INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2021

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BEMIDJI, MINNESOTA
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BEMIDJI, MINNESOTA
YEAR ENDED JUNE 30, 2021

OFFICIAL DIRECTORY

(Unaudited)

	July 1, 2020 to December 31, 2020	January 1, 2021 to June 30, 2021
School Board Members and Officers		
Chairperson	John Gonzalez	Ann Long Voelkner
Vice-Chairperson	Ann Long Voelkner	Carol. L Johnson
Clerk	Carol. L Johnson	Sarah Young
Treasurer	Sarah Young	Jeff Lind
Director	Jeff Haack	Jeff Haack
Director	Jeff Lind	Gabriel Warren
Administration		
Superintendent	Tim Lutz	Tim Lutz
Director of Business Services	Krisi Fenner, CPA	Krisi Fenner, CPA

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Certified Public Accountants
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INDEPENDENT AUDITOR'S REPORT

The Board of Education
Independent School District No. 31
Bemidji, 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. 31 - Bemidji, Minnesota, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Independent School District No. 31 - Bemidji, Minnesota'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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 31 - Bemidji, Minnesota, as of June 30, 2021, and the respective changes in financial position 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, the Budgetary Comparison Schedule, the Schedule of Changes in the District's Net OPEB Liability and Related Ratios, the Schedule of Investment Returns, the Schedule of the District's and Non-Employer Proportionate Share of the Net Pension Liability, and the Schedule of District's Contributions on pages 5 through 17 and 59 through 73, respectively, 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 required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Independent School District No. 31 - Bemidji, Minnesota's basic financial statements. The Official Directory, nonmajor governmental fund financial statements, Fiscal Compliance Report and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Independent School District No. 31
Bemidji, Minnesota

The Official Directory and statistical section 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2021, on our consideration of Independent School District No. 31 - Bemidji, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Independent School District No. 31 - Bemidji, Minnesota'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 Independent School District No. 31 - Bemidji, Minnesota's internal control over financial reporting and compliance.

Miller McDonald, Inc.

December 7, 2021
Bemidji, Minnesota

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INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021

This section of Independent School District No. 31 – Bemidji, Minnesota's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2021. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the year ended June 30, 2021 include the following:

- **Net position increased by 6.16% from the prior year.**
- **District-wide revenues were $83,487,352 and district-wide expenses were $82,880,452.**
- **Total enrollment decreased by 348.79 students or 6.82% from 5,114.03 to 4,765.24 ADM students.**
- **General fund balances increased by $3,873,640 primarily due to the increase in revenues from federal sources.**
- **The District purchased new equipment in the amount of $725,890, and buildings and improvements of $893,652.**
- **The District made payments of $2,055,000 on its outstanding general obligation bonds.**

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information, which includes the management's discussion and analysis (this section), the basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

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

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's general and special revenue funds budgets for the year. The following diagram explains how the various parts of this annual report are arranged and related to one another.

Management's discussion and analysis

District-wide financial statements ⟷ **Fund financial statements**

Notes to the Financial Statements

Required supplementary information (other than MD&A)

The major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain, are summarized below. The remainder of the overview section of the MD&A highlights the structure and content of each of the statements.

	District-wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire district except fiduciary funds	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the district administers resources on behalf of someone else, such as retiree benefits
Required financial statements	• Statement of net position • Statement of activities	• Balance sheet • Statement of revenues, expenditures, and changes in fund balances	• Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of assets/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, 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 district-wide statements report the District's net position and how it 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 is an indicator of whether its financial position is improving or deteriorating, respectively.**

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

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

- **Governmental Activities – The majority of the District's basic services are included within these activities; such as regular and special education, transportation, administration, food services, and community education. Property taxes and state aids finance the majority of these activities.**

Fund Financial Statements

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

- **Some funds are required by State law and by bond covenants.**

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

The District has two types of funds:

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

Fiduciary Funds – The District is the trustee, or fiduciary, for assets that belong to others. The District is responsible for ensuring that only those to whom the assets belong use the assets reported in these funds. The District's fiduciary activities (consisting of an irrevocable trust fund) are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (DISTRICT-WIDE FINANCIAL STATEMENTS)

Net Position

The District's combined net position was ($9,248,720) at June 30, 2021 (see the following table). At June 30, 2020, the net position was ($9,855,620), with an increase of $606,900 from operating activities for the year ended June 30, 2021.

			Net Changes	
	2021	2020	Amount	Percent
Current and other assets	$ 31,359,597	$ 27,565,113	$ 3,794,484	13.77%
Capital assets, net of depreciation	86,453,403	88,659,775	(2,206,372)	-2.49%
Total assets	117,813,000	116,224,888	1,588,112	1.37%
Deferred outflows of resources	20,903,312	33,224,261	(12,320,949)	-37.08%
Current payables	7,322,904	7,461,083	(138,179)	-1.85%
Long-term liabilities:				
Due within one year	2,418,105	2,317,476	100,629	4.34%
Due after one year	94,070,010	89,909,267	4,160,743	4.63%
Total liabilities	103,811,019	99,687,826	4,123,193	4.14%
Deferred inflows of resources	44,154,013	59,616,943	(15,462,930)	-25.94%
Net position:				
Net investment in capital assets	50,344,940	51,218,511	(873,571)	-1.71%
Restricted	7,856,060	7,551,041	305,019	4.04%
Unrestricted (Deficit)	(67,449,720)	(68,625,172)	1,175,452	1.71%
Total net position	$ (9,248,720)	$ (9,855,620)	$ 606,900	6.16%

Operating activities increased net position by 6.16% for the year ended June 30, 2021 primarily due to the increase in new federal aid received.

Change in Net Position

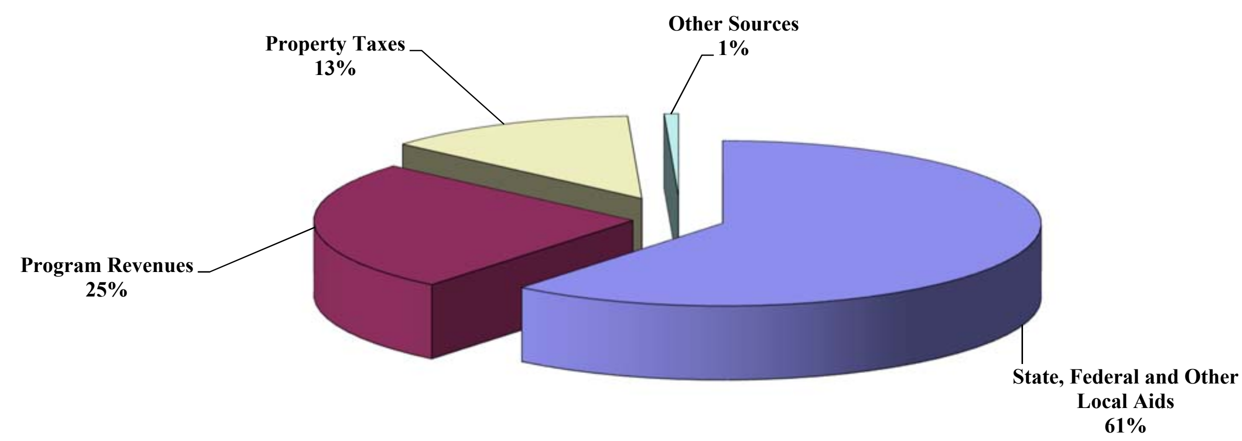
The increase in net position occurred as a result of the District's revenues being more than its expenses for the year ended June 30, 2021. A summary of the District's revenues and expenses, along with the amount of change and percentages from the year ended June 30, 2020 for each category are as follows:

	2021		2020		Net Change	
	Amounts	Percent	Amounts	Percent	Amount	Percent
Revenues:						
Program Revenues:						
Charges for Services	$ 2,421,656	2.90%	$ 3,487,711	4.38%	$ (1,066,055)	-30.57%
Operating Grants and Contributions	19,113,105	22.89%	18,106,175	22.72%	1,006,930	5.56%
Total Program Revenues	21,534,761	25.79%	21,593,886	27.10%	(59,125)	-0.27%
General Revenues:						
Property Taxes	10,739,894	12.86%	11,150,699	13.99%	(410,805)	-3.68%
Aids and Payments from State and Federal Sources	51,056,917	61.16%	46,622,378	58.51%	4,434,539	9.51%
Other Sources	155,780	0.19%	316,942	0.40%	(161,162)	-50.85%
Total General Revenues	61,952,591	74.21%	58,090,019	72.90%	3,862,572	6.65%
Total Revenues	83,487,352	100.00%	79,683,905	100.00%	3,803,447	4.77%
Expenses:						
Instructional:						
Regular Instruction	31,199,131	37.65%	31,134,376	37.10%	64,755	0.21%
Vocational Instruction	890,070	1.07%	855,418	1.01%	34,652	4.05%
Special Education Instruction	17,089,689	20.62%	17,806,424	21.22%	(716,735)	-4.03%
Total Instructional	49,178,890	59.34%	49,796,218	59.33%	(617,328)	-1.24%
Support Services:						
District Support Services	1,652,112	1.99%	1,703,229	2.03%	(51,117)	-3.00%
Instructional Support Services	4,996,505	6.04%	3,888,723	4.63%	1,107,782	28.49%
Pupil Support Services	10,220,585	12.32%	10,518,315	12.54%	(297,730)	-2.83%
Total Support Services	16,869,202	20.35%	16,110,267	19.20%	758,935	4.71%
Administration	2,564,878	3.10%	2,534,017	3.02%	30,861	1.22%
Community Education and Services	2,213,945	2.67%	2,511,557	2.99%	(297,612)	-11.85%
Sites and Buildings	10,557,519	12.74%	11,345,412	13.53%	(787,893)	-6.94%
Fiscal and Other Fixed Costs	235,760	0.28%	239,065	0.28%	(3,305)	-1.38%
Interest on Long-Term Debt	1,260,258	1.52%	1,388,931	1.65%	(128,673)	-9.26%
Total Expenses	82,880,452	100.00%	83,925,467	100.00%	(1,045,015)	-1.25%
Changes in Net Position	$ 606,900		$ (4,241,562)		$ 4,848,462	

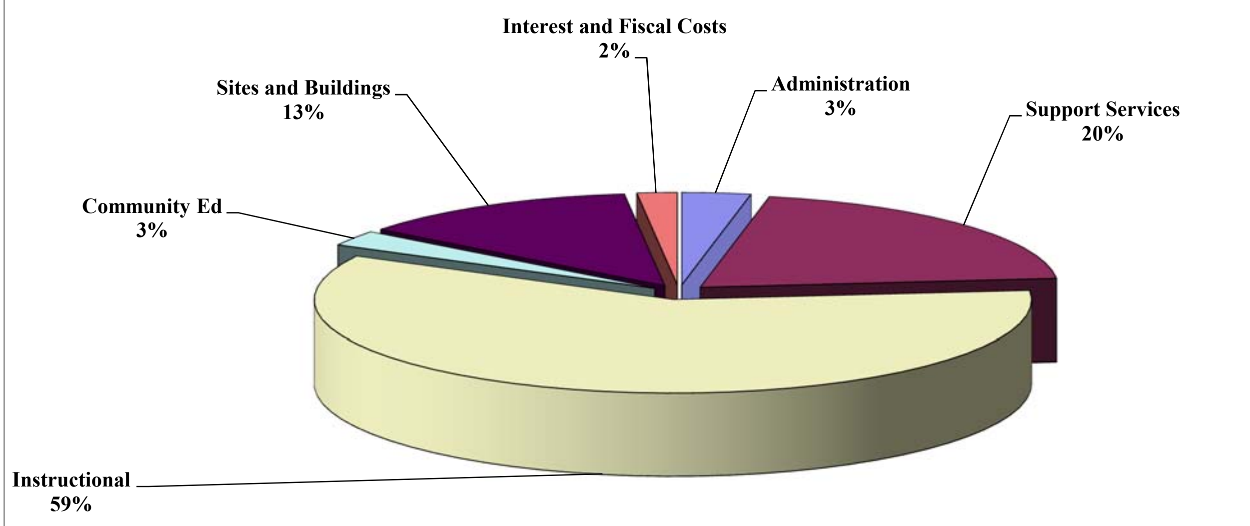
For the year ended June 30, 2021, the District's total revenues were $83,487,352 and consisted of program revenues of $21,534,761, property taxes of $10,739,894, general aids and payments from state and federal sources of $51,056,917, other sources of $155,780. Expenses totaling $82,880,452 consisted of regular, vocational and special education instruction costs of $49,178,890; district, instructional and pupil support services of $16,869,202; sites and buildings costs of $10,557,519 community education and services costs of $2,213,945; administrative costs of $2,564,878; interest on long-term debt of $1,260,258, and fiscal other and fixed costs of $235,760.

The following charts express revenues and expenses, in broad categories, for the year ended June 30, 2021:

DISTRICT-WIDE REVENUES - $83,487,352



DISTRICT-WIDE EXPENSES - $82,880,452



The net cost of governmental activities is the total costs less program revenues applicable to each category. Total and net costs for the years ended June 30, 2021 and 2020 are as follows:

	Cost of Services - 2021		Cost of Services - 2020	
	Total	Net	Total	Net
Administration	$ 2,564,878	$ 2,557,620	$ 2,534,017	$ 2,534,017
District Support Services	1,652,112	1,652,112	1,703,229	1,703,229
Regular Instruction	31,199,131	27,669,024	31,134,376	27,063,368
Vocational Instruction	890,070	886,895	855,418	670,931
Special Education Instruction	17,089,689	3,900,205	17,806,424	5,729,798
Community Education and Services	2,213,945	515,489	2,511,557	810,227
Instructional Support Services	4,996,505	4,994,725	3,888,723	3,886,927
Pupil Support Services	10,220,585	7,124,205	10,518,315	6,976,885
Sites and Buildings	10,557,519	10,553,124	11,345,412	11,331,414
Fiscal and Other Fixed Costs	235,760	232,034	239,065	235,854
Interest on Long-Term Debt	1,260,258	1,260,258	1,388,931	1,388,931
Total Expenses	$ 82,880,452	$ 61,345,691	$ 83,925,467	$ 62,331,581

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (FUND FINANCIAL STATEMENTS)

Fund Balances

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of $13,905,633.

Total fund balances increased in the amount of $3,665,771 from the end of the prior year. This increase was primarily driven by the following:

- **A planned increase in fund balance Restricted for Operating Capital totaling $666,586 to be used for future replacement of the Bemidji High School roof.**
- **An increase in unassigned fund balances of $3,085,935 attributed to the following:**
    - **Reductions attained through attrition and a soft hiring freeze put in place at the beginning of the year to address loss of enrollment related revenue due to COVID-19.**
    - **Shift of existing certified staff from state and federally funded positions to Distance Learning teaching positions funded by Federal COVID Relief dollars.**
    - **Replacement of state aid lost as a result of pandemic related enrollment loss with Federal COVID Relief dollars.**

The authority to set aside or "label" funds usually comes from a state or federal ordinance or a school board resolution. Restricting and committing funds is referred to by GASB as "stabilization agreements" in recognition that these funds are not available to spend in the next year in an unrestricted fashion. In the case of the District, we have five levels of committed or restricted funds.

The highest level is for "Restricted Funds". These are funds whose purpose is determined by *Minnesota Statute*. Examples include Staff Development, Operating Capital, Alternative Programs, Gifted and Talented, Long-Term Facilities Maintenance, Medical Assistance, and Safe Schools. At June 30, 2021, our restricted General Fund Balance is $6,057,426, which is an increase of $537,922 from the prior year.

