

**Independent School District No. 727  
Big Lake, Minnesota**

**Basic Financial Statements**

**June 30, 2023**



**Independent School District No. 727**  
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**Independent School District No. 727  
Board of Education and Administration  
June 30, 2023**

<u>Board of Education</u>	<u>Position</u>	<u>Term Expires</u>
Tonya Reasoner	Chairperson	December 31, 2026
Amber Sixberry	Treasurer	December 31, 2024
Tony Scales	Clerk	December 31, 2024
Lenette Brown	Director	December 31, 2026
Derek Nelson	Director	December 31, 2024
Ashley Schabilion	Director	December 31, 2026
<u>Administration</u>		
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, 2023, 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, 2023, 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.

### **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 twelve months 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 Governmental Accounting Standards Board (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 7, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.*

St. Cloud, Minnesota  
November 7, 2023

## **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, 2023. 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 (2022-2023) and the prior year (2021-2022) is required to be presented in the MD&A.

### **FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2022-2023 fiscal year include the following:

- Net Position increased from \$3,077,865 to \$10,700,316, an increase of \$7,622,451 due to decrease in deferred inflows of resources related to pensions.
- General Fund revenues were \$41,482,175 as compared to expenditures of \$42,412,034 for expenditures over revenues of \$929,859. After other financing sources of \$138,302, the net change in general fund balances was \$(791,557).
- Total General Fund balance decreased \$791,557. Unassigned General Fund Balance decreased \$821,493, which was a planned spenddown. Restricted and Committed/Assigned Fund balances remained stable by decreasing only \$4,551 due to multi-year planning of capital and technology projects and set aside for severance obligations. Nonspendable Fund balance increased by \$34,487.
- The District decreased its long-term liabilities by \$4,385,445 as a result of payments on its general obligation bonds with no issuance of new debt as well as the payment of severance obligations for retirees.

