CPAs & BUSINESS ADVISORS

Independent Auditor's Report

The School Board of
Independent School District No. 22
Detroit Lakes Public Schools
Detroit Lakes, 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. 22, Detroit Lakes Public Schools, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

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Opinion

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 the District as of June 30, 2021, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The School Board and Administration list, combining and individual fund schedules, and uniform financial accounting and reporting compliance table are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (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 combining and individual fund schedules, uniform financial accounting and reporting compliance table, and 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund schedules, uniform financial accounting and reporting compliance table, and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements taken as a whole.

The School Board and Administration List has 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 it.

Other Reporting Required by Government Auditing Standards
In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2021, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements
In accordance with the Legal Compliance Audit Guide prepared by the Office of the State Auditor pursuant to Minn. Stat. §6.65, we have also issued a report dated December 15, 2021, on our consideration of the District's compliance with aspects of the provisions of the Minnesota Legal Compliance Audit Guide for School Districts. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not directed primarily toward obtaining knowledge of noncompliance. That report is an integral part of procedures performed in accordance with the Office of the State Auditor's Minnesota Legal Compliance Audit Guide for School Districts in considering the District's compliance with certain regulatory requirements pursuant to Minn. Stat. §6.65.

Eide Bailly LLP

Fargo, North Dakota
December 15, 2021

This section of Detroit Lakes Public Schools' 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 2020-2021 fiscal year include the following:

General Fund 01 – The overall revenues were $39,444,346, overall expenditures were $37,680,028, and other financing sources were $31,410, increasing the fund balance by $1,795,728.

Food Service Fund 02 – The revenues were $1,982,114, the expenditures were $1,602,489, and other financing sources were $2,478, increasing the fund balance by $382,103.

Community Service Fund 04 – The revenues were $1,207,207,and the expenditures were $1,107,782, increasing the fund balance by $99,425.

Capital Projects Fund 06 – The revenues were $381,320, and the expenditures were $24,548,955, decreasing fund balance by $24,167,635.

Debt Service Fund 07 – The revenues were $3,803,398, and the expenditures were $3,682,202, increasing fund balance by $121,196.

Overview of the Financial Statements

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 two district-wide statements report the District's net position and how they have 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 statement the District's activities are shown in one category:

Governmental Activities – All of the District's basic services are included here, such as regular and special education, transportation, administration, food service, and community education. Property taxes and state aids finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds—focusing on its most significant or "major" funds – not the District as a whole. 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 revenues (e.g., federal grants).

The District has two kinds of funds:

Governmental Funds – All 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 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 the assets reported in these funds are used only by those to whom the assets belong.

Financial Analysis of the District as a Whole

Net Position

The District's combined net deficit was $318,865 as of June 30, 2021.

Statement of Net Deficit
June 30, 2021 and 2020

	2021	2020
Assets		
Current assets	$ 37,028,055	$ 59,956,388
Capital assets	70,446,877	47,282,732
Total assets	107,474,932	107,239,120
Deferred Outflows of Resources	11,551,791	19,247,115
Liabilities		
Other liabilities	5,894,257	7,266,677
Long-term liabilities	84,473,874	83,014,264
Total liabilities	90,368,131	90,280,941
Deferred Inflows of Resources	28,977,457	38,007,417
Net Position (Deficit)		
Net investment in capital assets	24,409,660	23,610,373
Restricted for specific purposes	5,505,440	4,514,805
Unrestricted	(30,233,965)	(29,927,301)
Total net deficit	$ (318,865)	$ (1,802,123)

Statement of Revenues, Expenses and Changes in Net Deficit
June 30, 2021 and 2020

	2021	2020
Revenues		
Program revenues		
Charges for service	$ 856,885	$ 1,437,639
Operating grants and contributions	2,497,499	1,829,678
General		
Property taxes	8,859,794	8,665,397
Aids and payments from state and other	33,881,972	33,125,759
Miscellaneous revenues	797,321	1,761,012
Total revenues	46,893,471	46,819,485
Expenses		
Administration	2,126,403	2,072,635
District support services	1,173,296	1,135,922
Regular instruction	18,254,167	19,383,133
Vocational instruction	898,248	808,743
Special education instruction	7,739,616	8,106,840
Community education and services	1,107,782	1,121,581
Instructional support services	1,759,407	1,866,122
Pupil support services	5,684,188	5,771,321
Sites and buildings	4,668,059	3,958,465
Fiscal and other fixed-cost programs	1,999,047	2,169,130
Total expenses	45,410,213	46,393,892
Change in Net Deficit	1,483,258	425,593
Net Deficit - Beginning	(1,802,123)	(2,227,716)
Net Deficit - Ending	$ (318,865)	$ (1,802,123)

Changes in Net Deficit – The District's total revenues were $46,893,471 for the year ended June 30, 2021. Property taxes, state formula aid, and federal aid accounted for 91.1% of total revenue for the year. Another 8.9% came from other program revenues and miscellaneous revenues.

The total cost of all programs and services was $45,410,213. The District's expenses are predominantly related to educating and caring for students. The purely administrative activities of the District accounted for just 4.7% of total costs.

The total revenues exceeded expenses, reducing the net deficit by $1,483,258 for fiscal year 2021.

General Fund

The General Fund includes the primary operations of the District in providing educational services to students from kindergarten through grade 12, including pupil transportation activities, buildings and grounds, and capital outlay projects.

The following schedule presents a summary of General Fund Revenues.

	Year Ended June 30, 2021	Year Ended June 30, 2020	Amount of Increase (Decrease)	Percent Increase (Decrease)
Local Property Taxes	$ 4,886,313	$ 4,578,469	$ 307,844	6.7%
Other Local Sources	871,412	1,554,276	(682,864)	-43.9%
State Sources	30,382,018	31,656,064	(1,274,046)	-4.0%
Federal Sources	3,304,603	1,283,616	2,020,987	157.4%
Total General Fund revenues	$ 39,444,346	$ 39,072,425	$ 371,921	1.0%

Total General Fund revenue increased by $371,921 or 1.0% from the previous year. The majority of District revenue, both aid and property tax, is determined by a state established per student funding formula. The formulas include an equalization of property tax that can cause significant shifts of revenue between property tax and state aid. State sources decreased due to a decrease in enrollment numbers during the year. Federal sources increased due to increased federal aid related to the COVID-19 pandemic.

The following schedule presents a summary of General Fund expenditures.

	Year Ended June 30, 2021	Year Ended June 30, 2020	Amount of Increase (Decrease)	Percent Increase (Decrease)
Salaries and Benefits	$ 29,738,713	$ 28,942,923	$ 795,790	2.7%
Purchased Services	4,753,402	5,063,296	(309,894)	-6.1%
Supplies and Materials	1,667,090	1,544,689	122,401	7.9%
Capital Expenditures	1,292,428	1,985,829	(693,401)	-34.9%
Other Expenditures	228,395	173,361	55,034	31.7%
Total General Fund expenditures	$ 37,680,028	$ 37,710,098	$ (30,070)	-0.1%

Total General Fund expenditures decreased by $30,070 or 0.1% from the previous year. Salaries and benefits increased due to additional staffing needs to meet the demands of hybrid learning due to COVID-19. Capital expenditures decreased due to the District completing general site renovations in the previous year.

General Fund Budgetary Highlights

The District's general fund results when compared to the final budget are:

- Actual revenues were $224,681 *more than* budget. This difference is the result of additional special education services provided than expected.

- Actual expenditures were $787,530 *less than* budget. The COVID-19 pandemic had a continued effect on many areas of expenditures resulting in actual results coming in lower than expected. Many staffing positions were not filled, activity and related transportation were canceled, and projects were not completed according to schedule.

Capital Projects Fund

The Capital Projects Fund revenues were $381,320 and expenditures were $24,548,955. Fund balance decreased by approximately $24,167,635 as expenditures exceeded revenues and other financing sources. The decrease is a result of costs incurred for the ongoing building projects.

Debt Service Fund

The Debt Service Fund revenues were $3,803,398, and expenditures were $3,682,202. Fund balance increased by $121,196 as revenues exceeded expenditures. The increase is a result of levy collections exceeding principal and interest payments due in the current year.

Other Non-Major Funds

The Food Service Fund incurred an increase in the fund balance of $382,103. The increase is a result of increased federal aid relating to the increased reimbursement of meals provided to students. The Community Service Fund incurred an increase in the fund balance of $99,425. The increase is a result of increased Community Service services and fees, as well as an increase of state aids.

Capital Assets and Debt Administration

Capital Assets

By the end of 2021, the District had invested approximately $92 million in a broad range of capital assets, including school buildings, athletic facilities, school vehicles, and computer and audio-visual equipment. Total depreciation expense for the year was $1,039,776. Note 4 presents the detail of the District's capital assets.

Capital Assets Governmental Activities
June 30, 2021 and 2020

	2021	2020
Land	$ 720,909	$ 720,909
Construction in Progress	51,534,363	27,202,361
Buildings	30,511,560	30,767,315
Improvements	4,694,497	5,290,933
Vehicles	879,684	1,021,559
Equipment	3,888,457	3,935,841
Accumulated Depreciation	(21,782,593)	(21,656,186)
Total capital assets	$ 70,446,877	$ 47,282,732

Long-Term Debt

At year end the District had $55,635,579 of long term debt, consisting of bonded indebtedness and unamortized premium of $55,512,106 and vacation payable of $123,473. Note 5 presents the detail of the District's long-term debt.

