743	$ 2,042,523	$ 3,025,266
Receivables			
Current taxes	–	558,507	558,507
Delinquent taxes	–	11,395	11,395
Accounts and interest	–	47,805	47,805
Due from other governmental units	359,692	134,046	493,738
Total assets	$ 1,342,435	$ 2,794,276	$ 4,136,711
Liabilities			
Salaries and benefits payable	$ 4,930	$ 164,045	$ 168,975
Accounts and contracts payable	64,119	101,624	165,743
Due to other governmental units	–	33,885	33,885
Unearned revenue	351,544	679,166	1,030,710
Total liabilities	420,593	978,720	1,399,313
Deferred inflows of resources			
Property taxes levied for subsequent year	–	1,118,317	1,118,317
Deferred revenue – delinquent taxes	–	8,267	8,267
Total deferred inflows of resources	–	1,126,584	1,126,584
Fund balances			
Restricted	921,842	688,972	1,610,814
Total liabilities, deferred inflows of resources, and fund balances	$ 1,342,435	$ 2,794,276	$ 4,136,711

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

	Special Revenue Funds		
	Food Service	Community Service	Total
Revenue			
Local sources			
Property taxes	$ –	$ 1,101,182	$ 1,101,182
Investment earnings	1,668	1,668	3,336
Other	31,490	3,310,816	3,342,306
State sources	–	531,801	531,801
Federal sources	1,391,279	445,807	1,837,086
Total revenue	1,424,437	5,391,274	6,815,711
Expenditures			
Current			
Food service	1,321,720	–	1,321,720
Community service	–	5,202,701	5,202,701
Capital outlay	108,000	27,656	135,656
Total expenditures	1,429,720	5,230,357	6,660,077
Net change in fund balances	(5,283)	160,917	155,634
Fund balances			
Beginning of year	927,125	528,055	1,455,180
End of year	$ 921,842	$ 688,972	$ 1,610,814

INDEPENDENT SCHOOL DISTRICT NO. 273

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

	2021	2020
Assets		
Cash and temporary investments	$ 38,310,611	$ 33,419,553
Receivables		
Current taxes	22,339,585	22,662,888
Delinquent taxes	403,361	342,628
Accounts and interest	357,062	246,751
Due from other governmental units	10,464,280	10,155,617
Total assets	$ 71,874,899	$ 66,827,437
Liabilities		
Salaries and benefits payable	$ 11,136,020	$ 10,758,562
Accounts and contracts payable	1,224,750	690,549
Due to other governmental units	370,717	530,457
Unearned revenue	432,491	–
Total liabilities	13,163,978	11,979,568
Deferred inflows of resources		
Property taxes levied for subsequent year	40,866,739	39,665,864
Unavailable revenue – delinquent taxes	280,576	287,911
Total deferred inflows of resources	41,147,315	39,953,775
Fund balances		
Restricted for student activities	25,830	26,531
Restricted for staff development	200,000	–
Restricted for operating capital	1,107,204	1,328,338
Restricted for achievement and integration	–	104,363
Committed for cash flow	1,074,602	1,068,409
Assigned for separation/retirement benefits	3,518,111	3,269,673
Assigned for carryover	573,023	439,348
Assigned for literacy and virtual programming	1,738,818	–
Assigned for alternative compensation	264,958	43,920
Unassigned	9,061,060	8,613,512
Total fund balances	17,563,606	14,894,094
Total liabilities, deferred inflows of resources, and fund balances	$ 71,874,899	$ 66,827,437