### **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.

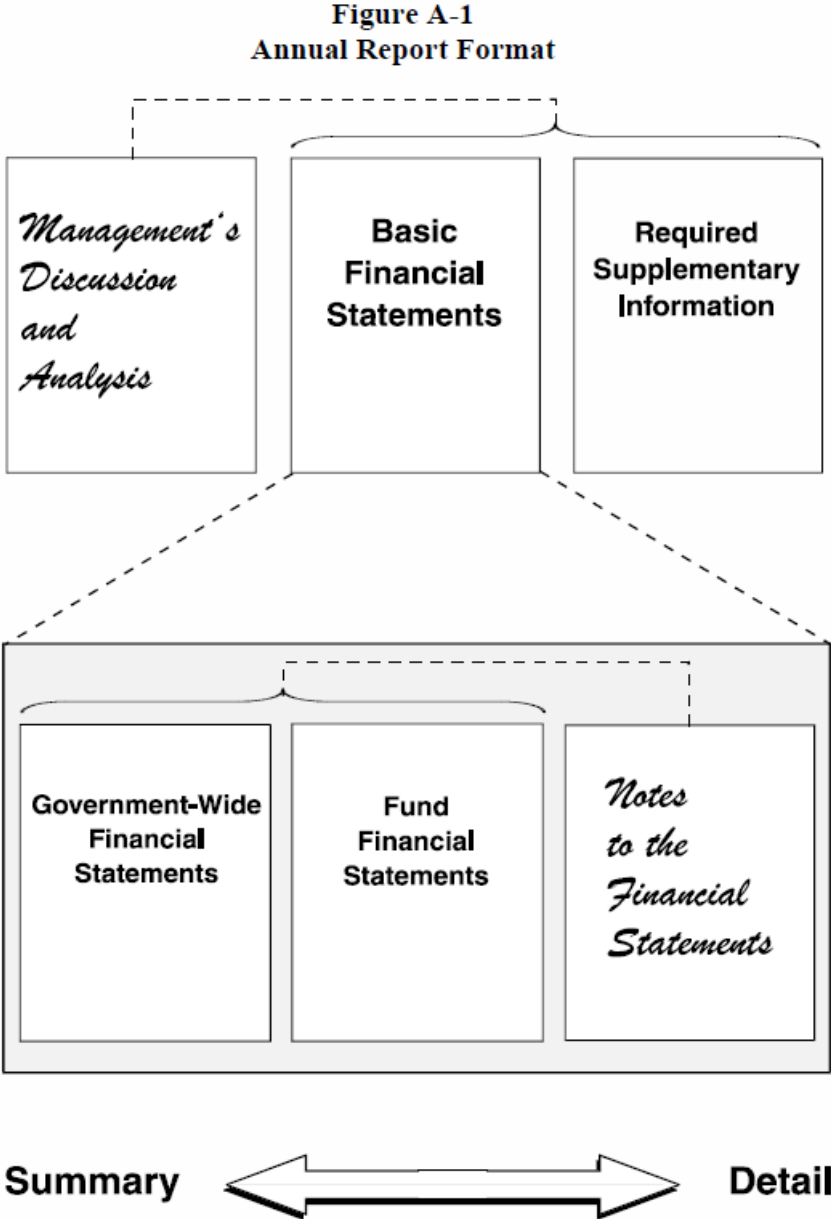


**Independent School District No. 727  
Management's Discussion and Analysis**

**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.



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

### 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.

<b>Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements</b>				
Type of Statements	<b>Fund Statements</b>			
	<b>Government-wide</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
Scope	Entire District's government (except fiduciary funds) and the District's 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	<ul style="list-style-type: none"> <li>◆ Statement of net position</li> <li>◆ Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>◆ Balance sheet</li> <li>◆ Statement of revenues, expenditures, &amp; changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>◆ Statement of net position</li> <li>◆ Statement of changes in net position</li> <li>◆ Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>◆ Statement of fiduciary net position</li> <li>◆ Statement of changes in fiduciary net assets</li> </ul>
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.

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

### **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.

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

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net Position**

The District's combined Net Position was \$10,700,316 on June 30, 2023, an increase of \$7,622,451. (See Table A-1) This increase is mainly the result of a large decrease in deferred inflows of resources related to pensions. 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. The decrease in current and other assets resulted in an increase in capital and noncurrent assets due to the second year of planned construction projects related to the November 2021 bond referendum.

**Table A-1**

	Governmental Activities		Percentage Change
	2023	2022	
Current and other assets	\$ 53,755,739	\$ 60,111,716	-10.57%
Capital and noncurrent assets	75,189,731	68,108,893	10.40%
Total assets	<u>128,945,470</u>	<u>128,220,609</u>	0.57%
Deferred outflows of resources	<u>9,771,927</u>	<u>9,093,134</u>	7.46%
Current liabilities	13,505,192	11,224,339	20.32%
Long-term liabilities	96,151,577	87,030,032	10.48%
Total liabilities	<u>109,656,769</u>	<u>98,254,371</u>	11.60%
Deferred inflows of resources	<u>18,360,312</u>	<u>35,981,507</u>	-48.97%
Net position			
Invested in capital assets, net of related debt	22,093,474	20,126,657	9.77%
Restricted	5,284,247	4,425,768	19.40%
Unrestricted	<u>(16,677,405)</u>	<u>(21,474,560)</u>	22.34%
Net position	<u>\$ 10,700,316</u>	<u>\$ 3,077,865</u>	<u>-247.65%</u>

**Changes in Net Position**

The District's total revenues were \$53,640,867 for the year ended June 30, 2023. 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 increase is a result of holding investments to maturity after the historic interest rate hikes beginning in the summer of 2022. Charges for services increased due to the end of federal subsidy of free meals in 2022-2023 and an increase in community education programming.