The District has $1,727,167 in net OPEB liability at June 30, 2021. See Note 6 for further information.

The District has $27,111,128 in net pension liability at June 30, 2021. See Note 7 for further information.

Factors Bearing on the District's Future

The District continues to provide educational opportunities to students. During FY 2021, the District received federal grant funding related to the global COVID-19 pandemic under the Elementary and Secondary School Emergency Relief Fund (ESSER) grant, the Governor's Emergency Education Relief Fund (GEER) grant, and the Coronavirus Relief Fund (CRF) grant. All grants will be used to cover COVID-19 expenditures of the district and to help with educational recovery needs. This global pandemic has created unprecedented challenges for Federal, State and Local Government operations, creating uncertainty in the outcome of the 2022 budget.

Minnesota School Districts depend on student enrollment to generate property tax and state aid. The District realized a decrease in student enrollment in 2020-2021, but other factors in the District will help draw students in the future. The current four building renovation and addition projects will be completed during the 2021-2022 school year. Also, the District has also been working on a four path Academy Model that will be fully implemented when the new 9th grade academy wing at the High School is completed.

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 the Business Manager at: District Office, Independent School District No. 22, 702 Lake Avenue, Detroit Lakes, Minnesota 56501.

Independent School District No. 22
Detroit Lakes Public Schools
Statement of Net Deficit
June 30, 2021

Assets	
Cash and investments	$ 26,442,268
Receivables	
Current property taxes	4,246,299
Delinquent property taxes	53,054
Accounts	33,284
Due from other governmental units	6,108,804
Interest	1,936
Prepaid items	17,634
Inventory	124,776
	37,028,055
Capital assets	
Non-depreciable	
Land	720,909
Construction in progress	51,534,363
Depreciable	
Buildings	30,511,560
Improvements	4,694,497
Vehicles	879,684
Equipment	3,888,457
Less accumulated depreciation	(21,782,593)
Total capital assets, net of depreciation	70,446,877
Total assets	107,474,932
Deferred Outflows of Resources	
Other postemployments benefits	196,232
Pension plans	11,355,559
Total deferred outflows of resources	11,551,791
Liabilities	
Due to other governmental units	35,993
Accounts payable	4,173,027
Salaries payable	786,824
Accrued interest payable	820,284
Unearned revenue	78,129
Long-term liabilities	
Due within one year - bonds, premiums, and compensated absences	2,009,109
Due in more than one year - bonds, premiums, compensated absences, and severance	53,626,470
Due in more than one year - other postemployment benefits	1,727,167
Due in more than one year - net pension liability	27,111,128
Total liabilities	90,368,131
Deferred Inflows of Resources	
Unavailable revenue-property taxes	8,685,247
Other postemployment benefits	135,770
Pension plans	20,156,440
Total deferred inflows of resources	28,977,457
Net Position (Deficit)	
Net investment in capital assets	24,409,660
Restricted for specific purposes	5,505,440
Unrestricted	(30,233,965)
Total net deficit	$ (318,865)

Functions/Programs	Expenses	Program Revenues Charges for Services	Program Revenues Operating Grants and Contributions	Program Revenues Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities					
Administration	$ 2,126,403	$ 91,634	$ 7,051	$ -	$ (2,027,718)
District support services	1,173,296	-	-	-	(1,173,296)
Regular instruction	18,254,167	305,114	-	-	(17,949,053)
Vocational instruction	898,248	-	-	-	(898,248)
Special education instruction	7,739,616	-	-	-	(7,739,616)
Community education and services	1,107,782	416,112	554,501	-	(137,169)
Instructional support services	1,759,407	6,776	1,620	-	(1,751,011)
Pupil support services	5,684,188	37,249	1,934,327	-	(3,712,612)
Sites and buildings	4,668,059	-	-	-	(4,668,059)
Fiscal and other fixed-cost programs	1,999,047	-	-		(1,999,047)
Total governmental activities	$ 45,410,213	$ 856,885	$ 2,497,499	$ -	(42,055,829)
General Revenues					
Property taxes, levied for general purposes					4,982,591
Property taxes, levied for community education and services					208,464
Property taxes, levied for debt service					3,668,739
Aids and payments from the federal government					3,304,603
Aids and payments from the state					30,507,714
County apportionment					69,655
Unrestricted investment earnings					80,442
Gain on disposal of property and equipment					33,888
Miscellaneous revenues					682,991
Total general revenues					43,539,087
Changes in Net Deficit					1,483,258
Net Deficit - Beginning					(1,802,123)
Net Deficit - Ending					$ (318,865)

Independent School District No. 22
Detroit Lakes Public Schools
Governmental Funds
Balance Sheet
June 30, 2021

	General	Debt Service	Capital Projects	Other Governmental Funds	Totals
Assets					
Cash and investments	$ 12,409,031	$ 2,445,761	$ 10,213,550	$ 1,373,926	$ 26,442,268
Receivables					
Current property taxes	2,304,222	1,851,426	-	90,651	4,246,299
Delinquent property taxes	28,285	22,633	-	2,136	53,054
Accounts	18,638	-	-	14,646	33,284
Due from other governmental units	5,720,780	13,018	-	375,006	6,108,804
Interest	1,692	-	244	-	1,936
Due from other funds	-	-	-	604	604
Prepaid items	17,634	-	-	-	17,634
Inventories	42,849	-	-	81,927	124,776
Total assets	$ 20,543,131	$ 4,332,838	$ 10,213,794	$ 1,938,896	$ 37,028,659
Liabilities					
Due to other funds	$ 604	$ -	$ -	$ -	$ 604
Due to other governmental units	35,616	-	-	377	35,993
Accounts payable	567,502	-	3,565,767	39,758	4,173,027
Salaries payable	736,286	-	-	50,538	786,824
Unearned revenue	10,309	-	-	67,820	78,129
Total liabilities	1,350,317	-	3,565,767	158,493	5,074,577
Deferred Inflows of Resources					
Unavailable revenue-delinquent property taxes	28,284	22,633	-	2,137	53,054
Property taxes levied for subsequent year	4,597,304	3,875,817	-	212,126	8,685,247
Total deferred inflows of resources	4,625,588	3,898,450	-	214,263	8,738,301
Fund Balance					
Nonspendable	60,483	-	-	81,927	142,410
Restricted	4,409,015	434,388	6,648,027	1,484,213	12,975,643
Committed	2,619,415	-	-	-	2,619,415
Assigned	2,364,446	-	-	-	2,364,446
Unassigned	5,113,867	-	-	-	5,113,867
Total fund balance	14,567,226	434,388	6,648,027	1,566,140	23,215,781
Total liabilities, deferred inflows of resources, and fund balance	$ 20,543,131	$ 4,332,838	$ 10,213,794	$ 1,938,896	$ 37,028,659

Total Fund Balances - Governmental Funds	$ 23,215,781
Amounts reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	70,446,877
Accrued interest payable for long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(820,284)
Delinquent property taxes are not considered available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	53,054
Compensated absences and severance payable is not due and payable in the current period and therefore is not reported as liabilities in the funds.	(123,473)
Deferred outflows and inflows of resources related to pensions and OPEB plans are applicable to future periods and, therefore, are not reported in the funds.	(8,740,419)
Long-term liabilities, including bonds payable, net pension liability, other post-employement benefits, and pension liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(84,350,401)
Total Net Deficit - Governmental Activities	$ (318,865)

	General	Debt Service	Capital Projects	Other Governmental Funds	Totals
Revenues					
Local property tax levies	$ 4,886,313	$ 3,668,739	$ -	$ 208,464	$ 8,763,516
Other local and county sources	871,412	4,481	381,320	450,591	1,707,804
State sources	30,382,018	130,178	-	547,478	31,059,674
Federal sources	3,304,603	-	-	1,863,373	5,167,976
Sales and other conversion of assets	-	-	-	119,415	119,415
Total revenues	39,444,346	3,803,398	381,320	3,189,321	46,818,385
Expenditures					
Administration	2,135,864	-	-	-	2,135,864
District support services	1,170,698	-	-	-	1,170,698
Regular instruction	16,454,369	-	-	-	16,454,369
Vocational instruction	645,982	-	-	-	645,982
Special education instruction	7,717,631	-	-	-	7,717,631
Community education and service	-	-	-	1,107,782	1,107,782
Instructional support services	1,879,822	-	-	-	1,879,822
Pupil support services	4,167,306	-	-	1,602,489	5,769,795
Sites and buildings	3,361,143	-	24,548,955	-	27,910,098
Fiscal and other fixed cost programs	147,213	3,682,202	-	-	3,829,415
Total expenditures	37,680,028	3,682,202	24,548,955	2,710,271	68,621,456
Excess (Deficiency) of Revenues over (under) Expenditures	1,764,318	121,196	(24,167,635)	479,050	(21,803,071)
Other Financing Sources					
Sale of property and equipment	31,410	-	-	2,478	33,888
Net Change in Fund Balance	1,795,728	121,196	(24,167,635)	481,528	(21,769,183)
Fund Balance, Beginning of Year	12,771,498	313,192	30,815,662	1,084,612	44,984,964
Fund Balance, End of Year	$ 14,567,226	$ 434,388	$ 6,648,027	$ 1,566,140	$ 23,215,781

