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Independent School District No. 727
Big Lake, Minnesota

Basic Financial Statements

June 30, 2022

Independent School District No. 727
Table of Contents

Independent School District No. 727
Table of Contents

Independent School District No. 727
Board of Education and Administration
June 30, 2022

Board of Education	Position	Term Expires
Tonya Reasoner	Chairperson	December 31, 2022
Amber Sixberry	Treasurer	December 31, 2024
Tony Scales	Clerk	December 31, 2024
Lenette Brown	Director	December 31, 2022
Derek Nelson	Director	December 31, 2024
Dan Nygaard	Director	December 31, 2022

Administration	
Tim Truebenbach	Superintendent
Angie Manuel	Director of Business Services
Robert Dockendorf	High School Principal
Mark Ernst	Middle School Principal
Caryl Gordy	Liberty Elementary Principal
Jona Deveal	Independence Elementary Principal

Independent Auditor's Report

To the School Board
Independent School District No. 727
Big Lake, Minnesota

Report on the Audit of the Financial Statements

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 727, Big Lake, MN, as of and for the year ended June 30, 2022, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 727, as of June 30, 2022, and the respective changes in financial position, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Independent School District No. 727 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Implementation of GASB 87

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

Responsibilities of Management for the Financial Statements

The management of Independent School District No. 727 is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, which raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

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

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

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2022, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

BerganKDV Ltd.

Minneapolis, Minnesota
November 8, 2022

Independent School District No. 727
Management's Discussion and Analysis

This section of the District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2022. Please read it in conjunction with the District's financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued in June 1999. Certain comparative information between the current year (2021-2022) and the prior year (2020-2021) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2021-2022 fiscal year include the following:

- Net Position increased from $(1,448,340) to $3,077,865 an increase of $4,526,205 due to improvement in the District's operating fund balances as well as a decrease in pension liabilities.
- General Fund revenues were $39,031,928 as compared to expenditures of $38,516,125 for revenues over expenditures of $515,803
- Total General Fund balance increased $543,581. Unassigned General Fund Balance remained consistent by only increasing $49,927. Restricted and Committed/Assigned Fund balances increased by $589,498 due to multi-year planning of capital and technology projects, receipt of one time monies to be spent in future fiscal years, and set aside for severance obligations. Nonspendable Fund balance decreased by $95,844.
- The District increased its long-term liabilities by $17,089,129 mainly as a result of the successful passage of the November 2021 bond referendum to finance various deferred capital projects and renovations to educational spaces.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

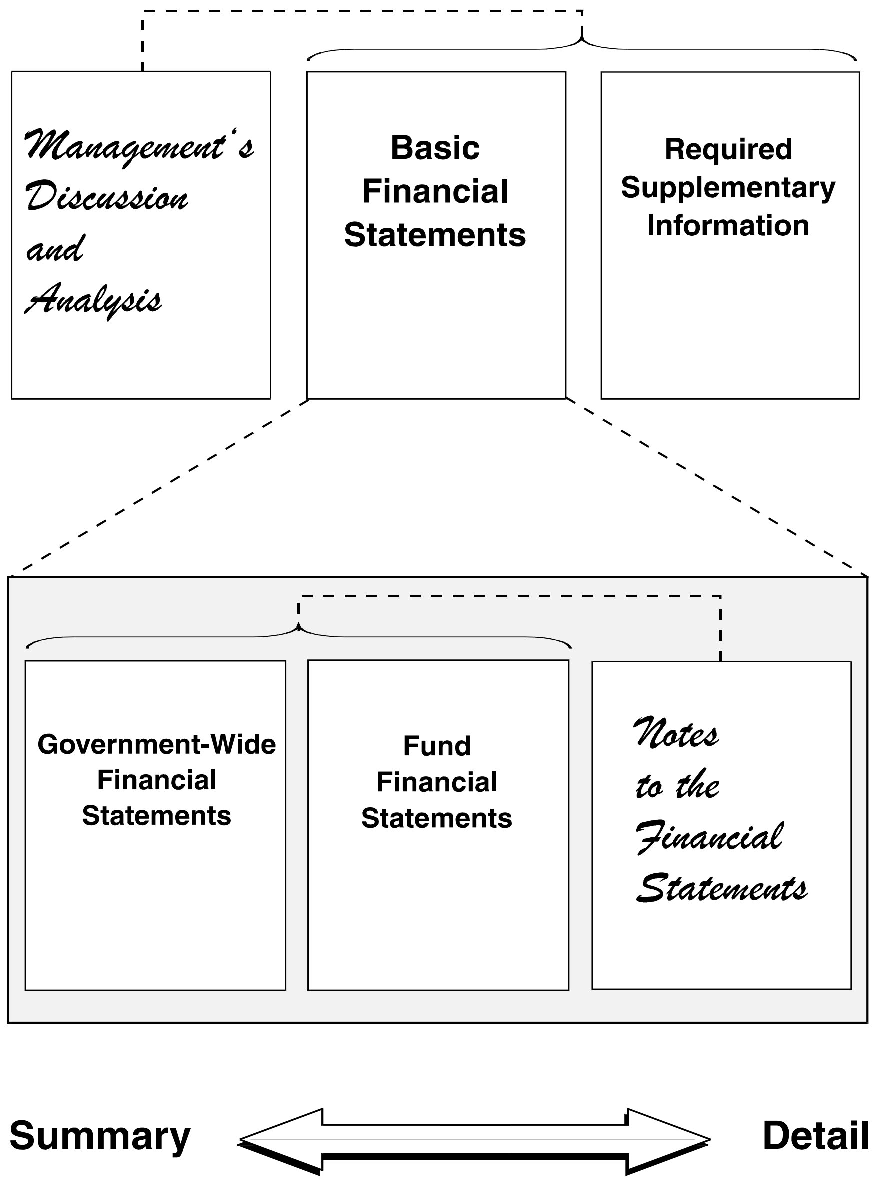
- The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1
Annual Report Format



OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements

		Fund Statements		
Type of Statements	**Government-wide**	**Governmental Funds**	**Proprietary Funds**	**Fiduciary Funds**
Scope	Entire District's government (except fiduciary funds) and the Districts Component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses	Instances in which the district is the trustee or agent for someone else's resources
Required financial statements	◆ Statement of net position ◆ Statement of activities	◆ Balance sheet ◆ Statement of revenues, expenditures, & changes in fund balances	◆ Statement of net position ◆ Statement of changes in net position ◆ Statement of cash flows	◆ Statement of fiduciary net position ◆ Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the District's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-Wide Statements

The government-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 government-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 are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's Net Position are an indicator of whether its financial position is improving or deteriorating, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Statements (Continued)

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

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

- **Governmental Activities:** Most of the District's basic services are included here, such as regular and special education, transportation, administration, food services 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 may establish other funds to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal grants).

The District has two types of funds:

- **Governmental Funds**: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps 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 government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain 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. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's combined Net Position was $3,077,865 on June 30, 2022, an increase of $4,526,205. (See Table A-1) This increase is mainly the result of an improvement in the total general fund balance and a decrease in pension liabilities. The fluctuations in the deferred outflows and deferred inflows of resources are related to various TRA and PERA state pension differences and changes in assumptions and proportion. Increase in current and other assets and long-term liabilities is a result of investments and debt related to the sale of the 2022A School Building Bonds.

Table A-1

	Governmental Activities		Percentage
	2022	2021	Change
Current and other assets	$ 60,111,716	$ 36,734,170	63.64%
Capital and noncurrent assets	68,108,893	63,376,978	7.47%
Total assets	128,220,609	100,111,148	28.08%
Deferred outflows of resources	9,093,134	9,819,235	-7.39%
Current liabilities	11,224,339	12,507,128	-10.26%
Long-term liabilities	87,030,032	69,940,903	24.43%
Total liabilities	98,254,371	82,448,031	19.17%
Deferred inflows of resources	35,981,507	28,930,692	24.37%
Net position			
Invested in capital assets, net of related debt	20,126,657	17,986,139	11.90%
Restricted	4,425,768	4,105,451	7.80%
Unrestricted	(21,474,560)	(23,539,930)	8.77%
Net position	$ 3,077,865	$ (1,448,340)	312.51%

Changes in Net Position

The District's total revenues were $49,438,641 for the year ended June 30, 2022. Property taxes, unrestricted state formula aid, and other revenue accounted for 70% of total revenue for the year (See Figure A-3). The remaining 30% came from other program revenues (charges for services, operating and capital grants, and contributions). Investment earnings are negative due to the rapidly rising interest rate environment at June 30th, 2022. Operating grants increased due to the receipt of more pandemic related grants from the federal government. And charges for services increased to pre-pandemic levels with the 100% return to in person learning in 21-22.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Table A-2 Change in Net Position

Table A-2
Change in Net Position

	Governmental Activities for the Fiscal Year Ended June 30, 2022	Governmental Activities for the Fiscal Year Ended June 30, 2021	Total Percentage Change
Revenues			
Program revenues			
Charges for services	$ 2,921,567	$ 2,165,760	34.90%
Operating grants and contributions	10,798,798	9,650,100	11.90%
Capital grants and contributions	1,119,494	1,048,197	6.80%
General revenues			
Property taxes	10,681,622	10,544,723	1.30%
Unrestricted state aid	24,165,787	22,898,122	5.54%
Investment earnings	(297,751)	75,754	-493.05%
Other	49,124	49,949	-1.65%
Total revenues	49,438,641	46,432,605	6.47%
Expenses			
Administration	1,381,199	1,382,632	-0.10%
District support services	1,192,795	1,082,117	10.23%
Regular instruction	17,348,374	18,115,859	-4.24%
Vocational education instruction	594,864	675,998	-12.00%
Special education instruction	7,947,625	7,939,332	0.10%
Instructional support services	2,325,981	2,816,760	-17.42%
Pupil support services	3,290,563	2,868,407	14.72%
Sites and buildings	4,952,753	4,482,422	10.49%
Fiscal and other fixed cost programs	193,238	209,634	-7.82%
Food service	1,980,589	1,401,260	41.34%
Community service	2,327,645	1,788,402	30.15%
Interest and fiscal charges on Long-term liabilities	1,376,810	1,092,513	26.02%
Total expenses	44,912,436	43,855,336	2.41%
Increase (decrease) in net position	4,526,205	2,577,269	75.62%
Beginning net position	(1,448,340)	(4,025,609)	
Ending net position	$ 3,077,865	$ (1,448,340)	

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Figure A-3 Sources of District Revenue for Fiscal 2022

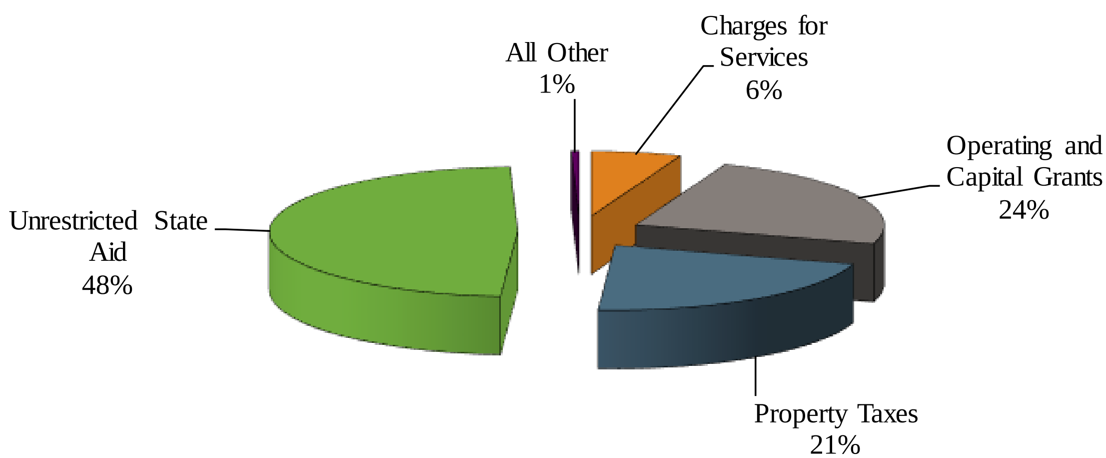
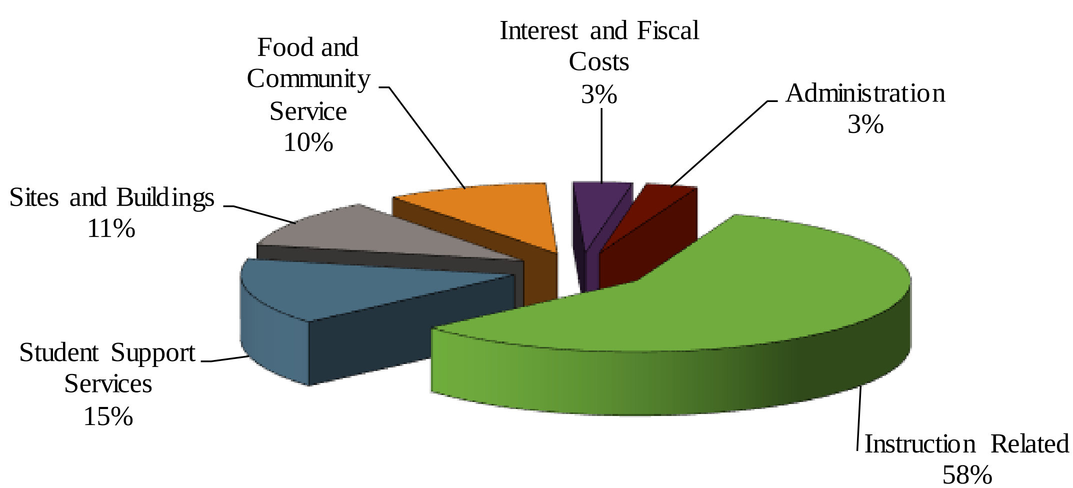


Figure A-4 District Expenses for Fiscal 2022



The total cost of all programs and services was $44,912,436 for fiscal year 2022. The District's expenses are predominately related to educating and caring for students (73%). (See Figure A-4). Another 3% of expenses are related to interest and fiscal costs for the District's bonds. Another 11% supports the facilities maintenance needs of the entire District. Only 3% of costs are for administration. Finally, 10% of total expenses are for food and community service programs.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

The cost of all governmental activities this year was $44,912,436.