The second highest level is "Committed for Specific Purpose", which requires Board action. The "Committed for Separation/Retirement Benefits" fund balance in the General Fund is $577,793 and represents a portion of our unfunded liability as calculated in our GASB 16 actuarial analysis. This obligation deals primarily with employee severance agreements contained in negotiated agreements. The total unfunded liability is currently calculated at $257,857 by Hildi Incorporated. This GASB No. 16 actuarial analysis is performed every two years in addition to our GASB Statement No. 75 calculations.

GASB Statement No. 75 deals mainly with the presentation of other post-employment retiree health insurance. It is funded through a bond issue that was deposited into a Post-Employment Benefits Irrevocable Trust, the current balance of which is $1,682,128. As of June 30, 2021, the other post-employment health benefit liability as estimated by our actuaries, Hildi Incorporated, is $9,546,030.

The "Non-spendable" fund balance in the General Fund is $362,660 and is made up of pre-bought inventory in the warehouse and prepaid health insurance expenditures.

Our fund balance policy requires that we have at least 10% of our General Fund operating budget in a combination of committed, assigned and unassigned fund balances. If the figure is less than 10%, the Board must initiate cost containment measures or seek additional revenue enhancement through increased fees or voter approved operating referendum funding. The current combined amount of $5,335,812 represents 8.8% of our 2021 General Fund operating budget of $60,896,070, which excludes expenditures for restricted revenue sources and therefore, will trigger the actions described above.

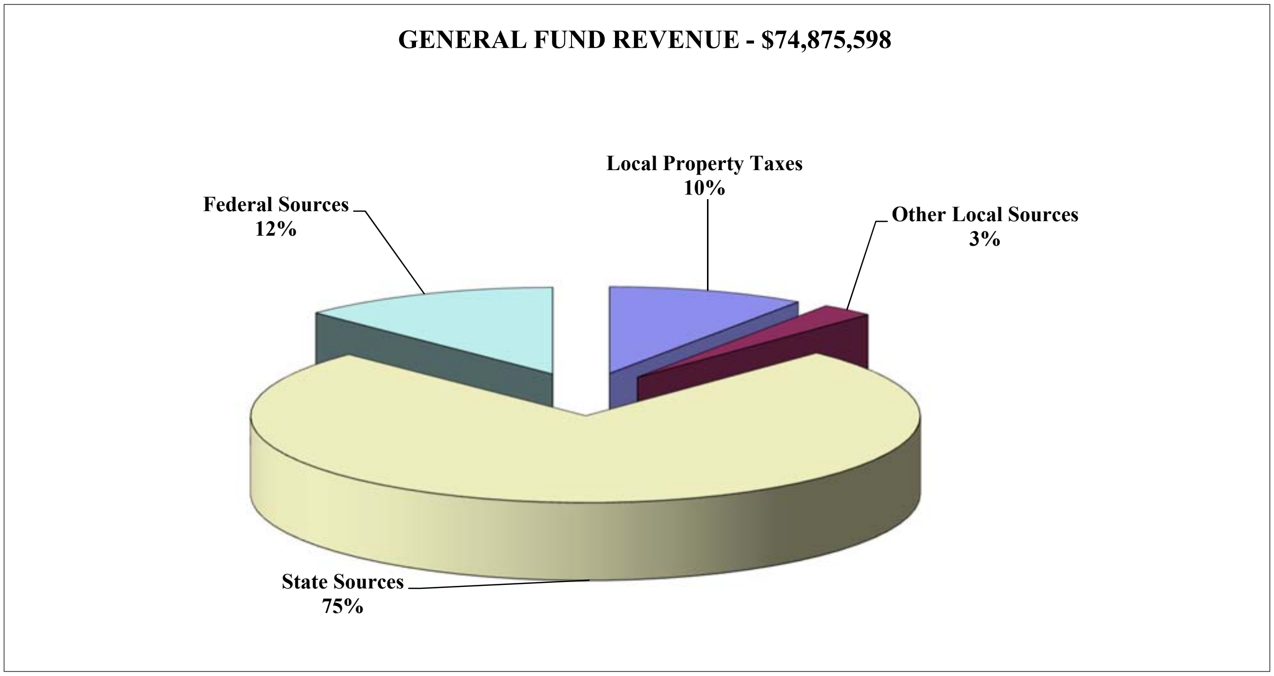
Revenue and Expenditures

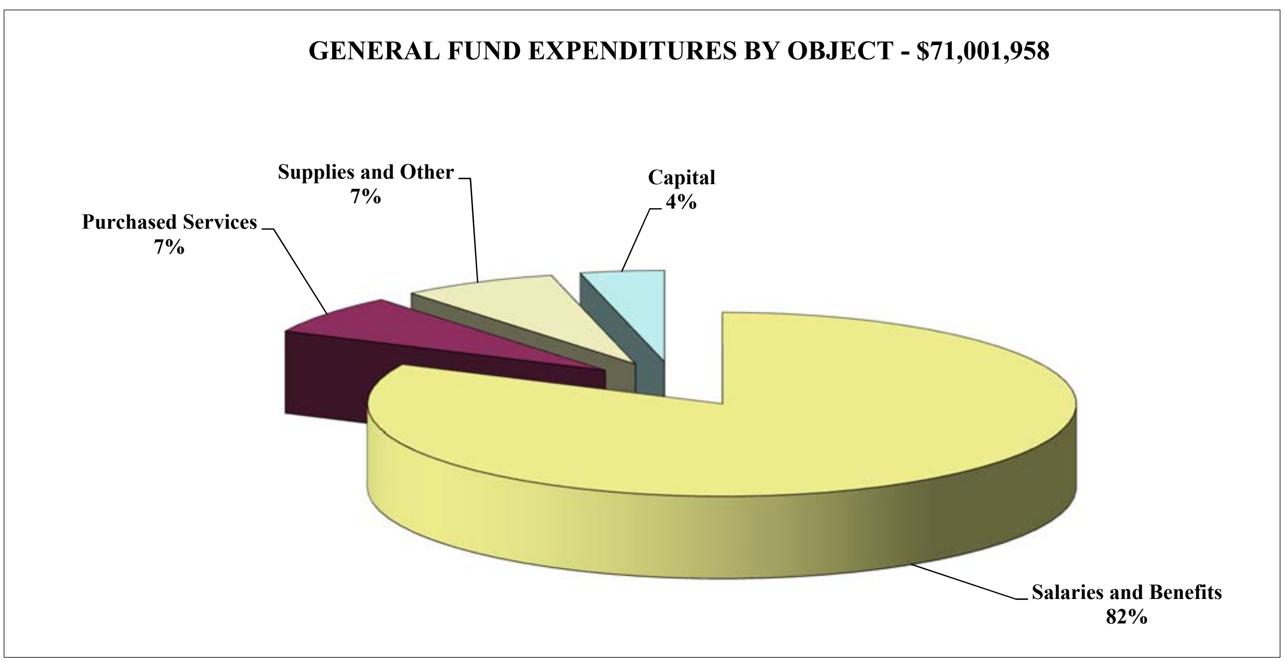
Revenues of the District's governmental funds totaled $83,621,463 while total expenditures were $79,955,692. A summary of the revenues and expenditures reported on the governmental fund financial statements are as follows:

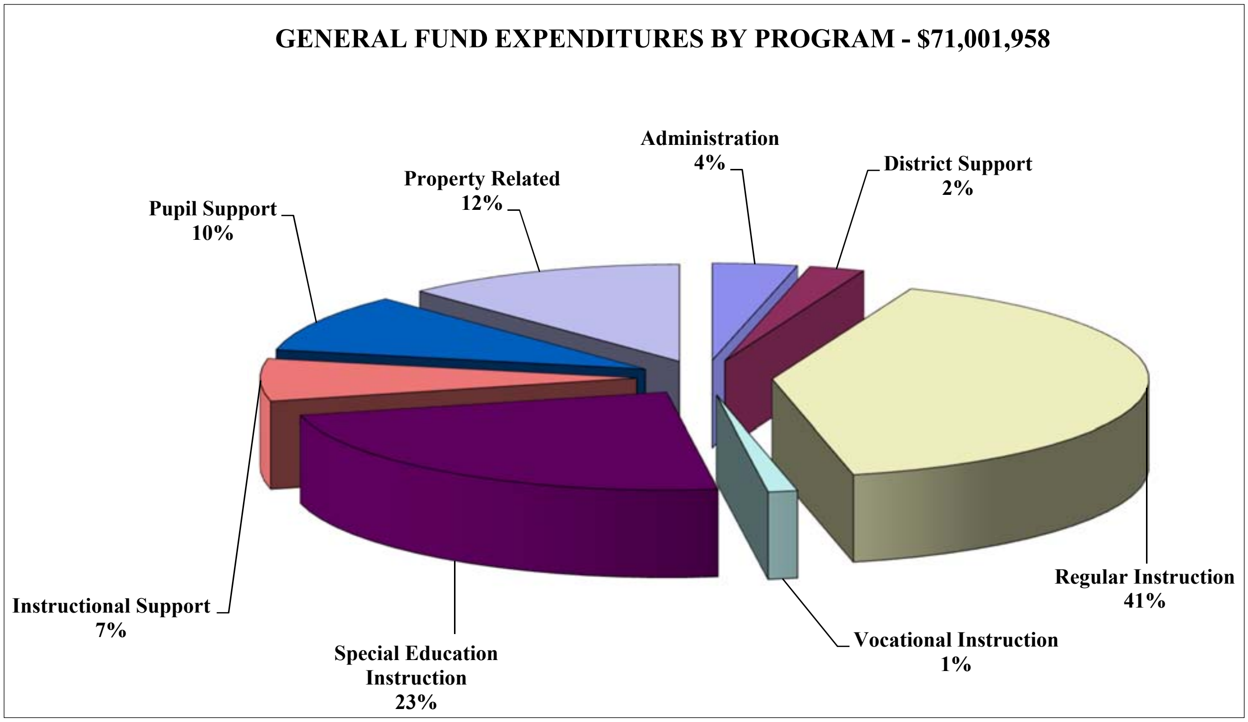
	YEAR ENDED JUNE 30, 2021			
	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balance Increase (Decrease)
Major Funds:				
General Fund	$ 74,875,598	$ 71,001,958	$ -	$ 3,873,640
Debt Service Fund	2,938,084	2,993,900	-	(55,816)
Non-major Funds:				
Food Service Fund	2,997,200	2,997,200	-	-
Community Service Fund	2,296,933	2,238,695	-	58,238
Building Construction Fund	79	211,973	-	(211,894)
OPEB Debt Service Fund	513,569	511,966	-	1,603
Totals	$ 83,621,463	$ 79,955,692	$ -	$ 3,665,771

	YEAR ENDED JUNE 30, 2020			
	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balance Increase (Decrease)
Major Funds:				
General Fund	$ 70,672,592	$ 71,979,934	$ (339,975)	$ (1,647,317)
Debt Service Fund	3,509,105	3,185,850	-	323,255
Non-major Funds:				
Food Service Fund	3,174,198	3,506,728	339,975	7,445
Community Service Fund	2,187,373	2,534,825	-	(347,452)
Building Construction Fund	6,260	408,350	-	(402,090)
OPEB Debt Service Fund	383,895	512,326	-	(128,431)
Totals	$ 79,933,423	$ 82,128,013	$ -	$ (2,194,590)

The following graphs are presented for the General Fund revenues and expenditures:







General Fund Budgetary Highlights

During the year ended June 30, 2021, the District experienced several revisions to its operating budget. These revisions were planned and necessary because an initial budget, adopted prior to June 30, 2020, was adopted for the sole purpose of satisfying the state requirement of having an adopted budget in place prior to spending funds for the next fiscal year. In the state of Minnesota, a budget is also an appropriating document. The first revision occurred in the fall of 2020 when enrollment numbers, staffing levels and other significant informational items were more available. Other revisions occurred as financial information became available that was of a significant nature and therefore necessitated a revision.

Although the District's General Fund final budget anticipated that revenues would exceed expenditures by $1,010,297, the actual results for the year reported revenues exceeding expenditures in the amount of $3,873,640. Actual expenditures were $3,180,937 under the final budgeted amount. This variance is primarily attributed to the following:

- **The final budget did not account for the shift of existing certified staff from state and federally funded positions to Distance Learning teaching positions funded by Federal COVID Relief dollars. Instead, it reflected the cost of those positions in both the original positions and the distance learning positions.**
- **The final budget did not account for the payroll cost savings achieved through attrition. Final totals could not be accurately estimated and were left out in order to conservatively forecast the final budget.**
- **Contracted services were under budget due to the impact of the COVID-19 pandemic and the decreased need for substitute staffing for distance and hybrid learning models.**
- **Maintenance related equipment and supplies were under budget due to a shift in focus to safety projects funded with Federal COVID Relief dollars. Both the general operating costs and federally funded projects were reflected in the budget revision.**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

During the year, the District added $1,619,542 of capital assets to its inventory records. Additions included $392,158 of equipment, $326,115 of transportation vehicles, $524,366 of buildings, and $376,903 of land improvements. The District disposed of various building improvements, vehicles, and equipment with a total original cost of $83,001, $226,263, and $17,847respectively.

Long-Term Liabilities

As of June 30, 2021, the District's long-term liabilities totaled $96,782,861. This consisted of bonded indebtedness of $35,565,000, plus net unamortized bond discounts and premiums of $2,100,618, capital leases of $417,240, net pension liability of $50,283,498, severance payable of $257,857, accrued compensated absences of $294,746 and Net Other Post-Employment Benefits (OPEB) liability of $7,863,902.

During the year, the District retired $2,055,000 of outstanding bond principal and paid $1,447,618 of interest and fiscal fees on long-term outstanding bonds payable. The District paid $114,891 of total principal on outstanding capital leases and paid $26,347 of total interest on the outstanding capital leases. Net pension liability had an increase of $6,037,420, severance payable had a net decrease of $80,147 and the Net OPEB liability had an increase of $617,794.

FACTORS BEARING ON THE DISTRICT'S FUTURE

Political Environment

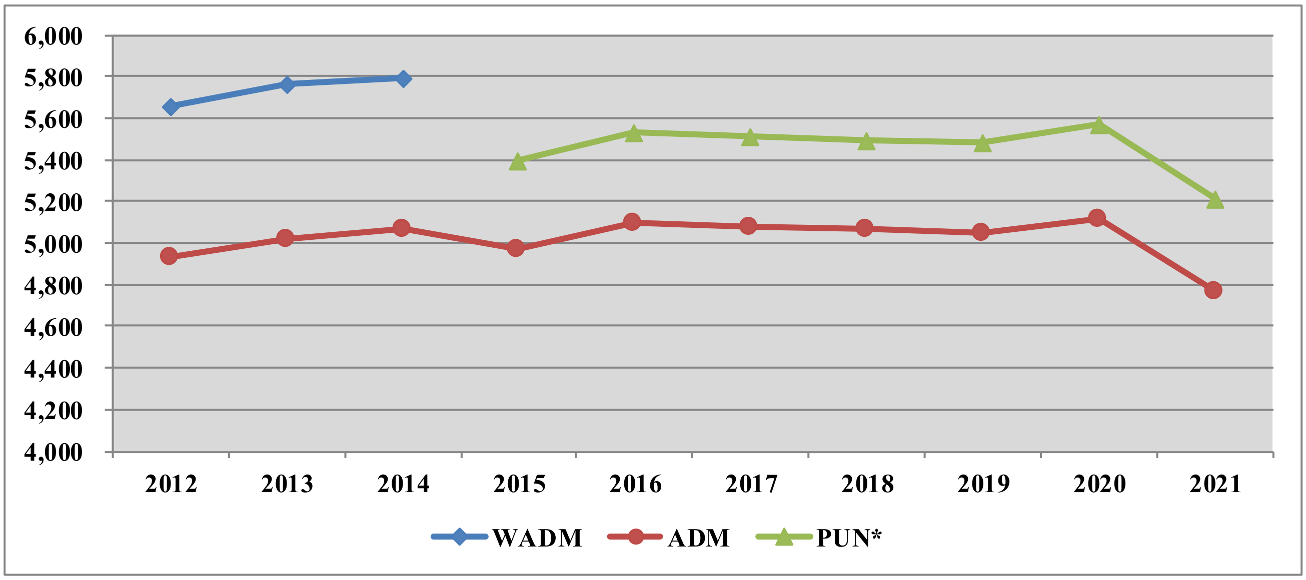
The political environment at the State level will have a significant effect on future finances. The state legislature sets the amount of revenue from aids and levies that Minnesota school districts will receive. Currently the general education basic allowance, from which the District receives the single largest state aid, is set at $6,567 and it will increase to $6,728 in the next fiscal year.