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

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)**

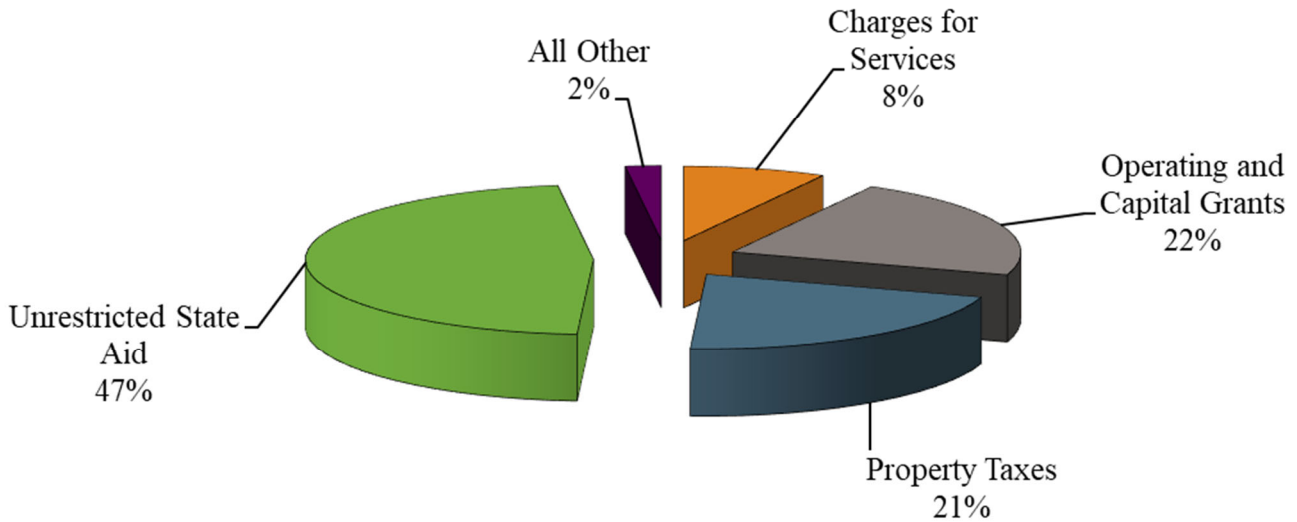
**Table A-2  
Change in Net Position**

	Governmental Activities for the		Total Percentage Change
	Fiscal Year Ended June 30,		
	2023	2022	
<b>Revenues</b>			
<b>Program revenues</b>			
Charges for services	\$ 4,310,079	\$ 2,921,567	47.53%
Operating grants and contributions	10,579,920	10,798,798	-2.03%
Capital grants and contributions	1,173,308	1,119,494	4.81%
<b>General revenues</b>			
Property taxes	11,242,508	10,681,622	5.25%
Unrestricted state aid	25,264,450	24,165,787	4.55%
Investment earnings	998,147	(297,751)	435.23%
Other	72,455	49,124	47.49%
Total revenues	<u>53,640,867</u>	<u>49,438,641</u>	<u>8.50%</u>
<b>Expenses</b>			
Administration	1,310,180	1,381,199	-5.14%
District support services	1,360,257	1,192,795	14.04%
Regular instruction	15,810,226	17,348,374	-8.87%
Vocational education instruction	587,406	594,864	-1.25%
Special education instruction	8,255,936	7,947,625	3.88%
Instructional support services	2,724,042	2,325,981	17.11%
Pupil support services	3,764,806	3,290,563	14.41%
Sites and buildings	5,338,511	4,952,753	7.79%
Fiscal and other fixed cost programs	246,496	193,238	27.56%
Food service	2,153,486	1,980,589	8.73%
Community service	3,081,072	2,327,645	32.37%
Interest and fiscal charges on			
Long-term liabilities	1,385,998	1,376,810	0.67%
Total expenses	<u>46,018,416</u>	<u>44,912,436</u>	<u>2.46%</u>
Increase (decrease) in net position	<u>7,622,451</u>	<u>4,526,205</u>	<u>68.41%</u>
Beginning net position	3,077,865	(1,448,340)	
Ending net position	<u>\$ 10,700,316</u>	<u>\$ 3,077,865</u>	