- Some of the cost was paid by the users of the District's programs ($2,921,567).
- The federal and state governments subsidized certain programs with grants and contributions ($11,918,292).
- Most of the District's costs ($34,847,409); however, were paid for by District taxpayers and taxpayers of the State of Minnesota.

Typically the District does not incorporate funds allocated to direct instruction as part of an analysis of expenditures in all governmental funds. Funding for general operation of the District is controlled by the state and the District does not have latitude to allocate money received from entrepreneurial-type funds like Food Service and Community Education. Therefore, a more accurate analysis would be limited to the allocation of resources received for the general operation of the District and would show that 73% of those resources are spent on instruction and support services associated with education.

Table A-3
Program Expenses and Net Cost of Services

	Total Cost of Services		Percent	Net Cost of Services		Percent
	2022	2021	Change	2022	2021	Change
Administration	$ 1,381,199	$ 1,382,632	-0.10%	$ 1,381,199	$ 1,382,632	-0.10%
District support services	1,192,795	1,082,117	10.23%	1,191,285	1,071,437	11.19%
Regular instruction	17,348,374	18,115,859	-4.24%	13,756,053	14,419,419	-4.60%
Vocational education instruction	594,864	675,998	-12.00%	553,923	623,853	-11.21%
Special education instruction	7,947,625	7,939,332	0.10%	3,701,343	3,703,492	-0.06%
Instructional support services	2,325,981	2,816,760	-17.42%	1,432,170	1,728,450	-17.14%
Pupil support services	3,290,563	2,868,407	14.72%	2,723,856	2,744,643	-0.76%
Sites and buildings	4,952,753	4,482,422	10.49%	4,219,274	3,797,065	11.12%
Fiscal and other fixed cost programs	193,238	209,634	-7.82%	193,238	209,634	-7.82%
Food service	1,980,589	1,401,260	41.34%	(384,088)	186,050	-306.44%
Community service	2,327,645	1,788,402	30.15%	(72,486)	32,091	-325.88%
Interest and fiscal charges on long-term liabilities	1,376,810	1,092,513	26.02%	1,376,810	1,092,513	26.02%
Total	$ 44,912,436	$ 43,855,336	2.41%	$ 30,072,577	$ 30,991,279	-2.96%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of $42,733,289. Revenues for the District's governmental funds were $49,590,311 while total expenditures were $56,537,290, for a decrease of $6,946,979. After other financing sources of $30,731,628 the combined fund balance increased $23,784,649, mainly as of result of the successful passage of the $30 million bond referendum in November, 2021, which finances various deferred capital projects and renovations to educational spaces.

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 and capital outlay projects.

The majority of General Fund revenue is generated by state general education aid. The basic formula allowance in 2022 was $6,728 per adjusted marginal cost per pupil unit (AMCPU). Other factors that influence the general education aid formula include operating referendum allowance, age of school buildings, transportation sparsity index, percent of eligible free and reduced students, number of English Learner (EL) students, number of Gifted and Talented students, and number of open enrolled students in and out of the District. Total general education aid was $ 25,429,129 which represents 65% of total General Fund revenue. The other major General Fund revenue is state special education aid. Total special education aid in 2022 was $3,831,870, 10% of total General Fund revenue. Other state formulas then determine what portion of the general fund revenue will be provided by property taxes. Property taxes totaled $5,104,980 13% of total General Fund revenue. In fiscal year 2022, pandemic related federal grants totaled $1,221,601, 3% of total General Fund revenue. After factoring in general education aid, special education aid and property taxes, which are all formula driven, and pandemic related federal grants, only 9% of General Fund revenues are generated by other miscellaneous state aids, aid from the federal government and local revenues such as fees or sales.

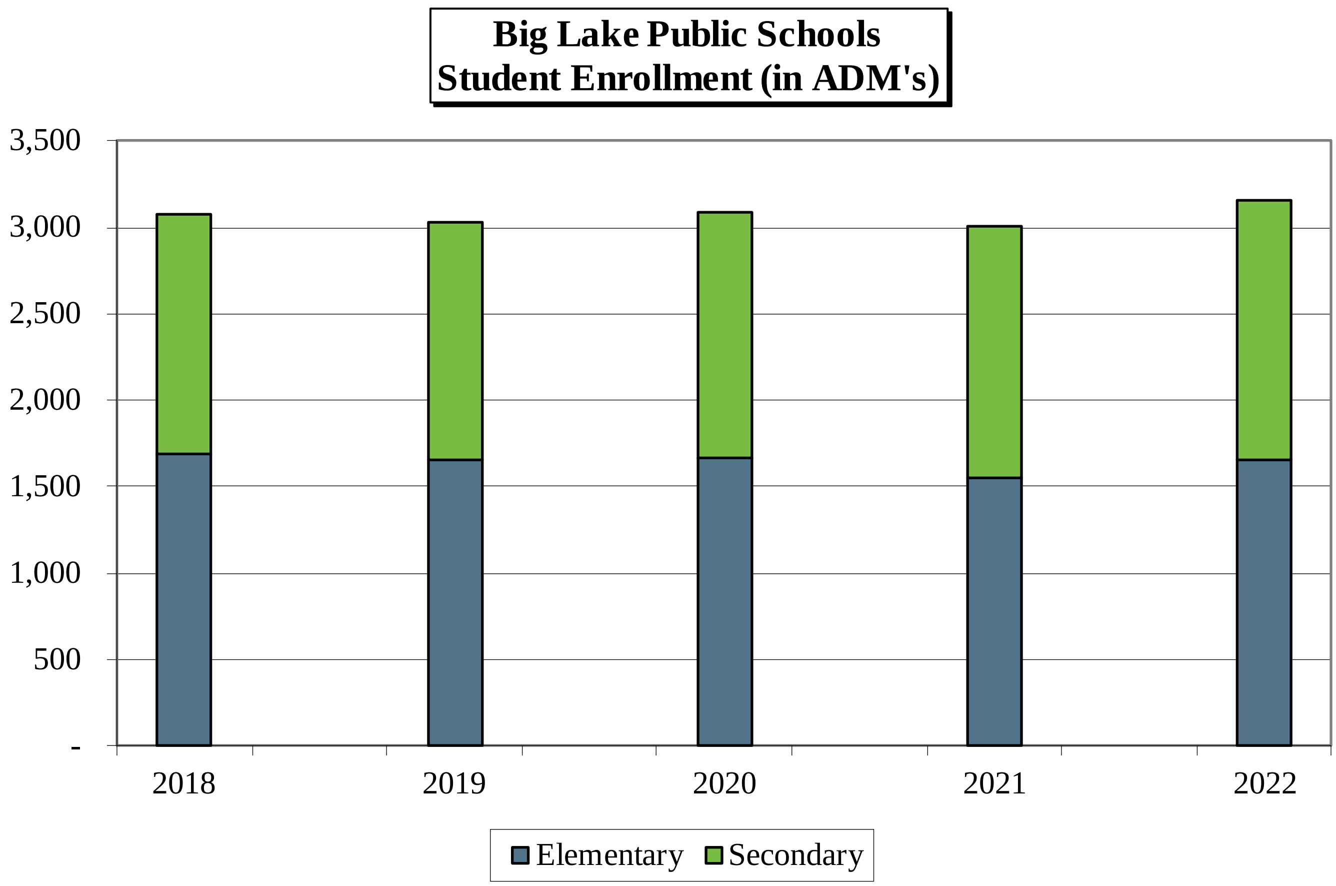
GENERAL FUND - ENROLLMENT

Enrollment is a critical factor in determining revenue with most of the General Fund revenue being determined by student counts. The chart on the next page indicates that enrollment decreased 2.75% in 2020-2021 because of the COVID-19 pandemic. With the return to 100% in person learning as well as the addition of K-5 and 6-12 Big Lake Online programming, enrollment increased 4.89% in 2021-2022. Enrollment reached a point not seen since 2015-2016 and was a determining factor in the positive general fund operational results in 2021-2022.

GENERAL FUND – ENROLLMENT (CONTINUED)

Table A-4
Five Year Enrollment Trend
Average Daily Membership (ADM)

	2018	2019	2020	2021	2022
Elementary	1,686	1,649	1,668	1,545	1,656
Secondary	1,391	1,377	1,423	1,461	1,497
Total	3,077	3,026	3,091	3,006	3,153
		-1.66%	2.15%	-2.75%	4.89%



GENERAL FUND – REVENUES/EXPENDITURES

The table below presents a summary of General Fund Revenues:

Table A-5
General Fund Revenues

Fund	Year Ended June 30, 2022	Year Ended June 30, 2021	Change Increase (Decrease)	Change Percent
Local sources				
Property taxes	$ 5,104,980	$ 4,932,335	$ 172,645	3.50%
Investment earnings	(43,020)	44,126	(87,146)	-197.49%
Other	1,083,035	1,060,318	22,717	2.14%
State sources	31,054,885	29,664,130	1,390,755	4.69%
Federal sources	1,832,048	1,658,060	173,988	10.49%
Total	$ 39,031,928	$ 37,358,969	$ 1,672,959	4.48%

Revenues from the General Fund totaled $39,031,928 an increase of 4.48% from the prior year. The negative investment earnings are a result of the rapidly rising interest rate environment at June 30th, 2022, and the drop in market value of many investments that had stated interest rates lower than what the market projected. The investment earnings loss will reverse in future periods as investments are held to maturity and reinvested at higher interest rates. State sources increased as result of the enrollment growth of 4.89% (see table A-4) resulting in a greater amount of general education aid. Federal aid increased because of more pandemic recovery grants and a COVID testing grant awarded to school districts across the state of Minnesota.

The following schedule presents a summary of General Fund Expenditures:

Table A-6
General Fund Expenditures

	Year Ended June 30, 2022	Year Ended June 30, 2021	Change Increase (Decrease)	Change Percent
Salaries	$ 22,553,857	$ 21,106,016	$ 1,447,841	6.86%
Employee benefits	8,427,698	8,046,695	381,003	4.73%
Purchased services	5,386,940	4,392,038	994,902	22.65%
Supplies and materials	1,480,396	2,006,431	(526,035)	-26.22%
Capital expenditures	549,828	401,414	148,414	36.97%
Debt service	57,457	57,457	-	0.00%
Other expenditures	59,949	92,309	(32,360)	-35.06%
Total	$ 38,516,125	$ 36,102,360	$ 2,413,765	6.69%

GENERAL FUND – REVENUES/EXPENDITURES (CONTINUED)

Total General Fund expenditures increased 6.69% from the prior year. Salaries and benefits increased because of contract increases and the addition of staff due to enrollment growth and increase in special ed population. Support staff funded by pandemic recovery grants were also added, which included two literacy interventionists and a social and emotional learning (SEL) coordinator The purchased services increase is a result of increased transportation and utility costs due to the return of 100% in person learning in 2021-2022. The decrease in supplies and materials is due to the District implementing a 1:1 technology device initiative as a result of the COVID-19 pandemic in 2020-2021. Capital expenditures increased because a planned large capital project in the Middle School funded by the general fund.

Total General Fund balance increased $543,581. Unassigned General Fund Balance increased by $49,927. Restricted and Committed/Assigned Fund balances increased by $589,498 due to multi-year planning of capital and technology projects, receipt of one time monies to be spent in future fiscal years, and set aside for severance obligations. Nonspendable Fund balance decreased by $95,844. The Unassigned Fund Balance, or fund balance available for operations, is 20.4% of total General Fund expenditures.

Fund balance is the single best measure of overall financial health. It is the goal of the Big Lake Board of Education to maintain an unassigned fund balance of 8% of general fund operating expenditures. For the fiscal year ended June 30, 2022, the Big Lake School District is in compliance with that fund balance goal.

GENERAL FUND – BUDGETARY HIGHLIGHTS

Actual revenues were $334,567 over the final budget, an .8% variance. The variance is due to larger than expected general and special education aid and fundraising revenue that was not budgeted. Actual expenditures were $704,445 under budget, a 1.7% variance. The expenditure variance is mainly the result of the timing of certain capital projects and less than expected salaries and benefits.

The General Fund budget is adjusted several times throughout the year for changes in enrollment, changes in special education funding assumptions, changes in other state aids, and expenditure changes such as staffing costs, transportation, utilities, and capital expenditures. In fiscal year 2022, revenue was adjusted for increased enrollment, changes in special education funding, and receipt of federal pandemic learning recovery grants. As for expenditures, the budget was changed throughout the year for changes in staffing and benefit assumptions, increased utilities expenditures, increase in transportation costs due to the addition of special education routes, and timing of capital projects.

DEBT SERVICE FUND

The Debt Service Fund net change in fund balance was $(323,299). Capitalized interest from prior year bond sales were required to be deposited in the debt service fund for future debt service payments, creating a negative change in 2021-2022. In addition, the District refinanced the 2012B bonds with the $8,020,000 2021B bonds, reducing debt service payments by $723,080 and a net present value benefit of $704,754.

School districts in Minnesota are only allowed to keep 5% of the following year's bond principal and interest payments due in their ending fund balance. Any excess fund balance is returned to the local taxpayers in a subsequent year property tax levy.

CAPITAL PROJECTS FUND

In 2021-2022, after successful passage of the November 2021 bond referendum, the District issued $30,000,000 in General Obligation Bonds to finance various deferred capital projects and renovations to educational spaces. Projects related to the bonds are expected to be completed over the next five years. In addition, Phase II of the Middle School HVAC project was near completion in 2021-2022.

OTHER NON-MAJOR FUNDS

The Food Service Fund balance increased $504,100 for an ending fund balance of $705,734. For the second year in a row, all meals were provided free to students because of a pandemic related waiver approved by the federal government. Federal rates paid to school districts were also substantially higher than in previous years. Meal counts substantially increased due to 100% return to person learning and the second year of free meals. The positive results in 2021-2022 will be reinvested back into the food program with planned replacement of outdated food service equipment over the next few years.

The Community Service Fund had a successful operational year with the return of in person programming. Youth and recreational programs increased significantly. The school age care and preschool programs experienced increased enrollment. As of result, the Community Service fund has positive results for the year of $276,729. The ending fund balance of $912,605 is being retained to keep program fees low and will also be used to reinvest in community education programming and offset the inadequate funding for school readiness programs. The ending fund balance represents approximately 37% of expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of 2022, the District had invested approximately $111.5 million in a broad range of capital assets, including school buildings, athletic facilities and fields, computers, and other technology equipment. (More detailed information about capital assets can be found in Note 3 to the financial statements.) Total depreciation expense for the year was $2.6 million.