INDEPENDENT SCHOOL DISTRICT NO. 273

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

	2021			2020
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 37,787,258	$ 38,708,163	$ 920,905	$ 33,473,446
Investment earnings	150,000	70,969	(79,031)	402,060
Other	2,600,417	2,591,692	(8,725)	4,137,029
State sources	81,207,726	80,834,800	(372,926)	78,527,670
Federal sources	5,068,138	4,644,825	(423,313)	1,813,875
Total revenue	126,813,539	126,850,449	36,910	118,354,080
Expenditures				
Current				
Administration	3,796,149	3,342,784	(453,365)	3,009,563
District support services	2,701,546	2,714,576	13,030	2,800,341
Elementary and secondary regular instruction	59,265,455	56,763,928	(2,501,527)	56,626,943
Vocational education instruction	170,781	347,713	176,932	417,775
Special education instruction	23,635,831	22,568,276	(1,067,555)	22,535,544
Instructional support services	8,848,934	8,891,998	43,064	5,600,116
Pupil support services	9,665,875	9,321,573	(344,302)	10,138,725
Sites and buildings	18,352,634	13,571,083	(4,781,551)	15,903,909
Fiscal and other fixed cost programs	504,300	451,186	(53,114)	305,513
Debt service				
Principal	238,317	411,830	173,513	242,929
Interest and fiscal charges	93,961	83,622	(10,339)	86,143
Total expenditures	127,273,783	118,468,569	(8,805,214)	117,667,501
Excess (deficiency) of revenue over expenditures	(460,244)	8,381,880	8,842,124	686,579
Other financing sources (uses)				
Sale of capital assets	–	5,185	5,185	–
Capital lease issued	–	317,611	317,611	–
Transfers (out)	(1,558,215)	(6,035,164)	(4,476,949)	–
Total other financing sources (uses)	(1,558,215)	(5,712,368)	(4,154,153)	–
Net change in fund balances	$ (2,018,459)	2,669,512	$ 4,687,971	686,579
Fund balances				
Beginning of year		14,894,094		14,207,515
End of year		$ 17,563,606		$ 14,894,094

INDEPENDENT SCHOOL DISTRICT NO. 273

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

	2021	2020
Assets		
Cash and temporary investments	$ 982,743	$ 1,199,074
Receivables		
Due from other governmental units	359,692	128,952
Total assets	$ 1,342,435	$ 1,328,026
Liabilities		
Salaries and benefits payable	$ 4,930	$ 17,041
Accounts and contracts payable	64,119	79,600
Unearned revenue	351,544	304,260
Total liabilities	420,593	400,901
Fund balances		
Restricted for food service	921,842	927,125
Total liabilities and fund balances	$ 1,342,435	$ 1,328,026

INDEPENDENT SCHOOL DISTRICT NO. 273

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

	2021			2020
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	$ 17,500	$ 1,668	$ (15,832)	$ 25,736
Other – primarily meal sales	146,000	31,490	(114,510)	1,640,049
State sources	–	–	–	108,624
Federal sources	1,068,469	1,391,279	322,810	701,510
Total revenue	1,231,969	1,424,437	192,468	2,475,919
Expenditures				
Current				
Salaries	271,951	60,349	(211,602)	182,436
Employee benefits	141,431	89,390	(52,041)	89,027
Purchased services	888,167	1,064,334	176,167	1,955,573
Supplies and materials	174,807	98,012	(76,795)	142,722
Other expenditures	–	9,635	9,635	1,791
Capital outlay	108,000	108,000	–	277,500
Total expenditures	1,584,356	1,429,720	(154,636)	2,649,049
Net change in fund balances	$ (352,387)	(5,283)	$ 347,104	(173,130)
Fund balances				
Beginning of year		927,125		1,100,255
End of year		$ 921,842		$ 927,125

INDEPENDENT SCHOOL DISTRICT NO. 273

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

	2021	2020
Assets		
Cash and temporary investments	$ 2,042,523	$ 1,443,174
Receivables		
Current taxes	558,507	573,458
Delinquent taxes	11,395	10,691
Accounts and interest	47,805	16,181
Due from other governmental units	134,046	46,079
Total assets	$ 2,794,276	$ 2,089,583
Liabilities		
Salaries and benefits payable	$ 164,045	$ 169,964
Accounts and contracts payable	101,624	1,795
Due to other governmental units	33,885	10,187
Unearned revenue	679,166	270,133
Total liabilities	978,720	452,079
Deferred inflows of resources		
Property taxes levied for subsequent year	1,118,317	1,100,338
Unavailable revenue – delinquent taxes	8,267	9,111
Total deferred inflows of resources	1,126,584	1,109,449
Fund balances		
Restricted for community education programs	492,617	364,259
Restricted for early childhood family education programs	76,232	61,180
Restricted for school readiness	68,726	75,443
Restricted for community service	51,397	27,173
Total fund balances	688,972	528,055
Total liabilities, deferred inflows of resources, and fund balances	$ 2,794,276	$ 2,089,583