Labor Force

Labor contracts, which are in effect through June 30, 2021, were negotiated for the two-year period beginning July 1, 2019. For the year ended June 30, 2021, salaries, wages and benefits account for 82% of the District's General Fund expenditures.

Student Enrollment

Attendance at all Minnesota school districts including charter schools is based upon Average Daily Membership (ADM), however, the District receives general education aid based upon a Pupil Unit Weightings (PUN); prior to the year ending June 30, 2015, Weighted Average Daily Membership (WADM) was used. The following chart summarizes ADM and PUN/WADM over the past ten years:



***The State of Minnesota changed to Pupil Unit Weightings (PUN) from Weighted Average Daily Membership (WADM) in the year ending June 30, 2015 to calculate general education aid.**

Historical growth patterns are expected to plateau as recent birth rates have stabilized.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, 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 any questions about this report or would like additional information, contact Krisi Fenner, Director of Business Services, at District offices located at, 502 Minnesota Ave NW, Bemidji, Minnesota 56601.

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
STATEMENT OF NET POSITION
JUNE 30, 2021

ASSETS		
Cash and Investments		$ 14,655,310
Property Taxes Receivable		4,863,927
Due from Other Governmental Units		11,373,763
Due from Other Funds		37,305
Other Accounts Receivable		43,846
Inventories		342,255
Prepaid Expenditures		43,191
Capital Assets:		
Land	$ 3,587,119	
Depreciable Capital Assets, Net of Depreciation	82,866,284	86,453,403
Total Assets		117,813,000
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows of Resources Related to Pensions		20,242,962
Deferred Outflows of Resources Related to OPEB		660,350
Total Deferred Outflows of Resources		20,903,312
LIABILITIES		
Accounts Payable		577,293
Salaries and Wages Payable		4,898,396
Interest Payable		349,216
Due to Other Minnesota School Districts		88,717
Due to Other Governmental Units		62,986
Payroll Deductions and Employer Contributions		921,168
Unearned Revenue		130,382
Long-Term Liabilities:		
Portion Due Within One Year	2,418,105	
Portion Due After One Year	36,217,356	
Net Pension Liability	50,283,498	
Net Other Post Employment Benefits	7,863,902	96,782,861
Total Liabilities		103,811,019
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows of Resources Related to Pensions		32,331,354
Deferred Inflows of Resources Related to OPEB		1,166,717
Property Taxes Levied for Subsequent Years' Expenditures		10,655,942
Total Deferred Inflows of Resources		44,154,013
NET POSITION		
Net Investment in Capital Assets		50,344,940
Restricted for:		
State Mandated Programs		7,066,384
Debt Service		789,676
Unrestricted (Deficit)		(67,449,720)
Total Net Position		$ (9,248,720)

See Accompanying Notes to Financial Statements.

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities				
Administration	$ 2,564,878	$ -	$ 7,258	$ (2,557,620)
District Support Services	1,652,112	-	-	(1,652,112)
Regular Instruction	31,199,131	508,525	3,021,582	(27,669,024)
Vocational Instruction	890,070	-	3,175	(886,895)
Special Education Instruction	17,089,689	919,501	12,269,983	(3,900,205)
Community Education and Services	2,213,945	848,178	850,278	(515,489)
Instructional Support Services	4,996,505	-	1,780	(4,994,725)
Pupil Support Services	10,220,585	141,057	2,955,323	(7,124,205)
Sites and Buildings	10,557,519	4,395	-	(10,553,124)
Fiscal and Other Fixed Costs	235,760	-	3,726	(232,034)
Interest on Long-Term Debt	1,260,258	-	-	(1,260,258)
Total Governmental Activities	$ 82,880,452	$ 2,421,656	$ 19,113,105	(61,345,691)

General Revenues:	
Property Taxes:	
Levied for General Purposes	7,034,699
Levied for Community Education and Services	386,870
Levied for Debt Service	2,809,818
Levied for OPEB Debt Service	508,507
Aids and Payments from State and Federal Sources	51,056,917
Unrestricted Investment Earnings	36,065
Other Revenues	119,715
Total General Revenues	61,952,591
Change in Net Position	606,900
Net Position - Beginning of Year	(9,855,620)
Net Position - End of Year	$ (9,248,720)

See Accompanying Notes to Financial Statements.

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021

	General Fund	Debt Service Fund	Other Governmental Funds	Totals
ASSETS				
Cash and Investments	$ 10,499,341	$ 2,627,643	$ 1,528,326	$ 14,655,310
Property Taxes Receivable	3,173,839	1,313,867	376,221	4,863,927
Due from Other Funds	37,305	-	-	37,305
Due from Other Governmental Units	10,854,303	11,168	508,292	11,373,763
Other Accounts Receivable	43,846	-	-	43,846
Inventories	319,469	-	22,786	342,255
Prepaid Expenditures	43,191	-	-	43,191
Total Assets	$ 24,971,294	$ 3,952,678	$ 2,435,625	$ 31,359,597
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
Liabilities				
Salaries and Wages Payable	$ 4,653,513	$ -	$ 244,883	$ 4,898,396
Accounts Payable	569,551	-	7,742	577,293
Due to Other Minnesota School Districts	88,717	-	-	88,717
Due to Other Funds	-	-	37,305	37,305
Due to Other Governmental Units	25,681	-	-	25,681
Payroll Deductions and Employer Contributions	880,551	-	40,617	921,168
Unearned Revenue	101,182	-	29,200	130,382
Total Liabilities	6,319,195	-	359,747	6,678,942
Deferred Inflows of Resources				
Unavailable Revenue - Delinquent Taxes	74,962	34,274	9,844	119,080
Property Taxes Levied for Subsequent Years' Expenditures	6,821,239	2,981,136	853,567	10,655,942
Total Deferred Inflows of Resources	6,896,201	3,015,410	863,411	10,775,022
Fund Balance				
Nonspendable	362,660	-	22,786	385,446
Restricted	6,057,426	937,268	1,189,681	8,184,375
Committed	577,793	-	-	577,793
Unassigned	4,758,019	-	-	4,758,019
Total Fund Balance	11,755,898	937,268	1,212,467	13,905,633
Total Liabilities, Deferred Inflows of Resources and Fund Balance	$ 24,971,294	$ 3,952,678	$ 2,435,625	$ 31,359,597

See Accompanying Notes to Financial Statements.

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2021

Total Fund Balances - Governmental Funds		$ 13,905,633
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.		
Cost	$ 148,085,577	
Accumulated Depreciation	(61,632,174)	
Net Depreciated Value of Capital Assets		86,453,403
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		(349,216)
The focus of governmental funds is on short-term financing, therefore delinquent taxes, which will not be available to pay current-period expenditures, are offset by deferred revenues.		119,080
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. All liabilities, both current and long-term, are reported in the statement of net position.		
General Obligation Bonds Payable	(35,565,000)	
Net Unamortized Bond Discount/Premium	(2,100,618)	
Capital Lease Payable	(417,240)	
Compensated Absences Payable	(294,746)	
Net Pension Obligation	(50,283,498)	
Net OPEB Obligation	(7,863,902)	
Severance Payable	(257,857)	(96,782,861)
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.		
Deferred Outflows of Resources	20,903,312	
Deferred Inflows of Resources	(33,498,071)	(12,594,759)
Total Net Position - Governmental Activities		$ (9,248,720)

See Accompanying Notes to Financial Statements.

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021

	General Fund	Debt Service Fund	Other Governmental Funds	Totals
Revenues				
Local Property Taxes	$ 7,147,717	$ 2,820,658	$ 897,880	$ 10,866,255
Other Local and County Revenues	1,926,609	-	853,291	2,779,900
Revenues from State Sources	56,392,530	112,028	871,235	57,375,793
Revenues from Federal Sources	9,363,931	-	3,040,640	12,404,571
Sales and Other Conversions of Assets	17,822	-	141,057	158,879
Investment Earnings	26,989	5,398	3,678	36,065
Total Revenues	74,875,598	2,938,084	5,807,781	83,621,463
Expenditures				
Current:				
Administration	2,572,002	-	-	2,572,002
District Support Services	1,685,423	-	-	1,685,423
Regular Instruction	28,585,657	-	-	28,585,657
Vocational Instruction	843,620	-	-	843,620
Special Education Instruction	16,183,824	-	-	16,183,824
Community Education and Services	-	-	2,209,845	2,209,845
Instructional Support Services	4,807,320	-	-	4,807,320
Pupil Support Services	6,849,275	-	3,025,555	9,874,830
Sites and Buildings	7,053,145	-	-	7,053,145
Fiscal and Other Fixed Costs	235,760	-	-	235,760
Debt Service:				
Principal Retirement	116,950	1,620,000	435,000	2,171,950
Interest and Fiscal Fees	24,288	1,373,900	76,966	1,475,154
Capital Outlay	2,044,694	-	212,468	2,257,162
Total Expenditures	71,001,958	2,993,900	5,959,834	79,955,692
Net Change in Fund Balance	3,873,640	(55,816)	(152,053)	3,665,771
Fund Balances, Beginning of Year	7,882,258	993,084	1,364,520	10,239,862
Fund Balances, End of Year	$ 11,755,898	$ 937,268	$ 1,212,467	$ 13,905,633

See Accompanying Notes to Financial Statements.

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

Net Change in Fund Balances - Total Governmental Funds		**$ 3,665,771**
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Outlay	**$ 1,619,542**	
Depreciation Expense	**(3,814,523)**	**(2,194,981)**
Disposal of fixed assets are only reported in the governmental funds when cash is received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		**(11,391)**
Deferred delinquent property taxes are not available to pay current period expenditures and, therefore, are deferred in the funds.		
Balances at June 30, 2021	**119,080**	
Balances at June 30, 2020	**(245,441)**	**(126,361)**
Interest on long-term debt is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless when it is due.		
Accrued Interest at June 30, 2021	**(349,216)**	
Accrued Interest at June 30, 2020	**396,020**	**46,804**
Compensated absences consisting of vacation pay is reported in the statement of activities but does not require the use of the current financial resources and, therefore, is not reported as an expenditure in the governmental funds.		
Compensated Absences at June 30, 2021	**(294,746)**	
Compensated Absences at June 30, 2020	**277,290**	**(17,456)**
Repayment of long-term liabilities are reported as an expenditure in governmental funds, but the repayment reduces the long-term liabilities on the statement of assets. In the current period, these amounts consist of:		
Bond Principal Retirement	**2,055,000**	
Capital Lease Payments	**114,891**	
Net Amortization of Bond Premium/Discount	**143,804**	
Net Decrease in Severance Payable	**80,147**	**2,393,842**
Governmental funds report District pension and OPEB contributions as expenditures. In the statement of activities, however, the cost of pension and OPEB benefits earned net of employee contributions is reported as an expense.		
District Pension Contributions	**3,551,247**	
District OPEB Contributions	**460,106**	
Cost of Benefits Earned Net of Employee Contributions	**(7,160,681)**	**(3,149,328)**
Change in Net Position of Government Activities		**$ 606,900**

See Accompanying Notes to Financial Statements.

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2021

	OPEB Irrevocable Trust Fund
ASSETS	
Cash and Investments	$ 1,682,127
NET POSITION	
Net Position Held in Trust	$ 1,682,127

See Accompanying Notes to Financial Statements.

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2021

	OPEB Irrevocable Trust Fund
Additions:	
Contributions	$ 451,584
Investment Earnings	17,519
Total Additions	469,103
Deductions:	
Employee Benefits	1,065,421
Change in Net Position	(596,318)
Net Position - Beginning of Year	2,278,445
Net Position - End of Year	$ 1,682,127

See Accompanying Notes to Financial Statements.

NOTE 1 – Summary of Significant Accounting Policies

The financial statements of Independent School District No. 31 have been prepared in conformity with U. S. generally accepted accounting principles (GAAP) 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.

A. 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 component units include 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.

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

B. Financial Statement Presentation

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The District does not allocate indirect expenses. 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 capital requirements of a particular function or segment. Operating grants include operating-specific grants. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function.

As a general rule, the District does not engage in inter-fund activities but, if necessary, inter-fund activities will be eliminated from the district-wide financial statements. There was inter-fund activity to eliminate negative cash balances in the Food Service Fund with the General Fund.

Separate fund financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements.

Proprietary funds are used to report business-type activities carried on by a school district. No activities of the District were determined to be of this nature, so no proprietary funds are present in the financial statements.

The fiduciary funds are presented in the fiduciary fund financial statements. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the District, these funds are not incorporated into the district-wide statements.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The district-wide and fiduciary funds 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 or related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. The modified accrual basis of accounting recognizes expenses when incurred, except principal and interest on general long-term debt which is recognized when due, and revenue under the following principles:

Property tax revenue is recorded under the intact levy concept, whereby taxes collectible during a calendar year are recorded as revenue in the fiscal year beginning within the year of collection. A portion of the 2020 payable 2021 levy has been recognized as revenue during the current year, as discussed in Note 3.

State aids are recorded as revenue in the fiscal year for which the aids are designated by statute.

Other revenues are recognized when susceptible to accrual, i.e., when they become both 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.

Description of Funds

The existence of the various District funds has been established by the Minnesota Department of Education, and is accounted for as an independent entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise it assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues and expenditures.

GASB Statement No. 34 specifies that the accounts and activities of each of the District's most significant governmental funds (termed "major funds") be reported in separate columns on the fund financial statements. Other non-major funds can be reported in total. A description of the major governmental funds and fiduciary funds in this report are as follows:

Governmental Funds

General Fund – Accounts for all financial resources and transactions relating to the administration, instruction, pupil transportation, and maintenance of the District, which are not accounted for in other District funds.

Debt Service Fund – Accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Fiduciary Funds

Trust Funds – The District is the trustee, or fiduciary, for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong.

Post-Employment Benefits Irrevocable Trust Fund – The District is the trustee, or fiduciary, for assets set aside and held in an irrevocable trust arrangement for post-employment benefits. District contributions to this fund are expensed to the General, Food Service or Community Service Funds.

All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

Additionally, the District reports the following aggregated non-major funds:

Special Revenue Funds – Accounts for the proceeds of specific revenue sources (other than expendable trust and major capital projects) that are legally restricted to expenditures for specified purposes. The District's special revenue funds and their purposes are as follows:

Food Service Fund – Accounts for all activities associated with the preparation and serving of regular and incidental meals, lunches or snacks in connection with school activities.

Community Service Fund – Accounts for the revenues and expenditures related to recreation, public use of school facilities, non-public pupils, adult education programs, and early childhood and family development.

Building Construction Fund – Accounts for the acquisition or construction of major capital assets, generally financed through the issuance of general long-term debt.