Table A-7
Capital Assets (Net of Accumulated Depreciation)

	2022	2021	Percentage Change
Land	$ 784,389	$ 784,389	0.00%
Construction on progress	16,761,299	10,414,004	60.95%
Land improvements	6,354,706	6,757,833	-5.97%
Buildings and improvements	41,997,170	43,037,929	-2.42%
Equipment	2,211,329	2,382,823	-7.20%
Total	$ 68,108,893	$ 63,376,978	7.47%

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Each year, departments review their machinery and equipment capital inventories. Disposals are then accounted for accordingly as items are sold or deemed obsolete. The overall increase in capital assets is a result of the addition of Construction in Progress from the Middle School heating, ventilation, and air conditioning project and Phase I of the capital projects funded by the 2022A School Building Bonds from the November 2021 bond referendum.

Construction – Next Five Years

On November 2nd, 2021, the Big Lake School District successfully passed a $30 million bond referendum to restore and renew school facilities for future generations. Phase I of the referendum projects began in the spring and summer of 2022. Over the next five years the District will be repairing and replacing roofs at all buildings, improving air quality and adding air conditioning at Independence Elementary, updating career and technical education spaces, redesigning and improving media centers and special education spaces across the district, and redesign of Liberty elementary parking lot.

LONG-TERM LIABILITIES

At year-end, the District had $75,627,084 in total long-term debt, an increase of 50.25% from last year, as shown in Table A-8. Included in this total, the District has $306,308 in severance liabilities. More detailed information about long-term liabilities can be found in Note 4 to the financial statements.

Table A-8
Long-Term Liabilities

	Total Cost of Services		Percentage
	2022	2021	Change
General obligation bonds	$ 72,875,000	$ 48,135,000	51.40%
Premium	2,250,673	1,620,309	38.90%
Capital lease	-	56,386	-100.00%
Severance payable	291,966	306,308	-4.68%
Compensated absences payable	209,418	215,803	-2.96%
Total	$ 75,627,057	$ 50,333,806	50.25%

General obligation bonds, and Premium on bonds increased 51.40% and 38.90%, respectively, due to the issuance of the 2022A General Obligation School Building Bonds. The capital lease is a technology lease that was paid in 2021-2022. Severance payable decreased 4.68% due to retirement of qualified employees from a closed retirement plan.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The number one factor bearing on the District's future is enrollment. Enrollment determines most state funding, especially general education aid. The enrollment outlook for Big Lake Schools is positive. After experiencing declining enrollment for many years prior to the pandemic, the District experienced positive growth in 2019-2020, just prior to the pandemic related shut down in March 2020. After the anomaly of the pandemic year of 2020-2021, the District had significant growth of 147 ADM's in 2021-2022, an increase of 4.89%. At the time of this writing, Fall 2022 enrollment is also positive. Fall enrollment is up about 1.5% from the Spring of 2022. This growth can be attributed to the addition of Big Lake Online programming as well as career and tech ed programming in the high school. Population growth within the community is also expected with the addition of a major commercial employer.

Another significant determining factor on the District's future is the state of the Minnesota economy. The Legislature closed its 2022 session without an agreement on a significant multi-billion dollar surplus. This was prior to the history making Federal Reserve interest rate hike and record increases in inflation that began in the spring and summer of 2022. An updated state budget forecast is due in late November 2022, and it remains to be seen whether the multi-billion dollar surplus will continue. School districts, such as Big Lake, would like to see significant investments in general education aid and relief from the special education cross subsidy of general education. Without significant increases on the state funding formulas, it will be difficult to maintain positive operations in an inflationary environment of 8% year over year increase at the time of this writing.

One last factor bearing on the District's future is the current tight labor market and teacher shortage. Big Lake, like many school districts across the state, had significant difficulty filling open teacher and paraeducator positions. The District must continue to be creative and find ways to fill open teaching and paraeducator positions that remains in compliance with state statues.

The District remains committed to providing academic excellence and educational opportunities for its students within a framework of financial fiduciary responsibility.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of Business Services, Independent School District 727, 501 Minnesota Avenue, Big Lake, Minnesota, 55309-9246.

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BASIC FINANCIAL STATEMENTS

Independent School District No. 727
Statement of Net Position
June 30, 2022

		Governmental Activities
Assets		
Cash and investments including cash equivalents)	$	50,691,748
Current property taxes receivable		5,418,760
Delinquent property taxes receivable		114,530
Accounts receivable		207,809
Interest receivable		77,127
Due from Department of Education		2,337,668
Due from Federal Government through Department of Education		489,035
Due from other Minnesota school districts		402,341
Due from other governmental units		273,244
Inventory		35,392
Prepaid items		60,752
Equity interest in joint venture		3,310
Capital assets, not being depreciated		
Land		784,389
Construction in progress		16,761,299
Capital assets, net of accumulated depreciation		
Land improvements		6,354,706
Buildings		41,997,170
Machinery and equipment		2,211,329
Total assets		128,220,609
Deferred Outflows of Resources		
Deferred outflows of resources related to pensions		8,947,876
Deferred outflows of resources related to OPEB		145,258
Total deferred outflows of resources		9,093,134
Total assets and deferred outflows of resources	$	137,313,743

Statement of Net Position
June 30, 2022

	Governmental Activities
Liabilities	
Accounts and contracts payable	$ 1,916,705
Salaries and benefits payable	4,045,305
Interest payable	907,678
Due to other Minnesota school districts	48,607
Due to other governmental units	17,774
Unearned revenue	276,597
Bond principal payable	
Payable within one year	3,995,000
Payable after one year	71,130,673
Compensated absences payable	
Payable after one year	209,418
Severance payable	
Payable within one year	16,673
Payable after one year	275,293
Net other post employment benefits (OPEB) liability	661,733
Net pension liability	14,752,915
Total liabilities	98,254,371
Deferred Inflows of Resources	
Deferred inflows of resources related to pensions	23,797,263
Deferred inflows of resources related to OPEB	954,328
Deferred charge on refunding	290,990
Property taxes levied for subsequent year's expenditures	10,938,926
Total deferred inflows of resources	35,981,507
Net Position	
Net investment in capital assets	20,126,657
Restricted for	
Debt service	733,837
Capital projects	155,906
Other purposes	3,536,025
Unrestricted	(21,474,560)
Total net position	3,077,865
Total liabilities, deferred inflows of resources, and net position	$ 137,313,743

Independent School District No. 727
Statement of Activities
Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position: Governmental Activities
Governmental activities					
Administration	$ 1,381,199	$ -	$ -	$ -	$ (1,381,199)
District support services	1,192,795	-	1,510	-	(1,191,285)
Elementary and secondary regular instruction	17,348,374	372,883	2,648,039	571,399	(13,756,053)
Vocational education instruction	594,864	-	40,941	-	(553,923)
Special education instruction	7,947,625	312,413	3,933,869	-	(3,701,343)
Instructional support services	2,325,981	31,945	861,866	-	(1,432,170)
Pupil support services	3,290,563	9,138	557,569	-	(2,723,856)
Sites and buildings	4,952,753	159,653	25,731	548,095	(4,219,274)
Fiscal and other fixed cost programs	193,238	-	-	-	(193,238)
Food service	1,980,589	175,656	2,189,021	-	384,088
Community education and services	2,327,645	1,859,879	540,252	-	72,486
Interest and fiscal charges on long-term debt	1,376,810	-	-	-	(1,376,810)
Total governmental activities	$ 44,912,436	$ 2,921,567	$ 10,798,798	$ 1,119,494	(30,072,577)
General revenues					
Taxes					
Property taxes, levied for general purposes					5,079,981
Property taxes, levied for community service					305,298
Property taxes, levied for debt service					5,296,343
State aid-formula grants					24,165,787
Other general revenues					48,102
Investment income					(297,751)
Gain of sale of assets					1,022
Total general revenues					34,598,782
Change in net position					4,526,205
Net position - beginning					(1,448,340)
Net position - ending					$ 3,077,865

See notes to basic financial statements.

Independent School District No. 727
Balance Sheet - Governmental Funds
June 30, 2022

	General	Capital Projects	Debt Service	Other Nonmajor Funds	Total Governmental Funds
Assets					
Cash and investments	$ 15,729,054	$ 28,852,792	$ 4,217,563	$ 1,892,339	$ 50,691,748
Current property taxes receivable	2,637,062	-	2,631,273	150,425	5,418,760
Delinquent property taxes receivable	51,743	-	58,791	3,996	114,530
Accounts receivable	177,901	-	-	29,908	207,809
Interest receivable	7,179	69,948	-	-	77,127
Due from Department of Education	2,262,912	-	39,760	34,996	2,337,668
Due from Federal Government through Department of Education	397,424	-	-	91,611	489,035
Due from other Minnesota school districts	380,356	-	-	21,985	402,341
Due from other governmental units	144,608	-	115,237	13,399	273,244
Inventory	-	-	-	35,392	35,392
Prepaid items	60,752	-	-	-	60,752
Total assets	$ 21,848,991	$ 28,922,740	$ 7,062,624	$ 2,274,051	$ 60,108,406
Liabilities					
Accounts and contracts payable	$ 488,362	$ 1,332,407	$ -	$ 95,936	$ 1,916,705
Salaries and benefits payable	3,881,094	-	-	164,211	4,045,305
Due to other Minnesota school districts	48,607	-	-	-	48,607
Due to other governmental units	17,070	-	-	704	17,774
Unearned revenue	198,794	-	-	77,803	276,597
Severance payable	16,673	-	-	-	16,673
Total liabilities	4,650,600	1,332,407	-	338,654	6,321,661
Deferred Inflows of Resources					
Unavailable revenue - delinquent property taxes	51,743	-	58,791	3,996	114,530
Property taxes levied for subsequent year's expenditures	5,204,755	-	5,421,109	313,062	10,938,926
Total deferred inflows of resources	5,256,498	-	5,479,900	317,058	11,053,456
Fund Balances					
Nonspendable	60,752	-	-	35,392	96,144
Restricted	1,908,800	27,590,333	1,582,724	1,614,025	32,695,882
Committed	966,146	-	-	-	966,146
Assigned	1,122,933	-	-	-	1,122,933
Unassigned	7,883,262	-	-	(31,078)	7,852,184
Total fund balances	11,941,893	27,590,333	1,582,724	1,618,339	42,733,289
Total liabilities, deferred inflows of resources, and fund balances	$ 21,848,991	$ 28,922,740	$ 7,062,624	$ 2,274,051	$ 60,108,406

See notes to basic financial statements.

Independent School District No. 727
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2022

Total fund balances - governmental funds	$ 42,733,289
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	
Cost of capital assets	111,515,777
Less accumulated depreciation	(43,406,884)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Bond principal payable (net of premiums)	(75,125,673)
Deferred charge on refunding	(290,990)
Compensated absences payable	(209,418)
Severance payable	(275,293)
Net pension liability	(14,752,915)
OPEB obligation	(661,733)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.	
Deferred outflows of resources related to pensions	8,947,876
Deferred inflows of resources related to pensions	(23,797,263)
Deferred outflows of resources related to OPEB	145,258
Deferred inflows of resources related to OPEB	(954,328)
Delinquent property taxes receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	114,530
Equity interest in underlying capital assets of joint ventures are not reported in the funds because they do not represent current financial assets (liabilities).	
Equity interest in joint venture - Wright Technical Center	3,310
Governmental funds do not report a liability for accrued interest on bonds until due and payable.	(907,678)
Total net position - governmental activities	$ 3,077,865

Independent School District No. 727
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2022

	General	Capital Projects	Debt Service	Other Nonmajor Funds	Total Governmental Funds
Revenues					
Local property taxes	$ 5,104,980	$ -	$ 5,327,437	$ 307,747	$ 10,740,164
Other local and county revenues	1,007,066	(230,033)	(10,153)	1,902,609	2,669,489
Revenue from state sources	31,054,885	-	398,952	347,819	31,801,656
Revenue from federal sources	1,832,048	-	-	2,319,779	4,151,827
Sales and other conversion of assets	32,949	-	-	194,226	227,175
Total revenues	39,031,928	(230,033)	5,716,236	5,072,180	49,590,311
Expenditures					
Current					
Administration	1,437,323	-	-	-	1,437,323
District support services	1,249,907	-	-	-	1,249,907
Elementary and secondary regular instruction	17,061,761	-	-	-	17,061,761
Vocational education instruction	642,746	-	-	-	642,746
Special education instruction	8,404,344	-	-	-	8,404,344
Instructional support services	2,208,134	-	-	-	2,208,134
Pupil support services	3,350,998	-	-	-	3,350,998
Sites and buildings	3,360,389	914,296	-	-	4,274,685
Fiscal and other fixed cost programs	193,238	-	-	-	193,238
Food service	-	-	-	1,857,756	1,857,756
Community education and services	-	-	-	2,399,300	2,399,300
Capital outlay					
Administration	5,573	-	-	-	5,573
Elementary and secondary regular instruction	170,554	-	-	-	170,554
Special education instruction	14,060	-	-	-	14,060
Instructional support services	57,307	-	-	-	57,307
Sites and buildings	302,334	6,689,357	-	-	6,991,691
Food service	-	-	-	1,243	1,243
Community education and services	-	-	-	33,052	33,052
Debt service					
Principal	56,386	-	4,550,000	-	4,606,386
Interest and fiscal charges	1,071	-	1,576,161	-	1,577,232
Total expenditures	38,516,125	7,603,653	6,126,161	4,291,351	56,537,290
Excess of revenues over (under) expenditures	515,803	(7,833,686)	(409,925)	780,829	(6,946,979)
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	1,022	-	-	-	1,022
Bond issuance	-	30,000,000	8,020,000	-	38,020,000
Bond premium	-	617,224	796,626	-	1,413,850
Insurance recovery	26,756	-	-	-	26,756
Payments on refunded bonds	-	-	(8,730,000)	-	(8,730,000)
Total other financing sources (uses)	27,778	30,617,224	86,626	-	30,731,628
Net change in fund balances	543,581	22,783,538	(323,299)	780,829	23,784,649
Fund Balances					
Beginning of year	11,398,312	4,806,795	1,906,023	837,510	18,948,640
End of year	$ 11,941,893	$ 27,590,333	$ 1,582,724	$ 1,618,339	$ 42,733,289

See notes to basic financial statements.