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

	2021			2020
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 1,129,231	$ 1,101,182	$ (28,049)	$ 1,118,879
Investment earnings	29,000	1,668	(27,332)	25,736
Other – primarily tuition and fees	2,953,257	3,310,816	357,559	5,776,927
State sources	595,040	531,801	(63,239)	532,341
Federal sources	–	445,807	445,807	–
Total revenue	4,706,528	5,391,274	684,746	7,453,883
Expenditures				
Current				
Salaries	2,583,334	3,144,219	560,885	4,964,444
Employee benefits	609,448	730,911	121,463	1,188,897
Purchased services	881,907	968,706	86,799	1,235,397
Supplies and materials	275,970	260,516	(15,454)	323,857
Other expenditures	107,526	98,349	(9,177)	92,820
Capital outlay	49,250	27,656	(21,594)	52,617
Total expenditures	4,507,435	5,230,357	722,922	7,858,032
Net change in fund balances	$ 199,093	160,917	$ (38,176)	(404,149)
Fund balances				
Beginning of year		528,055		932,204
End of year		$ 688,972		$ 528,055

INDEPENDENT SCHOOL DISTRICT NO. 273

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

	2021	2020
Assets		
Cash and temporary investments	$ 10,441,302	$ 16,351,081
Receivables		
Accounts and interest	5,067	2,362
Prepaid items	11,431	–
Total assets	$ 10,457,800	$ 16,353,443
Liabilities		
Salaries and benefits payable	$ 10,662	$ 18,615
Accounts and contracts payable	3,054,495	3,920,889
Total liabilities	3,065,157	3,939,504
Fund balances (deficit)		
Nonspendable for prepaid items	11,431	–
Restricted for capital projects levy	659,275	416,531
Restricted for long-term facilities maintenance	6,799,126	11,997,408
Unassigned	(77,189)	–
Total fund balances	7,392,643	12,413,939
Total liabilities and fund balances	$ 10,457,800	$ 16,353,443

INDEPENDENT SCHOOL DISTRICT NO. 273

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

	2021			2020
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 5,902,200	$ 4,920,118	$ (982,082)	$ 5,914,554
Investment earnings	20,000	9,138	(10,862)	391,547
Other	120,000	216,238	96,238	721,623
Total revenue	6,042,200	5,145,494	(896,706)	7,027,724
Expenditures				
Capital outlay				
Salaries	3,422,775	2,601,312	(821,463)	2,566,589
Employee benefits	–	754,098	754,098	805,670
Purchased services	155,603	1,951,348	1,795,745	1,339,888
Supplies and materials	750,849	–	(750,849)	–
Capital expenditures	20,272,548	22,099,094	1,826,546	14,978,853
Debt service				
Interest and fiscal charges	–	151,943	151,943	–
Total expenditures	24,601,775	27,557,795	2,956,020	19,691,000
Excess (deficiency) of revenue over expenditures	(18,559,575)	(22,412,301)	(3,852,726)	(12,663,276)
Other financing sources				
Debt issued	10,830,715	10,411,556	(419,159)	–
Premium on debt issued	944,285	944,285	–	–
Transfers in	1,558,215	6,035,164	4,476,949	–
Total other financing sources	13,333,215	17,391,005	4,057,790	–
Net change in fund balances	$ (5,226,360)	(5,021,296)	$ 205,064	(12,663,276)
Fund balances				
Beginning of year		12,413,939		25,077,215
End of year		$ 7,392,643		$ 12,413,939

INDEPENDENT SCHOOL DISTRICT NO. 273

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

	2021	2020
Assets		
Cash and temporary investments	$ 10,822,279	$ 10,056,001
Receivables		
Current taxes	7,531,693	7,674,548
Delinquent taxes	128,640	120,382
Total assets	$ 18,482,612	$ 17,850,931
Deferred inflows of resources		
Property taxes levied for subsequent year	$ 15,080,775	$ 14,725,692
Unavailable revenue – delinquent taxes	86,874	98,279
Total deferred inflows of resources	15,167,649	14,823,971
Fund balances		
Restricted for debt service	3,314,963	3,026,960
Total deferred inflows of resources and fund balances	$ 18,482,612	$ 17,850,931