Net Change in Fund Balances - Total Governmental Funds	$ (21,769,183)
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 capital assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense and net disposals in the current period.	23,164,145
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	37,007
In the statement of activities compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.	9,739
In the statement of activities OPEB liabilities are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.	(44,777)
In the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense. In the governmental funds, however, the contributions are reported as expense.	(1,744,041)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principle of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net position. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,830,368
Change in Net Deficit of Governmental Activities	$ 1,483,258

Independent School District No. 22
Detroit Lakes Public Schools
General Funds
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual
Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Local property tax levies	$ 4,810,596	$ 4,808,933	$ 4,886,313	$ 77,380
Other local and county sources	1,117,178	969,009	871,412	(97,597)
State sources	31,737,919	30,109,905	30,382,018	272,113
Federal sources	1,550,681	3,304,586	3,304,603	17
Total revenues	39,216,374	39,219,665	39,444,346	224,681
Expenditures				
Administration	2,206,157	2,147,441	2,135,864	11,577
District support services	1,168,685	1,098,007	1,170,698	(72,691)
Regular instruction	16,746,367	17,003,249	16,454,369	548,880
Vocational instruction	784,847	685,777	645,982	39,795
Special education instruction	8,673,221	7,865,068	7,717,631	147,437
Instructional support services	2,144,408	2,027,422	1,879,822	147,600
Pupil support services	4,306,014	4,046,627	4,167,306	(120,679)
Sites and buildings	3,149,456	3,446,710	3,361,143	85,567
Fiscal and other fixed cost programs	99,132	147,257	147,213	44
Total expenditures	39,278,287	38,467,558	37,680,028	787,530
Excess (Deficiency) of Revenues Over (Under) Expenditures	(61,913)	752,107	1,764,318	1,012,211
Other Financing Sources				
Sale of property and equipment	-	-	31,410	31,410
Net Change in Fund Balance	$ (61,913)	$ 752,107	1,795,728	$ 1,043,621
Fund Balance, Beginning of Year			12,771,498	
Fund Balance, End of Year			$ 14,567,226	

The Notes to Financial Statements are an integral part of this statement.

Fiduciary Fund
Statement of Net Position
June 30, 2021

	Custodial Fund
Assets	
Cash and investments	$ 93,376
Liabilities and Net Position	
Liabilities	
Accounts payable	845
Net position	
Unrestricted	92,531
Total liabilities and net position	$ 93,376

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

	Custodial Fund
Additions	
Employee flex benefits withheld	$ 179,978
Miscellaneous	9,766
Total additions	189,744
Deductions	
Employee flex benefits payments	172,939
Miscellaneous	10,668
Total deductions	183,607
Change in Net Position	6,137
Net Position, Beginning of Year	86,394
Net Position, End of Year	$ 92,531

Note 1 - Summary of Significant Accounting Policies

A. Organization

Independent School District No. 22, Detroit Lakes Public Schools, Detroit Lakes, Minnesota, (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a School Board elected by voters of the District. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

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

Component units are legally separate entities for which the District (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit 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 burden or benefit with the potential component unit, or is fiscally depended upon by the potential component unit.

Based on these criteria, there are no organizations considered to be component units of the District.

C. District-Wide Financial Statement Presentation

The district-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. The fiduciary funds are reported in the Statement of Fiduciary Net Position at the fund financial statement level. Generally, the effect of interfund activity has been removed from the district-wide financial statements.

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

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

The District applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available. For capital assets that can be specifically identified with, or allocated to functional areas, depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

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

Fiduciary funds are presented in the fiduciary fund financial statements by type: pension (or other benefit) trust, private-purpose trust, and custodial. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the district-wide statements.

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

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

Recording of Expenditures – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt, severance and healthcare benefits, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are included within the applicable functional areas.

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

Description of Funds

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

Major Governmental Funds

General Fund – The general fund is used to account for all financial resources except those required to be accounted for in another fund. It includes the general operations and pupil transportation activities of the District, as well as the capital related activities such as maintenance of facilities, equipment purchases, and health and safety projects. The District's Student Activity Funds are under board control and are reported in the general fund.

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

Capital Projects Fund – The building construction fund is used to account for construction projects within the District.

Nonmajor Governmental Funds

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

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

Fiduciary Fund

Custodial Fund – The custodial fund is used to administer resources received and held by the District as the trustee for others. The custodial fund is used for employee flex benefits and District events in which the district has no administrative involvement.

E. Other Significant Accounting Policies

Budgeting

An operating budget is adopted by July 1 of each fiscal year for all governmental funds on the same modified accrual basis used to reflect actual revenues and expenditures. The superintendent is authorized to transfer budget amounts within line items; however, supplemental appropriations that amend total appropriations of any fund require a board resolution. Reported budgeted amounts are as originally adopted or as amended by board resolution. Unencumbered appropriations lapse at year-end.

Cash and Investments

Cash balances for all district funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the fund's average monthly cash and investments balance. Funds that incur a deficit balance in pooled cash and investments during the year are charged interest.

Deposits and investments consist of certificates of deposit and monies deposited with the Minnesota School District Liquid Asset Fund (MSDLAF) and are stated at market.

Receivables

All receivables are shown net of any allowance for uncollectibles. No allowances for uncollectibles have been recorded. The only receivables not expected to be collected within one year are property taxes receivable.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are reported using the consumption method and recorded as an expense or expenditure at the time of consumption.

Inventories

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

Property Taxes

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

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

Property tax levies are certified to the County Auditor in December of each year for collection from taxpayers in May and October of the following calendar year. In Minnesota, counties act as collection agents for all property taxes. The county spreads all levies over taxable property. Such taxes become a lien on property on the following January 1. The county general remits taxes to the District at periodic intervals as they are collected. A portion of the property taxes levied is paid by the State of Minnesota through various tax credits, which are included in revenue from state sources in the financial statements.

Current property taxes receivable is the uncollected portion of the taxes levied in 2020 and collectible in 2021. This levy is offset with a deferred inflow of resources for property taxes levied for a subsequent year. Delinquent taxes receivable includes the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year-end in the fund financial statements.

Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historic cost is not available. Donated assets are recorded at acquisition value at the date of donation. The District maintains a threshold level of $10,000 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the 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 purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 3 to 50 years.

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

The District does not possess any material amounts of infrastructure capital assets. Items such as sidewalks and other land improvements are considered to be part of the cost of buildings or other improvable property.

Interfund Transactions

During the course of operations, transactions occurred between individual funds for goods provided or services rendered. These receivables and payables are properly classified as "due from other funds" or "due to other funds" on the accompanying balance sheet.

Long-Term Obligations

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

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

Compensated Absences

The District compensates substantially all full-time employees upon termination of employment for unused vacation up to a maximum.

Substantially all employees are entitled to sick leave. Noncertified employees are not compensated for unused sick leave upon a qualified termination of employment. Certified employees are compensated for unused sick leave upon termination of employment, in conjunction with severance pay. Sick leave pay is shown as an expenditure in the year paid in the governmental funds.

Post-Employment Severance and Health Benefits

Full-time teachers are eligible for either a lump sum stipend or participation in an employer matching 403(b) plan. Teachers hired before July 1, 1987, who have 20 or more years of experience in the District as of July 1, 2000, and those hired before July 1, 1987, with less than 20 years' experience who have opted for the first choice, will receive a lump sum stipend based upon unused sick leave. Teachers hired after July 1, 1987, and those hired before July 1, 1987, with less than 20 years' experience who opted for the second retirement plan, will participate in an employer matching 403(b) plan.

Administrators hired before July 1, 1998, who are at least 55 years of age, have 15 years of continuous service in Minnesota and have rendered a minimum of 10 years of service to the District are eligible for severance pay based upon unused sick leave and years of service or an employer matching 403(b) plan.

Administrators hired on or after July 1, 1998, have the option to participate in an employer matching 403(b) program after one year of service in the District.

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.

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 Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher’s Retirement Fund Association (DTRFA) in 2015. Additional information can be found in Note 7.

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

Unearned Revenue

The District receives donations from several organizations and the amount that is not spent in the fiscal year is reported as unearned revenue. The donations will be spent in the subsequent fiscal year for miscellaneous projects throughout the District.

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 that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then.

The District has two items that qualify for reporting in this category on the government-wide statement of net position. Deferred outflows of resources related to other postemployment benefits consists of various estimate differences and contributions made to the plan subsequent to the measurement date that will be recognized as expenditures in future years. Deferred outflows of resources related to pension plans consists of various estimate differences and contributions made to the plan subsequent to the measurement date that will be recognized as expenses in future years.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

The District has three types of items that qualify for reporting in this category. The first item, unavailable revenue from property taxes, arises under a modified accrual basis of accounting and is reported only in the Governmental Funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available. The second item is property taxes levied for subsequent years, which represent property taxes received or reported as a receivable before the period for which the taxes are levied, and is reported as a deferred inflow of resources in both the government-wide Statement of Net Position and the Governmental Funds Balance Sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied and in the governmental fund financial statements during the year for which they are levied, if available. The third item is deferred inflows related to pension and OPEB activity as a result of various estimate differences that will be recognized as expenses in future years, reported in the government-wide statement of net position.

Net Position

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the District's government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund Balance

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called "fund balance." The District's governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes.

- Nonspendable fund balance amounts are comprised of funds that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. They include items that are inherently unspendable, such as, but not limited to, inventories, prepaid items, long-term receivables, non-financial assets held for resale, or the permanent principal of endowment funds.