Independent School District No. 727
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances to the
Statement of Activities - Governmental Funds
Year Ended June 30, 2022

Net change in fund balances - total governmental funds	$ 23,784,649
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlays	7,396,824
Depreciation expense	(2,633,475)
Loss on disposal	(31,434)
Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	6,385
Severance payments are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	22,761
Governmental funds recognized pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on the full accrual perspective.	
Pension expense	1,764,764
Principal payments on long-term debt are recognized as expenditures in the governmental funds but have no effect on net position in the Statement of Activities.	4,606,386
OPEB obligations are recognized when paid in the governmental funds but recognized when incurred in the Statement of Activities.	149,933
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	(292,074)
Proceeds from the sale of bonds are recognized as other financing sources in the governmental funds increasing fund balance but having no effect on net position in the Statement of Activities.	(38,020,000)
Governmental funds report debt issuance premiums and the deferred charge bond refunding at the time of issuance. Premiums, discounts and losses on refundings are reported as an unamortized asset or liability in the government-wide financial statements.	
Debt issuance premium and deferred charge refunding	(921,354)
Net loss from the equity interest in joint venture does not provide current financial resources and is not reported as revenue in the funds.	21,382
Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	(58,542)
Change in net position - governmental activities	$ 4,526,205

See notes to basic financial statements.

Independent School District No. 727
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Local property taxes	$ 5,026,373	$ 5,021,961	$ 5,104,980	$ 83,019
Other local and county revenues	837,959	900,053	1,007,066	107,013
Revenue from state sources	29,493,892	30,844,723	31,054,885	210,162
Revenue from federal sources	1,286,928	1,873,024	1,832,048	(40,976)
Sales and other conversion of assets	58,600	57,600	32,949	(24,651)
Total revenues	36,703,752	38,697,361	39,031,928	334,567
Expenditures				
Current				
Administration	1,460,388	1,432,962	1,437,323	4,361
District support services	1,300,261	1,407,375	1,249,907	(157,468)
Elementary and secondary regular instruction	16,697,794	16,717,903	17,061,761	343,858
Vocational education instruction	682,764	671,236	642,746	(28,490)
Special education instruction	8,913,500	8,576,317	8,404,344	(171,973)
Instructional support services	2,597,597	2,392,003	2,208,134	(183,869)
Pupil support services	3,055,660	3,520,981	3,350,998	(169,983)
Sites and buildings	3,451,088	3,516,105	3,360,389	(155,716)
Fiscal and other fixed cost programs	207,764	210,957	193,238	(17,719)
Capital outlay				
Administration	7,500	6,500	5,573	(927)
District support services	37,811	-	-	-
Elementary and secondary regular instruction	284,011	256,747	170,554	(86,193)
Vocational education instruction	1,500	-	-	-
Special education instruction	-	13,100	14,060	960
Instructional support services	262,500	126,449	57,307	(69,142)
Pupil support services	-	2,167	-	(2,167)
Sites and buildings	258,938	312,311	302,334	(9,977)
Debt service				
Principal	56,386	56,386	56,386	-
Interest and fiscal charges	1,071	1,071	1,071	-
Total expenditures	39,276,533	39,220,570	38,516,125	(704,445)
Excess of revenues over (under) expenditures	(2,572,781)	(523,209)	515,803	1,039,012
Other Financing Sources				
Proceeds from sale of capital assets	-	-	1,022	1,022
Insurance recoveries	-	105,000	26,756	(78,244)
Total other financing sources	-	105,000	27,778	(77,222)
Net change in fund balances	$ (2,572,781)	$ (418,209)	543,581	$ 961,790
Fund Balance				
Beginning of year			11,398,312	
End of year			$ 11,941,893	

Independent School District No. 727
Statement of Fiduciary Net Position
Year Ended June 30, 2022

	Custodial Fund	Other Post Employment Benefits Irrevocable Trust Fund
Assets		
Current		
Deposits	$ 1,235	$ 275,000
Investments		
Goldman sachs government money market	-	9,372
Vanguard total stock market ETF	-	266,709
Vanguard total bond market ETF	-	261,528
US Treasury Note	-	241,064
MN Trust limited term duration	-	477,852
MN Trust investment shares portfolio	-	1,028
Total investments	-	1,257,553
Interest receivable	-	227
Total assets	$ 1,235	$ 1,532,780
Liabilities		
Accounts payable	$ 1,235	82,426
Benefits payable	-	56,325
Total liabilities	$ 1,235	$ 138,751
Net Position		
Held in trust for OPEB		$ 1,394,029

Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2022

	Other Post Employment Benefits Irrevocable Trust Fund
Additions	
Investment income	$ (85,448)
Total additions	(85,448)
Deductions	
Benefit payments	135,594
Miscellaneous expense	3,271
Total deductions	138,865
Change in net position	(224,313)
Net Position	
Beginning of year	1,618,342
End of year	$ 1,394,029

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

The student activity accounts of the District are under the School Board's control and are reported in the General Fund.

B. Basic Financial Statement Information

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statement Information (Continued)

The District applies restricted resources first when an expense is incurred for a purpose for which both restricted and unrestricted net position is available. Depreciation expense that can be specifically identified by function is included in the direct expenses of that function. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. The effect of interfund activity has been removed from these statements.

Separate fund financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The OPEB Trust Fund and Custodial Fund are presented in the fiduciary fund financial statements. Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the District, these Funds are not incorporated into the government-wide statements.

C. Measurement Focus and Basis of Accounting

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

1. Revenue Recognition

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

2. Recording of Expenditures

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Description of Funds:

Major Funds:

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

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

Capital Projects Fund – This fund is used to account for financial resources used for the acquisition or construction of major capital facilities authorized by bond issue.

Nonmajor Funds:

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

Community Service Special Revenue Fund – This fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs, K-6 extended day programs, or other similar services.

Fiduciary Funds:

OPEB Irrevocable Trust Fund – This fund is used to account for the financial resources relating to post employment benefits.

Custodial Fund – This fund is used to account for assets held by a governmental unit as an agent for individuals, private organization, other governmental units, and other funds.

D. Deposits and Investments

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

District Funds Other than OPEB Trust Fund

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deposits and Investments (Continued)

District Funds Other than OPEB Trust Fund (Continued)
Minnesota Statutes requires all deposits be protected by federal depository insurance, corporate surety bonds, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds.

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. State statutes authorize the government and the District to invest in obligations of the U.S. Treasury, corporate bonds, commercial paper, and the State Treasurer's Investment Pool. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances.

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

The District's cash and cash equivalents are considered to be cash on hand, deposits, and highly liquid debt instruments purchased with original maturities of three months or less from the date of acquisition. Investments are stated at fair value.

Short-term, highly liquid debt instruments (including certificates of deposit, banker's acceptances, and U.S. Treasury and agency obligations) purchased with a remaining maturity of one year or less are reported at amortized cost. Other investments are reported at fair value.

Cash and investments at June 30, 2022, were comprised of deposits and investments as detailed in Note 2. In accordance with GASB Statement No. 79, the various MNTrust securities are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from MNTrust. Seven days' notice of redemption is required for withdrawals of investments in the MNTrust Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption.

OPEB Trust Fund
These funds represent investments administered by the District's OPEB Trust Fund investment managers. As of June 30, 2022, they were comprised of investments as detailed in Note 2. The District's investment policy, discussed previously, extends to the OPEB Trust Fund investments.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deposits and Investments (Continued)

OPEB Trust Fund (Continued)
Minnesota Statutes authorize the OPEB Trust Fund to invest in obligations of the U.S. Treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers′ acceptances, future contracts, corporate bonds, common stock and foreign stock of the highest quality, mutual funds, repurchase and reverse agreements, commercial paper of the highest quality with a maturity no longer than 270 days and in the State Board of Investments. Investments are stated at fair value.

The OPEB Trust Agreement indicates permitted investments include one or more series of MN Trust shares relating to a separate portfolio of investments, or from multi-class shares of MN Trust within the same portfolio.

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

F. Property Taxes Levied for Subsequent Year′s Expenditures
Property taxes levied for subsequent year′s expenditures consist principally of property taxes levied in the current year which will be collected and recognized as revenue in the District′s following year to properly match those revenues with the budgeted expenditures for which they were levied. This amount is equal to the amount levied by the School Board in December **2021**, less various components and their related adjustments as mandated by the state. These portions of that levy were recognized as revenue in the fiscal year 2022. The remaining portion of the levy will be recognized when measurable and available.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Property Taxes

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

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

J. Capital Assets

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

Capital assets are defined by the District as assets with an initial individual cost of more than $3,000 and an estimated useful life in excess of one year. Such assets are capitalized at historical cost or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their acquisition value at the date of donation.

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

Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purpose. Useful lives vary from 20 to 50 years for land improvements and buildings and 5 to 20 years for equipment.

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

K. Deferred Outflows/Inflows of Resources

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Deferred Outflows/Inflows of Resources (Continued)

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

L. Long-Term Obligations

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

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. Issuance costs, whether or not withheld or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. Compensated Absences

District employees earn vacation days based upon the number of completed years of service. The District compensates employees for unused vacation upon termination of employment.

The District maintains various sick leave plans for its employee groups. All District employees are entitled to sick leave at various rates. Sick leave may be accumulated to a maximum of 125 days for all employee groups. Unused sick leave is a factor in the calculation of an employee's severance pay upon retirement under some collective bargaining agreements. The amount of compensated absences is recorded in the Statement of Net Position.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Severance Benefits

The District maintains various severance plans for its employee groups. Severance benefits consist of lump sum early retirement incentive payments, severance based upon experience and sick leave balances.

O. Post Employment Health Benefits

Under the terms of certain collectively bargained employment contracts, the District is required to pay the hospital/medical insurance premiums and dental insurance premiums for retired employees until they reach specified age requirements such as Medicare eligibility. The amount to be paid is equal to the full monthly premium cost for insurance coverage available under the appropriate current employment contract.

P. Pensions

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

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

Q. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District and additions to/deductions from the District′s fiduciary net position have been determined on the same basis as they are reported by the District. For this purpose, the District recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

R. 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 injuries to employees for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in the District′s insurance coverage during the year ending June 30, 2022.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Fund Equity

1. Classification

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

- Nonspendable Fund Balances – These are amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact and include inventory and prepaid items.

- Restricted Fund Balances – These are amounts that are restricted to specific purposes either by constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through enabling legislation.

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

- Assigned Fund Balances – The School Board delegates to the Director of Business Services, after consultation with the Finance Committee, the authority to assign fund balances for specific purposes.

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

The District′s policy is to spend resources from fund balance classifications in the following order (first to last) if resources from more than one fund balance classification could be spent: restricted, committed, assigned, and unassigned.

2. Minimum Fund Balance Policy

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

T. Net Position

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. Use of Estimates

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

V. Budgetary Information

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

District Funds Other than OPEB Trust Fund

Custodial Credit Risk – Deposits: For deposits, this is the risk in the event of a bank failure, the District's deposits may not be returned to it. The District has a policy that requires the District's deposits be collateralized by obtaining collateral or bond for all uninsured amounts on deposit and by obtaining necessary documentation to show compliance with state law and a perfected security interest under federal law.

The District's pooled deposits had a book balance as follows:

Checking	$ 263,901
Certificates of deposit	2,217,428
Total deposits	$ 2,481,329

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits (Continued)

Bond Proceeds
The District′s nonpooled deposits related to Bonds had a book balance as follows:

Certificates of deposit	$	428,800
Savings Deposit Account		37
Total deposits	$	428,837

OPEB Trust Fund
As of June 30, 2022, the District′s OPEB Trust Fund has the following non pooled deposits:

Certificates of deposit	$	275,000

B. Investments

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper and corporate bonds to be in the top two ratings issued by nationally recognized statistical rating organizations. The District′s investment policy refers to *Minnesota Statutes* governing investments. Statutes limits investments in the top two ratings issued by nationally recognized statistical rating organizations. The policy also states the District will prequalify the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business. As of June 30, 2022, the District′s investments were rated in the table on following page.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. The District′s policy states the District will diversify the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized. Diversification strategies shall be determined and revised periodically by the investment officer for all funds as allowed by law.

Interest Rate Risk: This is the risk that the market value of securities will fall due to the changes in market interest rates. The District′s policy states interest rate risk will be managed by structuring the investment portfolio, so securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and investing operating funds primarily in shorter term securities, money market mutual funds or similar investment pools and limiting the average maturity of the portfolio.