INDEPENDENT SCHOOL DISTRICT NO. 273

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

	2021			2020
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 14,724,983	$ 14,737,097	$ 12,114	$ 15,922,424
Investment earnings	40,000	5,004	(34,996)	186,587
Total revenue	14,764,983	14,742,101	(22,882)	16,109,011
Expenditures				
Debt service				
Principal	7,050,000	7,050,000	–	8,140,000
Interest	7,570,538	7,570,538	–	7,485,370
Fiscal charges and other	10,000	108,943	98,943	110,191
Total expenditures	14,630,538	14,729,481	98,943	15,735,561
Excess (deficiency) of revenue over expenditures	134,445	12,620	(121,825)	373,450
Other financing sources (uses)				
Debt issued	8,985,061	9,258,444	273,383	19,890,000
Premium on debt issued	1,446,939	1,446,939	–	2,061,538
Payment on refunded debt	(10,432,000)	(10,430,000)	2,000	(21,895,000)
Total other financing sources (uses)	–	275,383	275,383	56,538
Net change in fund balances	$ 134,445	288,003	$ 153,558	429,988
Fund balances				
Beginning of year		3,026,960		2,596,972
End of year		$ 3,314,963		$ 3,026,960

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OTHER DISTRICT INFORMATION

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INDEPENDENT SCHOOL DISTRICT NO. 273

General Fund Revenue by Source
Last Ten Fiscal Years

Year Ended June 30,	Local Property Tax Levies	Other Local and County Revenues	State Revenue	Federal Revenue	Total
2012	$ 23,813,219	$ 2,754,726	$ 58,857,487	$ 3,344,546	$ 88,769,978
	27%	3%	66%	4%	100%
2013	27,237,931	2,487,574	62,296,085	1,683,183	93,704,773
	29%	3%	66%	2%	100%
2014	10,666,213	2,593,867	76,710,991	1,809,161	91,780,232
	12%	3%	83%	2%	100%
2015	22,950,814	2,794,515	68,608,136	1,488,368	95,841,833
	24%	3%	71%	2%	100%
2016	23,596,521	4,100,426	71,873,064	1,871,244	101,441,255
	23%	4%	71%	2%	100%
2017	30,769,055	3,788,108	71,970,881	1,795,959	108,324,003
	28%	3%	67%	2%	100%
2018	30,235,863	5,029,098	73,752,106	1,832,821	110,849,888
	27%	5%	66%	2%	100%
2019	33,058,228	5,062,879	76,567,326	2,410,766	117,099,199
	28%	5%	65%	2%	100%
2020	33,473,446	4,539,089	78,527,670	1,813,875	118,354,080
	28%	4%	66%	2%	100%
2021	38,708,163	2,662,661	80,834,800	4,644,825	126,850,449
	30%	2%	64%	4%	100%

Note: Legislative changes in the “tax shift” impacted the amount of tax revenue recognized in fiscal year 2014. These changes were offset by an adjustment to state aid payments by an equal amount.

INDEPENDENT SCHOOL DISTRICT NO. 273

General Fund Expenditures by Program
Last Ten Fiscal Years

Year Ended June 30,	Administration	District Support Services	Instruction	Instructional Support Services	Pupil Support Services
2012	$ 2,921,447	$ 2,701,860	$ 58,140,863	$ 6,760,932	$ 7,329,686
	3%	3%	68%	8%	8%
2013	3,057,055	2,517,407	60,574,774	5,105,226	7,608,727
	3%	3%	66%	6%	8%
2014	3,100,900	2,969,022	62,272,584	4,916,476	7,544,789
	4%	3%	69%	5%	8%
2015	3,124,572	3,063,669	64,083,923	5,063,892	7,745,956
	3%	3%	70%	5%	8%
2016	3,281,563	3,093,531	71,523,452	5,508,758	7,922,598
	3%	3%	71%	5%	8%
2017	3,542,398	3,097,417	72,401,269	5,382,317	8,118,389
	3%	3%	69%	5%	8%
2018	3,165,048	3,252,865	75,366,526	5,826,639	10,026,345
	3%	3%	70%	5%	9%
2019	3,301,695	2,918,207	77,513,713	5,720,643	10,536,840
	3%	3%	68%	5%	9%
2020	3,009,563	2,800,341	79,580,262	5,600,116	10,138,725
	3%	2%	68%	5%	9%
2021	3,342,784	2,714,576	79,679,917	8,891,998	9,321,573
	3%	2%	67%	8%	8%

Note: Instruction includes regular, vocational, and special education instruction.