- Restricted fund balance amounts are comprised of funds that have legally enforceable constraints placed on their use that are externally imposed by resource providers or creditors (such as through debt covenants), grantors, contributors, voters, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

- Committed fund balance amounts are comprised of unrestricted funds used for specific purposes pursuant to constraints imposed by formal action of the School Board and that remain binding unless removed by the School Board by subsequent formal action. The formal action to commit a fund balance must occur prior to fiscal year end; however, the specific amounts actually committed can be determined in the subsequent fiscal year. A committed fund balance cannot be a negative number. A majority vote of the School Board is required to commit a fund balance to a specific purpose and subsequently to remove or change any constraint so adopted by the board.

- Assigned fund balance amounts are comprised of unrestricted funds constrained by the school District's intent that they be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. In funds other than the general fund, the assigned fund balance represents the remaining amount that is not restricted or committed. The assigned fund balance category will cover the portion of a fund balance that reflects the school district's intended use of those resources. The action to assign a fund balance may be taken after the end of the fiscal year. An assigned fund balance cannot be a negative number. A School Board, by majority vote, may assign fund balances to be used for specific purposes when appropriate. The board also delegates the power to assign fund balances to the Finance Committee. Assignments so made shall be reported to the School Board on a monthly basis, either separately or as part of ongoing reporting by the assigning party if other than the School Board.

- Unassigned fund balance amounts are comprised of funds that have legally enforceable constraints placed on their use that either are externally imposed by resource providers or creditors (such as through debt covenants), grantors, contributors, voters, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

The first priority is to utilize the balance as restricted fund balance. Committed funds will be considered second with assigned fund balance third when expenditures is incurred for purposes for which amounts in any of those unrestricted fund balance classification could be used like assigned or unassigned.

The School Board will endeavor to maintain a minimum unassigned General Fund balance of 30% of the annual budget.

Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in fiscal year 2021.

Estimates

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

Note 2 - Deposits and Investments

Deposits

In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the District's School Board. All such depositories are members of the Federal Reserve System.

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

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

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

At June 30, 2021, all deposits were insured or collateralized by securities held by the Districts' agent in the District's name.

Investments

Minnesota Statutes authorize the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, bankers' acceptances, certain repurchase agreements and commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record. The District had no such investments during the year or at year end.

The investment in the Minnesota School District Liquid Asset Fund is not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement No. 40.

Interest Rate Risk – This is the risk that market value of securities will fall due to the changes in market interest rates. The District's investment policy states the District should manage their interest rates in a manner to attain a market rate of return through various economic and budget cycles and taking into account constraints on risk and cash flow requirements.

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. *Minnesota Statutes* 118A.04 and 118A.05 limit investments to those in the top two ratings issued by nationally recognized statistical rating organizations. The District's investment policy requires their investments be rated as required by *Minnesota Statutes* 118A.04.

Concentration of Credit Risk – This is the risk of loss attributed to the magnitude of an investment in a single issuer. The District's investment policy states the District shall diversify its investments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, or maturities.

Custodial Credit Risk – For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy does not address custodial credit risk for investments.

The following table presents the District's deposit and investment balances at June 30, 2021:

		Investment Maturities (in Years)		
Type	Fair Value	N/A	< 1	1 - 5
Cash and investments				
Minnesota School District Liquid Asset Fund	$ 17,189,019	$ 17,189,019	$ -	$ -
Deposits	914,138	914,138	-	-
Money market	5,696,169	5,696,169	-	-
Certificates of deposit	2,736,318	-	1,620,963	1,115,355
	$ 26,535,644	$ 23,799,326	$ 1,620,963	$ 1,115,355

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

Cash and Investments - Statement of Net Deficit	$ 26,442,268
Cash and Investments - Statement of Fiduciary Net Position	93,376
	$ 26,535,644

The Minnesota School District Liquid Asset Fund is an external investment pool not registered with the Securities and Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The fair value of the position in the pool is the same as the value of the pool's shares.

Note 3 - Due from Other Governmental Units

Amounts receivable from other governments as of June 30, 2021, include:

Fund	Federal	State	Other	Total
Major Funds				
General	$ 2,222,280	$ 3,498,150	$ 350	$ 5,720,780
Debt service	-	13,018	-	13,018
Non-Major Funds	320,926	49,219	4,861	375,006
	$ 2,543,206	$ 3,560,387	$ 5,211	$ 6,108,804

Note 4 - Capital Assets

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

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Capital Assets Not Being Depreciated:				
Land	$ 720,909	$ -	-	$ 720,909
Construction in progress	27,202,361	24,332,002	-	51,534,363
Total capital assets, not being depreciated	27,923,270	24,332,002	-	52,255,272
Capital Assets Being Depreciated				
Buildings	30,767,315	-	255,755	30,511,560
Improvements	5,290,933	23,809	620,245	4,694,497
Vehicles	1,021,559	43,400	185,275	879,684
Equipment	3,935,841	132,017	179,401	3,888,457
Total capital assets being depreciated	41,015,648	199,226	1,240,676	39,974,198
Less Accumulated Depreciation for:				
Buildings	17,375,038	559,216	106,765	17,827,489
Improvements	1,649,691	212,660	480,027	1,382,324
Vehicles	617,281	59,647	185,275	491,653
Equipment	2,014,176	208,253	141,302	2,081,127
Total accumulated depreciation	21,656,186	1,039,776	913,369	21,782,593
Net capital assets, depreciated	19,359,462	(840,550)	327,307	18,191,605
Total capital assets, net	$ 47,282,732	$ 23,491,452	$ 327,307	$ 70,446,877

Depreciation expense for the year ended June 30, 2021 was charged to the following functions/programs:

District support services	$ 2,598
Regular instruction	10,363
Vocational instruction	3,909
Special education instruction	12,524
Instructional support services	4,762
Pupil support services	57,681
Sites and buildings	947,939
Total depreciation expense	$ 1,039,776

Note 5 - Long-Term Liabilities

Changes in long-term liabilities during the year ended June 30, 2021 are as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Due Within One Year
Bonds Payable	$ 54,335,000	$ -	$ 1,650,000	$ 52,685,000	$ 1,730,000
Unamortized Premium on bond issuance	2,992,235	-	165,129	2,827,106	165,129
Compensated Absences and severance payable	133,212	348,255	357,994	123,473	113,980
	$ 57,460,447	$ 348,255	$ 2,173,123	$ 55,635,579	$ 2,009,109

Following is a summary of bonds payable as of June 30, 2021:

Bond Description	Final	Interest Rate	Original 12/31/2022	Outstanding Balance
General Obligation Abatement Bonds Series 2018A	2/33	3.00%	$ 4,725,000	$ 4,165,000
General Obligation School Building Bonds, Series 2019A	2/39	3.00% - 5.00%	47,445,000	44,580,000
General Obligation Facilities Maintenance Bonds, Series 2020A	2/35	2.00% - 4.00%	3,940,000	3,940,000
				$ 52,685,000

Bonds payable – This amount consists of various bond instruments issued by the District to finance operations and construction of new facilities. These expenses are paid out of the debt service fund.

Compensated absences and severance payable – This amount consists of unused vacation and severance as discussed in Note 1. These expenses are paid out of the general fund.

Remaining principal and interest payments on long-term debt are as follows:

Years Ending June 30,	Bonds Payable Principal	Bonds Payable Interest
2022	$ 1,730,000	$ 1,968,681
2023	1,955,000	1,888,081
2024	2,325,000	1,796,431
2025	2,425,000	1,694,781
2026	2,540,000	1,582,781
2027-2031	14,070,000	6,111,707
2032-2036	17,140,000	3,488,507
2037-2039	10,500,000	730,069
	$ 52,685,000	$ 19,261,038

Note 6 - Other Postemployment Benefits

A. Plan Description

All employees are allowed upon meeting the eligibility requirements under Minn. Stat. 471.61 subd, 2b, to participate in the District's health insurance plan after retirement. This is a single-employer defined benefit plan and covers active and retired employees. Benefit provisions are established through negotiations between the District and the union representing District employees and are renegotiated at the end of each contract period. A separately issued report is not available.

B. Benefits Provided

The contract groups have access to other post-retirement benefits of blended medical premiums of $591 for single and $1,577 for family coverage. The implicit rate subsidy is only until Medicare eligibility. There are no subsidized post-employment benefits toward medical, dental or life insurance, except for two participants with special agreements to receive a lump sum paid into a Health Care Savings Plan (HCSP) upon retirement.

C. Employees Covered by Benefit Terms

At the valuation date of July 1, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	25
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	345
	370

D. Net OPEB Liability

The District's net OPEB liability of $1,727,167 was measured as of July 1, 2020, and was determined by an actuarial valuation as of July 1, 2019.

E. Actuarial Assumptions and Other Inputs

The net OPEB liability as of the July 1, 2019, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent	
Salary increases	Service graded table, based on age and years of service	
Discount rate	2.40 percent	
Healthcare cost trend rates	6.25 percent as of July 1, 2020, grading to 5.00 percent over 5 years	
Retiree plan participation	Future retirees electing coverage:	
	-Pre-65 subsidy available	100%
	-Pre-65 subsidy not available	50%
Percent of married retirees electing spouse coverage	15%	

Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-Year Municipal Bond Yield.

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

The actuarial assumptions used in the July 1, 2019, valuation were based on inputs from a variety of published sources of historical and projected future financial data.

The following changes in plan provisions were made for the year ending June 30, 2021:

- Two additional participants have special agreements to receive a lump sum paid into a Health Care Savings Plan (HCSP) upon retirement.

The following changes in assumptions were made for the year ending June 30, 2021:

- The discount rate was changed from 3.10% to 2.40%.