Custodial Credit Risk – Investments: For an investment, this is the risk 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 states an annual review of the financial condition and registration of all qualified financial institutions and broker/dealers will be conducted by the investment officer. In addition, the School Board shall annually designate one or more official depositories for District funds. The Finance Manager of the District may also exercise the power of the School Board to designate a depository.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

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

Investment Type	Fair Value	Investment Maturities Less Than 1 Year	Investment Maturities 1 to 3 Years	S & P Credit Ratings
Pooled				
MN Trust Term Series	$ 500,000	$ 500,000	$ -	AAA
Treasury Notes	1,967,424	972,773	994,651	AA+
Savings Deposit Account	5,007,047	5,007,047	-	NR
MN Trust Limited Term Duration	4,017,933	4,017,933	-	AAA
MN Trust Investment Shares Portfolio	7,619,967	7,619,967	-	AAA
Total pooled investments	19,112,371	18,117,720	994,651	
Non Pooled				
Bond Proceeds Investments				
Savings Deposit Account	1,002,409	1,002,409	-	NR
MN Trust Investment Shares Portfolio	1,844,000	1,844,000	-	AAA
Treasury Notes	25,817,452	11,134,933	14,682,519	AA+
Total 2015A, 2015B and 2017B Bonds	28,663,861	13,981,342	14,682,519	
OPEB Investments				
Goldman Sachs Government Money Market	9,372	9,372	-	NR
Vanguard Total Stock Market ETF	266,709	266,709	-	NR
Vanguard Total Bond Market ETF	261,528	261,528	-	NR
Treasury Notes	241,065	241,065	-	AA+
MN Trust Limited Term Duration	477,852	477,852	-	AAA
MN Trust Investment Shares Portfolio	1,028	1,028	-	AAA
Total OPEB Investments	1,257,554	1,257,554	-	
Total non-pooled investments	29,921,415	15,238,896	14,682,519	
Total investments	$ 49,033,786	$ 33,356,616	$ 15,677,170	

The District has the following recurring fair value measurements as of June 30, 2022:

- $528,237 of investments are valued using quoted market prices (Level 1 inputs)
- $9,372 of investments are valued using a significant other observable (Level 2 inputs)

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Deposits and Investments

The following is a summary of total deposits and investments:

District Governmental Funds and Private Purpose Trust Fund	
Deposits - pooled (Note 2A)	$ 2,481,329
Deposits - non pooled (Note 2A)	428,837
Deposits - non pooled (Note 2A)	275,000
Petty cash	6,584
Investments - pooled	19,112,371
Investments - non pooled	28,663,862
Investments - non pooled	1,257,553
Total deposits and investments	$ 52,225,536
Statement of Net Position	
Cash and investments	$ 50,691,748
Statement of Fiduciary Net Position	
Custodial Fund	1,235
OPEB Trust Fund	1,532,553
Total	$ 52,225,536

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 784,389	$ -	$ -	$ 784,389
Construction in progress	10,414,004	7,119,259	771,964	16,761,299
Total capital assets not being depreciated	11,198,393	7,119,259	771,964	17,545,688
Capital assets being depreciated				
Land improvements	8,689,903	-	-	8,689,903
Buildings	79,860,820	812,771	4,875	80,668,716
Machinery and equipment	4,858,776	236,758	484,064	4,611,470
Total capital assets being depreciated	93,409,499	1,049,529	488,939	93,970,089
Less accumulated depreciation for				
Land improvements	1,932,070	403,127	-	2,335,197
Buildings	36,822,891	1,852,311	3,656	38,671,546
Machinery and equipment	2,475,953	378,037	453,849	2,400,141
Total accumulated depreciation	41,230,914	2,633,475	457,505	43,406,884
Total capital assets being depreciated, net	52,178,585	(1,583,946)	31,434	50,563,205
Governmental activities, capital assets, net	$ 63,376,978	$ 5,535,313	$ 803,398	$ 68,108,893

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

Administration	$ 22,565
District support services	731
Elementary and secondary regular instruction	1,117,015
Vocational instruction	234
Special education instruction	32,592
Instructional support services	187,057
Pupil support services	13,051
Sites and buildings	1,120,369
Food service	121,067
Community service	18,794
Total depreciation expense	$ 2,633,475

NOTE 4 – LONG TERM DEBT

A. Components of Long-Term Liabilities

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One Year
Long-term liabilities						
G.O. bonds including refunding bonds						
G.O. Facilities Maintenance Bonds, Series 2016A	02/18/16	3.00%-5.00%	$ 5,120,000	02/01/31	$ 3,490,000	$ 340,000
G.O. School Building Bonds Series 2016B	07/27/16	2.00%-2.75%	4,000,000	02/01/33	4,000,000	-
G.O. School Building Bonds Series 2017A	02/16/17	2.50%-3.00%	5,080,000	02/01/33	5,080,000	-
G.O. Facilities Maintenance Bonds, Series 2017B	12/28/17	3.00%	3,900,000	02/01/33	3,465,000	175,000
G.O. Tax Abatement and Facilities Maintenance Bonds Series 2019A	02/14/19	3.00%-4.00%	3,750,000	02/01/35	3,495,000	135,000
G.O. Facilities Maintenance Bonds, Series 2020A	02/13/20	2.00%-4.00%	7,350,000	02/01/36	7,350,000	-
G.O. Facilities Maintenance Bonds, Series 2021A	02/18/21	1.00%-2.00%	7,975,000	02/01/39	7,975,000	-
G.O. Facilities Refunding Bonds, Series 2021B	11/10/21	5.00%	8,020,000	02/01/25	8,020,000	2,945,000
G.O. School Building Bonds, Series 2022A	01/27/22	2.00%-4.00%	30,000,000	02/01/42	30,000,000	400,000
Total G.O. bonds					72,875,000	3,995,000
Plus net bond premium					2,250,673	-
Net bonds payable					75,125,673	3,995,000
Severance payable					291,966	16,673
Compensated absences payable					209,418	-
Total all long-term liabilities					$ 75,627,057	$ 4,011,673

Long-term bond and loan liabilities listed above were issued to finance acquisition and construction of capital facilities or to refinance (refund) previous bond issues. Other long-term liabilities, such as severance and compensated absences, are typically liquidated through the General Fund.

B. Minimum Debt Payments for Bonds and Loans

Minimum annual principal and interest payments required to retire bond liabilities:

Year Ending June 30,	G.O. Bonds Principal	Interest	Total
2023	$ 3,995,000	$ 2,046,049	$ 6,041,049
2024	4,695,000	1,760,376	6,455,376
2025	4,605,000	1,543,924	6,148,924
2026	3,130,000	1,343,775	4,473,775
2027	3,170,000	1,251,325	4,421,325
2028-2032	16,990,000	4,920,863	21,910,863
2033-2037	18,655,000	2,827,737	21,482,737
2038-2042	17,635,000	1,015,525	18,650,525
Total	$ 72,875,000	$ 16,709,574	$ 89,584,574

NOTE 4 – LONG TERM DEBT (CONTINUED)

C. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance
Long-term liabilities				
G.O. bonds	$ 48,135,000	$ 38,020,000	$ 13,280,000	$ 72,875,000
Premium	1,620,309	1,413,850	783,486	2,250,673
Capital lease	56,386	-	56,386	-
Severance payable	306,308	26,930	41,272	291,966
Compensated absences payable	215,803	39,048	45,433	209,418
Total long-term liabilities	$ 50,333,806	$ 39,499,828	$ 14,206,577	$ 75,627,057

The District issued the $8,020,000 G.O. Refunding Bonds, Series 2021B for the current refunding of the G.O. Refunding Bonds, Series 2012B. The refunding was undertaken to reduce total debt service payments by $ 723,080 and resulted in a net present value benefit of $ 704,754.

NOTE 5 – FUND BALANCES/NET POSITION

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

A. Fund Balances

Fund balances are classified on the following page to reflect the limitations and restrictions of the respective funds.

NOTE 5 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balances (Continued)

	General Fund	Capital Projects Fund	Debt Service Fund	Other Nonmajor Funds	Total
Nonspendable for					
Inventory	$ -	$ -	$ -	$ 35,392	$ 35,392
Prepaid items	60,752	-	-	-	60,752
Total nonspendable	60,752	-	-	35,392	96,144
Restricted/reserved for					
Student Activities	22,993	-	-	-	22,993
Scholarships	24,750	-	-	-	24,750
Staff Development	125,534	-	-	-	125,534
Long-Term Facilities Maintenance	133,946	1,106,865	-	-	1,240,811
Area Learning Center	30,462	-	-	-	30,462
Operating Capital	758,930	-	-	-	758,930
Basic Skills Programs	30,157	-	-	-	30,157
Capital Projects Levy	521,817	-	-	-	521,817
Medical Assistance	260,211	-	-	-	260,211
Community Education	-	-	-	814,484	814,484
Early Childhood and Family Education	-	-	-	125,032	125,032
Community Service	-	-	-	4,167	4,167
Debt Service	-	-	1,582,724	-	1,582,724
Capital Projects	-	26,483,468	-	-	26,483,468
Food Service	-	-	-	670,342	670,342
Total restricted/reserved	1,908,800	27,590,333	1,582,724	1,614,025	32,695,882
Committed for					
Separation/retirement	937,026	-	-	-	937,026
Liberty shelter	29,120	-	-	-	29,120
Total committed	966,146	-	-	-	966,146
Assigned for					
Q Comp	92,169	-	-	-	92,169
STEM	5,116	-	-	-	5,116
Copier replacement	65,721	-	-	-	65,721
Curriculum materials	68,357	-	-	-	68,357
Special education vehicles	34,361	-	-	-	34,361
Athletics and activities	246,912	-	-	-	246,912
Technology repairs and replacement	57,328	-	-	-	57,328
Middle school sound system	172,835	-	-	-	172,835
DAPE Equipment	30,000	-	-	-	30,000
Facilities Equipment Replancement	206,399	-	-	-	206,399
Building level activities	143,735	-	-	-	143,735
Total assigned	1,122,933	-	-	-	1,122,933
Unassigned for					
General purposes	7,883,262	-	-	-	7,883,262
School Readiness	-	-	-	(31,078)	(31,078)
Total unassigned	7,883,262	-	-	(31,078)	7,852,184
Total fund balances	$ 11,941,893	$ 27,590,333	$ 1,582,724	$ 1,618,339	$ 42,733,289

NOTE 5 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balances (Continued)

Nonspendable for Inventory – This balance represents fund balance that has already been spent as inventory.

Nonspendable for Prepaid Items – This balance represents fund balance that has already been spent as prepaid items.

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

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

Restricted/Reserved for Staff Development – This balance represents unspent staff development revenues set aside from general education revenue that were restricted/reserved for staff development related to Finance Codes 316. Expenditures for staff development must equal at least 2% of the basic general education revenue, unless legal stipulations are met (*Minnesota Statutes* 122A.61, subd. 1).

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

Restricted/Reserved for Area Learning Center – This balance represents amounts restricted for students attending area learning centers. Each district that sends students to an area learning center must restrict an amount equal to the sum of 1) at lease 90 and no more than 100 percent of the district average General Education Revenue per adjusted pupil unit minus an amount equal to the product of the formula allowance according to *Minnesota Statutes* 126C.10, subd. 2, times .0466, calculated without basic skills revenue, local optional revenue, and transportation sparsity revenue, times the number of pupil units attending a state-approved area learning center, plus (2) the amount of basic skills revenue generated by pupils attending the area learning center. The amount restricted may only be spent on program costs associated with the area learning center.

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

Restricted/Reserved for Basic Skills Programs – This balance represents resources available for the basic skills uses listed in *Minnesota Statutes* 126C.15, subd. 1.

Restricted/Reserved for Capital Projects Levy – This balance represents available resources from the capital projects levy to be used for building construction and other projects under *Minnesota Statues* 126C.10, subd. 14. All interest income attributable to the capital projects levy must be credited to this account.

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

NOTE 5 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balances (Continued)

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

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

Restricted/Reserved for Community Service – This balance represents the positive fund balance of the Community Service Fund.

Restricted/Reserved for Debt Service – This balance represents the positive fund balance of the Debt Service Fund.

Restricted/Reserved for Capital Projects – This balance represents available resources in the Capital Projects Fund for projects.

Restricted/Reserved for Food Service – This balance represents the positive fund balance of the Food Service Fund.

Committed for Separation/Retirement Benefits – This balance represents resources segregated from the unassigned fund balance for retirement benefits, including compensated absences, pensions, other post employment benefits (OPEB), and termination benefits (as defined in GASB Statements Nos. 16, 27, 45, 47 and 50 and *Minnesota Statutes* 123B.79, subd. 7).

Committed for Liberty Shelter – This balance represents the remaining donation proceeds earmarked for a shelter on Liberty Elementary fields.

Assigned for Q Comp – This balance represents resources segregated from unassigned fund balance for unspent Q Comp, or quality compensation, tax levy, and state aids.

Assigned for STEM – This balance represents resources segregated from the unassigned fund balance for the STEM programming at Independence STEM Elementary.

Assigned for Copier Replacement – This balance represents resources segregated from the unassigned fund balance for future replacement of copiers.

Assigned for Curriculum Materials – This balance represents resources segregated from the unassigned fund balance for the curriculum materials.

Assigned for Special Education Vehicles – This balance represents resources segregated from the unassigned fund balance for the replacement of special education vans.

Assigned for Athletics and Activities – This balance represents resources segregated from unassigned fund balance for athletics and activity programming.

NOTE 5 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balances (Continued)

Assigned for Technology Repairs and Replacement – This balance represents resources segregated from unassigned fund balance for technology protection repairs and replacement of chromebooks.

Assigned for Middle School Sound System – This balance represents resources segregated from unassigned fund balance for upgrading the middle school sound system in the student center.

Assigned for DAPE Equipment – This balance represents resources segregated from unassigned fund balance for DAPE Equipment.

Facilities Equipment Replacement – This balance represents resources segregated from unassigned fund balance for facilities equipment replacement.

Assigned for Building Level Activities – This balance represents resources segregated from unassigned fund balance for different student activities that have done fundraising or received donations for specific purposes.

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

B. Restricted Net Position

Net position restricted for other purposes is comprised of the total positive restricted fund balances within the General Fund plus the total fund balances in the Community Service and Food Service Funds.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

The District participates in various pension plans. Total pension expense for the year ended June 30, 2022, was $144,171. The components of pension expense are noted in the following plan summaries. The General Fund typically liquidates the Liability related to the pensions.

Teachers′ Retirement Association

A. Plan Description

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

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

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers′ Retirement Association (Continued)

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 1 Benefits

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

With these provisions:

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

Tier II Benefits

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

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers′ Retirement Association (Continued)

Tier II Benefits (Continued)

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

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

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

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

	June 30, 2020		June 30, 2021		June 30, 2022	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic	11.92%	11.00%	11.00%	12.13%	11.00%	12.34%
Coordinated	7.92%	7.50%	7.50%	8.13%	7.50%	8.34%

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers′ Retirement Association (Continued)

Tier II Benefits (Continued)

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

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

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, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers′ Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

Key Methods and Assumptions Used in Valuation of Total Pension Liability

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

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 table on the following page.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers′ Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

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

The TRA actuary has determined the average of the expected remaining services lives of all members for fiscal year 2022 is six years. The ″Difference Between Expected and Actual Experience,″ ″Changes of Assumptions,″ and ″Changes in Proportion″ use the amortization period of six years in the schedule presented. The amortization period for ″Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments″ is over a period of five years as required by GASB 68.