Sites and Buildings	Other Programs	Total
$ 8,714,030	$ 381,487	$ 86,950,305
10%	–%	100%
13,393,834	469,478	92,726,501
14%	–%	100%
9,691,920	362,556	90,858,247
11%	–%	100%
9,006,454	543,004	92,631,470
10%	1%	100%
8,954,875	579,502	100,864,279
9%	1%	100%
11,733,576	652,731	104,928,097
11%	1%	100%
9,665,421	636,414	107,939,258
9%	1%	100%
12,863,141	584,993	113,439,232
11%	1%	100%
15,903,909	634,585	117,667,501
13%	<1%	100%
13,571,083	946,638	118,468,569
11%	1%	100%

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INDEPENDENT SCHOOL DISTRICT NO. 273

School Tax Levies and Tax Rates by Fund
Last Ten Fiscal Years

	Year Collectible	General Fund	Community Service Special Revenue Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Total All Funds
Levies						
	2012	$ 26,739,844	$ 1,053,989	$ 1,730,064	$ 10,281,370	$ 39,805,267
	2013	26,641,579	1,093,196	4,383,529	7,194,307	39,312,611
	2014	27,084,132	1,142,821	4,640,567	7,094,461	39,961,981
	2015	28,429,772	1,129,162	6,921,752	6,488,222	42,968,908
	2016	35,838,469	1,190,018	–	14,164,398	51,192,885
	2017	35,477,140	1,119,670	–	15,398,423	51,995,233
	2018	38,556,680	1,074,335	–	15,089,798	54,720,813
	2019	39,451,014	1,116,918	–	15,895,731	56,463,663
	2020	43,484,864	1,100,338	–	14,725,692	59,310,894
	2021	44,730,693	1,118,317	–	15,080,775	60,929,785
Tax rates						
Tax capacity rates						
	2012	13.939	1.267	–	12.359	27.565
	2013	17.649	1.334	–	8.779	27.762
	2014	17.566	1.386	–	8.604	27.556
	2015	18.979	1.240	–	7.125	27.344
	2016	18.873	1.242	–	14.783	34.898
	2017	18.216	1.124	–	15.458	34.798
	2018	15.776	1.010	–	14.186	30.972
	2019	15.525	0.989	–	14.075	30.589
	2020	17.026	0.943	–	12.620	30.589
	2021	17.887	0.938	–	12.649	31.474
Market value rates						
	2012	0.215	–	–	–	0.215
	2013	0.217	–	–	–	0.217
	2014	0.223	–	–	–	0.223
	2015	0.215	–	–	–	0.215
	2016	0.201	–	–	–	0.201
	2017	0.188	–	–	–	0.188
	2018	0.222	–	–	–	0.222
	2019	0.210	–	–	–	0.210
	2020	0.219	–	–	–	0.219
	2021	0.211	–	–	–	0.211

Note 1: A tax rate based on market value is used for the District's referendum, equity, and transition levies.

Note 2: The levy for the Capital Projects – Building Construction Fund is a capital projects levy, which is included as a component of the general referendum levy based on net tax capacity. The tax capacity for this levy is included in the General Fund.

Source: State of Minnesota School Tax Report

INDEPENDENT SCHOOL DISTRICT NO. 273

Property Tax Levies and Receivables
Last Ten Years

For Taxes Collectible	Original Levy		
	Local Spread	Fiscal Disparities	Total Spread
2012	$ 38,740,332	$ 1,064,935	$ 39,805,267
2013	38,221,083	1,091,528	39,312,611
2014	38,892,673	1,069,308	39,961,981
2015	41,891,155	1,077,753	42,968,908
2016	50,099,457	1,093,428	51,192,885
2017	50,638,605	1,356,628	51,995,233
2018	53,267,718	1,453,095	54,720,813
2019	54,928,392	1,535,271	56,463,663
2020	57,725,395	1,585,499	59,310,894
2021	59,174,919	1,754,866	60,929,785

Note: Delinquent taxes receivable are written off after seven years.