F. Changes in the Net OPEB Liability

Balance at July 1, 2020	$ 1,616,995
Changes from the Prior Year:	
Service Cost	131,982
Interest Cost	51,788
Assumption changes	47,558
Plan changes	36,836
Benefit Payments	(157,992)
Net Change	110,172
Balance at June 30, 2021	$ 1,727,167

G. Sensitivity of the Net OPEB Liability to Changes in Discount Rate and the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate 1 percentage point lower and 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Discount rate	1.40%	2.40%	3.40%
Net OPEB Liability	$ 1,817,878	$ 1,727,167	$ 1,638,820

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a healthcare cost trend rate 1 percentage point lower and 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease in Healthcare Trend Rate	Selected Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Medical trend rate	5.25%, decreasing to 4.00% over 5 years	6.25%, decreasing to 5.00% over 5 years	7.25%, decreasing to 6.00% over 5 years
Net OPEB Liability	$ 1,566,205	$ 1,727,167	$ 1,916,255

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

For the year ended June 30, 2021, the District recognized OPEB expense of $200,245. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability Gains	$ -	$ 113,592
Assumption Changes	40,764	22,178
Employer Contributions Made After the Measurement Date	155,468	-
	$ 196,232	$ 135,770

The $155,468 reported as deferred outflows of resources related to OPEB resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,	OPEB Expense Amount
2022	$ (20,361)
2023	(20,361)
2024	(20,361)
2025	(20,361)
2026	(20,356)
Thereafter	6,794

Note 7 - Defined Benefit Pension Plans

Substantially all employees of the District are required by state law to belong to defined benefit, multi-employer, cost-sharing pension plans administered by the Public Employees' Retirement Association (PERA) or the Teachers' Retirement Association (TRA), all of which are administered on a state-wide basis.

For the year ended June 30, 2021 the District reported its proportionate share of net pension assets , net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense (income) for each of the plans as follows:

	Deferred Outflows of Resources	Net Pension Liability	Deferred Inflows of Resources	Pension Expense (Income)
PERA	$ 539,903	$ 4,562,543	$ 348,472	$ 366,466
TRA	10,815,656	22,548,585	19,807,968	173,116
Total all plans	$ 11,355,559	$ 27,111,128	$ 20,156,440	$ 539,582

Disclosures relating to these plans are as follows:

Public Employees Retirement Association (PERA)

A. Plan Description

The District participates in the General Employees Retirement Plan, a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (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.

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

B. Benefits Provided

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

General Employees Plan benefits 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 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

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

C. Contribution Rate

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

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2021 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2021, were $405,851. The District's contributions were equal to the required contributions for the year as set by state statute.

D. Pension Costs

At June 30, 2021, the District reported a liability of $4,562,543 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 $140,778. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0761 percent at the end of the measurement period and 0.0789 percent for the beginning of the period.

District's proportionate share of net pension liability	$	4,562,543
State of Minnesota's proportionate share of the net pension liability associated with the District		140,778
Total	$	4,703,321

For the year ended June 30, 2021, the District recognized pension expense of $366,466 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized $12,253 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 the 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 economic experience	$ 43,107	$ 17,263
Changes in actuarial assumptions	-	172,013
Net collective difference between projected and actual investment earnings	63,207	-
Changes in proportion	27,738	159,196
Contributions paid to PERA subsequent to the measurement date	405,851	-
Total	$ 539,903	$ 348,472

The $405,851 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 deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,	Pension Expense Amount
2022	$ (341,907)
2023	(31,038)
2024	48,293
2025	110,232

E. Actuarial Assumptions

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

Inflation	2.25% per year
Active Member Payroll Growth	3.00% per year
Investment Rate of Return	7.50% per year

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 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 percent per year for the General Employees 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 for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation.

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

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.

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 Allocations	Long-Term Expected Real Rate of Return
Domestic Stocks	35.50%	5.10%
International Stocks	17.50%	5.30%
Bonds (Fixed Income)	20.00%	0.75%
Alternative Assets (Private Markets)	25.00%	5.90%
Cash	2.00%	0.00%
	100.0%	

F. 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 Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

The following presents the District's proportionate share of the net pension liability for the plan 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

	General Employees Fund	
1% Lower	6.50%	$ 7,312,174
Current Discount Rate	7.50%	$ 4,562,543
1% Higher	8.50%	$ 2,294,318

H. Pension Plan Fiduciary Net Position

Detailed information about the 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.

Teachers Retirement Association (TRA)

A. Plan Descriptions

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 schools, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members (except those employed by St. Paul 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 Minnesota State.

B. 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 benefits as described.

Tier I Benefits.

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

With these provisions:

1. Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
2. 3 percent per year early retirement reduction factor for all years under normal retirement age.
3. 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 percent per year for coordinated members and 2.7 percent per year for basic members is applied. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for coordinated members and 2.7 percent per year 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 benefit calculation with a normal retirement age that is their retirement age for full Social Security retirement benefits, but not to exceed age 66.

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

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

C. Contribution Rate

Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year ending 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	11.00%	11.71%	11.00%	11.92%	11.00%	12.13%
Coordinated	7.50%	7.71%	7.50%	7.92%	7.50%	8.13%

The following is a reconciliation of employer contributions in TRA's fiscal year 2020 Comprehensive Annual Financial Report "Statement of Changes in Fiduciary Net Position" to the employer contributions used in Schedule of Employer and Non-Employer Pension Allocations.

Employer contributions reported in TRA's Comprehensive Annual Financial Report, Statement of Changes in Fiduciary Net Position	$ 425,223,000
Add employer contributions not related to future contribution efforts	(56,000)
Deduct TRA's contributions not included in allocation	(508,000)
Total employer contributions	424,659,000
Total non-employer contributions	35,587,000
Total contributions reported in *Schedule of Employer and Non-Employer Allocations*	$ 460,246,000

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.

D. 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.

Actuarial Information	
Valuation Date	June 30, 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 assumptions	
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 adjustment.

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 Allocations	Long-Term Expected Real Rate of Return
Domestic Equity	35.50%	5.10%
International Equity	17.50%	5.30%
Private Markets	25.00%	5.90%
Fixed Income	20.00%	0.75%
Unallocated Cash	2.00%	0.00%
	100.0%	

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

Changes in actuarial assumptions since the 2018 valuation

- 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 five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% 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.

E. 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).

F. Net Pension Liability

At June 30, 2021, the District reported a liability of $22,548,585 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. The District's proportionate share was 0.3052 percent at the end of the measurement period and 0.3071 percent 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	$ 22,548,585
State's proportionate share of the net pension liability associated with the district	$ 1,889,770

For the year ended June 30, 2021, the District recognized pension expense of $2,212,262. It also recognized $173,116 as an increase to pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 452,190	$ 341,771
Changes in actuarial assumptions	7,603,714	19,135,822
Difference between projected and actual investment earnings	344,924	-
Change in proportion and differences between contributions made and District's proportionate share of contributions	916,507	330,375
District's contributions to TRA subsequent to the measurement date	1,498,321	-
Total	$ 10,815,656	$ 19,807,968

The $1,498,321 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 and inflows of resources related to TRA pensions will be recognized in pension expense as follows:

Years Ended June 30,	Pension Expense Amount
2022	$ 229,240
2023	(6,563,114)
2024	(4,651,017)
2025	432,561
2026	61,697

G. Net Pension Liability

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50% as well what 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.

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
TRA discount rate	6.50%	7.50%	8.50%
District's proportionate share of the TRA net pension liability	$ 34,521,645	$ 22,548,585	$ 12,683,389

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

H. Pension Plan Fiduciary Net Position

Detailed information about TRA'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, and St. Paul, MN, 55103-4000; or by calling (651)-296-2409 or (800)-657-3669.

Note 8 - Interfund Receivables and Payables

Interfund balances are to accrue obligations between funds. Balances at June 30, 2021 are as follows:

	Due From Other Funds	Due To Other Funds
Food Service	$ 604	$ -
General	-	604
	$ 604	$ 604

Note 9 - Fund Balance

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

The following is a summary of fund balances as of June 30, 2021:

	General	Debt Service	Capital Projects	Other Government Funds	Totals
Nonspendable					
Prepaid items	$ 17,634	$ -	$ -	$ -	$ 17,634
Inventories	42,849	-	-	81,927	124,776
Total nonspendable	60,483	-	-	81,927	142,410
Restricted					
Student activities	244,303	-	-	-	244,303
Staff development	744,585	-	-	-	744,585
Operating capital	1,518,557	-	-	-	1,518,557
Gifted & talented	66,976	-	-	-	66,976
Safe school - crime levy	233,834	-	-	-	233,834
Medical assistance	1,600,760	-	-	-	1,600,760
Building construction	-		6,648,027	-	6,648,027
Debt service	-	434,388	-	-	434,388
Food service	-	-	-	997,226	997,226
Community education	-	-	-	155,370	155,370
Early childhood and family education	-	-	-	73,033	73,033
School readiness	-	-	-	184,467	184,467
Adult basic education	-	-	-	65,044	65,044
Community service	-	-	-	9,073	9,073
Total restricted	4,409,015	434,388	6,648,027	1,484,213	12,975,643
Committed					
Separation/retirement benefit	2,619,415	-	-	-	2,619,415
Assigned					
Construction	2,364,446	-	-	-	2,364,446
Unassigned	5,113,867	-	-	-	5,113,867
Total fund balance	$ 14,567,226	$ 434,388	$ 6,648,027	$ 1,566,140	$ 23,215,781