Changes in actuarial assumptions and methods for the July 1, 2020, valuation:

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

E. Discount Rate

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

F. Net Pension Liability

On June 30, 2022, the District reported a liability of $11,238,336 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. District proportionate share was 0.2568% at the end of the measurement period and 0.2550% for the beginning of the year.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers′ Retirement Association (Continued)

F. Net Pension Liability (Continued)

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	$ 11,238,336
State's proportionate share of the net pension liability associated with the District	947,970

For the year ended June 30, 2022, the District recognized pension expense of $154,821. Included in this amount, the District recognized $10,614 as pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 302,251	$ 321,653
Net difference between projected and actual earnings on plan investment	-	9,430,875
Changes of assumptions	4,118,347	10,191,679
Changes in proportion	336,896	539,566
Contributions to TRA subsequent to the measurement date	1,425,098	-
Total	$ 6,182,592	$ 20,483,773

The $1,425,098 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers′ Retirement Association (Continued)

F. Net Pension Liability (Continued)

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

Year Ended June 30,	Pension Expense Amount
2023	$ (7,594,142)
2024	(5,811,312)
2025	(1,368,117)
2026	(1,768,152)
2027	815,444
Total	$ (15,726,279)

G. Pension Liability Sensitivity

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

District Proportionate Share of NPL		
1% Decrease in Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
$ 22,701,985	$ 11,238,336	$ 1,837,229

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

H. Pension Plan Fiduciary Net Position

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

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees′ Retirement Association

A. Plan Description

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

General Employees Retirement Plan

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

B. Benefits Provided

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

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1 the annuity accrual rate for a Coordinated Plan member is 1.2% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.
Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1.0% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees′ Retirement Association (Continued)

C. Contributions

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

General Employees Plan Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2022 and the District was required to contribute 7.5% for Coordinated Plan members in fiscal year 2022. The District′s contributions to the General Employees Plan for the year ended June 30, 2022, were $485,793. The District′s contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Plan Pension Costs

At June 30, 2022, the District reported a liability of $3,514,579 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 $107,311.

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0823% at the end of the measurement period and 0.0798% for the beginning of the period.

School's proportionate share of net pension liability	$ 3,514,579
State of Minnesota's proportionate share of the net pension liability associated with the School	107,311
Total	$ 3,621,890

For the year ended June 30, 2022, the District recognized pension expense of ($10,650) for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized an additional $8,658 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Plan Pension Costs (Continued)

At June 30, 2022, the District reported its proportionate share of deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 21,146	$ 107,178
Changes in actuarial assumptions	2,145,929	75,623
Difference between projected and actual investments earnings	-	3,057,258
Changes in proportion	112,416	73,431
District's contributions to PERA subsequent to the measurement date	485,793	-
Total	$ 2,765,284	$ 3,313,490

The $485,793 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows and inflows of resources related pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2023	$ (181,129)
2024	(29,142)
2025	6,474
2026	(830,202)
Total	$ (1,033,999)

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Long-Term Expected Return on Investment

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

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

F. Actuarial Methods and Assumptions

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

Inflation is assumed to be 2.25% for the General Employees Plan. Benefit increases after retirement are assumed to be 1.25% for the General Employees.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 29 years of service and 6.0% per year thereafter.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The table is adjusted slightly to fit PERA's experience.

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

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees′ Retirement Association (Continued)

F. Actuarial Methods and Assumptions (Continued)

The following changes in actuarial assumptions and plan provisions occurred in 2021:

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the previous valuation.

G. Discount Rate

The discount rate used to measure the total pension liability in 2021 was 6.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (5.5%)	Current Discount Rate (6.5%)	1% Increase in Discount Rate (7.5%)
District's proportionate share of the PERA net pension liability	$ 7,167,946	$ 3,514,579	$ 516,767

I. Pension Plan Fiduciary Net Position

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

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

The District provides a single-employer defined benefit health care plan to eligible retirees. The plan offers medical coverage. Medical coverage is administered by Blue Cross Blue Shield. It is the District's policy to periodically review its medical coverage, and to obtain requests for proposals in order to provide the most favorable benefits and premiums for District employees and retirees.

B. Benefit Provided

Teachers who apply for early retirement shall remain eligible to receive certain health insurance benefits until the end of the school year in which the teacher becomes Medicare eligible. Full vesting of such amounts occurs upon attaining 56 years of age. The General Fund, Food Service Fund and Community Service Fund typically liquidate the Liability related to OPEB.

C. Members

As of June 30, 2022, the following were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	24
Active employees	372
Total	396

D. Contributions

Retirees contribute to the health care plan at the same rate as District employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the District, based on the contract terms with Blue Cross Blue Shield. The required contributions are based on projected pay-as-you-go financing requirements. For the year 2022, the District contributed $0 to the plan.

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability	
Investment rate of return	3.50%, net of investment expense long-term
Salary increases	Service graded table
Inflation	2.50%
Healthcare cost trend increases	6.25% in 2021 grading to 5.00% over five years
Mortality Assumption	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, 2020, valuation were based on the results of an actuarial experience study for the period July 1, 2019 – June 30, 2020.

The following changes in actuarial assumptions occurred in 2022:

Changes in Actuarial Assumptions

- The expected long-term investment return was changed from 3.1% to 3.5%.
- The discount rate was changed from 2.4% to 3.7%.

The long-term expected rate of return on OPEB plan investments was determined based on the plan's target investment allocation along with the long-term return expectations by asset class. When there is sufficient historical evidence of market outperformance, historical average returns may be considered.

Asset Class	Target	Long-Term Expected Real Rate of Return
Domestic equity	20.00 %	7.50 %
Fixed income	79.95	2.00
Cash	0.05	0.01
Total	100.00 %	3.5 %

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

E. Actuarial Assumptions (Continued)

The details of the investments and the investment policy are described in Note 2. of the District's financial statements. For the year ended June 30, 2022, the annual money-weighted rate of return on investments, net of investments expenses, was 3.50%.

F. Discount Rate

The discount rate used to measure the total OPEB liability was 3.7%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

G. Changes in Net Other Post Employment Benefit Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2021	$ 2,215,961	$ 1,618,341	$ 597,620
Changes for the year			
Service cost	144,902	-	144,902
Interest	53,839	-	53,839
Assumption changes	(122,409)	-	(122,409)
Employer contributions	-	100,938	(100,938)
Projected investment income	-	56,642	(56,642)
Differences between expected and actual economic experience	-	(145,111)	145,111
Benefit payments	(236,532)	(236,532)	-
Administrative expense	-	(250)	250
Net changes	(160,200)	(224,313)	64,113
Balances at June 30, 2022	$ 2,055,761	$ 1,394,028	$ 661,733
Plan fiduciary net position as a percentage of the total OPEB liability			67.81%

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

H. Other Post Employment Benefit Liability Sensitivity

The following presents the District's net OPEB liability calculated using the discount rate of 3.7% as well as the liability measured using 1 percent lower and 1 percent higher than the current discount rate.

	1% Decrease in Discount Rate (2.7%)	Current Discount Rate (3.7%)	1% Increase in Discount Rate (4.7%)
Net OPEB Liability	$ 778,418	$ 661,733	$ 547,864

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 healthcare cost trend rates that are 1 percent lower and 1 percent higher than the current healthcare cost trend rates. The decrease in healthcare cost trend rates is over seven years.

	1% decrease (5.25% decreasing to 4.0%)	Current (6.25% decreasing to 5.0%)	1% increase (7.25% decreasing to 6.0%)
Net OPEB Liability	$ 469,276	$ 661,733	$ 887,922

I. Other Post Employment Benefit Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Other Post Employment Benefit

For the year ended June 30, 2022, the District recognized OPEB expense of ($48,995). At June 30, 2022, the Distract 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	$ -	$ 760,366
Assumption changes	86,191	193,962
Investment losses	59,067	-
Total	$ 145,258	$ 954,328

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

I. Other Post Employment Benefit Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Other Post Employment Benefit (Continued)

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

Year Ending June 30,	Total
2023	$ (191,677)
2024	(191,823)
2025	(176,223)
2026	(94,510)
2027	(137,350)
Thereafter	(17,487)
Total	$ (809,070)

J. Payable from the OPEB Plan

At June 30, 2022, the OPEB plan reported a payable of $82,426 to the District. The amount is reported as a payable on the OPEB Trust Fund Statement of Fiduciary Net Position.

NOTE 8 – JOINT POWERS AGREEMENT

The District entered into a joint powers agreement in February 1998 between and among eight other area independent school districts and Wright Technical Center No. 996 (WTC), a cooperative center for vocational education, to finance the acquisition and betterment of an addition to the existing WTC facilities.

The addition is being financed through capital lease agreements. Each participating district annually authorizes a leasing levy to cover their allocated portion of the lease payment based on the formula set out in the joint powers agreement. Participating districts will also be apportioned operating costs and continuing capital costs for the addition based on the current cost allocation formula.

Separately issued financial statements can be obtained from Wright Technical Center, 1400 Highway 25 North, Buffalo, Minnesota 55313-1936.

NOTE 9 – COMMITMENTS

Description	Contract Amount	Expended Through June 30, 2022	Remaining Commitment
Middle school HVAC project	$ 13,169,576	$ 13,148,417	$ 21,159
Independence HVAC project	1,332,842	303,773	1,029,069
High school HVAC dehumidification	1,473,618	861,723	611,895
High school renovation	307,875	64,914	242,961
High school and Liberty Controls replacement	1,829,800	440,840	1,388,960
High school roofing	1,212,151	60,624	1,151,527
Middle school roofing	713,610	64,560	649,050
Liberty roofing	2,618,300	1,627,179	991,121
Middle school sound systems	239,646	135,596	104,050
Independence boiler replacement and middle school HVAC project engineering	48,000	45,585	2,415
Total	$ 22,945,418	$ 16,753,211	$ 6,192,207

NOTE 10 – GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED

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

REQUIRED SUPPLEMENTARY INFORMATION

Independent School District No. 727
Schedule of Changes in Net OPEB Liability
and Related Ratios

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
Total OPEB Liability				
Service cost	$ 144,902	$ 168,800	$ 197,753	$ 172,521
Interest	53,839	77,064	93,513	113,540
Changes of assumptions	(122,409)	(87,357)	96,832	72,013
Differenced between expected and actual experience	-	(751,726)	-	(521,316)
Benefit payments	(236,532)	(207,881)	(189,650)	(177,734)
Net change in total OPEB liability	(160,200)	(801,100)	198,448	(340,976)
Beginning of year	2,215,961	3,017,061	2,818,613	3,159,589
End of year	$ 2,055,761	$ 2,215,961	$ 3,017,061	$ 2,818,613
Plan Fiduciary Net Pension (FNP)				
Employer contributions	$ 100,938	$ 82,172	$ -	$ 89,079
Projected investment income	56,642	49,811	52,109	59,286
Differences beetween expected and actual experience	(145,111)	87,696	11,402	-
Benefit payments	(236,532)	(207,881)	(189,650)	(177,734)
Administrative expense	(250)	(250)	(4,033)	(250)
Net change in plan fiduciary net position	(224,313)	11,548	(130,172)	(29,619)
Beginning of year	1,618,341	1,606,793	1,736,965	1,766,584
End of year	$ 1,394,028	$ 1,618,341	$ 1,606,793	$ 1,736,965
Net OPEB liability	$ 661,733	$ 597,620	$ 1,410,268	$ 1,081,648
Plan FNP as a percentage of the total OPEB liability	67.81%	73.03%	53.26%	61.62%
Covered-employee payroll	$ 21,624,099	$ 20,994,271	$ 20,561,896	$ 19,963,006
Net OPEB liability as a percentage of covered-employee payroll	3.06%	2.85%	6.86%	5.42%

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

June 30, 2018	June 30, 2017
$ 180,473	$ 192,545
94,654	93,888
(93,263)	-
-	-
(209,937)	(285,466)
(28,073)	967
3,187,662	3,186,695
$ 3,159,589	$ 3,187,662
$ 112,897	$ 152,807
64,821	43,551
(1,668)	36,699
(209,937)	(285,466)
(250)	(250)
(34,137)	(52,659)
1,800,721	1,853,380
$ 1,766,584	$ 1,800,721
$ 1,393,005	$ 1,386,941
55.91%	56.49%
$ 19,228,177	$ 18,668,133
7.24%	7.43%

Independent School District No. 727
Schedule of Employer Contributions - OPEB

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
Actuarially determined contribution	$ -	$ -	$ -	$ 89,079
Contributions in relation to the actuarially Determined contribution	-	-	-	89,079
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 20,994,271	$ 20,994,271	$ 20,561,896	$ 19,963,006
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.45%

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

June 30, 2018	June 30, 2017
$ 112,897	$ 152,807
112,897	152,807
$ -	$ -
$ 19,228,177	$ 18,668,133
0.59%	0.82%

Independent School District No. 727
Schedule of Investment Returns

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Annual money-weighted rate of return, net of investment expense	3.50%	3.10%	3.00%	3.40%	3.50%	4.30%

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

Independent School District No. 727
Schedule of District's and Non-Employer Proportionate Share (if Applicable) of Net Pension Liability
Last Ten Years General Employees Retirement Fund

For Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension of Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0950%	$ 4,462,624	$ -	$ -	$ 4,986,276	89.5%	78.75%
2015	0.0919%	4,762,735	-	-	5,459,160	87.2%	78.19%
2016	0.0889%	7,218,239	94,209	7,312,448	5,513,720	130.9%	68.91%
2017	0.0843%	5,381,656	67,686	5,449,342	5,432,067	99.1%	75.90%
2018	0.0843%	4,676,618	153,463	4,830,081	5,667,080	82.5%	79.53%
2019	0.0806%	4,456,193	138,494	4,594,687	5,705,227	78.1%	80.23%
2020	0.0798%	4,784,375	147,603	4,931,978	5,691,653	84.1%	79.06%
2021	0.0823%	3,514,579	107,311	3,621,890	5,923,987	59.3%	87.00%

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

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

For Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension of Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.2996%	$ 13,805,352	$ 971,259	$ 14,776,611	$ 13,677,649	100.9%	81.50%
2015	0.2673%	16,535,149	2,028,282	18,563,431	13,729,307	120.4%	78.77%
2016	0.2592%	61,825,385	6,205,287	68,030,672	13,481,080	458.6%	44.88%
2017	0.2607%	52,040,449	5,030,565	57,071,014	14,031,107	370.9%	51.57%
2018	0.2577%	16,185,972	1,520,654	17,706,626	14,239,253	113.7%	78.07%
2019	0.2630%	16,763,675	1,483,666	18,247,341	14,931,686	112.3%	78.21%
2020	0.2550%	18,839,742	1,578,998	20,418,740	14,817,563	127.1%	75.48%
2021	0.2568%	11,238,336	947,970	12,186,306	15,369,213	73.1%	86.63%