OPEB Debt Service Fund – Accounts for the accumulation of resources for the payment of OPEB bonds principal, interest and related costs.

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, Net Position and Fund Balances

Cash and Investments - Cash balances for all funds, including cash equivalents, but excluding fiduciary funds, are maintained on a combined basis and invested, to the extent possible, in allowable investments. The District's general policy is to report money market investments at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure.

However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term 'nonparticipating' means that the investment's value does not vary with market interest rate changes.

Property Taxes Receivable - represents current and delinquent taxes receivable at June 30, 2021. Current taxes receivable represents real and personal property tax levies certified the previous December and collectible in the current calendar year, which have not been received by the District. Delinquent property taxes receivables are taxes collectible for the prior six calendar years that remain uncollected.

Due From Other Governmental Units - are amounts due from other governmental units that consist of amounts primarily due from the other Minnesota school districts, the Minnesota Department of Education, and from the Federal Government through the Minnesota Department of Education for state and federal aids and grants under various specific programs are reported at estimated amounts based on available information at the date of the report. Adjustments and pro-rations may be made by the applicable agencies based on the amount of funds available for distribution and may result in differing amounts actually being received. The differences between the receivable recorded and the actual amount received will be recognized as a revenue adjustment in the subsequent year. Federal and state revenues are recorded as revenue at the time of receipt or when they are both measurable and available.

Inventories - consist of purchased food commodities, supplies and donated United States Department of Agriculture (USDA) commodities. Purchased food and supplies are recorded at the lower of cost (first-in, first-out) or net realizable value method. The donated USDA commodities are stated at standardized cost as determined by the USDA. Inventories in the General Fund consist of school supplies.

Prepaid Items – Certain payments to venders reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are recorded as expenditures at the time of consumption.

Capital Assets - are capitalized at historical cost, or estimated historical cost based on an inventory dated June 30, 2021. Donated assets are recorded as capital assets at their estimated acquisition value at the date of donation. The District maintains a threshold level of $5,000 or more for capitalizing capital assets. The system for accumulation of fixed assets cost data does not provide the means for determining the percentage of assets valued at actual and those valued at estimated cost.

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

Capital assets not being depreciated include land and construction in progress, if any.

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

Unearned Revenue - represents revenues, other than property taxes, collected before they are earned.

Deferred Outflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to future periods and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualifies for reporting in this category. It is the deferred resources related to pensions and other post-employment benefits reported in the government-wide statement of net position.

Deferred Inflows of Resources – In addition to liabilities, statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has four types of items which qualify for reporting in this category: property taxes levied for subsequent years, delinquent property taxes receivable, deferred resources related to pensions and deferred resources related to OPEB.

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

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

Pensions – For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) and additions to/deductions from PERA's and TRA's fiduciary net position have been determined on the same basis as they are reported by PERA and TRA.

For PERA's purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006 and the Duluth Teachers' Retirement fund Association merger into TRA in 2015. Additional information can be found in Note 6.

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

Fund Balance – The following classifications describe the relative strength of the spending constraints placed on a government's fund balances:

- **Nonspendable fund balance – amounts are in a nonspendable form (such as inventory, prepaid items or long-term receivables) or are required to be maintained intact.**

- **Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.**

- **Committed fund balance – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., School Board). To be reported as committed, amounts cannot be used for any purpose unless the District takes the same highest level action to remove or change the constraint.**

- **Assigned fund balance – amounts the District intends to use for a specific purpose. Intent can be expressed by the School Board or by an official or body to which the School Board delegates the authority.**

- **Unassigned fund balance – is the residual classification for the General Fund and also reflects negative residual amounts in other funds.**

The School Board establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the School Board through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

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

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

Our fund balance policy requires that we have at least 10% of our General Fund operating budget in a combination of committed, assigned and unassigned fund balances. If the figure is less than 10%, the Board must initiate cost containment measures or seek additional revenue enhancement through increased fees or voter approved operating referendum funding. The current combined amount of $5,335,812 represents 8.8% of our 2021 General Fund operating budget of $60,896,070, which excludes expenditures for restricted revenue sources and therefore, will trigger the actions described above.

The UFARS fund balance reporting standards required by the Minnesota Department of Education are slightly different than the reporting standards under GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. At June 30, 2021, fund balances are composed of the following and reconcile to UFARS reporting standards as follows:

	General Fund	Debt Service Fund	Other Governmental Funds	Totals
Nonspendable:				
Inventory	$ 319,469	$ -	$ 22,786	$ 342,255
Prepaid Expenses	43,191	-	-	43,191
Restricted:				
Teacher Benefits	82,232	-	-	82,232
Red Lake Johnson-O'Malley	41,617	-	-	41,617
Student Activities	370,712	-	-	370,712
Staff Development	100,873	-	-	100,873
Operating Capital	4,370,381	-	-	4,370,381
Safe Schools - Crime Levy	443,331	-	-	443,331
Food Service	-	-	23,221	23,221
Community Education	-	-	275,770	275,770
Early Childhood and Family Education	-	-	528,921	528,921
School Readiness	-	-	6,786	6,786
Adult Basic Education	-	-	8,009	8,009
Community Service	-	-	161,851	161,851
OPEB Debt Service	-	-	155,227	155,227
Building Construction	-	-	29,896	29,896
Debt Service	-	937,268	-	937,268
Long-Term Facilities Maintenance	68,249	-	-	68,249
Medical Assistance	580,031	-	-	580,031
Committed:				
Separation/Retirement Benefits	577,793	-	-	577,793
Unassigned	4,758,019	-	-	4,758,019
Totals	$ 11,755,898	$ 937,268	$ 1,212,467	$ 13,905,633

E. Compensated Absences

Vacation Pay – Certified staff and certain administrative employees do not receive paid vacations but are paid only for the number of days they are required to work, each in accordance with their respective contracts. Non-certified and other administrative employees are allowed vacation leave in varying amounts. In the event of termination, an employee is reimbursed for any unused accumulated leave. Accrued vacation time must be taken within one year after the end of the fiscal year. Compensated absences payable for the amount representing the accumulated vacation payable at June 30, 2021 for these employees is reported in the district-wide financial statements.

Sick Leave and Severance Pay – Employees are allowed to accrue sick leave at varying amounts each year, and accumulate within limits. Employees are not compensated for unused sick leave upon termination of employment. Since the employees accumulating rights to receive compensation for future absences are contingent upon the absences being caused by future illnesses and such amounts cannot be reasonably estimated, a liability for unused sick leave is not recorded in the financial statements.

Upon completion of 15 years of service and notice of retirement for teaching staff and certain other employee groups, unused sick leave is convertible to severance pay upon an employee's retirement. Severance is not granted to an employee who is discharged by the District. See Note 10 for severance liability amount.

Under the provisions of the various employee and union contracts, the District provides health and dental care coverage until age 65 for retirees and if certain age and minimum years of service requirements are met. The amount to be incurred is limited as specified by contract. All premiums paid for active employees are funded on a pay-as-you-go basis. Retiree costs, net of retiree contributions, are funded through an OPEB Irrevocable Trust Fund.

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – Deposit and Investments

The District's cash and investments are as follows:

	Governmental Activities/ Funds	OPEB Irrevocable Trust Fund
Pooled Depository Accounts:		
Checking	$ 8,975,762	$ (613,837)
Pooled Investments - MSDLAF+	5,679,548	-
Investments with MNTrust and Associated Wealth Management:		
MNTrust Money Market Account	-	89,101
Certificates of Deposit	-	2,206,863
Total Cash and Investments	$ 14,655,310	$ 1,682,127

A. Deposits

Authority - In accordance with *Minnesota Statutes*, the District maintains deposits at those depository banks authorized by the Board. All such depositories are members of the Federal Reserve System. *Minnesota Statutes* require that all District deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or 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 not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk - The custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be recovered. The District's policy for custodial credit risk is to maintain compliance with *Minnesota Statutes* that require all the District's deposits to be protected by insurance, surety bond, or pledged collateral. The District was not exposed to custodial credit risk on June 30, 2021.

B. Investments

Authority - *Minnesota Statutes* authorize the District to invest in the following types of investments:

1. **securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by *Minnesota Statutes*;**
2. **mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;**
3. **General obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;**
4. **bankers' acceptances of United States banks;**
5. **commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and**
6. **with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.**

As of June 30, 2021, the District had the following investments:

	Credit Risk		Maturity Duration in Years:			
Investments	Rating	Agency	Less than 1	1 to 3	Over 3	Total
Certificates of Deposit	N/A	N/A	$ 1,840,143	$ 366,720	$ -	$ 2,206,863
Investment Pool:						
MSDLAF+ - Money Market Accounts	AAAm	S&P				$ 5,679,548
MNTrust - Money Market Accounts	AAAm	S&P				89,101
Total Investments						$ 7,975,512

MNTrust – MNTrust fund investments are restricted to securities described in *Minnesota Statutes*, Section 118.04. MNTrust's Term Series portfolios are separate portfolios with fixed investment term and a designated maturity. A Term Series Portfolio consists of investments in certificates of deposit, obligations of the U.S. Government, its agencies and instrumentalities, and municipal obligations. These investments are reported at amortized cost.

Minnesota School District Liquid Asset Fund Plus (MSDLAF+) – The MSDLAF+ is an external investment pool not registered with the Securities Exchange Commission (SEC). The fair value of the position in the pool is the same as the value of the pool shares.

Interest Rate Risk – The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from interest rates.

Credit Risk – State law limits investments in general obligations of any state or local government with taxing powers with a rating of "A" or better by a national bond rating service. The District's Municipal Bond investments meet state criteria.

Concentration of Credit Risk – The District places no limit on the amount the District may invest in any one issuer. The District has total investments of $2,295,964 in the OPEB Irrevocable Trust Fund.

C. Fair Value Measurements

The District uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The District follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the District has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the combined statements of financial position are categorized based on inputs to the valuation techniques as follows:

- **Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.**

- **Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.**

- **Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.**

Assets measured at fair value on a recurring basis:

Type	Level 1	Level 2	Level 3	Total
MNTrust Certificates of Deposit	$ -	$ 2,206,863	$ -	$ 2,206,863
Investments Measured at Net Asset Value (NAV)				5,768,649
				$ 7,975,512

The MSDLAF+ is an external investment pool (Pool) that is managed to maintain a dollar-weighted average portfolio maturity of no greater that 60 days and seeks to maintain a constant net asset value (NAV) per share of $1.00.

The District reports its investment in the Pool at the NAV per share, the fair value established by the Pool.

The District's investment in the Pool is included in two share classes, as follows:

	Net Asset Value	Unfunded Commitments
MSDLAF+Liquid Class	$ 5,588,222	$ -
MSDLAF+MAX Class	91,326	-

The Liquid Class has no redemption requirements. The MAX Class may not be redeemed for at least 14 days, and a 24 hour hold is placed on redemption requests. Redemptions prior to 14 days may be subject to penalty.

NOTE 3 – Property Taxes

The School Board certifies property tax levies in December of each year to Beltrami County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. The County spreads all levies over assessable property. Such taxes become a lien on January 2, and are recorded as receivables by the District at that date. Property taxes may be paid by taxpayers in two equal installments, on May 15 and October 15. The County provides tax settlements in installments to districts two times a year, on or before June 30 and December 30.

Prior year's taxes, which remain unpaid at June 30, are classified as delinquent taxes receivable and the portion not receivable within 60 days is offset by deferred revenue because they are not available to finance current expenditures.

The maximum amount of property taxes the District may levy is subject to state levy limitations.

The total net tax capacity for levy year 2020 (payable in 2021) was $39,700,836 with a referendum market value of $2,998,122,425. The net capacity rate was 16.28% and a school district referendum rate of 0.15313%.

Current property taxes receivable consists of the current tax levy less collection prior to June 30. The current tax levy, net of a state mandated property tax shift, is offset by property taxes levied for subsequent years, a deferred inflow of resources.

NOTE 4 – Due From Other Governmental Units

Amounts due from other governmental units at June 30, 2021 are as follows:

	General Fund	Debt Redemption Fund	Other Governmental Funds	Totals
Other Minnesota School Districts	$ 315,374	$ -	$ -	$ 315,374
Minnesota Department of Education:				
State Aids and Grants	5,636,121	11,168	74,069	5,721,358
Federal Aids and Grants	4,764,842	-	434,223	5,199,065
Beltrami County	13,865	-	-	13,865
Other Governmental Units	124,101	-	-	124,101
Totals	$ 10,854,303	$ 11,168	$ 508,292	$ 11,373,763

NOTE 5 – Capital Assets

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

	Beginning Balance	Additions	Sales and Retirements	Ending Balance
Non-depreciable Capital Assets				
Land	$ 3,587,119	$ -	$ -	$ 3,587,119
Construction in Progress	363,111	629,890	993,001	-
Total Non-depreciable Capital Assets	3,950,230	629,890	993,001	3,587,119
Depreciable Capital Assets:				
Land Improvements	6,003,751	376,903	32,701	6,347,953
Buildings	122,195,304	879,860	50,300	123,024,864
Equipment	14,643,861	725,890	244,110	15,125,641
Total Depreciable Capital Assets	142,842,916	1,982,653	327,111	144,498,458
Total Capital Assets	146,793,146	2,612,543	1,320,112	148,085,577
Accumulated Depreciation:				
Land Improvements	3,130,475	210,294	32,701	3,308,068
Buildings	44,721,907	2,617,721	39,019	47,300,609
Equipment	10,280,989	986,508	244,000	11,023,497
Total Accumulated Depreciation	58,133,371	3,814,523	315,720	61,632,174
Capital Assets, Net of Depreciation	$ 88,659,775	$ (1,201,980)	$ 1,004,392	$ 86,453,403

Depreciation expense was charged to the following program services:

Vocational Instruction	$	1,983
Special Education Instruction		76,216
Instructional Support Services		4,047
Pupil Support Services		492,036
Sites and Buildings		3,240,241
Total	$	3,814,523

NOTE 6 – Pension Plans

A. Teachers Retirement Association

Plan Description

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

Educators employed in Minnesota's public elementary and secondary school, 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 schools or Minnesota State colleges and universities). Educators first hired by Minnesota State may elect either TRA coverage or coverage through the Defined Contribution Plan (DCR) administered by the Minnesota State.

Benefits Provided

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

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

Tier I Benefits:

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

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) **3% 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).**

or

Tier II Benefits

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

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

Six different types of annuities are available to members upon retirement. The No Refund Life Plan is a lifetime annuity that ceases upon 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.

Contribution Rate

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

	June 30, 2019		June 30, 2020		June 30, 2021	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic	11.0%	11.71%	11.0%	11.92%	11.0%	12.13%
Coordinated	7.5%	7.71%	7.5%	7.92%	7.5%	8.13%

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

	in thousands
Employer contributions reported in TRA's CAFR, Statement of Changes in Fiduciary Net Position	$ 425,223
Deduct employer contributions not related to future contribution efforts	(56)
Deduct TRA's contributions not included in allocation	(508)
Total employer contributions	424,659
Total non-employer contributions	35,587
Total contributions reported in *Schedule of Employer and Non-Employer Allocations*	$ 460,246

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

Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information

Valuation Date	**July 1, 2020**
Experience Study	**June 5, 2015** **November 6, 2017 (economic assumptions)**
Actuarial Cost Method	**Entry Age Normal**
Actuarial Assumptions:	
Investment Rate of Return	**7.50%**
Price Inflation	**2.50%**
Wage Growth Rate	**2.85% before July 1, 2028 and 3.25% after June 30, 2028**
Projected Salary Increase	**2.85 to 8.85% before July 1, 2028 and 3.25% to 9.25% after June 30, 2028**
Cost of Living Adjustment	**1.0% for January 2020 through January 2023, then increasing by 0.1% each year up to 1.5% annually.**

Mortality Assumption

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Geometric Mean)
Domestic Equity	35.5%	5.10%
International Equity	17.5%	5.30%
Private Markets	25.0%	5.90%
Fixed Income	20.0%	0.75%
Unallocated Cash	2.0%	0.00%
Total	100%	

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2016 is 6 years. The "Difference Between Expected and Actual Experience," "Changes of Assumptions," and "Changes in Proportion" use the amortization period of 6 years in the schedule presented. The amortization period for "Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments" is 5 years as required by GASB Statement No. 68.