The UFARS fund balance reporting standards are slightly different than the reporting standards under GASB 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. Below is reconciliation between the fund balance reporting under GASB 54 and UFARS reporting standards:

	GASB Balance	Reconciling Items	UFARS Balance
Nonspendable			
Prepaid items	$ 17,634	$ -	$ 17,634
Inventories	124,776	-	124,776
Total nonspendable	142,410	-	142,410
Restricted			
Student activities	244,303	-	244,303
Staff development	744,585	-	744,585
Operating capital	1,518,557	-	1,518,557
Gifted & talented	66,976	-	66,976
Safe school - crime levy	233,834	-	233,834
LT facilities maintenance	-	(1,222,336)	(1,222,336)
Medical assistance	1,600,760	-	1,600,760
Building construction	6,648,027	-	6,648,027
Debt service	434,388	-	434,388
Food service	997,226	-	997,226
Community education	155,370	-	155,370
Early childhood and family education	73,033	-	73,033
School readiness	184,467	-	184,467
Adult basic education	65,044	-	65,044
Community service	9,073	-	9,073
Total restricted	12,975,643	(1,222,336)	11,753,307
Committed			
Separation/retirement benefits	2,619,415	-	2,619,415
Assigned			
Construction	2,364,446	-	2,364,446
Unassigned	5,113,867	1,222,336	6,336,203
Total fund balance	$ 23,215,781	$ -	$ 23,215,781

Note 10 - Flexible Benefit Plan

The District has a flexible benefit plan which is classified as a "cafeteria plan" (the Plan) under section 125 of the Internal Revenue Code. All employee groups of the District are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Eligible employees can elect to participate by contributing pre-tax dollars withheld from payroll checks to the Plan for healthcare and dependent care benefits.

Before the beginning of the Plan year, which is from September 1 to August 31, each participant designates a total amount of pre-tax dollars to be contributed to the Plan during the year. At June 30, the District is contingently liable for claims against the total amount of participants' annual contributions to the medical reimbursement portion of the Plan, whether or not such contributions have been made.

Payment of insurance premiums (health, dental, life, and disability) are made by the District directly to the designated insurance companies. These payments are made on a monthly basis and are accounted for in the General Fund and special revenue funds.

Amounts withheld for medical reimbursement and dependent care are paid by the District to an outside administrator upon an employee submitting a request for reimbursement. Payments are made by the outside administrator to participating employees upon submitting a request for reimbursement of eligible expenses actually incurred by the employee.

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

Note 11 - Employee Benefit Plan 403(b)

All teachers are eligible to participate in the matching 403(b) program. The maximum amount of the Elective Deferral under the Plan for any calendar year shall not exceed the lesser of (a) $18,500 or (b) the Participant's Includible Compensation. Includible Compensation means an Employee's actual wages in box 1 of Form W-2 for a year for services to the employer, but subject to a maximum of $230,000 (or such higher maximum as may apply under Section 401(a)(17) of the Code and increased (up to the dollar maximum) by a compensation reduction election under Section 125, 132(f), 401(k), 403(b) or 457(b) of the Code). The amount of Includible Compensation is determined without regard to any community property laws. Employer contributions for the years ending June 30, 2021, June 30, 2020, and June 30, 2019 totaled $268,659, $242,118, and $239,954, respectively.

Note 12 - Commitments and Contingencies

Federal Revenue

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

Contingencies

The District has the usual and customary legal claims pending at year-end. Although the outcomes of these lawsuits are not presently determinable, the District believes that the resolution of these matters will not have a material adverse effect on its financial position.

Construction Commitment

The District had construction commitments during the year ended June 30, 2021 for the following projects: Roosevelt renovation and addition; Rossman addition, Middle School renovation, High School renovation and additions, and greenhouse. The total amount of these contracts committed as of June 30, 2021 is approximately $62,120,000, with the work completed on these projects as of June 30, 2021 totaling $51,534,363. These projects are expected to be completed over the course of fiscal year 2022 and 2023.

Operating Lease

The District is obligated under certain leases accounted for as operating leases. These leases are generally cancelable on an annual basis by the District. Operating leases do not give rise to property rights or lease obligations and, therefore, the results of the lease agreements are not reflected as a liability in the Districts financial statements. The District has several operating leases for various purposes. Lease expense for all leases of the District for the current year was $309,095.

The following is a summary of future operating lease payments:

Years Ending June 30,	Payment
2022	$ 312,065
2023	309,085
2024	187,079
2025	154,762
	$ 962,991

Required Supplementary Information
June 30, 2021

Independent School District No. 22
Detroit Lakes Public Schools

Schedule of Changes in the District's Total OPEB Liability and Related Ratios, Last 10 Fiscal Years *

	2021	2020	2019	2018
Service cost	$ 131,982	$ 115,027	$ 116,805	$ 113,403
Interest cost	51,788	62,549	61,834	61,615
Assumption changes	47,558	(31,050)	-	-
Plan changes	36,836	(21,274)	-	-
Diff. between expected and actual experience	-	(159,030)	-	-
Benefit Payments	(157,992)	(146,527)	(164,966)	(178,919)
Net change in total OPEB liability	110,172	(180,305)	13,673	(3,901)
Total OPEB liability - beginning	1,616,995	1,797,300	1,783,627	1,787,528
Total OPEB liability - ending	$ 1,727,167	$ 1,616,995	$ 1,797,300	$ 1,783,627
Covered payroll	$19,050,262	$18,495,400	$18,238,706	$17,707,482
District's net OPEB liability as a percentage of covered payroll	9.07%	8.74%	9.85%	10.07%

*GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Notes to the Schedule of Changes in the District's Total OPEB Liability and Related Ratios

- No assets are accumulated in a trust that meets the criteria in paragraph .101 of GASB Statement No. 75.

Schedule of Employer's Share of Net Pension Liability
Last 10 Fiscal Years*

Pension Plan	Measurement Date	Employer's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated With District (b)	Total (d) (a+b)	Employer's Covered Payroll (e)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/e)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
PERA	6/30/2020	0.0761%	$ 4,562,543	$ 140,778	$ 4,703,321	$ 5,097,747	89.5%	79.1%
PERA	6/30/2019	0.0789%	$ 4,362,204	$ 135,494	$ 4,497,698	$ 5,147,240	84.7%	80.2%
PERA	6/30/2018	0.0779%	$ 4,321,573	$ 141,834	$ 4,463,407	$ 5,372,293	80.4%	79.5%
PERA	6/30/2017	0.0806%	$ 5,145,451	$ 64,700	$ 5,210,151	$ 5,192,453	99.1%	75.9%
PERA	6/30/2016	0.0780%	$ 6,333,213	$ 82,695	$ 6,415,908	$ 4,837,587	130.9%	68.9%
PERA	6/30/2015	0.0803%	$ 4,161,563	N/A	$ 4,161,563	$ 4,638,933	89.7%	78.2%
PERA	6/30/2014	0.0841%	$ 3,950,597	N/A	$ 3,950,597	12/31/2022	89.5%	78.8%
TRA	6/30/2020	0.3052%	$ 22,548,585	$ 1,889,770	$ 24,438,355	$ 17,735,833	127.1%	75.5%
TRA	6/30/2019	0.3071%	$ 19,574,618	$ 1,732,412	$ 21,307,030	$ 17,435,383	112.3%	78.1%
TRA	6/30/2018	0.3098%	$ 19,458,340	$ 1,828,135	$ 21,286,475	$ 17,178,227	113.3%	78.1%
TRA	6/30/2017	0.3029%	$ 68,464,335	$ 5,845,239	$ 74,309,574	$ 16,308,080	419.8%	51.6%
TRA	6/30/2016	0.2868%	$ 68,408,643	$ 6,866,720	$ 75,275,363	$ 14,917,907	458.6%	44.9%
TRA	6/30/2015	0.2849%	$ 17,623,883	$ 2,161,428	$ 19,785,311	$ 14,457,520	121.9%	76.8%
TRA	6/30/2014	0.3018%	$ 13,906,727	$ 978,225	$ 14,884,952	$ 13,775,757	101.0%	81.5%

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Schedule of Employer's Contributions
Last 10 Fiscal Years*

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered-Payroll (d)	Contributions as a Percentage of Covered-Payroll (b/d)
PERA	6/30/2021	$ 405,851	$ 405,851	$ -	$ 5,411,347	7.5%
PERA	6/30/2020	$ 382,331	$ 382,331	$ -	$ 5,097,747	7.5%
PERA	6/30/2019	$ 386,043	$ 386,043	$ -	$ 5,147,240	7.5%
PERA	6/30/2018	$ 402,922	$ 402,922	$ -	$ 5,372,293	7.5%
PERA	6/30/2017	$ 389,434	$ 389,434	$ -	$ 5,192,453	7.5%
PERA	6/30/2016	$ 362,819	$ 362,819	$ -	$ 4,837,587	7.5%
PERA	6/30/2015	$ 347,920	$ 347,920	$ -	$ 4,638,933	7.5%
PERA	6/30/2014	$ 320,182	$ 320,182	$ -	$ 4,269,093	7.3%
TRA	6/30/2021	$ 1,498,321	$ 1,498,321	$ -	$ 18,429,533	8.1%
TRA	6/30/2020	$ 1,404,678	$ 1,404,678	$ -	$ 17,735,833	7.9%
TRA	6/30/2019	$ 1,344,268	$ 1,344,268	$ -	$ 17,435,383	7.7%
TRA	6/30/2018	$ 1,288,367	$ 1,288,367	$ -	$ 17,178,227	7.5%
TRA	6/30/2017	$ 1,223,106	$ 1,223,106	$ -	$ 16,308,080	7.5%
TRA	6/30/2016	$ 1,118,843	$ 1,118,843	$ -	$ 14,917,907	7.5%
TRA	6/30/2015	$ 1,084,314	$ 1,084,314	$ -	$ 14,457,520	7.5%
TRA	6/30/2014	$ 964,303	$ 964,303	$ -	$ 12,857,373	7.0%

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions

PERA
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 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

- The combined service annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA load are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

Changes in Plan Provisions

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

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

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

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 increase the fiduciary plan net position by $892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of $6.0 million, which meets the special funding situation definition, was due September 2015.