Source: State of Minnesota School Tax Report

Uncollected Taxes Receivable as of June 30, 2021			
Delinquent		Current	
Amount	Percent	Amount	Percent
$ –	– %	$ –	– %
–	–	–	–
–	–	–	–
115,423	0.27	–	–
61,578	0.12	–	–
10,523	0.02	–	–
22,053	0.04	–	–
63,025	0.11	–	–
270,794	0.46	–	–
–	–	30,429,785	49.94
$ 543,396		$ 30,429,785	

INDEPENDENT SCHOOL DISTRICT NO. 273

Student Enrollment
Last Ten Fiscal Years

Year Ended June 30,	Average Daily Membership (ADM) (for Students Served or Tuition Paid)					Total Pupil Units
	Handicapped and Pre-Kindergarten	Kindergarten	Elementary	Secondary	Total	
2012	70.30	507.92	3,821.35	3,918.16	8,317.73	9,640.67
2013	78.84	502.78	3,807.72	3,979.41	8,368.75	9,710.33
2014	61.97	537.17	3,814.26	4,017.20	8,430.60	9,770.48
2015	79.79	518.55	3,827.59	4,030.07	8,456.00	9,261.99
2016	66.76	504.56	3,812.42	4,045.60	8,429.34	9,238.47
2017	61.94	558.16	3,783.81	4,075.40	8,479.31	9,294.37
2018	66.96	528.85	3,801.31	4,066.43	8,463.55	9,276.82
2019	114.71	506.53	3,761.88	4,029.08	8,412.20	9,218.13
2020	115.12	520.09	3,759.05	3,971.16	8,365.42	9,159.63
2021	121.18	518.57	3,641.70	3,960.34	8,241.79	9,033.83

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

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

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

Source: Minnesota Department of Education student reporting system

SINGLE AUDIT AND OTHER REQUIRED REPORTS

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

Federal Grantor/Pass-Through Grantor/Program Title	Federal ALN	Federal Expenditures	
U.S. Department of Agriculture			
Passed through Minnesota Department of Education			
Child nutrition cluster			
Summer Food Service Program for Children	10.559	$ 89,600	
COVID-19 – Summer Food Service Program for Children	10.559	1,301,680	
Total ALN 10.559 and child nutrition cluster			$ 1,391,280
U.S. Department of Education			
Passed through Minnesota Department of Education			
Special education cluster			
Special Education Grants to States	84.027	1,407,050	
Special Education Preschool Grants	84.173	45,360	
Total special education cluster			1,452,410
Special Education – Grants for Infants and Families	84.181		26,957
Title I Grants to Local Educational Agencies	84.010		181,092
Supporting Effective Instruction State Grants	84.367		60,777
English Language Acquisition State Grants	84.365		67,151
Education Stabilization Fund			
COVID-19 – Governor's Emergency Education Relief (GEER) Fund	84.425C	94,013	
COVID-19 – Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	946,137	
Total ALN 84.425			1,040,150
U.S. Department of Health and Human Services			
Passed through Minnesota Department of Human Services			
Child care and development fund cluster			
COVID-19 – Child Care and Development Block Grant	93.575		84,750
U.S. Department of the Treasury			
Passed through Minnesota Department of Education			
COVID-19 – Coronavirus Relief Fund	21.019	2,116,257	
Passed through Minnesota Department of Human Services			
COVID-19 – Coronavirus Relief Fund	21.019	54,000	
Total ALN 21.019			2,170,257
Total federal awards			$ 6,474,824

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

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

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

Note 4: The District had $89,453 of noncash assistance included in the Summer Food Service Program for Children, Federal ALN 10.559.

Note 5: (Unaudited Disclosure) The District received donated personal protective equipment (PPE) with an estimated value of $36,000. The District was unable to determine whether federal dollars were used to purchase the donated PPE.

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CERTIFIED PUBLIC ACCOUNTANTS

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

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

To the School Board and Management of
Independent School District No. 273
Edina, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 273, Edina, Minnesota (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 29, 2021.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

(continued)

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Compliance and Other Matters

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

Purpose of This Report

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

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

Minneapolis, Minnesota
December 29, 2021

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

To the School Board and Management of
Independent School District No. 273
Edina, Minnesota

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Independent School District No. 273, Edina, Minnesota's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. The District's major federal programs are identified in the Summary of Audit Results section of the accompanying Schedule of Findings and Questioned Costs.

MANAGEMENT'S RESPONSIBILITY

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

AUDITOR'S RESPONSIBILITY

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

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

(continued)

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OPINION ON EACH MAJOR FEDERAL PROGRAM

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to on the previous page that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to on the previous page. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

PURPOSE OF THIS REPORT

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

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

Minneapolis, Minnesota
December 29, 2021

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INDEPENDENT AUDITOR'S REPORT

ON MINNESOTA LEGAL COMPLIANCE

To the School Board and Management of
Independent School District No. 273
Edina, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 273 (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 29, 2021.