Changes in actuarial assumptions since the 2020 valuation:

- **Assumed termination rates were changed to more closely reflect actual experience.**
- **The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back 5 years and female rates set back 7 years.**
- **Generational projection uses the MP-2015 scale. Assumed form of annuity election proportions were changed to more closely reflect actual experience for female retirees.**
- **The employer contribution rate is increased each July 1 over the next 4 years, (8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.5% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.**

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. There was no change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 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).

Net Pension Liability

On June 30, 2021, the District reported a liability of $37,317,465 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. District proportionate share was 0.5051% at the end of the measurement period and 0.5088% for the beginning of the year.

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

District's proportionate share of net pension liability	$ 37,317,465
State's proportionate share of the net pension liability associated with the District	3,127,147

For the year ended June 30, 2021, the District recognized pension expense of $3,655,348. It also recognized $286,468 as an increase to pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 748,366	$ 559,382
Changes in actuarial assumptions	12,754,663	30,326,417
Net difference between projected and actual earnings on plan investments	651,693	-
Changes in proportion	1,856,857	889,821
Contributions paid to TRA subsequent to the measurement date	2,431,049	-
Total	$ 18,442,628	$ 31,775,620

$2,431,049 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and (deferred inflows of resources) related to TRA pensions will be recognized in pension expense as follows:

2022	$ 874,256
2023	(10,383,434)
2024	(7,388,489)
2025	1,017,644
2026	115,982

Pension Liability Sensitivity

The following presents the net pension liability or TRA calculated using the discount rate of 7.50%, as well as the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate.

Sensitivity of Net Pension Liability (NPL) to changes in the discount rate

1 percent decrease (6.50%)	Current (7.50%)	1 percent increase (8.50%)
$57,132,644	$37,317,465	$20,990,759

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

Pension Plan Fiduciary Net Position

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 TRA at 60 Empire Drive, Suite 400, St. Paul, MN, 55103-4000; or by calling 651-296-2409 or 800-657-3669.

B. Public Employees Retirement Association

Plan Description

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

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

Local Government Correctional Plan
The Correctional Plan was established for correctional officers serving in county and regional corrections facilities. Eligible participants must be responsible for the security, custody, and control of the facilities and their inmates.

Benefits Provided

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

General Employees Plan Benefits

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

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

Correctional Plan Benefits

Benefits for Correctional Plan members hired after June 30, 2010, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. The annuity accrual rate is 1.9% of average salary for each year of service in the plan. For Coordinated Plan members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. The postretirement increase will be equal to 100% of the COLA announced by SSA, with a minimum increase of at least 1% and a maximum of 2.5%. If the plan's funding status declines to 85 percent or below for two consecutive years or 80% for one year, the maximum will be lowered from 2.5% to 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2021 and the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2021 were $1,112,732. The District's contributions were equal to the required contributions for each year as set by State Statute.

Correctional Fund Contributions
Plan members were required to contribute 5.83% of their annual covered salary and the District was required to contribute 8.75% of pay for plan members in fiscal year 2021. The District contributions to the Correctional Fund for the year ended June 30, 2021 were $7,466. The District's contributions were equal to the required contributions as set by State Statute.

Pension Costs

General Employees Fund Pension Costs
At June 30, 2021, the District reported a liability of $12,956,183 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled $399,408. 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 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 0.2161% at the end of the measurement period and 0.2136% for the beginning of the period.

District's proportionate share of the net pension liability	**$12,956,183**
State of Minnesota's proportionate share of the net pension Liability associated with the District	**399,408**
Total	**$13,355,591**

For the year ended June 30, 2021, the District recognized pension expense of $768,849 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional $34,761 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the annual $16 million contribution.

At June 30, 2021, the District reported its proportionate share of General Employees Plan'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 experience	**$ 116,636**	**$ 49,020**
Changes in actuarial assumptions	**-**	**473,458**
Net difference between projected and actual earnings on plan investments	**288,902**	**-**
Changes in proportion	**268,979**	**-**
Contributions paid to PERA subsequent to the measurement date	**1,112,732**	**-**
Total	**$ 1,787,249**	**$ 522,478**

$1,112,732 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2022	**$ (552,512)**
2023	**110,866**
2024	**280,660**
2025	**313,025**

Correctional Plan Pension Costs

At June 30, 2021, the District reported a liability of $9,850 for its proportionate share of the Correctional Plan'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 received by PERA during the measurement period for the 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 0.0363% at the end of the measurement period and 0.0404% for the beginning of the period.

For the year ended June 30, 2021, the District recognized pension expense of ($22,967) for its proportionate share of the Correctional Plan's pension expense.

At June 30, 2021, the District reported its proportionate share of the Correctional Plan'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 experience	$ 133	$ 3,663
Changes in actuarial assumptions	-	28,213
Net difference between projected and actual earnings on plan investments	3,206	-
Changes in proportion	2,280	1,380
Contributions paid to PERA subsequent to the measurement date	7,466	-
Total	$ 13,085	$ 33,256

$7,466 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2022	$ (27,566)
2023	(2,262)
2024	414
2025	1,777

Total Pension Expense

The total pension expense for all plans recognized by the District for the year ended June 30, 2021 was $780,643.

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:

	General Employees Fund	Correctional Fund
Inflation	2.25% per year	2.50% per year
Active Member Payroll Growth	3.00% per year	3.25 per year
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 were based on Pub-2010 General Employee Mortality table for the General Employees Plan and RP 2014 table for the Correctional Plan for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year for the General Employees Plan and 2.0% per year for the Correctional Plan.

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation. The five-year experience study for the Correctional Plan, prepared by a former actuary, was completed in 2012. The mortality assumption for the Correctional plan is based on the Police and Fire Plan experience study completed in 2016. Inflation and investment return assumptions for the Correctional Plan are based on the General Employees Retirement Plan experience study completed in 2019. The most recent four-year experience study for the Correctional Plan was completed in 2020. The recommended assumptions for those plans were adopted by the Board and will be effective with the July 1, 2021 actuarial valuation if approved by the Legislature.

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

General Employees Fund
Changes in Actuarial Assumptions:

- **The price inflation assumption was decreased from 2.50% to 2.25%.**
- **The payroll growth assumption was decreased from 3.25% to 3.00%.**
- **Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.**
- **Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.**
- **Assumed rates of termination were 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 2-5 and slightly higher thereafter.**
- **Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.**
- **The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.**
- **The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.**
- **The assumed spouse age difference was changed from two years older for females to one year older.**
- **The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.**

Changes in Plan Provisions:

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

Correctional Fund

Changes in Actuarial Assumptions:

- **The mortality projection scale was changed from MP-2018 to MP-2019.**

Changes in Plan Provisions:

- **There have been no changes since the prior valuation.**

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	35.5%	5.10%
Alternative Assets (Private Markets)	25.0%	5.90%
Bonds (Fixed Income)	20.0%	0.75%
International Stocks	17.5%	5.30%
Cash	2.0%	0.00%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability in 2020 was 7.50%. 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 Statute*. Based on these assumptions, the fiduciary net position of the General Employees Fund and the Correctional were 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.

Pension Liability Sensitivity

The following 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 one percentage point lower or one percentage point higher than the current discount rate:

Sensitivity Analysis
Net Pension Liability (Asset) at Different Discount Rates

	1% Lower (6.50%)	Current Discount Rate (7.50%)	1% Higher (8.50%)
District's proportionate share of the General Employees Fund net pension liability:	$20,764,267	$12,956,183	$6,515,141

	1% Lower (6.50%)	Current Discount Rate (7.50%)	1% Higher (8.50%)
District's proportionate share of the Correctional Fund net pension liability:	$61,215	$9,850	($31,276)

Pension Plan Fiduciary Net Position

Detailed information about each defined benefit 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 Internet at www.mnpera.org.

C. Aggregate Pension Costs

	TRA	PERA	Total
Net Pension Liability	$ 37,317,465	$ 12,966,033	$ 50,283,498
Deferred Outlows of Resources	18,442,628	1,800,334	20,242,962
Deferred Inflows of Resources	31,775,620	555,734	32,331,354
Pension Expense	3,941,816	780,643	4,722,459

NOTE 7 – Other Post-Employment Benefits

The District has engaged an actuary to determine the District's liability for post-employment healthcare benefits other than pensions and its plan is as follows:

Plan Description

The District operates a single employer retiree benefit plan for both health and dental insurance in which retiring employees and their spouses may participate in at their expense. Retiring employees are eligible to participate only if they are a participant in the District's health and dental insurance at the time of retirement. As of July 1, 2019, there are 545 active participants and 0 retired participants. The retired employees are responsible for reimbursing the District for 100% of the premium cost for their health and dental plans. If a retiree chooses to drop their participation in either plan they are not able to return to the plan. Upon the death of a retiree, the retiree's spouse can continue participation only if the spouse was covered under the plan at the time of the retiree's death.

Contributions

OPEB benefits have historically been funded on a pay-as-you-go basis since the irrevocable trust fund was set up, pre-funding the benefits. The District has not established a contribution requirement or policy as of June 30, 2021 and, therefore, no actuarially determined contribution has been calculated.

Investments

***Investment policy* – The District's policy in regard to the allocation of invested assets is established and may be amended by the Board of Education. Since inception of the irrevocable trust, the target asset allocation policy has been 95% invested in fixed income and 5% invested in cash.**

***Rate of Return* – For the year ended June 30, 2021, the annual money-weighted rate of return on OPEB plan investments, net of plan investment expense, was 2.4%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.**

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2021; the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2019. The components of net OPEB liability as of June 30, 2021 were as follows:

Total OPEB liability	$	9,546,030
Plan fiduciary net position		(1,682,128)
Net OPEB liability	$	7,863,902
Plan fiduciary net position as a percentage of the total OPEB liability		17.62%

Actuarial Assumptions – **The total OPEB liability in the July 1, 2019 valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:**

Discount rate	2.10%
Inflation rate	2.50%
20-Year Municipal Bond Yield	2.10%
Salary increases	Vary by service and contract group
Investment rate of return	2.40%, net of investment expenses
Medical trend rates	6.25% in 2020 grading to 5.00% over 5 years
Dental trend rates	4.00%

Mortality rates were based on Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale.

The long-term expected rate of return on OPEB plan investments was set based on the plan's target investment allocation along with long-term return expectations by asset class. When there is sufficient historical evidence of market outperformance, historical average returns may be considered. The target allocation and best estimate of arithmetic 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	-	-
Fixed income	95.00%	2.50%
Private equity	-	-
Real estate	-	-
Cash	5.00%	1.00%
Total	100.00%	3.50%

Benefit Changes:

- **The Administrators benefit of 50% of annual pay (maximum $60,000 is paid as a lump sum to a Health Care Savings Plan (HCSP). One Administrator received payment of this benefit during 2020/2021. We previously included this liability under GASB 16 but have included the $60,000 payment under GASB 75 since payments to Health Care Savings Plans are covered under GASB 75.**

Assumption Changes:

- **The discount rate decreased from 2.40% to 2.10%.**

Discount Rate – **The discount rate used to measure the total OPEB liability was 2.10%. Assets were projected using the expected benefit payments and the expected asset returns. Expected benefit payments by year were discounted using the expected asset return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the 20-year municipal bond rate. The equivalent single rate is the discount rate.**

Changes in the Net OPEB Liability

Changes in the District's net OPEB liability were as follows:

	Total OPEB Liability (a)		Plan Fiduciary Net Position (b)		Net OPEB Liability (a) - (b)	
Balance at June 30, 2020	$	9,524,552	$	2,278,444	$	7,246,108
Changes for the year:						
Service cost		676,511		-		676,511
Interest Cost		232,015		-		232,015
Assumption Changes		126,895		-		126,895
Plan Changes		60,000		-		60,000
Differences between Expected and Actual Experience		-		(37,162)		37,162
Contributions - employer		-		460,106		(460,106)
Net investment income		-		54,683		(54,683)
Benefit payments		(1,073,943)		(1,073,943)		-
Net changes		21,478		(596,316)		617,794
Balance at June 30, 2021	$	9,546,030	$	1,682,128	$	7,863,902

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate **– The following presents the District's net OPEB liability, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.10%) or 1 percentage point higher (3.10%) than the current discount rate:**

	1% Decrease (1.10%)		Discount Rate (2.10%)		1% Increase (3.10%)	
Net OPEB liability	$	8,386,421	$	7,863,902	$	7,343,331

Sensitivity of the Net OPEB Liability to Changes in Healthcare Trend Rates **– The following presents the District's net OPEB liability, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (5.25% decreasing to 4%) or 1 percentage point higher (7.25% decreasing to 6%) than the current healthcare cost trend rates:**

	1% Decrease (5.25% decreasing to 4% over 5 years)		Healthcare Trend Rates (6.25% decreasing to 5% over 5 years)		1% Increase (7.25% decreasing to 6% over 5 years)	
Net OPEB liability	$	7,042,768	$	7,863,902	$	8,841,816

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

For the year ended June 30, 2021, the District recognized OPEB expense of $802,127. At June 30, 2021, the District reported a deferred outflow of resources and deferred inflows of resources related to OPEB from the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 402,108	$ 446,396
Change in actuarial assumptions	198,477	720,321
Difference between projected and actual investment earnings on OPEB plan assets	59,765	-
Total	$ 660,350	$ 1,166,717

Amounts reported as deferred outflows of resources will be recognized in OPEB expense as follows:

Year ending June 30,	
2022	$ (118,159)
2023	(129,414)
2024	(138,011)
2025	(138,541)
2026	9,693
Thereafter	8,065

NOTE 8 – Operating Leases

The District has entered into operating lease agreements for facilities as follows:

Lessee	Program	End Date	Annual Rent
Nonprofit entity	Boys & Girls Hockey	June 30, 2021	$ 25,575
Bemidji State University	Facilities Lease	August 31, 2023	39,000
Midway Properties	AEC, Home Based EC, Sober School	May 31, 2021	61,303

The District is also committed under various non-cancelable operating leases for equipment, primarily copiers. Future minimum operating lease commitments are as follows:

Year Ending June 30,	Buildings	Copiers/Equipment	Total
2022	$ 45,000	$ 240,000	$ 285,000
2023	45,000	240,000	285,000
2024	-	240,000	240,000
2025	-	240,000	240,000
2026	-	240,000	240,000
	$ 90,000	$ 1,200,000	$ 1,290,000

NOTE 9 – Capital Leases

A summary of changes in the capital leases is as follows:

	Beginning Balance	Additions	Payments and Subtractions	Ending Balance
Wells Fargo Bank	$ 469,718	$ -	$ 84,191	$ 385,527
Deere Credit, Inc.	62,413	-	30,700	31,713
Total Capital Leases	$ 532,131	$ -	$ 114,891	$ 417,240

The District's capital lease assets total $1,230,774 with accumulated depreciation of $347,327.