TRA

2020 Changes

Changes in Actuarial Assumptions

- 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 five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% 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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019 Changes

Changes in Actuarial Assumptions

- 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 five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% 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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018 Changes

Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 8.0%.
- The cost of living adjustment (COLA) was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2017 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016 Changes

Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 8.0%.
- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- The price inflation assumption was lowered from 3% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.

- The post-retirement mortality assumption was changed to the RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP 2015 scale.
- The post-disability mortality assumption was changed to the RP 2014 disabled retiree mortality table, without adjustment.
- Augmentation in the early retirement reduction factors is phased out o Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes of Benefit Terms

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

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- None

PERA's Comprehensive Annual Financial Report may be obtained on the PERA's website at www.mnpera.org for notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions.

Additional financial and actuarial information can be found in TRA's GASB 67-68 report. Both reports can be obtained at https://minnesotatra.org.

Combining and Individual Fund Schedules
June 30, 2021

Independent School District No. 22
Detroit Lakes Public Schools

	Fund Balance (Deficit), Beginning of Year	Net Change in Fund Balance	Fund Balance (Deficit), End of Year
Nonspendable	$ 97,746	$ (37,263)	$ 60,483
Restricted for Student Activities	212,693	31,610	244,303
Restricted for Staff Development	602,719	141,866	744,585
Restricted for Operating Capital	1,253,634	264,923	1,518,557
Restricted for Gifted and Talented	31,029	35,947	66,976
Restricted for Safe School - Crime Levy	208,712	25,122	233,834
Restricted for Long-Term Facilities Maintenance	(2,158,069)	935,733	(1,222,336)
Restricted for Medical Assistance	1,561,067	39,693	1,600,760
Committed for Separation/Retirement Benefits	2,558,467	60,948	2,619,415
Assigned for Construction	2,383,837	(19,391)	2,364,446
Assigned for Needy Children	44,465	(44,465)	-
Unassigned	5,975,198	361,005	6,336,203
	$ 12,771,498	$ 1,795,728	$ 14,567,226

Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2021

	Food Service	Community Service	Totals
Assets			
Cash and investments	$ 809,004	$ 564,922	$ 1,373,926
Receivables			
Current property taxes	-	90,651	90,651
Delinquent property taxes	-	2,136	2,136
Accounts	4,055	10,591	14,646
Due from other governmental units	312,292	62,714	375,006
Due from other funds	604	-	604
Inventories	81,927	-	81,927
Total assets	$ 1,207,882	$ 731,014	$ 1,938,896
Liabilities			
Accounts payable	$ 37,289	$ 2,469	$ 39,758
Due to other governmental units	-	377	377
Salaries payable	23,620	26,918	50,538
Unearned revenue	67,820	-	67,820
Total liabilities	128,729	29,764	158,493
Deferred Inflows of Resources			
Unavailable revenue-delinquent property taxes	-	2,137	2,137
Property taxes levied for subsequent year	-	212,126	212,126
Total deferred inflows of resources	-	214,263	214,263
Fund Balance			
Nonspendable	81,927	-	81,927
Restricted	997,226	486,987	1,484,213
Total fund balance	1,079,153	486,987	1,566,140
Total liabilities, deferred inflows of resources, and fund balance	$ 1,207,882	$ 731,014	$ 1,938,896

	Food Service	Community Service	Totals
Revenues			
Local property tax levies	$ -	$ 208,464	$ 208,464
Other local and county sources	7,548	443,043	450,591
State sources	6,465	541,013	547,478
Federal sources	1,848,686	14,687	1,863,373
Sales and other conversion of assets	119,415	-	119,415
Total revenues	1,982,114	1,207,207	3,189,321
Expenditures			
Community education and service	-	1,107,782	1,107,782
Pupil support services	1,602,489	-	1,602,489
Total expenditures	1,602,489	1,107,782	2,710,271
Excess of Revenues over Expenditures	379,625	99,425	479,050
Other Financing Sources			
Sale of property and equipment	2,478	-	2,478
Net Change in Fund Balance	382,103	99,425	481,528
Fund Balance, Beginning of Year	697,050	387,562	1,084,612
Fund Balance, End of Year	$ 1,079,153	$ 486,987	$ 1,566,140

Other Supplementary Information
June 30, 2021

Independent School District No. 22
Detroit Lakes Public Schools

Fiscal Compliance Report - 6/30/2021

District: DETROIT LAKES (22-1)

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01 GENERAL FUND

	Audit	UFARS	Audit - UFARS
Total Revenue	$39,444,346	$39,444,346	$0
Total Expenditures	$37,680,028	$37,680,037	($9)
Non Spendable:			
4.60 Non Spendable Fund Balance	$60,483	$60,483	$0
Restricted / Reserved:			
4.01 Student Activities	$244,303	$244,303	$0
4.02 Scholarships	$0	$0	$0
4.03 Staff Development	$744,585	$744,585	$0
4.07 Capital Projects Levy	$0	$0	$0
4.08 Cooperative Revenue	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.14 Operating Debt	$0	$0	$0
4.16 Levy Reduction	$0	$0	$0
4.17 Taconite Building Maint	$0	$0	$0
4.24 Operating Capital	$1,518,557	$1,518,557	$0
4.26 $25 Taconite	$0	$0	$0
4.27 Disabled Accessibility	$0	$0	$0
4.28 Learning & Development	$0	$0	$0
4.34 Area Learning Center	$0	$0	$0
4.35 Contracted Alt. Programs	$0	$0	$0
4.36 State Approved Alt. Program	$0	$0	$0
4.38 Gifted & Talented	$66,976	$66,976	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.41 Basic Skills Programs	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.49 Safe School Crime - Crime Levy	$233,834	$233,834	$0
4.51 QZAB Payments	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.53 Unfunded Sev & Retiremt Levy	$0	$0	$0
4.59 Basic Skills Extended Time	$0	$0	$0
4.67 LTFM	($1,222,336)	($1,222,336)	$0
4.72 Medical Assistance	$1,600,760	$1,600,760	$0
4.73 PPP Loan	$0	$0	$0
4.74 EIDL Loan	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
4.75 Title VII Impact Aid	$0	$0	$0
4.76 Payments in Lieu of Taxes	$0	$0	$0
Committed:			
4.18 Committed for Separation	$2,619,415	$2,619,414	$1
4.61 Committed Fund Balance	$0	$0	$0
Assigned:			
4.62 Assigned Fund Balance	$2,364,446	$2,364,446	$0
Unassigned:			
4.22 Unassigned Fund Balance	$6,336,201	$6,336,201	$0

06 BUILDING CONSTRUCTION

	Audit	UFARS	Audit - UFARS
Total Revenue	$381,320	$381,318	$2
Total Expenditures	$24,548,955	$24,548,950	$5
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.07 Capital Projects Levy	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$6,648,027	$6,648,029	($2)
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

07 DEBT SERVICE

	Audit	UFARS	Audit - UFARS
Total Revenue	$3,803,398	$3,803,398	$0
Total Expenditures	$3,682,202	$3,682,201	$1
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.25 Bond Refundings	$0	$0	$0
4.33 Maximum Effort Loan Aid	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$434,388	$434,388	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

08 TRUST

	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Restricted / Reserved:			
4.01 Student Activities	$0	$0	$0
4.02 Scholarships	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

18 CUSTODIAL

	Audit	UFARS	Audit - UFARS
Total Revenue	$189,744	$189,744	$0
Total Expenditures	$183,607	$183,609	($2)
Restricted / Reserved:			
4.01 Student Activities	$0	$0	$0
4.02 Scholarships	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.64 Restricted Fund Balance	$92,531	$92,531	$0

20 INTERNAL SERVICE

02 FOOD SERVICES

Total Revenue	$1,982,114	$1,982,114	$0
Total Expenditures	$1,602,489	$1,602,488	$1
Non Spendable:			
4.60 Non Spendable Fund Balance	$81,927	$81,927	$0
Restricted / Reserved:			
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.74 EIDL Loan	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$997,226	$997,225	$1
Unassigned:			
4.63 Unassigned Fund Balancee	$0	$0	$0

04 COMMUNITY SERVICE

Total Revenue	$1,207,207	$1,207,211	($4)
Total Expenditures	$1,107,782	$1,107,784	($2)
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.26 $25 Taconite	$0	$0	$0
4.31 Community Education	$155,370	$155,370	$0
4.32 E.C.F.E	$73,033	$73,033	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.44 School Readiness	$184,467	$184,467	$0
4.47 Adult Basic Education	$65,044	$65,044	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.73 PPP Loan	$0	$0	$0
4.74 EIDL Loan	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$9,073	$9,074	($1)
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