MINNESOTA LEGAL COMPLIANCE

In connection with our audit, we noted that the District failed to comply with provisions of the miscellaneous provisions section of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minnesota Statutes § 6.65, insofar as they relate to accounting matters as described in the Schedule of Findings and Questioned Costs as finding 2021-001. Also, in connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and uniform financial accounting and reporting standards sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

DISTRICT'S RESPONSE TO FINDING

The District's response to the legal compliance finding identified in our audit has been included in the Schedule of Findings and Questioned Costs. The District's response was not subject to the auditing procedures applied in our audit of the financial statements and, accordingly, we express no opinion on it.

(continued)

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PURPOSE OF THIS REPORT

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

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

Minneapolis, Minnesota
December 29, 2021

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

A. SUMMARY OF AUDIT RESULTS

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

Financial Statements

What type of auditor's report is issued?

__X__ Unmodified
____ Qualified
____ Adverse
____ Disclaimer

Internal control over financial reporting:

Material weakness(es) identified?	____ Yes	__X__ No
Significant deficiencies identified?	____ Yes	__X__ None reported
Noncompliance material to the financial statements noted?	____ Yes	__X__ No

Federal Awards

Internal controls over major federal award programs:

Material weakness(es) identified?	____ Yes	__X__ No
Significant deficiencies identified?	____ Yes	__X__ None reported

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

U.S. Department of the Treasury – COVID-19 – Coronavirus Relief Fund	Unmodified
U.S. Department of Education – COVID-19 – Education Stabilization Fund	Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	____ Yes	__X__ No

Programs tested as major programs:

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

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

B. FINANCIAL STATEMENT FINDINGS

None.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

D. MINNESOTA LEGAL COMPLIANCE FINDINGS

2021-001 Unclaimed Property Report

Criteria – Minnesota Statutes § 345.41 and § 345.43.

Condition – Minnesota Statutes require unclaimed property held for more than three years (or one year for unpaid compensation) to be reported and paid or delivered to the state Commissioner of Commerce each year. This requirement was not met by Independent School District No. 273 (the District) for the current audit year.

Questioned Costs – Not applicable.

Context – The District did not file the unclaimed property report to the state Commissioner of Commerce in the current audit year.

Repeat Finding – This is a current year finding.

Cause – This was an oversight by district personnel.

Effect – The District was not in compliance with state unclaimed property requirements.

Recommendation – We recommend that the District comply with state statutory unclaimed property requirements in the future.

View of Responsible Official and Planned Corrective Actions – The District agrees with the finding. The District will review its procedures relating to unclaimed property laws to ensure compliance in the future. The District has separately issued a Corrective Action Plan related to this finding.

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INDEPENDENT SCHOOL DISTRICT NO. 273