The payments on the capital leases are accounted for in the General Fund. The annual requirements to amortize the capital leases at June 30, 2021 are as follows:

Fiscal Year Ended	Lease Principal	Lease Interest	Total
2022	$ 120,520	$ 20,718	$ 141,238
2023	93,676	14,803	108,479
2024	98,813	9,666	108,479
2025	104,231	4,248	108,479
Total	$ 417,240	$ 49,435	$ 466,675

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 10 – Long-Term Liabilities

A summary of changes in long-term liabilities is as follows:

	Beginning Balance	Additions	Payments and Retirements	Ending Balance	Current Amounts Principal	Current Amounts Interest
General Obligation Bonds:						
2015A G.O. School Building Bonds	$ 35,300,000	$ -	$ 1,620,000	$ 33,680,000	$ 1,705,000	$ 1,290,150
2018A OPEB Refunding Bond	2,320,000	-	435,000	1,885,000	445,000	62,983
Total General Obligation Bonds	37,620,000	-	2,055,000	35,565,000	2,150,000	1,353,133
Unamortized Bond Discounts	(8,591)	-	(1,874)	(6,717)	(1,874)	-
Unamortized Bond Premium	2,253,013	-	145,678	2,107,335	147,585	-
Total General Obligation Bonds, Net of Unamortized Bond Discounts/Premium	39,864,422	-	2,198,804	37,665,618	2,295,711	1,353,133
Capital Lease Payable (See Note 9):						
Wells Fargo	469,718	-	84,191	385,527	88,807	19,672
John Deere Financial	62,413	-	30,700	31,713	31,713	1,046
Total Capital Leases Payable	532,131	-	114,891	417,240	120,520	20,718
Compensated Absences Payable	277,290	17,456	-	294,746	-	-
Separation Benefits:						
Severance Payable	338,004	-	80,147	257,857	-	-
Total	$ 41,011,847	$ 17,456	$ 2,393,842	$ 38,635,461	$ 2,416,231	$ 1,373,851

General obligation bonds are comprised of the following individual issues at June 30, 2021:

$36,280,000 General Obligation School Building Bonds, Series 2015A, issued on December 17, 2015, with interest rates ranging from 2.50% to 5.00%. Interest payments commence on October 1, 2016 and are due each April 1 and October 1 thereafter through year 2036. Principal payments commence on April 1, 2020 and each year thereafter through 2036 in the amounts ranging from $980,000 to $2,895,000.

$2,725,000 General Obligation Taxable OPEB Bonds, Series 2018A, issued on November 14, 2018, with an interest rates ranging from 5.00% to 5.75%. Interest payments commence on August 1, 2019 and are due each February 1 and August 1 thereafter through year 2025. Principal payments commence on August 1, 2019 and are due annually through 2025.

The annual requirements to amortize the general obligation bonds at June 30, 2021 are as follows:

Fiscal Year Ended	Bond Principal	Bond Interest	Total
2022	$ 2,150,000	$ 1,353,133	$ 3,503,133
2023	2,220,000	1,287,743	3,507,743
2024	2,280,000	1,228,522	3,508,522
2025	2,385,000	1,122,203	3,507,203
2026	1,980,000	1,010,625	2,990,625
2027-2031	11,160,000	3,804,625	14,964,625
2032-2036	13,390,000	1,576,824	14,966,824
Totals	$ 35,565,000	$ 11,383,675	$ 46,948,675

General obligation bonds of the District are reflected in the district-wide financial statements and current requirements for principal and interest expenditures of the 2015A bond issues are paid out of the debt service fund. The current requirements for principal and interest expenditures of the 2018A OPEB bond issues are accounted for in a separate debt service fund.

There are a number of limitations and restrictions contained in the various general obligation bond indentures. The District is in compliance with all significant limitations and restrictions and there were no authorized and un-issued bonds at June 30, 2021.

Compensated absences payable consist of wages and taxes accrued for vacation payable as of June 30, 2021. Vacation is accrued each year based on respective contracts.

Severance payable is the estimated accrued liability of the present value of benefits earned as of the June 30, 2021. The District engaged an actuary that provided an estimate of the accrued liability of present value benefits as of July 1, 2019. Estimated additions and subtractions from that estimate have occurred since that date.

NOTE 11 – Inter-fund Balances

As of June 30, 2021, the District had an inter-fund balance of $37,305 due to the General Fund from the Food Service Fund. The purpose of the balance is to eliminate cash deficit in the Food Service Fund. The balance is eliminated in the government-wide financial statements.

NOTE 12 – Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; and natural disaster. The District carries various commercial insurance policies covering workers' compensation personal property, commercial liability and automobile liability. There were no significant reductions in insurance from the previous year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

NOTE 13 – Commitments and Contingencies

The District participates in numerous State and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collection of any related receivable at June 30, 2021 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
Revenues				
Local Property Taxes	$ 6,322,925	$ 6,970,946	$ 7,147,717	$ 176,771
Other Local and County Revenues	1,832,332	1,587,500	1,926,609	339,109
Revenues from State Sources	56,758,993	55,865,107	56,392,530	527,423
Revenues from Federal Sources	2,948,812	10,663,389	9,363,931	(1,299,458)
Sales and Other Conversions of Assets	36,258	6,000	17,822	11,822
Investment Earnings	30,420	100,250	26,989	(73,261)
Total Revenues	67,929,740	75,193,192	74,875,598	(317,594)
Expenditures				
Current:				
Administration	2,835,317	2,605,367	2,572,002	33,365
District Support Services	1,552,148	1,829,930	1,685,423	144,507
Regular Instruction	29,004,560	28,277,361	28,585,657	(308,296)
Vocational Instruction	911,706	907,378	843,620	63,758
Special Education Instruction	14,866,836	17,945,408	16,183,824	1,761,584
Instructional Support Services	3,123,978	5,034,911	4,807,320	227,591
Pupil Support Services	6,115,528	6,890,905	6,849,275	41,630
Sites and Buildings	7,365,100	7,392,352	7,053,145	339,207
Fiscal and Other Fixed Costs	299,457	249,749	235,760	13,989
Debt Service:				
Principal Retirement	107,310	115,951	116,950	(999)
Interest and Fiscal Fees	35,770	25,000	24,288	712
Capital Outlay	2,744,786	2,908,583	2,044,694	863,889
Total Expenditures	68,962,496	74,182,895	71,001,958	3,180,937
Net Change in Fund Balance	(1,032,756)	1,010,297	3,873,640	2,863,343
Fund Balances, Beginning of Year	7,882,258	7,882,258	7,882,258	-
Fund Balances, End of Year	$ 6,849,502	$ 8,892,555	$ 11,755,898	$ 2,863,343

See Accompanying Notes to the Required Supplementary Information.

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S
NET OPEB LIABILITY AND RELATED RATIOS
JUNE 30, 2021

Last 10 Fiscal Years*

	2021	2020	2019	2018	2017
Total OPEB Liability					
Service Cost	$ 676,511	$ 628,554	$ 583,440	$ 540,758	$ 591,706
Interest Cost	232,015	292,630	309,869	346,407	340,849
Assumption Changes	126,895	(725,403)	139,911	(352,541)	-
Plan Changes	60,000	-	-	(24,157)	-
Differences between Expected and Actual Experience	-	536,146	-	(892,792)	-
Contributions - employer	-	-	-	(360,974)	-
Benefit payments	(1,073,943)	(661,396)	(765,239)	(364,570)	(745,386)
Net change in total OPEB liability	21,478	70,531	267,981	(1,107,869)	187,169
Total OPEB liability - beginning	9,524,552	9,454,021	9,186,040	10,293,909	10,106,740
Total OPEB liability - ending (a)	$ 9,546,030	$ 9,524,552	$ 9,454,021	$ 9,186,040	$ 10,293,909
Plan Fiduciary Net Position					
Contributions - employer	$ 460,106	$ 410,267	$ 370,076	$ -	$ 374,023
Net investment income	54,683	59,349	68,227	20,227	51,943
Differences between Expected and Actual Experience	(37,162)	(2,657)	(42,982)	-	-
Benefit payments	(1,073,943)	(661,396)	(765,239)	(364,570)	(745,386)
Net change in plan fiduciary net position	(596,316)	(194,437)	(369,918)	(344,343)	(319,420)
Plan fiduciary net position - beginning	2,278,444	2,472,881	2,842,799	3,187,142	3,506,562
Plan fiduciary net position - ending (b)	$ 1,682,128	$ 2,278,444	$ 2,472,881	$ 2,842,799	$ 3,187,142
District's net OPEB liability - ending (a) - (b)	$ 7,863,902	$ 7,246,108	$ 6,981,140	$ 6,343,241	$ 7,106,767
Plan fiduciary net position as a percentage of the total OPEB liability	17.62%	23.92%	26.16%	30.95%	30.96%
Covered payroll	$ 44,722,087	$ 43,419,502	$ 40,266,239	$ 39,093,436	$ 36,946,282
District's net OPEB liability as a percentage of covered payroll	17.58%	16.69%	17.34%	16.23%	19.24%

*** - Schedule is intended to show a 10-year trend. Additional years will be reported as they become available.**

See Accompanying Notes to the Required Supplementary Information.

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
JUNE 30, 2021

Last 10 Fiscal Years*

For the year ending:	Annual money-weighted rate of return, net of investment expense
June 30, 2021	0.84%
June 30, 2020	2.30%
June 30, 2019	0.90%
June 30, 2018	0.64%
June 30, 2017	2.40%

*** - Schedule is intended to show a 10-year trend. Additional years will be reported as they become available.**

See Accompanying Notes to the Required Supplementary Information.

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S AND NON-EMPLOYER PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2021

Last 10 Fiscal Years*

For Measurement Date Ended June 30:	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	Total	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
General Employees Fund:							
2020	0.2161%	$ 12,956,183	$ 399,408	$ 13,355,591	$ 15,369,382	86.90%	79.1%
2019	0.2136%	11,809,466	366,984	12,176,450	15,079,330	80.75%	80.2%
2018	0.2079%	11,533,440	378,283	11,911,723	13,761,475	86.56%	79.5%
2017	0.2062%	13,163,672	165,536	13,329,208	13,165,946	101.24%	75.9%
2016	0.2023%	16,425,757	214,482	16,640,239	12,520,729	132.90%	68.9%
2015	0.2073%	10,743,362	-	10,743,362	12,190,581	88.13%	78.2%
2014	0.2237%	10,508,305	-	10,508,305	11,755,872	89.39%	78.7%
Correctional Fund:							
2020	0.0363%	9,850	-	9,850	79,030	12.46%	96.7%
2019	0.0404%	5,593	-	5,593	88,732	6.30%	98.2%
2018	0.0520%	8,552	-	8,552	109,863	7.78%	97.6%
2017	0.0600%	171,001	-	171,001	118,311	144.54%	67.9%
2016	0.0600%	219,188	-	219,188	114,425	191.56%	58.2%
2015	0.0600%	9,276	-	9,276	110,916	8.36%	96.9%
2014	0.0600%	4,526	-	4,526	104,783	4.32%	98.4%
TRA:							
2020	0.5051%	37,317,465	3,127,147	40,444,612	29,347,403	137.81%	75.5%
2019	0.5088%	32,431,019	2,869,906	35,300,925	28,889,020	122.19%	78.2%
2018	0.4880%	30,648,949	2,879,479	33,528,428	26,960,076	124.36%	78.1%
2017	0.4935%	98,511,552	9,522,707	108,034,259	26,667,063	405.12%	51.6%
2016	0.4811%	114,753,829	11,518,510	126,272,339	25,062,546	503.83%	44.9%
2015	0.4951%	30,626,832	3,756,479	34,383,311	25,306,605	135.87%	76.8%
2014	0.5147%	23,717,005	1,668,434	25,385,439	23,537,046	107.85%	81.5%

*** - Schedule is intended to show a 10-year trend. Additional years will be reported as they become available.**

See Accompanying Notes to the Required Supplementary Information.

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
JUNE 30, 2021

Last 10 Fiscal Years*

For Fiscal Year Ended June 30:	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
General Employees Fund:					
2021	$ 1,112,732	$ 1,112,732	$ -	$ 14,923,178	7.46%
2020	1,159,817	1,159,817	-	15,369,382	7.55%
2019	1,126,436	1,126,436	-	15,079,330	7.47%
2018	1,063,178	1,063,178	-	13,761,475	7.73%
2017	1,006,222	1,006,222	-	13,165,946	7.64%
2016	948,966	948,966	-	12,520,729	7.58%
2015	915,520	915,520	-	12,190,581	7.51%
Correctional Fund:					
2021	7,466	7,466	-	85,323	8.75%
2020	6,915	6,915	-	79,030	8.75%
2019	9,228	9,228	-	88,732	10.40%
2018	10,046	10,046	-	109,863	9.14%
2017	10,042	10,042	-	118,311	8.49%
2016	10,039	10,039	-	114,425	8.77%
2015	9,738	9,738	-	110,916	8.78%
TRA:					
2021	2,431,049	2,431,049	-	29,904,084	8.13%
2020	2,343,299	2,343,299	-	29,347,403	7.98%
2019	2,228,665	2,228,665	-	28,889,020	7.71%
2018	2,046,622	2,046,622	-	26,960,076	7.59%
2017	1,995,673	1,995,673	-	26,667,063	7.48%
2016	1,863,414	1,863,414	-	25,062,546	7.44%
2015	1,884,490	1,884,490	-	25,306,605	7.45%

*** - Schedule is intended to show a 10-year trend. Additional years will be reported as they become available.**

See Accompanying Notes to the Required Supplementary Information.

NOTE 1 – Budgetary Data

Budgets are prepared for District funds on the same basis and using the same accounting practices as are used to account and prepare financial reports for the funds. Budgets presented in this report for comparison to actual amounts in accordance with accounting principles generally accepted in the United States of America.

Legal Compliance – Budgets

- **The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for all funds of the District. However, the General and Special Revenue Funds are the only funds that are legally adopted through the budgetary process as documented below.**

- **The budget is legally enacted through passage of a School Board resolution by July 1.**

- **The School Board may authorize transfer of budgeted amounts between funds.**

- **Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds. Formal budgetary integration is not employed for the Debt Service Fund because effective budgetary control is alternatively achieved through general obligation bond indenture provisions. Budgetary controls are not employed for the Fiduciary Funds.**

- **General and Special Revenue Funds expenditures may not legally exceed budgeted appropriations at the total fund level without School Board approval. Monitoring of budgets is maintained at the expenditure category level.**

NOTE 2 – Pensions

TRA

2020 Changes

Assumed termination rates were changed to more closely reflect actual experience.

The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back 5 years and female rates set back 7 years.

Generational projection uses the MP-2015 scale. Assumed form of annuity election proportions were changed to more closely reflect actual experience for female retirees.

The employer contribution rate is increased each July 1 over the next 4 years, (8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.5% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2019 Changes

There have been no changes since the previous valuation.

2018 Changes

The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.

Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.

The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.

Augmentation in the early retirement reduction factors is phased out over a 5-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 0% beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.

The employer contribution rate is increased each July 1 over the next 6 years, (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017 Changes

Changes in Actuarial Assumptions

The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.

The COLA was not assumed to increase to 2.5%, but remain at 2.0% for all future years.

Adjustments were made to the combined service annuity loads. The activity load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%.

The investment return assumption was changed from 8.0% to 7.5%.

The price inflation assumption was lowered from 2.75% to 2.50%.

The payroll growth assumption was lowered from 3.5% to 3.0%.

The general wage growth assumption was lowered from 3.50% to 2.85% for ten years followed by 3.25% thereafter.

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

2016 Changes

Changes in Actuarial Assumptions

The Discount rate decreased from 8.00% to 4.66%.

The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.

The price inflation assumption was lowered from 3% to 2.75%.