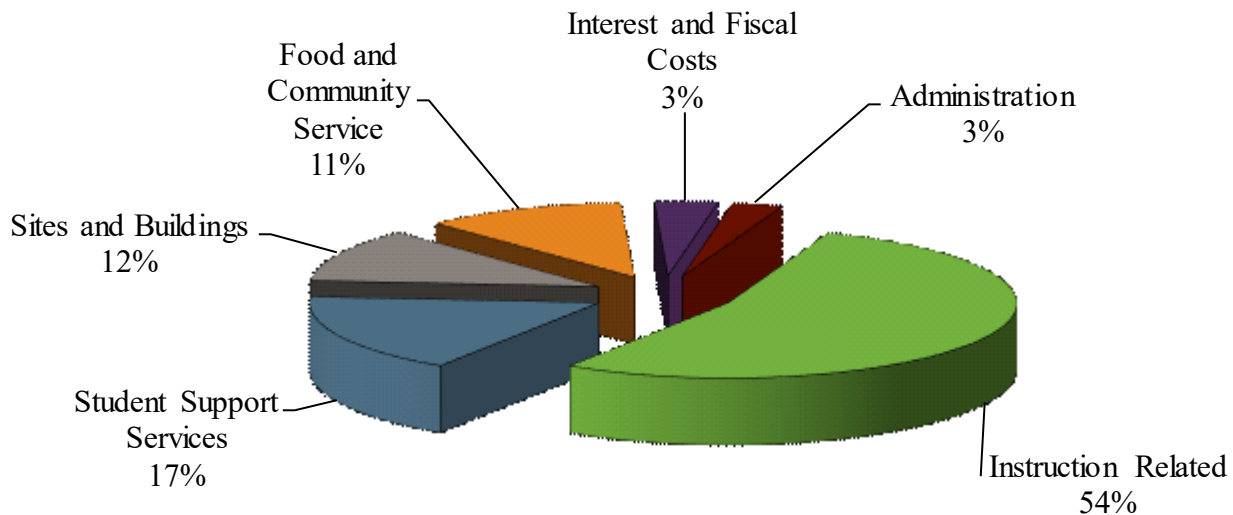
**Independent School District No. 727  
Management's Discussion and Analysis**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)**

**Figure A-3 Sources of District Revenue for Fiscal 2023**



**Figure A-4 District Expenses for Fiscal 2023**



The total cost of all programs and services was \$46,018,416 for fiscal year 2023. The District's expenses are predominately related to educating and caring for students (71%). (See Figure A-4). Another 3% of expenses are related to interest and fiscal costs for the District's bonds. Another 12% support the facilities maintenance needs of the entire District. Only 3% of costs are for administration. Finally, 11% of total expenses are for food and community service programs.

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

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)**

The cost of all governmental activities this year was \$46,018,416.

- Some of the cost was paid by the users of the District's programs (\$4,310,079).
- The federal and state governments subsidized certain programs with grants and contributions (\$11,753,228).
- Most of the District's costs (\$36,506,958); 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 71% 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 Change	Net Cost of Services		Percent Change
	2023	2022		2023	2022	
Administration	\$ 1,310,180	\$ 1,381,199	-5.14%	\$ 1,310,180	\$ 1,381,199	-5.14%
District support services	1,360,257	1,192,795	14.04%	1,360,257	1,191,285	14.18%
Regular instruction	15,810,226	17,348,374	-8.87%	12,153,381	13,756,053	-11.65%
Vocational education instruction	587,406	594,864	-1.25%	546,888	553,923	-1.27%
Special education instruction	8,255,936	7,947,625	3.88%	3,133,390	3,701,343	-15.34%
Instructional support services	2,724,042	2,325,981	17.11%	2,101,075	1,432,170	46.71%
Pupil support services	3,764,806	3,290,563	14.41%	3,013,265	2,723,856	10.62%
Sites and buildings	5,338,511	4,952,753	7.79%	4,601,042	4,219,274	9.05%
Fiscal and other fixed cost programs	246,496	193,238	27.56%	246,496	193,238	27.56%
Food service	2,153,486	1,980,589	8.73%	29,391	(384,088)	-107.65%
Community service	3,081,072	2,327,645	32.37%	73,746	(72,486)	-201.74%
Interest and fiscal charges on long-term liabilities	1,385,998	1,376,810	0.67%	1,385,998	1,376,810	0.67%
<b>Total</b>	<b>\$46,018,416</b>	<b>\$44,912,436</b>	<b>2.46%</b>	<b>\$29,955,109</b>	<b>\$30,072,577</b>	<b>-0.39%</b>

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

### **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 \$33,092,756. Revenues for the District's governmental funds were \$53,405,605 while total expenditures were \$63,184,440, for a decrease of \$9,778,835. After other financing sources of \$138,302 the combined fund balance decreased \$9,640,533. This decrease was the result of construction projects from the November 2021 bond referendum, which financed various deferred capital projects and renovations to educational spaces. In addition, the general fund decreased due to a planned spenddown of fund balance.

### **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 2023 was \$6,863 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 \$ 27,569,030 which represents 66% of total General Fund revenue. The other major General Fund revenue is state special education aid. Total special education aid in 2023 was \$4,313,789, 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 \$5,559,780 13% of total General Fund revenue. In fiscal year 2023, pandemic related federal grants totaled \$ 1,086,767, 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 8% 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. Growth continued in 2022-2023 with another 1.93% increase in enrollment.