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

		Audit	UFARS	Audit – UFARS
General Fund				
Total revenue		$ 126,850,449	$ 126,850,449	$ –
Total expenditures		$ 118,468,569	$ 118,468,569	$ –
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
401	Student activities	$ 25,830	$ 25,830	$ –
402	Scholarships	$ –	$ –	$ –
403	Staff development	$ 200,000	$ 200,000	$ –
407	Capital projects levy	$ –	$ –	$ –
408	Cooperative revenue	$ –	$ –	$ –
413	Projects funded by COP	$ –	$ –	$ –
414	Operating debt	$ –	$ –	$ –
416	Levy reduction	$ –	$ –	$ –
417	Taconite building maintenance	$ –	$ –	$ –
424	Operating capital	$ 1,107,204	$ 1,107,204	$ –
426	$25 taconite	$ –	$ –	$ –
427	Disabled accessibility	$ –	$ –	$ –
428	Learning and development	$ –	$ –	$ –
434	Area learning center	$ –	$ –	$ –
435	Contracted alternative programs	$ –	$ –	$ –
436	State approved alternative program	$ –	$ –	$ –
438	Gifted and talented	$ –	$ –	$ –
440	Teacher development and evaluation	$ –	$ –	$ –
441	Basic skills programs	$ –	$ –	$ –
448	Achievement and integration	$ –	$ –	$ –
449	Safe schools levy	$ –	$ –	$ –
451	QZAB payments	$ –	$ –	$ –
452	OPEB liability not in trust	$ –	$ –	$ –
453	Unfunded severance and retirement levy	$ –	$ –	$ –
459	Basic skills extended time	$ –	$ –	$ –
467	Long-term facilities maintenance	$ –	$ –	$ –
472	Medical Assistance	$ –	$ –	$ –
473	PPP loans	$ –	$ –	$ –
474	EIDL loans	$ –	$ –	$ –
464	Restricted fund balance	$ –	$ –	$ –
475	Title VII – Impact Aid	$ –	$ –	$ –
476	Payment in lieu of taxes	$ –	$ –	$ –
Committed				
418	Committed for separation	$ –	$ –	$ –
461	Committed fund balance	$ 1,074,602	$ 1,074,602	$ –
Assigned				
462	Assigned fund balance	$ 6,094,910	$ 6,094,910	$ –
Unassigned				
422	Unassigned fund balance	$ 9,061,060	$ 9,061,060	$ –
Food Service				
Total revenue		$ 1,424,437	$ 1,424,438	$ (1)
Total expenditures		$ 1,429,720	$ 1,429,720	$ –
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
452	OPEB liability not in trust	$ –	$ –	$ –
474	EIDL loans	$ –	$ –	$ –
464	Restricted fund balance	$ 921,842	$ 921,842	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –
Community Service				
Total revenue		$ 5,391,274	$ 5,391,273	$ 1
Total expenditures		$ 5,230,357	$ 5,230,357	$ –
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
426	$25 taconite	$ –	$ –	$ –
431	Community education	$ 492,617	$ 492,617	$ –
432	ECFE	$ 76,232	$ 76,232	$ –
440	Teacher development and evaluation	$ –	$ –	$ –
444	School readiness	$ 68,726	$ 68,726	$ –
447	Adult basic education	$ –	$ –	$ –
452	OPEB liability not in trust	$ –	$ –	$ –
473	PPP loans	$ –	$ –	$ –
474	EIDL loans	$ –	$ –	$ –
464	Restricted fund balance	$ 51,397	$ 51,397	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –

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

		Audit	UFARS	Audit – UFARS
Building Construction				
Total revenue		$ 5,145,494	$ 5,145,494	$ –
Total expenditures		$ 27,557,795	$ 27,557,795	$ –
Nonspendable				
460	Nonspendable fund balance	$ 11,431	$ 11,431	$ –
Restricted				
407	Capital projects levy	$ 659,275	$ 659,275	$ –
413	Projects funded by COP	$ –	$ –	$ –
467	Long-term facilities maintenance	$ 6,799,126	$ 6,799,126	$ –
464	Restricted fund balance	$ –	$ –	$ –
Unassigned				
463	Unassigned fund balance	$ (77,189)	$ (77,189)	$ –
Debt Service				
Total revenue		$ 14,742,101	$ 14,742,101	$ –
Total expenditures		$ 14,729,481	$ 14,729,481	$ –
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
425	Bond refundings	$ –	$ –	$ –
433	Maximum effort loan	$ –	$ –	$ –
451	QZAB payments	$ –	$ –	$ –
467	Long-term facilities maintenance	$ –	$ –	$ –
464	Restricted fund balance	$ 3,314,963	$ 3,314,963	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –
Trust				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
401	Student activities	$ –	$ –	$ –
402	Scholarships	$ –	$ –	$ –
422	Net position	$ –	$ –	$ –
Custodial Fund				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
401	Student activities	$ –	$ –	$ –
402	Scholarships	$ –	$ –	$ –
448	Achievement and integration	$ –	$ –	$ –
464	Restricted fund balance	$ –	$ –	$ –
Internal Service				
Total revenue		$ 871,285	$ 871,285	$ –
Total expenditures		$ 896,278	$ 896,278	$ –
422	Net position	$ 576,212	$ 576,212	$ –
OPEB Revocable Trust Fund				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
422	Net position	$ –	$ –	$ –
OPEB Irrevocable Trust Fund				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
422	Net position	$ –	$ –	$ –
OPEB Debt Service Fund				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
425	Bond refundings	$ –	$ –	$ –
464	Restricted fund balance	$ –	$ –	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –

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

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