The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.

The merit scale of the salary increase assumption changed from 3.5-12% to 3.5-9.5%.

The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.

The post-retirement mortality assumption was changed to the RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP 2015 scale.

The post-disability mortality assumption was changed to the RP 2014 disabled retiree mortality table, without adjustment.

Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.

Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.

Adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

2015 Changes

Changes in Plan Provisions

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

Changes in Actuarial Assumptions

The annual COLA for the June 30, 2015, valuation assumed 2.0%. The prior year valuation used 2.0% with an increase to 2.5% commencing in 2034. The discount rate used to measure the total pension liability was 8.0%. This is a decrease from the discount rate at the prior measurement date of 8.25% Details, if necessary, can be obtained from the TRA CAFR.

PERA – General Employees Fund

2020 Changes

Changes in Actuarial Assumptions

The price inflation assumption was decreased from 2.50% to 2.25%.

The payroll growth assumption was decreased from 3.25% to 3.00%.

Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.

Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.

Assumed rates of termination were 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 2-5 and slightly higher thereafter.

Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.

The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.

The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.

The assumed spouse age difference was changed from two years older for females to one year older.

The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

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

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

The employer supplemental contribution was changed prospectively, decreasing from $31.0 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.

2018 Changes

Changes in Actuarial Assumptions

The mortality projection scale was changed from MP-2015 to MP-2017.

The assumed benefit increase was changed from 1.00% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

Changes in Plan Provisions

The augmentation adjustment in early retirement factors is eliminated over a 5-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.

Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.

Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.

Contribution stabilizer provisions were repealed.

Post-retirement benefit increases were changed from 1.0% per year with a provision to increase 2.5% upon attainment of 90% funding ration to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019.

For retirements on or after January 1, 2014, the first benefit increase is delayed until the retiree reaches normal retirement age. Does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.

Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability, and 3.0% for non-vested deferred member liability.

The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

2016 Changes

Changes in Actuarial Assumptions

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

The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.

Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, the inflation was decreased by 0.25% to 3.25% for payroll growth and 2.5% for inflation.

2015 Changes

Changes in Plan Provisions

On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892 million. Upon consolidation, state and employer contributions were revised.

Changes in Actuarial Assumptions

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

PERA – Correctional Fund

2020 Changes

Changes in Actuarial Assumptions

The mortality projection scale was changed from MP-2018 to MP-2019.

Changes in Plan Provisions

There have been no changes since the prior valuation.

2019 Changes

Changes in Actuarial Assumptions

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

2018 Changes

Changes in Actuarial Assumptions

The Single Discount Rate was changed from 5.96% per annum to 7.50% per annum.

The mortality projection scale was changed from MP-2016 to MP-2017.

The assumed post-retirement benefit increase was changed from 2.50% per year to 2.00% per year.

Changes in Plan Provisions

The augmentation adjustment in early retirement factors is eliminated over a 5-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.

Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.

Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.

Post-retirement benefit increases were changed from 2.5% per year with a provision to reduce to 1.0% if the funding status declines to a certain level, to 100% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 2.5%, beginning January 1, 2019. If the funding status declines to 85% for two consecutive years or 80% for one year, the maximum increase will be lowered to 1.5%.

Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

The base morality table for healthy annuitants was changed from RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016, and is applied to healthy and disabled members. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the RP-2014 disabled annuitant mortality table (with future mortality improvement according to MP-2016).

The Combined Service Annuity (CSA) load was 30% for vested and non-vested, deferred members.

The CSA has been changed to 35% for vested members and 1% for non-vested members.

The Single Discount Rate was changed from 5.31% per annum to 5.96% per annum.

2016 Changes

Changes in Assumptions

The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 5.31%.

The assumed future salary increases, payroll growth, the inflation was decreased by 0.25% to 3.25% for payroll growth and 2.5% for inflation.

Note 3 – Other Postemployment Benefits

2021 Changes

Benefit Changes

The Administrators' benefit of 50% of annual pay (maximum $60,000) is paid as a lump sum to a Health Care Savings Plan (HCSP). One Administrator received payment of this benefit during 2020/2021. We previously included this liability under GASB 16 but have included the $60,000 payment under GASB 75 since payments to Health Care Savings Plans are covered under GASB 75.

Changes in Actuarial Assumptions

Discount Rate decreased from 2.40% to 2.10%

2020 Changes

Benefit Changes

The Superintendent's post-employment subsidized benefit was changed from full family medical coverage to the same medical subsidy as when actively employed, with the amount frozen at retirement. Since the Superintendent will not be eligible for this benefit until after the date he is eligible for Medicare, this change did not impact liability.

The maximum 403(b) matching contribution increased from $35,000 to $40,000 for Teachers. This change did not impact the liability since the maximum post-employment subsidy is still $35,000.

Changes in Actuarial Assumptions

Discount rate decreased from 3.00% to 2.40%.

The health care trend rates, mortality tables, salary rate increases, and retiree plan participation percentages were updated.

2019 Changes

Changes in Actuarial Assumptions

Discount rate decreased from 3.30% to 3.00%.

2018 Changes

Benefit Changes

Life insurance amounts increased from $200,000 to $300,000 for Administrators, from $200,000 to $250,000 for Principals, and from $100,000 to $200,000 for Support Staff.

The 403(b) annual matching contributions increased from $2,000 to $5,000 for Teachers with 30 or more years of service.

The Confidential Administrative Support post-employment subsidy of $500 per year of service, for employees with at least 30 years of service, is now paid to a Health Care Savings Plan (instead of cash) so this benefit is reflected under this GASB Statement No. 74/75 valuation instead of the GASB Statement No. 16 valuation.

The Administrators' medical post-employment subsidy is now limited to the board contribution. Since the board contribution currently covers the full blended medical premiums, this change does not impact the liabilities as of the valuation date.

Changes in Actuarial Assumptions

The health care trend rates and mortality tables were updated.

The percentage of future retirees who are expected to stay on one of the District's medical plans post-employment was reduced from 100% to 75% for teachers hired before January 1, 1999 who elected option two. We also reduced the percentage of their spouses who are expected to continue medical coverage from 100% to 75%.

The percentage of future teachers expected to elect post-employment life insurance coverage was reduced from 75% to 50%. We also assumed teachers will elect $100,000 life insurance coverage after retirement.

The discount rate was changed from 3.30% to 3.00%.

2017 Changes

Changes in Actuarial Assumptions

The health care trend rates were changed to better anticipate short term and long term medical increases.

The mortality tables were updated from RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale.

The percentage of future retirees who are expected to stay on one of the District's medical plans post-employment was reduced from 100% to 75% for teachers hired before January 1, 1999 who elected option two. We also reduced the percentage of their spouses who are expected to continue medical coverage from 100% to 25%.

The percentage of future teachers expected to elect post-employment life insurance coverage was reduced from 75% to 50%. We also assumed teachers will elect $100,000 life insurance coverage after retirement.

2015 Changes

Changes in Actuarial Assumptions

The discount rate was changed from 3.00% to 3.30%.

Method Change

The actuarial cost method was changed from projected unit credit to entry age as prescribed by GASB Statement No. 74/75.

Schedule of District Contributions

The District has not established a contribution requirement or policy as of June 30, 2021 and, therefore, no actuarially determined contribution has been calculated. As a result, a Schedule of District Contributions is not presented.

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021

	Special Revenue Funds				
	Food Service	Community Service	Building Construction	OPEB Debt Service	Totals
ASSETS					
Cash and Investments	$ -	$ 1,083,661	$ 29,896	$ 414,769	$ 1,528,326
Property Taxes Receivable	-	175,319	-	200,902	376,221
Due from Other Governmental Units	248,796	259,128	-	368	508,292
Inventories	22,786	-	-	-	22,786
Total Assets	$ 271,582	$ 1,518,108	$ 29,896	$ 616,039	$ 2,435,625
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE					
Liabilities					
Salaries and Wages Payable	$ 138,091	$ 106,792	$ -	$ -	$ 244,883
Accounts Payable	3	7,739	-	-	7,742
Due to Other Funds	37,305	-	-	-	37,305
Payroll Deductions and Employer Contributions	22,637	17,980	-	-	40,617
Unearned Revenue	27,539	1,661	-	-	29,200
Total Liabilities	225,575	134,172	-	-	359,747
Deferred Inflows of Resources					
Unavailable Revenue - Delinquent Taxes	-	4,400	-	5,444	9,844
Property Taxes Levied for Subsequent Years' Expenditures	-	398,199	-	455,368	853,567
Total Deferred Inflows of Resources	-	402,599	-	460,812	863,411
Fund Balance					
Nonspendable	22,786	-	-	-	22,786
Restricted for:					
Community Education	-	275,770	-	-	275,770
Early Childhood and Family Education	-	528,921	-	-	528,921
School Readiness	-	6,786	-	-	6,786
Adult Basic Education	-	8,009	-	-	8,009
Food Service	23,221	-	-	-	23,221
Community Service	-	161,851	-	-	161,851
Building Construction	-	-	29,896	-	29,896
OPEB Debt Service	-	-	-	155,227	155,227
Total Fund Balance	46,007	981,337	29,896	155,227	1,212,467
Total Liabilities, Deferred Inflows of Resources and Fund Balance	$ 271,582	$ 1,518,108	$ 29,896	$ 616,039	$ 2,435,625

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021

	Special Revenue Funds				
	Food Service	Community Service	Building Construction	OPEB Debt Service	Totals
Revenues					
Local Property Taxes	$ -	$ 388,037	$ -	$ 509,843	$ 897,880
Other Local and County Revenues	5,113	848,178	-	-	853,291
Revenues from State Sources	-	867,509	-	3,726	871,235
Revenues from Federal Sources	2,851,030	189,610	-	-	3,040,640
Sales and Other Conversions of Assets	141,057	-	-	-	141,057
Investment Earnings	-	3,599	79	-	3,678
Total Revenues	2,997,200	2,296,933	79	513,569	5,807,781
Expenditures					
Current:					
Community Education and Services	-	2,209,845	-	-	2,209,845
Pupil Support Services	2,997,200	28,355	-	-	3,025,555
Debt Service:					
Principal Retirement	-	-	-	435,000	435,000
Interest and Fiscal Fees	-	-	-	76,966	76,966
Capital Outlay	-	495	211,973	-	212,468
Total Expenditures	2,997,200	2,238,695	211,973	511,966	5,959,834
Net Change in Fund Balance	-	58,238	(211,894)	1,603	(152,053)
Fund Balances, Beginning of Year	46,007	923,099	241,790	153,624	1,364,520
Fund Balances, End of Year	$ 46,007	$ 981,337	$ 29,896	$ 155,227	$ 1,212,467

01 GENERAL FUND		Audit	UFARS	Audit (-) UFARS
Total Revenue		$ 74,875,598	$ 74,875,599	$ (1)
Total Expenditures		$ 71,001,958	$ 71,001,958	$ -
Non Spendable:				
4.60	Non Spendable Fund Balance	$ 362,660	$ 362,660	$ -
Restricted/Reserved:				
4.01	Student Activities	$ 370,712	$ 370,712	$ -
4.02	Scholarships	$ -	$ -	$ -
4.03	Staff Development	$ 100,873	$ 100,873	$ -
4.07	Capital Projects Levy	$ -	$ -	$ -
4.08	Cooperative Revenue	$ -	$ -	$ -
4.13	Project Funded by COP	$ -	$ -	$ -
4.14	Operating Debt	$ -	$ -	$ -
4.16	Levy Reduction	$ -	$ -	$ -
4.17	Taconite Building Maint	$ -	$ -	$ -
4.24	Operating Capital	$ 4,370,381	$ 4,370,381	$ -
4.26	$25 Taconite	$ -	$ -	$ -
4.27	Disabled Accessibility	$ -	$ -	$ -
4.28	Learning & Development	$ -	$ -	$ -
4.34	Area Learning Center	$ -	$ -	$ -
4.35	Contracted Alt. Programs	$ -	$ -	$ -
4.36	State Approved Alt. Program	$ -	$ -	$ -
4.38	Gifted & Talented	$ -	$ -	$ -
4.40	Teacher Development and Eval	$ -	$ -	$ -
4.41	Basic Skills Program	$ -	$ -	$ -
4.48	Achievement and Integration	$ -	$ -	$ -
4.49	Safe Schools Crime - Crime Levy	$ 443,331	$ 443,331	$ -
4.51	QZAB Payments	$ -	$ -	$ -
4.52	OPEB Liab Not in Trust	$ -	$ -	$ -
4.53	Unfunded Sev & Retirement Levy	$ -	$ -	$ -
4.59	Basic Skills Extended Time	$ -	$ -	$ -
4.67	LTFM	$ 68,249	$ 68,249	$ -
4.72	Medical Assistance	$ 580,031	$ 580,031	$ -
4.73	PPP Loan	$ -	$ -	$ -
4.74	EIDL Loan	$ -	$ -	$ -
Restricted:				
4.64	Restricted Fund Balance	$ 123,849	$ 123,849	$ -
4.75	Title VII Impact Aid	$ -	$ -	$ -
4.76	Payment in Lieu of Taxes	$ -	$ -	$ -
Committed:				
4.18	Committed for Separation	$ 577,793	$ 577,793	$ -
4.61	Committed Fund Balance	$ -	$ -	$ -
Assigned:				
4.62	Assigned Fund Balance	$ -	$ -	$ -
Unassigned:				
4.22	Unassigned Fund Balance	$ 4,758,019	$ 4,758,020	$ (1)

02 FOOD SERVICES		Audit	UFARS	Audit (-) UFARS
Total Revenue		$ 2,997,200	$ 2,997,201	$ (1)
Total Expenditures		$ 2,997,200	$ 2,997,201	$ (1)
Non Spendable:				
4.60	Non Spendable Fund Balance	$ 22,786	$ 22,786	$ -
Restricted/Reserved:				
4.52	OPEB Liab Not in Trust	$ -	$ -	$ -
4.74	EIDL Loan	$ -	$ -	$ -
Restricted:				
4.64	Restricted Fund Balance	$ 23,221	$ 23,221	$ -
Unassigned:				
4.63	Unassigned Fund Balance	$ -	$ -	$ -

04 COMMUNITY SERVICE		Audit	UFARS	Audit (-) UFARS
Total Revenue		$ 2,296,933	$ 2,296,927	$ 6
Total Expenditures		$ 2,238,695	$ 2,238,698	$ (3)
Non Spendable:				
4.60	Non Spendable Fund Balance	$ -	$ -	$ -
Restricted/Reserved:				
4.26	$25 Taconite	$ -	$ -	$ -
4.31	Community Education	$ 275,770	$ 275,770	$ -
4.32	E.C.F.E.	$ 528,921	$ 528,921	$ -
4.40	Teacher Development and Eval	$ -	$ -	$ -
4.44	School Readiness	$ 6,786	$ 6,786	$ -
4.47	Adult Basic Education	$ 8,009	$ 8,009	$ -
4.52	OPEB Liab Not in Trust	$ -	$ -	$ -
4.73	PPP Loan	$ -	$ -	$ -
4.74	EIDL Loan	$ -	$ -	$ -
Restricted:				
4.64	Restricted Fund Balance	$ 161,851	$ 161,851	$ -
Unassigned:				
4.63	Unassigned Fund Balance	$ -	$ -	$ -

06 BUILDING CONSTRUCTION		Audit	UFARS	Audit (-) UFARS
Total Revenue		$ 79	$ 78	$ 1
Total Expenditures		$ 211,973	$ 211,973	$ -
Non Spendable:				
4.60	Non Spendable Fund Balance	$ -	$ -	$ -
Restricted/Reserved:				
4.07	Capital Projects Levy	$ -	$ -	$ -
4.13	Project Funded by COP	$ -	$ -	$ -
4.67	LTFM	$ -	$ -	$ -
Restricted:				
4.64	Restricted Fund Balance	$ 29,896	$ 29,896	$ -
Unassigned:				
4.63	Unassigned Fund Balance	$ -	$ -	$ -