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

Independent School District No. 727
Schedule of District Contributions
General Employees Retirement Fund
Last Ten Years

For Fiscal Year Ended June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	$ 361,505	$ 361,505	$ -	$ 4,986,276	7.25%
2015	409,437	409,437	-	5,459,160	7.50%
2016	413,529	413,529	-	5,513,720	7.50%
2017	407,405	407,405	-	5,432,067	7.50%
2018	425,031	425,031	-	5,667,080	7.50%
2019	427,892	427,892	-	5,705,227	7.50%
2020	426,874	426,874	-	5,691,653	7.50%
2021	444,299	444,299	-	5,923,987	7.50%
2022	485,793	485,793	-	6,477,240	7.50%

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

Schedule of District Contributions
TRA Retirement Fund
Last Ten Years

For Fiscal Year Ended June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	$ 957,435	$ 957,435	$ -	$ 13,677,649	7.00%
2015	1,029,698	1,029,698	-	13,729,307	7.50%
2016	1,011,081	1,011,081	-	13,481,080	7.50%
2017	1,052,333	1,052,333	-	14,031,107	7.50%
2018	1,067,944	1,067,944	-	14,239,253	7.50%
2019	1,151,233	1,151,233	-	14,931,686	7.71%
2020	1,173,551	1,173,551	-	14,817,563	7.92%
2021	1,249,517	1,249,517	-	15,369,213	8.13%
2022	1,425,098	1,425,098	-	17,087,506	8.34%

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

TRA Retirement Fund

2021 Changes

Changes in Actuarial Assumptions

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

2020 Changes

Changes in Actuarial Assumptions

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

2019 Changes

Changes in Actuarial Assumptions

- None

2018 Changes

Changes in Actuarial Assumptions

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

TRA Retirement Fund (Continued)

2017 Changes

Changes in Actuarial Assumptions

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

2016 Changes

Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 8.0%.
- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- The price inflation assumption was lowered from 3% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back 6 years and female rates set back 5 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 3 years and female rates set back 3 years, with further adjustments of the rates. Generational projection uses the MP 2015 scale.
- The post-disability mortality assumption was changed to the RP 2014 disabled retiree mortality table, without adjustment.
- Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

TRA Retirement Fund (Continued)

2015 Changes

Changes of Benefit Terms

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

Changes in Actuarial Assumptions

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

Independent School District No. 727
Notes to the Required Supplementary Information

General Employees Fund

2021 Changes
Changes in Actuarial Assumptions
- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The mortality improvement scale was changed from scale MP-2019 to scale MP-2020.

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

2020 Changes
Changes in Actuarial Assumptions
- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changes as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retires electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

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

2019 Changes
Changes in Actuarial Assumptions
- The mortality projection scale was changed from MP-2017 to MP-2018.

General Employees Fund (Continued)

2019 Changes (Continued)
Changes in Plan Provisions

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

2018 Changes
Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2017 Changes
Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

General Employees Fund (Continued)

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Plan Provisions

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

Changes in Actuarial Assumptions

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

Post Employment Health Care Plan

2022 Changes

Changes in Actuarial Assumptions:

- The expected long-term investment return was changed from 3.1% to 3.5%.
- The discount rate was changed from 2.4% to 3.7%.

2021 Changes

Changes in Actuarial Assumptions

- The expected long-term investment return was changed from 3.0% to 3.1%.
- The discount rate was changed from 2.5% to 2.4%.

2020 Changes

Changes in Actuarial Assumptions

- The expected long-term investment return was changed from 3.4% to 3.0%.
- The discount rate was changed from 3.2% to 2.5%.

2019 Changes

Changes in Actuarial Assumptions

- The health care trend rates were changed to better anticipate short term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The expected long-term investment return was changed from 3.6% to 3.4%.
- The discount rate was changed from 3.5% to 3.2%.

2018 Changes

- For the fiscal year ended June 30, 2018, the expected long-term investment return was changed from 2.35% to 3.60% and the discount rate was changed from 2.90% to 3.50%.

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SUPPLEMENTRY INFORMATION

Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2022

	Special Revenue Funds		
	Food Service	Community Service	Total Nonmajor Funds
Assets			
Cash and investments (including cash equivalents)	$ 723,848	$ 1,168,491	$ 1,892,339
Current property taxes receivable	-	150,425	150,425
Delinquent property taxes receivable	-	3,996	3,996
Accounts receivable	30	29,878	29,908
Due from Department of Education	1,090	33,906	34,996
Due from Federal Government through Department of Education	59,590	32,021	91,611
Due from other Minnesota school districts	-	21,985	21,985
Due from other governmental units	-	13,399	13,399
Inventory	35,392	-	35,392
Total assets	$ 819,950	$ 1,454,101	$ 2,274,051
Liabilities			
Accounts payable	$ 70,403	$ 25,533	$ 95,936
Salaries and benefits payable	453	163,758	164,211
Due to other governmental units	-	704	704
Unearned revenue	43,360	34,443	77,803
Total liabilities	114,216	224,438	338,654
Deferred Inflows of Resources			
Unavailable revenue - delinquent property taxes	-	3,996	3,996
Property taxes levied for subsequent year's expenditures	-	313,062	313,062
Total deferred inflows of resources	-	317,058	317,058
Fund Balances			
Nonspendable	35,392	-	35,392
Restricted	670,342	943,683	1,614,025
Unassigned	-	(31,078)	(31,078)
Total fund balances	705,734	912,605	1,618,339
Total liabilities, deferred inflows of resources, and fund balances	$ 819,950	$ 1,454,101	$ 2,274,051

Independent School District No. 727
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended June 30, 2022

	Special Revenue Funds		
	Food Service	Community Service	Total Nonmajor Funds
Revenues			
Local property taxes	$ -	$ 307,747	$ 307,747
Other local and county revenues	2,422	1,900,187	1,902,609
Revenue from state sources	61,166	286,653	347,819
Revenue from federal sources	2,123,855	195,924	2,319,779
Sales and other conversion of assets	175,656	18,570	194,226
Total revenues	2,363,099	2,709,081	5,072,180
Expenditures			
Current			
Food service	1,857,756	-	1,857,756
Community education and services	-	2,399,300	2,399,300
Capital outlay	1,243	33,052	34,295
Total expenditures	1,858,999	2,432,352	4,291,351
Excess of revenues over expenditures	504,100	276,729	780,829
Fund Balances			
Beginning of year	201,634	635,876	837,510
End of year	$ 705,734	$ 912,605	$ 1,618,339

Independent School District No. 727
Detailed Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Local property taxes	$ 5,026,373	$ 5,021,961	$ 5,104,980	$ 83,019
Other local and county revenues	837,959	900,053	1,007,066	107,013
Revenue from state sources	29,493,892	30,844,723	31,054,885	210,162
Revenue from federal sources	1,286,928	1,873,024	1,832,048	(40,976)
Sales and other conversion of assets	58,600	57,600	32,949	(24,651)
Total revenues	36,703,752	38,697,361	39,031,928	334,567
Expenditures				
Current				
Administration				
Salaries	1,024,342	1,015,237	1,026,115	10,878
Employee benefits	357,702	346,295	338,023	(8,272)
Purchased services	20,297	41,935	45,614	3,679
Supplies and materials	5,130	4,283	2,931	(1,352)
Capital expenditures	7,500	6,500	5,573	(927)
Other expenditures	52,917	25,212	24,640	(572)
Total administration	1,467,888	1,439,462	1,442,896	3,434
District support services				
Salaries	753,650	764,810	724,450	(40,360)
Employee benefits	264,261	360,368	227,132	(133,236)
Purchased services	228,800	286,310	289,460	3,150
Supplies and materials	14,700	11,965	11,264	(701)
Capital expenditures	37,811	-	-	-
Other expenditures	38,850	(16,078)	(2,399)	13,679
Total district support services	1,338,072	1,407,375	1,249,907	(157,468)
Elementary and secondary				
Regular instruction				
Salaries	11,189,322	11,246,820	11,474,671	227,851
Employee benefits	3,973,643	3,940,687	3,983,169	42,482
Purchased services	749,064	784,493	803,037	18,544
Supplies and materials	737,992	721,616	776,665	55,049
Capital expenditures	284,011	256,747	170,554	(86,193)
Other expenditures	47,773	24,287	24,219	(68)
Total elementary and secondary regular instruction	16,981,805	16,974,650	17,232,315	257,665

Independent School District No. 727
Detailed Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Expenditures				
Current (continued)				
Vocational education instruction				
Salaries	$ 333,027	$ 323,868	$ 306,042	$ (17,826)
Employee benefits	151,980	149,672	139,005	(10,667)
Purchased services	164,857	164,961	164,964	3
Supplies and materials	32,900	32,735	32,735	-
Capital expenditures	1,500	-	-	-
Total vocational education instruction	684,264	671,236	642,746	(28,490)
Special education instruction				
Salaries	5,956,912	5,733,736	5,663,129	(70,607)
Employee benefits	2,623,610	2,534,177	2,448,073	(86,104)
Purchased services	276,457	268,683	273,063	4,380
Supplies and materials	56,521	39,721	20,079	(19,642)
Capital expenditures	-	13,100	14,060	960
Total special education instruction	8,913,500	8,589,417	8,418,404	(171,013)
Instructional support services				
Salaries	1,479,986	1,436,342	1,352,251	(84,091)
Employee benefits	494,198	504,696	493,141	(11,555)
Purchased services	92,425	84,575	77,928	(6,647)
Supplies and materials	527,063	363,051	282,023	(81,028)
Capital expenditures	262,500	126,449	57,307	(69,142)
Other expenditures	3,925	3,339	2,791	(548)
Total instructional support services	2,860,097	2,518,452	2,265,441	(253,011)
Pupil support services				
Salaries	653,607	904,072	859,592	(44,480)
Employee benefits	228,711	320,894	275,916	(44,978)
Purchased services	2,146,272	2,131,941	2,054,262	(77,679)
Supplies and materials	26,750	163,374	161,095	(2,279)
Capital expenditures	-	2,167	-	(2,167)
Other expenditures	320	700	133	(567)
Total pupil support services	3,055,660	3,523,148	3,350,998	(172,150)

Independent School District No. 727
Detailed Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2022

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget - Over (Under)
Expenditures				
Current (continued)				
Sites and buildings				
Salaries	$ 1,161,684	$ 1,151,079	$ 1,147,607	$ (3,472)
Employee benefits	549,311	527,338	523,239	(4,099)
Purchased services	1,552,593	1,633,593	1,495,174	(138,419)
Supplies and materials	186,000	203,330	193,604	(9,726)
Capital expenditures	258,938	312,311	302,334	(9,977)
Other expenditures	1,500	765	765	-
Total sites and buildings	3,710,026	3,828,416	3,662,723	(165,693)
Fiscal and other fixed cost programs				
Purchased services	196,764	199,957	183,438	(16,519)
Other expenditures	11,000	11,000	9,800	(1,200)
Total fiscal and other fixed Cost programs	207,764	210,957	193,238	(17,719)
Debt Service				
Principal	56,386	56,386	56,386	-
Interest and fiscal charges	1,071	1,071	1,071	-
Total debt service	57,457	57,457	57,457	-
Total expenditures	39,276,533	39,220,570	38,516,125	(704,445)
Excess of revenues over (under) expenditures	(2,572,781)	(523,209)	515,803	1,039,012
Other Financing Sources				
Proceeds from sale of capital assets	-	-	1,022	1,022
Insurance recovery	-	105,000	26,756	(78,244)
Total other financing sources	-	105,000	27,778	(77,222)
Net change in fund balances	$ (2,572,781)	$ (418,209)	543,581	$ 961,790
Fund Balance				
Beginning of year			11,398,312	
End of year			$ 11,941,893	

Independent School District No. 727
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Food Service Fund
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Other local and county revenues	$ 424	$ 4,424	$ 2,422	$ (2,002)
Revenue from state sources	35,011	59,161	61,166	2,005
Revenue from federal sources	1,587,950	2,082,249	2,123,855	41,606
Sales and other conversion of assets	196,550	160,100	175,656	15,556
Total revenues	1,819,935	2,305,934	2,363,099	57,165
Expenditures				
Current				
Food service	1,737,109	1,915,668	1,857,756	(57,912)
Capital outlay				
Food service	45,000	-	1,243	1,243
Total expenditures	1,782,109	1,915,668	1,858,999	(56,669)
Excess of revenues over expenditures	$ 37,826	$ 390,266	504,100	$ 113,834
Fund Balance				
Beginning of year			201,634	
End of year			$ 705,734	

Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Community Service Fund
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Local property taxes	$ 304,766	$ 304,764	$ 307,747	$ 2,983
Other local and county revenues	1,231,560	1,540,338	1,900,187	359,849
Revenue from state sources	278,427	283,751	286,653	2,902
Revenue from federal sources	-	164,107	195,924	31,817
Sales and other conversion of assets	12,100	12,100	18,570	6,470
Total revenues	1,826,853	2,305,060	2,709,081	404,021
Expenditures				
Current				
Community education and services	1,899,190	2,211,643	2,399,300	187,657
Capital outlay				
Community education and services	12,255	29,255	33,052	3,797
Total expenditures	1,911,445	2,240,898	2,432,352	191,454
Excess of revenues over (under) expenditures	$ (84,592)	$ 64,162	276,729	$ 212,567
Fund Balance				
Beginning of year			635,876	
End of year			$ 912,605	

Independent School District No. 727
Uniform Financial Accounting and Reporting Standards
Compliance Table
Year Ended June 30, 2022