25 OPEB REVOCABLE TRUST

Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

45 OPEB IRREVOCABLE TRUST

Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

47 OPEB DEBT SERVICE

Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted:			
4.25 Bond Refundings	$0	$0	$0
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures		
Department of Agriculture					
Passed through Minnesota Department of Education					
Child Nutrition Cluster					
Non-Cash Assistance (Commodities):					
National School Lunch Program (Commodities)	10.555	0022-01-000 FIN 701	$ 123,615		
Cash Assistance:					
National School Lunch Program	10.555	0022-01-000 FIN 701	4,697		
Summer Food Service Program for Children	10.559	0022-01-000 FIN 709	1,594,441		
Total Child Nutrition Cluster				$ 1,722,753	
Total Department of Agriculture					$ 1,722,753
Department of the Treasury					
Passed through Minnesota Department of Education					
COVID19 - Coronavirus Relief Fund	21.019	0022-01-000 FIN 154			807,245
Department of Education					
Direct					
Indian Education Grants to Local Educational Agencies	84.060	N/A		141,085	
Passed through Minnesota Department of Education					
Adult Education - Basic Grants to States	84.002	0022-01-000 FIN 438		11,134	
Title I Grants to Local Educational Agencies	84.010	0022-01-000 FIN 401		538,781	
Special Education Cluster (IDEA)					
Special Education Grants to States	84.027	0022-01-000 FIN 419	478,783		
Special Education - Coordinated Early Learning Intervening Services (CEIS)	84.027A	0022-01-000 FIN 425	81,979		
Special Education Preschool Grants	84.173	0022-01-000 FIN 420	30,042		
Total Special Education Cluster (IDEA)				590,804	
Special Education - Grants for Infants and Families	84.181	0022-01-000 FIN 422		35,680	
Supporting Effective Instruction State Grants	84.367	0022-01-000 FIN 414		81,273	
Student Support and Academic Enrichment Program	84.424	0022-01-000 FIN 424		24,272	
COVID19 - Education Stabilization Fund (ESSER I)	84.425D	0022-01-000 FIN 151	455,644		
COVID19 - Education Stabilization Fund (ESSER II)	84.425D	0022-01-000 FIN 155	498,115		
COVID19 - Education Stabilization Fund (GEER)	84.425C	0022-01-000 FIN 153	122,910		
COVID19 - Education Stabilization Fund (Summer Learning)	84.425C	0022-01-000 FIN 162	110,042		
Total CFDA 84.425				1,186,711	
Total Department of Education					2,609,740
Total Federal Financial Assistance					$ 5,139,738

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of the District under programs of the federal government for the year ended June 30, 2021. The information is presented in accordance with the 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). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position/fund balance of the District.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Note 3 - Indirect Cost Rate

The District has not elected to use the 10% de minimis cost rate.

Note 4 - Food Distribution

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2021, the District had food commodities totaling $81,927 in inventory.

Additional Reports
June 30, 2021

Independent School District No. 22
Detroit Lakes Public Schools

CPAs & BUSINESS ADVISORS

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 School Board of
Independent School District No. 22
Detroit Lakes Public Schools
Detroit Lakes, 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. 22, Detroit Lakes Public Schools (The District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 15, 2021.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2021-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2021-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

Eide Bailly LLP

Fargo, North Dakota
December 15, 2021

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

The School Board of
Independent School District No. 22
Detroit Lakes Public Schools
Detroit Lakes, Minnesota

Report on Compliance for Each Major Federal Program

We have audited the District'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 the District's major federal programs for the year ended June 30, 2021. The District's major federal programs are identified in the summary of 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 the compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal* Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on each major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program
In our opinion, the District 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 the District 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 the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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.

Eide Bailly LLP

Fargo, North Dakota
December 15, 2021

Report on *Minnesota Legal Compliance*

The School Board of
Independent School District No. 22
Detroit Lakes Public Schools
Detroit Lakes, 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 as of Independent School District No. 22 Detroit Lakes Public Schools as of and for the year ended June 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated December 15, 2021.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards sections of the Minnesota Legal Compliance Audit Guide for School Districts, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, except as described in the accompanying schedule of findings and questioned costs as items 2021-003, 2021-004, 2021-005, and 2021-006. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

Eide Bailly LLP

Fargo, North Dakota
December 15, 2021

Section I – Summary of Auditor's Results

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

Identification of major programs:

Name of Federal Program	Federal Financial Assistance Listing/CFDA Number
COVID-19 Coronavirus Relief Fund	21.019
COVID-19 Education Stabilization Fund	84.425

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

2021-001 **Preparation of Financial Statements including Schedule of Expenditures of Federal Awards Material Weakness**

Condition - The District does not have an internal control system designed to provide for the preparation of the financial statements including schedule of expenditures of federal awards ("SEFA") being audited. The auditors were requested to, and did, draft the financial statements and accompanying notes to the financial statements, as well as the SEFA.

Criteria - A good system of internal accounting control contemplates an adequate system for internally preparing the District's financial statements and the SEFA.

Cause - The District does not have an internal control system designed to provide for the preparation of the financial statements and SEFA being audited.

Effect - The disclosures in the financial statements could be incomplete.

Recommendation - This circumstance is not unusual in a District of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

View of Responsible Officials - There is no disagreement with the audit finding.

2021-002 Segregation of Duties
Significant Deficiency

Condition – The District had a lack of segregation of duties due to a limited number of office employees.

Criteria – A good system of internal control requires an adequate segregation of duties so that no one individual has incompatible responsibilities. No one person should have more than one duty relating to the authorization (approval), custody of assets (check signers), record keeping, and reconciliation functions.

Effect – Inadequate segregation of duties could adversely affect the District's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

Cause – There are a limited number of office employees.

Recommendation – The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the District. Segregation of authorization, custody of assets, record keeping, and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements.

Views of Responsible Officials – There is no disagreement with the audit finding.

Section III –Federal Award Findings and Questioned Costs

None Reported

Section IV –Minnesota Legal Compliance Findings

2021-003 **Inactive Student Activity Funds**
Uniform Financial Accounting and Reporting Standards

Condition – During the course of our engagement, we noted instances where student activity accounts were inactive for more than one year without the advisor submitting a plan to the board indicating why the activity has been inactive and why it should not be discontinued.

Criteria– A good system of internal accounting control contemplates an adequate system for compliance with the Manual for Activity Fund Accounting (MAFA) guidelines of the proper use of student funds. Page 19 of the MAFA guidelines describes that any account with no activity for one year must be disposed unless the advisor has submitted a plan to the board indicating why the activity has been inactive and why it should not be terminated.

Effect – The District is not in compliance with the Manual for the Uniform Financial Accounting and Reporting Standards (UFARS) for Minnesota Schools and the MAFA.

Cause – The District does not have a policy to ensure they are following the UFARS manual.

Recommendation – The District should review the MAFA guidelines to determine when student activity accounts must be disposed.

Views of Responsible Officials – There is no disagreement with the audit finding.

2021-004 **Lack of Proper Approval of Student Activity Disbursements**
Uniform Financial Accounting and Reporting Standards Finding

Condition – During the course of our engagement, we noted a transaction that was not approved by the building principal (or his/her designee).

Criteria – A good system of internal accounting control contemplates an adequate system for compliance with the MAFA guidelines requiring that check requests for student activity disbursements must be approved by a student representative, the activity advisor, and the building principal (or his/her designee).

Effect – The finding could result in student activity funding being misused.

Cause – The District did not follow procedures for disbursements of student activity funds.

Recommendation – A thorough policy requiring the review of student activity check requests to ensure that all required signatures are present before disbursements are made.

Views of Responsible Officials – There is no disagreement with the audit finding.

2021-005 **Inadequate Documentation for Student Activity Funds Disbursement**
Uniform Financial Accounting and Reporting Standards

Condition – During the course of our engagement, we noted one instance where student activity funds were disbursed without supporting documentation.

Criteria – A good system of internal accounting control contemplates an adequate system for compliance with the Manual for Activity Fund Accounting (MAFA) guidelines for disbursement procedures. Page 12 of the MAFA guidelines describes that all student activity fund disbursements must be accompanied by appropriate supporting documentation.

Effect – The District is not in compliance with the Manual for the Uniform Financial Accounting and Reporting Standards (UFARS) for Minnesota Schools and the MAFA.

Cause – The District does not have a policy to ensure they are following the UFARS manual.

Recommendation – The District should review the MAFA guidelines for disbursements to ensure that all disbursements have appropriate supporting documentation and approval.

Views of Responsible Officials – There is no disagreement with the audit finding.

2021-006 **Unallowable Expenditure of Student Activity Funds**
Uniform Financial Accounting and Reporting Standards Finding

Condition – During the course of our engagement, we noted an instance where student activity funds were used to provide a donation to an outside organization.

Criteria – A good system of internal accounting control contemplates an adequate system for compliance with the MAFA guidelines for allowable and unallowable expenditures of student activity funds. Page 15 of the MAFA includes donations to outside organizations as unallowable expenditures of student activity funds.

Effect – The District is not in compliance with the Manual for the Uniform Financial Accounting and Reporting Standards (UFARS) for Minnesota Schools and the MAFA.

Cause – The District does not have a policy to ensure they are following the UFARS manual.

Recommendation – The District should review policies regarding expenditures of student activity funds to ensure that student activity fund expenditures are appropriate.

Views of Responsible Officials – There is no disagreement with the audit finding.