07 DEBT SERVICE		Audit	UFARS	Audit (-) UFARS
Total Revenue		$ 2,938,084	$ 2,938,084	$ -
Total Expenditures		$ 2,993,900	$ 2,993,900	$ -
Non Spendable:				
4.60	Non Spendable Fund Balance	$ -	$ -	$ -
Restricted/Reserved:				
4.25	Bond Refundings	$ -	$ -	$ -
4.33	Maximum Effort Loan Aid	$ -	$ -	$ -
4.51	QZAB Payments	$ -	$ -	$ -
4.67	LTFM	$ -	$ -	$ -
Restricted:				
4.64	Restricted Fund Balance	$ 937,268	$ 937,268	$ -
Unassigned:				
4.63	Unassigned Fund Balance	$ -	$ -	$ -

08 TRUST		Audit	UFARS	Audit (-) UFARS
Total Revenue		$ -	$ -	$ -
Total Expenditures		$ -	$ -	$ -
Restricted/Reserved:				
4.01	Student Activites	$ -	$ -	$ -
4.02	Scholarships	$ -	$ -	$ -
4.22	Net Assets	$ -	$ -	$ -

18 CUSTODIAL FUND		Audit	UFARS	Audit (-) UFARS
Total Revenue		$ -	$ -	$ -
Total Expenditures		$ -	$ -	$ -
Restricted/Reserved:				
4.01	Student Activites	$ -	$ -	$ -
4.02	Scholarships	$ -	$ -	$ -
4.48	Achievement & Integration	$ -	$ -	$ -
4.64	Restricted Fund Balance	$ -	$ -	$ -

20 INTERNAL SERVICE		Audit	UFARS	Audit (-) UFARS
Total Revenue		$ -	$ -	$ -
Total Expenditures		$ -	$ -	$ -
4.22	Unassigned Fund Balance	$ -	$ -	$ -

25 OPEB REVOCABLE TRUST		Audit	UFARS	Audit (-) UFARS
Total Revenue		$ -	$ -	$ -
Total Expenditures		$ -	$ -	$ -
4.22	Unassigned Fund Balance	$ -	$ -	$ -

45 OPEB IRREVOCABLE TRUST		Audit	UFARS	Audit (-) UFARS
Total Revenue		$ 469,103	$ 469,103	$ -
Total Expenditures		$ 1,065,421	$ 1,065,421	$ -
4.22	Unassigned Fund Balance	$ 1,682,127	$ 1,682,127	$ -

47 OPEB DEBT SERVICE		Audit	UFARS	Audit (-) UFARS
Total Revenue		$ 513,569	$ 513,570	$ (1)
Total Expenditures		$ 511,966	$ 511,968	$ (2)
Non Spendable:				
4.60	Non Spendable Fund Balance	$ -	$ -	$ -
Restricted:				
4.25	Bond Refunding	$ -	$ -	$ -
4.64	Restricted Fund Balance	$ 155,227	$ 155,227	$ -
Unassigned				
4.63	Unassigned Fund Balance	$ -	$ -	$ -

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing		Federal Expenditures
U. S. Department of Agriculture			
Pass-Through Minnesota Department of Education:			
Child Nutrition Cluster:			
Commodities Cash Rebate	10.559	$ 211	
Commodity Distribution - Non-cash	10.559	81,768	
Summer Food Service Program for Children	10.559	2,621,650	
Total Child Nutrition Cluster and Assistance Listing 10.559			$ 2,703,629
Fresh Fruit and Vegetables Program	10.582		18,804
Total Department of Agriculture			2,722,433
U. S. Department of Interior			
477 Cluster:			
Pass-Through Red Lake Band of Ojibwe Indians:			
Indian Education Assistance to Schools	15.130	20,118	
Pass-Through Leech Lake Band of Ojibwe Indians:			
Indian Education Assistance to Schools	15.130	22,236	
Total 477 Cluster			42,354
Total Department of Interior			42,354
U. S. Department of the Treasury			
Pass-Through Beltrami County:			
COVID-19 Coronavirus Relief Fund	21.019	766,800	
Pass-Through Minnesota Department of Education:			
COVID-19 Coronavirus Relief Fund	21.019	1,426,028	
Total Assistance Listing 21.019			2,192,828
COVID-19 Coronavirus State & Local Fiscal Recovery Funds	21.027		30,587
Total Department of the Treasury			2,223,415
U. S. Department of Education			
Direct Programs:			
Indian Education Grants to Local Education Agencies	84.060		257,028
Pass-Through Minnesota Department of Education:			
Title I, Grants to Local Education Agencies - Part A	84.010	1,336,236	
Title I, Grants to Local Education Agencies - Part D	84.010A	113,555	
Total Assistance Listing 84.010			1,449,791

See Accompanying Notes to the Schedule of Expenditures of Federal Awards.

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing		Federal Expenditures
Special Education Grants for Infants and Families	84.181		66,396
Education for Homeless Children and Youth	84.196		39,999
Supporting Effective Instruction State Grants	84.367		45,838
Student Support and Academic Enrichment Program	84.424		104,185
Special Education Cluster:			
Special Education Grants to States	84.027	1,595,470	
Special Education - Preschool Grants	84.173	36,326	
Total Special Education Cluster			1,631,796
Education Stabilization Fund:			
COVID-19 Governor's Emergency Education Relief Fund (GEER I)	84.425C	127,304	
COVID-19 Governor's Emergency Education Relief Fund (GEER I)	84.425C	3,319	
COVID-19 Elementary and Secondary School Education Relief Fund (ESSER I)	84.425D	1,171,085	
COVID-19 Elementary and Secondary School Education Relief Fund (ESSER II)	84.425D	2,433,685	
COVID-19 American Rescue Plan Elementary and Secondary School Relief	84.425W	10,298	
Total Assistance Listing 84.425			3,745,691
Pass-Through North Country Vocational Cooperative Center:			
Carl Perkins Career and Technical Education	84.048		57,387
Total Department of Education			7,398,111
Total Federal Assistance Expended			$ 12,386,313

See Accompanying Notes to the Schedule of Expenditures of Federal Awards.

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2021

NOTE 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Independent School District No. 31 and is presented on the modified accrual basis of accounting. The information in this schedule in presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

NOTE 2 - Child Nutrition Cluster

Cash receipts from the U. S. Department of Agriculture through the Minnesota Department of Education are included in revenues from federal sources. It is assumed that federal funds are expended first.

NOTE 3 - Food Donation Program

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

NOTE 4 - Matching Requirements

Certain Federal programs require that the District contribute non-federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE 5 - Pass-through Entities

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

NOTE 6 - Indirect Cost Rate

The District has not elected to use the 10 percent de Minimis indirect cost rate as allowed under the Uniform Guidance.

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
TAX LEVIES, TAX RATES AND STUDENT CENSUS
JUNE 30, 2021
(Unaudited)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Property Tax Levies										
General Referendum	$ 4,591,048	$ 4,385,741	$ 4,426,217	$ 4,212,906	$ 4,046,964	$ 3,634,379	$ 3,085,459	$ 2,235,880	$ 2,790,555	$ 2,753,636
General Maintenance	2,628,631	2,381,177	2,523,555	2,889,584	2,635,476	2,386,415	1,674,437	1,944,504	1,755,458	1,656,050
Community Service	398,231	397,253	397,361	393,632	399,515	397,736	405,970	392,049	391,859	388,022
Debt Redemption	2,981,097	2,977,781	3,269,736	3,207,508	3,236,241	2,907,070	3,411,683	3,369,247	3,688,980	3,627,350
OPEB Pension Debt	455,507	497,071	419,719	531,787	540,755	540,399	567,439	567,283	572,559	571,797
Total Property Tax Levies	$ 11,054,514	$ 10,639,023	$ 11,036,588	$ 11,235,417	$ 10,858,951	$ 9,865,999	$ 9,144,988	$ 8,508,963	$ 9,199,411	$ 8,996,855
Taxable Net Tax Capacity										
Beltrami County	$ 35,496,174	$ 33,514,510	$ 32,536,100	$ 33,054,455	$ 29,489,284	$ 28,354,154	$ 27,270,002	$ 26,472,612	$ 26,192,709	$ 26,203,618
Hubbard County	4,204,662	4,044,926	3,813,556	3,671,810	3,665,525	3,490,189	3,369,273	3,228,077	3,094,207	3,081,085
Total Net Tax Capacity	$ 39,700,836	$ 37,559,436	$ 36,349,656	$ 36,726,265	$ 33,154,809	$ 31,844,343	$ 30,639,275	$ 29,700,689	$ 29,286,916	$ 29,284,703
Property Tax Rate	16.280%	16.649%	18.185%	19.122%	20.546%	19.569%	19.777%	21.121%	21.883%	21.293%
Referendum Market Values										
Beltrami County	$ 2,696,628,550	$ 2,553,449,365	$ 2,452,528,803	$ 2,452,315,627	$ 2,227,619,509	$ 2,150,115,763	$ 2,082,158,556	$ 2,036,184,585	$ 2,011,066,868	$ 2,010,513,459
Hubbard County	301,493,875	289,065,360	266,918,325	256,523,055	256,399,775	234,803,780	231,993,545	219,091,135	209,651,955	209,981,645
Total Referendum Market Values	$ 2,998,122,425	$ 2,842,514,725	$ 2,719,447,128	$ 2,708,838,682	$ 2,484,019,284	$ 2,384,919,543	$ 2,314,152,101	$ 2,255,275,720	$ 2,220,718,823	$ 2,220,495,104
Referendum Rate	0.15313%	0.15429%	0.16276%	0.15553%	0.16292%	0.15239%	0.13333%	0.09914%	0.12566%	0.12401%
Students Served (Weighted ADM/PUN*'s)										
Residents	6,022.15	6,128.52	6,112.08	6,077.09	6,015.66	6,022.15	5,917.70	6,387.40	6,276.61	6,219.74
Nonresidents in District										
Tuition	39.33	51.08	49.76	55.24	51.73	55.68	70.15	68.90	75.52	75.18
Enrollment Options	305.15	325.38	296.26	319.31	327.21	342.88	321.44	333.15	348.44	316.04
Ineligible	1.47	2.95	1.98	1.22	1.35	0.72	0.25	0.01	0.08	3.10
Shared Aid	9.39	10.27	9.75	9.69	9.73	9.07	10.33	13.48	12.23	9.00
Shared Time Tuition	-	-	-	-	-	-	-	-	0.26	0.13
Adults	-	-	-	-	-	-	-	-	-	-
Residents Outside District										
Tuition	(13.60)	(16.72)	(16.01)	(17.69)	(22.99)	(21.92)	(15.48)	(21.65)	(28.21)	(22.90)
Charter	(628.21)	(443.38)	(527.49)	(504.41)	(492.69)	(475.88)	(502.56)	(528.32)	(482.83)	(448.18)
Enrollment Options	(482.48)	(441.18)	(399.68)	(394.65)	(338.23)	(351.72)	(342.12)	(402.42)	(379.00)	(426.07)
Total Students Served	5,253.20	5,616.92	5,526.65	5,545.80	5,551.77	5,580.98	5,459.71	5,850.55	5,823.10	5,726.04
Adjusted Weighted ADM/PUN's*	5,216.61	5,569.34	5,481.17	5,497.34	5,511.95	5,537.43	5,394.46	5,789.81	5,763.22	5,661.53
Resident ADM's	5,509.98	5,638.63	5,616.39	5,588.53	5,533.72	5,532.34	5,443.18	5,578.91	5,461.95	5,410.83

*The State of Minnesota changed to Pupil Unit Weightings (PUN) from Weighted Average Daily Membership (WADM) in the year ending June 30, 2015 to calculate general education aid.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH THE *MINNESOTA LEGAL COMPLIANCE AUDIT GUIDE FOR SCHOOL DISTRICTS*

The Board of Education
Independent School District No. 31
Bemidji, 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. 31 – Bemidji, Minnesota as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Independent School District No. 31 – Bemidji, Minnesota's basic financial statements, and have issued our report thereon dated December 7, 2021.

In connection with our audit, nothing came to our attention that caused us to believe that Independent School District No. 31 – Bemidji, Minnesota failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat. §6.65, 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 Independent School District No. 31 – Bemidji, Minnesota's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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 communication is not suitable for any other purpose.

Miller McDonald, Inc.

December 7, 2021
Bemidji, Minnesota

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

The Board of Education
Independent School District No. 31
Bemidji, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 31 – Bemidji, Minnesota, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Independent School District No. 31 – Bemidji, Minnesota's basic financial statements, and have issued our report thereon dated December 7, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Independent School District No. 31 – Bemidji, Minnesota'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 Independent School District No. 31 – Bemidji, Minnesota's internal control. Accordingly, we do not express an opinion on the effectiveness of Independent School District No. 31 – Bemidji, Minnesota'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 entity'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 that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

<u>Compliance and Other Matters</u>

As part of obtaining reasonable assurance about whether Independent School District No. 31 – Bemidji, Minnesota's financial statements are free of 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*.

<u>Purpose of this Report</u>

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Miller McDonald, Inc.

December 7, 2021
Bemidji, Minnesota

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

The Board of Education
Independent School District No. 31
Bemidji, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Independent School District No. 31 – Bemidji, Minnesota's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Independent School District No. 31 – Bemidji, Minnesota's major federal programs for the year ended June 30, 2021. Independent School District No. 31 – Bemidji, Minnesota's major federal programs are identified in the summary of auditor's 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 Independent School District No. 31 – Bemidji, Minnesota'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 Independent School District No. 31 – Bemidji, Minnesota'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 Independent School District No. 31 – Bemidji, Minnesota's compliance.

Opinion on Each Major Federal Program

In our opinion, Independent School District No. 31 – Bemidji, Minnesota complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of Independent School District No. 31 – Bemidji, Minnesota, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Independent School District No. 31 – Bemidji, Minnesota'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 Independent School District No. 31 – Bemidji, Minnesota'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 purposes described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Miller McDonald, Inc.

December 7, 2021
Bemidji, Minnesota

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INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021

I. SUMMARY OF AUDITOR'S RESULTS.

Financial Statements

What type of auditor's report is issued?	**Unmodified**			
Internal control over financial reporting:				
Material weakness(es) identified?		**Yes**	**X**	**No**
Signficant deficiency(ies) 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 deficiency(ies) identified?		**Yes**	**X**	**None Reported**
Type of auditor's report issued on compliance for all major programs?	**Unmodified**			
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?		**Yes**	**X**	**No**

Identification of major programs:

Program or Cluster	Assistance Listing
U.S. Department of Education:	
COVID-19 Coronavirus Relief Fund	**21.019**
Title I Grants to Local Education Agencies	**84.010**
Education Stabilization Fund	**84.425**

Dollar threshold for distinguishing type A or B programs:	**$ 750,000**			
Auditee qualified as a low-risk auditee?		**Yes**	**X**	**No**

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021

II. FINDINGS – FINANCIAL STATEMENT AUDIT

INTERNAL CONTROL

None

III. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

INTERNAL CONTROL

None

COMPLIANCE

None

QUESTIONED COSTS

None

IV. FINDINGS – MINNESOTA LEGAL COMPLIANCE

None

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2021

Finding 2020-001 – File Retention of Quotes

Condition

The District did not have quotes on file for one project during the year ended June 30, 2020.

Current Status

Resolved.