		Audit	UFARS	Audit-UFARS
01 GENERAL FUND				
Total revenue		$ 39,031,928	$ 39,031,932	$ (4)
Total expenditures		38,516,125	38,516,125	-
Nonspendable:				
4.60	Nonspendable fund balance	60,752	60,752	-
Restricted/reserved:				
4.01	Student Activities	22,993	22,993	-
4.02	Scholarships	24,750	24,750	-
4.03	Staff Development	125,534	125,534	-
4.07	Capital Projects Levy	521,817	521,817	-
4.08	Cooperative Programs	-	-	-
4.09	Alternative Facility Program	-	-	-
4.13	Building Projects Funded by COP/LP	-	-	-
4.14	Operating Debt	-	-	-
4.16	Levy Reduction	-	-	-
4.17	Taconite Building Maintenance	-	-	-
4.24	Operating Capital	758,930	758,930	-
4.26	$25 Taconite	-	-	-
4.27	Disabled Accessibility	-	-	-
4.28	Learning and Development	-	-	-
4.34	Area Learning Center	30,462	30,462	-
4.35	Contracted Alternative Programs	-	-	-
4.36	State Approved Alternative Program	-	-	-
4.38	Gifted and Talented	-	-	-
4.40	Teacher Development and Evaluation	-	-	-
4.41	Basic Skills Programs	30,157	30,157	-
4.46	First Grade Preparedness	-	-	-
4.48	Achievement and Integration	-	-	-
4.49	Safe School Crime	-	-	-
4.51	QZAB Payments	-	-	-
4.52	OPEB Liabilities not Held in Trust	-	-	-
4.53	Unfunded Severance and Retirement Levy	-	-	-
4.59	Basic Skills Extended Time	-	-	-
4.67	Long-term Facilities Maintenance	133,946	133,946	-
4.72	Medical Assistance	260,211	260,211	-
4.75	Title VII - Impact Aid	-	-	-
4.76	Payments in Lieu of Taxes	-	-	-
Restricted:				
4.64	Restricted fund balance	-	-	-
Committed:				
4.18	Committed for separation	937,026	937,026	-
4.61	Committed fund balance	29,120	29,120	-
Assigned:				
4.62	Assigned fund balance	1,122,933	1,122,934	(1)
Unassigned:				
4.22	Unassigned fund balance (net position)	7,883,262	7,883,265	(3)
02 FOOD SERVICE FUND				
Total revenue		$ 2,363,099	$ 2,363,097	$ 2
Total expenditures		1,858,999	1,858,995	4
Nonspendable:				
4.62	Nonspendable fund balance	35,392	35,392	-
Restricted/Reserved:				
4.52	OPEB liabilities not held in trust	-	-	-
Restricted:				
4.64	Restricted fund balance	670,342	670,341	1
Unassigned:				
4.63	Unassigned fund balance	-	-	-
04 COMMUNITY SERVICE FUND				
Total revenue		$ 2,709,081	$ 2,709,082	$ (1)
Total expenditures		2,432,352	2,432,353	(1)
Capital lease payable				
4.60	Nonspendable fund balance	-	-	-
Restricted/reserved:				
4.26	$25 Taconite	-	-	-
4.31	Community Education	814,484	814,484	-
4.32	ECFE	125,032	125,032	-
4.40	Teacher Development and Evaluation	-	-	-
4.44	School Readiness	(31,078)	(31,078)	-
4.47	Adult Basic Education	-	-	-
4.52	OPEB Liabilities not Held in Trust	-	-	-
Restricted:				
4.64	Restricted fund balance	4,167	4,167	-
Unassigned:				
4.63	Unassigned fund balance	-	-	-

		Audit	UFARS	Audit-UFARS
06 BUILDING CONSTRUCTION FUND				
Total revenue		$ (230,033)	$ (230,033)	$ -
Total expenditures		7,603,653	7,603,653	-
Nonspendable:				
4.60	Nonspendable fund balance	-	-	-
Restricted/reserved:				
4.07	Capital Projects Levy	-	-	-
4.09	Alternative Facility Program	-	-	-
4.67	LTFM	1,106,865	1,106,865	-
Restricted:				
464	Restricted fund balance	26,483,468	26,483,468	-
Unassigned:				
4.63	Unassigned fund balance	-	-	-
07 DEBT SERVICE FUND				
Total revenue		$ 5,716,236	$ 5,716,235	$ 1
Total expenditures		6,126,161	6,126,161	-
Nonspendable:				
4.60	Nonspendable fund balance	-	-	-
Restricted/reserved:				
4.25	Bond refunding	-	-	-
4.33	Maximum effort loan aid	-	-	-
4.51	QZAB payments	-	-	-
4.67	LTFM	-	-	-
Restricted:				
464	Restricted fund balance	1,582,724	1,582,723	1
Unassigned:				
4.63	Unassigned fund balance	-	-	-
08 TRUST FUND				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Unassigned:				
4.01	Student Activties	$ -	$ -	$ -
4.02	Scholarships	-	-	-
4.22	Net position	-	-	-
18 CUSTODIAL FUND				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Unassigned:				
4.01	Student Activities	-	-	-
4.02	Scholarships	-	-	-
4.48	Achievement and Integration	-	-	-
4.64	Restricted	-	-	-
20 INTERNAL SERVICE FUND				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Unassigned:				
4.22	Net position	-	-	-
25 OPEB REVOCABLE TRUST				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Unassigned:				
4.22	Net position	-	-	-
45 OPEB IRREVOCABLE TRUST				
Total revenue		$ (85,448)	$ (85,448)	$ -
Total expenditures		138,865	138,865	-
Unassigned:				
4.22	Net position	1,394,029	1,394,028	1
47 OPEB DEBT SERVICE				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Nonspendable:				
4.60	Nonspendable fund balance	-	-	-
Restricted:				
4.64	Restricted fund balance	-	-	-
Unassigned:				
4.63	Unassigned fund balance	-	-	-

Independent School District No. 727
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Funding Source	Federal CFDA Number	Pass Through Entity	Grant Name	Expenditures
U.S. Department of Agriculture	10.553	Minnesota Department of Education	School Breakfast	$ 332,234
U.S. Department of Agriculture	10.555	Minnesota Department of Education	Type A Lunch and Commodities Programs	1,563,714
U.S. Department of Agriculture	10.555	Minnesota Department of Education	Commodities (Noncash)	127,548
U.S. Department of Agriculture	10.555C	Minnesota Department of Education	Supply Chain Assistance	54,056
U.S. Department of Agriculture	10.559	Minnesota Department of Education	COVID-19 Summer Food Service	44,707
			Total Child Nutrition Cluster	2,122,259
U.S. Department of Education	10.649	Minnesota Department of Education	State Pandemic Electronic Benefit Transfer Administrative	3,110
U.S. Department of Education	84.010	Minnesota Department of Education	Title I, Part A	258,017
U.S. Department of Education	84.424	Minnesota Department of Education	Title IV, Part A - Student Support and Academic Enrichment	15,977
U.S. Department of Education	84.367	Minnesota Department of Education	Title II, Part A - Teacher and Principal Training and Recruiting	58,171
U.S. Department of Health and Human Services	93.323	Minnesota Department of Education	MN COVID Testing Program	163,664
U.S. Department of Health and Human Services	93.959	Minnesota Department of Education	PCN Grant	182,601
U.S. Department of Health and Human Services	93.575	Minnesota Department of Education	DHS Childcare	73,358
U.S. Department of Education	84.027	Independent School District No. 882	Special Education	82,460
U.S. Department of Education	84.027X	Independent School District No. 882	ARP Special Education	13,225
			Total Special Education Cluster	95,685
U.S. Department of Treasury	21.027	Minnesota Department of Education	COVID-19 American Rescue Plan Summer Academic Entrichment and Mental Health	36,609
U.S. Department of Treasury	21.027	Minnesota Department of Education	COVID-19 Summer Preschool Program	12,799
U.S. Department of Treasury	21.027	Minnesota Department of Education	COVID-19 ABE ARP	6,153
U.S. Department of Treasury	21.027	Minnesota Department of Education	COVID-19 Pandemic Enrollment Loss	42,849
			Total American Rescue Plan Cluster	98,410
U.S. Department of Education	84.425	Minnesota Department of Education	COVID-19 Elementary and Secondary Schools Education Relief (ESSER) Fund	7,102
U.S. Department of Education	84.425D	Minnesota Department of Education	COVID-19 ESSER II Fund	835,987
U.S. Department of Education	84.425W	Minnesota Department of Education	COVID-19 ARP Homeless II	50
U.S. Department of Education	84.425U	Minnesota Department of Education	COVID-19 ESSER III Fund	49,075
U.S. Department of Education	84.425C	Minnesota Department of Education	COVID-19 Expanded Summer Learning - GEER	11,734
U.S. Department of Education	84.425D	Minnesota Department of Education	COVID-19 Expanded Summer Learning - ESSER	117,680
U.S. Department of Education	84.425C	Minnesota Department of Education	COVID-19 Summer School Age Care	58,950
			Total Education Stabilization Fund	1,080,578
		Total Federal Expenditures		$ 4,151,830

See notes to schedule of expenditures of federal awards.

Independent School District No. 727
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2022

NOTE 1 – BASIS OF PRESENTATION

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

NOTE 2 – PASS-THROUGH GRANT NUMBERS

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

NOTE 3 – INVENTORY

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

NOTE 4 – INDIRECT COST RATE

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

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

Independent Auditor′s Report

To the School Board
Independent School District No. 727
Big Lake, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 727, Big Lake, Minnesota, as of and for the year ended June 30, 2022, and the related notes to basic financial statements, which collectively comprise the District′s basic financial statements and have issued our report thereon dated November 8, 2022.

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control described in the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance that we consider to be a significant deficiency in internal control, Audit Finding 2022-001.

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

District's Response to the Findings
The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance. 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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BerganKDV Ltd.

Minneapolis, Minnesota
November 8, 2022

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

Independent Auditor's Report

To the School Board
Independent School District No. 727
Big Lake, Minnesota

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

Bergan KDV Ltd.

Minneapolis, Minnesota
November 8, 2022

Independent School District No. 727
Schedule of Findings and Questioned Costs
in Accordance the Uniform Guidance

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified	Yes, Audit Finding 2022-001
Noncompliance material to financial statements noted?	No

Federal Awards

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

Identification of Major Programs

Assistance Listing No:	84.425
Name of Federal Program or Cluster:	Education Stabilization Fund
Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low risk auditee?	Yes

Independent School District No. 727
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance

SECTION II – BASIC FINANCIAL STATEMENT FINDINGS

Audit Finding 2022-001

Criteria or Specific Requirement:
Internal control that supports the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements requires adequate segregation of accounting duties.

Condition:
During the year ended June 30, 2022, the District had a lack of segregation of accounting duties in the cash disbursements, receipts, and payroll processes due to a limited number of office employees. Although this meets the definition of a "significant deficiency," it may not be practical to correct since the costs of obtaining desirable segregation of accounting duties may exceed benefits that could be derived.

Cash Disbursement Process

- The Accounts Payable Specialist and/or the Accountant matches purchase orders to invoices, enters invoices into SMART, runs, prints, and mails checks. The Director of Business Services reviews check stubs and invoices if the Accountant has input invoices in the Accounts Payable Specialist's absence.

Cash Receipt

- The Administrative Assistant at each building can receipt cash, prepare deposit slips, and reconcile the deposit.
- The Community Education Director and Administrative Assistant can collect money, prepare the deposit, and also can perform the reconciliation to the deposit.

Payroll

- The Payroll Specialist reviews and inputs timesheets, calculates payroll, and generates payroll and also has access to change pay rates in the system. The Human Resources Coordinator reviews payroll runs.

Context:
This finding impacts the internal control for all significant accounting functions.

Effect:
The lack of adequate segregation of accounting duties could adversely affect the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Independent School District No. 727
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance

SECTION II – BASIC FINANCIAL STATEMENT FINDINGS (CONTINUED)

Audit Finding 2022-001 (Continued)

Cause:
There are a limited number of office employees.

Recommendation:
Continue to review the accounting system, including changes that may occur. Implement segregation whenever practical.

Management's Response:

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding
   There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding
   The District has implemented mitigating controls to overcome the lack of segregation of accounting duties. Examples are provided on the following page for specific areas in which the District was cited.

   A. Cash Disbursement Process
   The Director of Business Services or Accountant reviews invoices with check stubs and purchase orders for unusual transactions or alterations. The Director of Business Services or Accountant also reviews for supervisor approval and proper documentation. The check stubs are initialed by the Director of Business Services or Accountant indicating such review has taken place.

   On a monthly basis, detailed budget reports are sent to building and program administrators for review. In addition, the Director of Business Services currently reviews detailed budgeted line items on at least a quarterly basis for significant variances.

   B. Cash Receipt Process
   The District operates on a decentralized cash receipts process in which each building reconciles and prepares the deposits for the bank. Copies of the deposit slips are forwarded to the District Accountant, who ensures all deposits are properly credited to the District bank account during the bank reconciliation process. The Director of Business Services and building and administrator budget managers monitor receipts and revenue for significant fluctuations or unusual variations.

Independent School District No. 727
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance

SECTION II – BASIC FINANCIAL STATEMENT FINDINGS (CONTINUED)

Audit Finding 2022-001 (Continued)

Management's Response: (Continued)

CORRECTIVE ACTION PLAN (CAP): (CONTINUED)

1. Actions Planned in Response to Finding

    C. Payroll Process
    The District Accountant posts the payroll to the general ledger and on a quarterly basis, reviews salary and benefit line item budgets with expected results based on the staffing budget. The District Accountant also reconciles all payroll liability accounts on a monthly basis and variations or fluctuations are communicated to the Payroll Specialist or Human Resources Coordinator.

2. Official Responsible for Ensuring CAP
   Angie Manuel, Director of Business Services, is the official responsible for ensuring corrective action of the deficiency.

3. Planned Completion Date for CAP
   The planned completion date is ongoing.

4. Plan to Monitor Completion of CAP
   The School Board will be monitoring the corrective action plan.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

There were no federal award findings or questioned costs.

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There were no prior year findings or questioned costs.

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Minnesota Legal Compliance

Independent Auditor's Report

To the School Board
Independent School District No. 727
Big Lake, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 727, Big Lake, Minnesota, as of and for the year ended June 30, 2022, and the related notes to financial statements, and have issued our report thereon dated November 8, 2022.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, charters schools, and uniform financial accounting and reporting standards for school districts sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to *Minnesota Statutes* § 6.65, insofar as they relate to accounting matters. However, our audit 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 purpose of this report is to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

BerganKDV Ltd.

Minneapolis, Minnesota
November 8, 2022