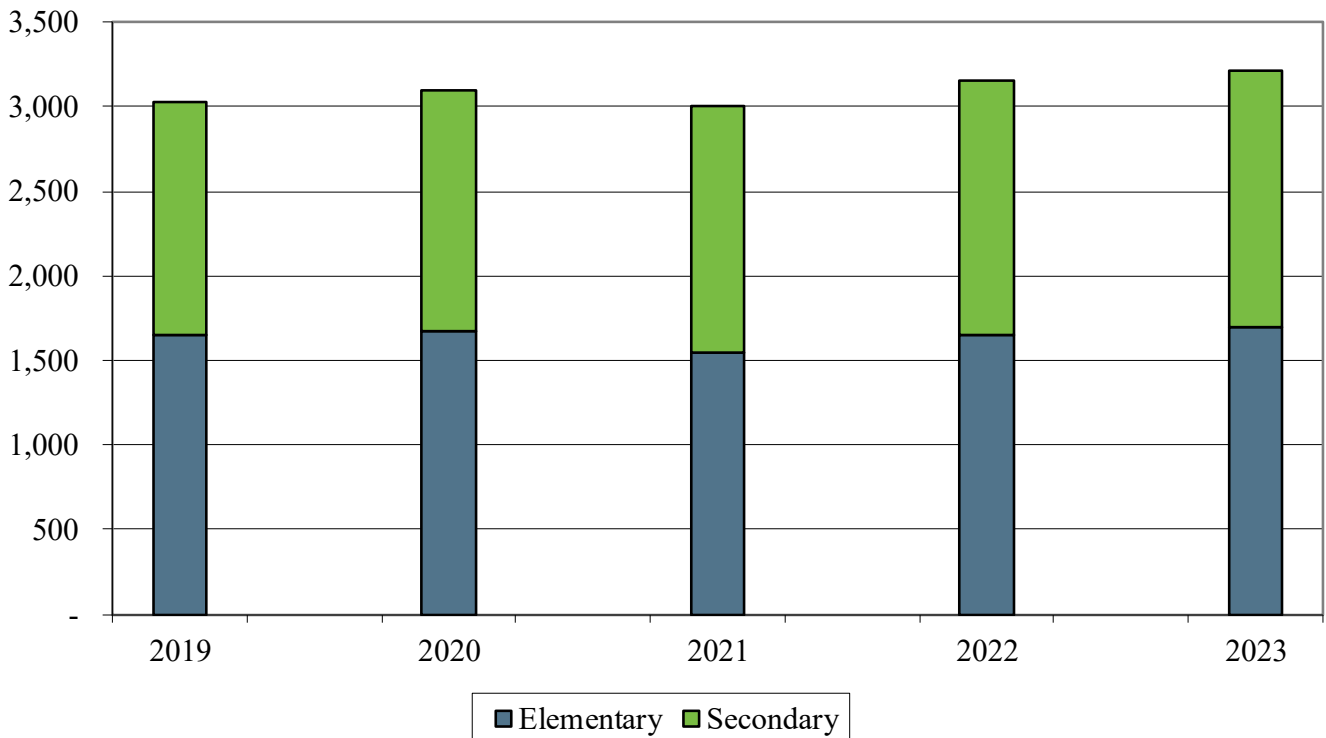
**Independent School District No. 727  
Management's Discussion and Analysis**

**GENERAL FUND – ENROLLMENT (CONTINUED)**

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

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Elementary	1,649	1,668	1,545	1,656	1,692
Secondary	<u>1,377</u>	<u>1,423</u>	<u>1,461</u>	<u>1,497</u>	<u>1,522</u>
Total	<u><u>3,026</u></u>	<u><u>3,091</u></u>	<u><u>3,006</u></u>	<u><u>3,153</u></u>	<u><u>3,214</u></u>
		2.15%	-2.75%	4.89%	1.93%

**Big Lake Public Schools  
Student Enrollment (in ADM's)**



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

**GENERAL FUND – REVENUES/EXPENDITURES**

The table below presents a summary of General Fund Revenues:

**Table A-5  
General Fund Revenues**

Fund	Year Ended		Change	
	June 30,		Increase (Decrease)	Percent
	2023	2022		
Local sources				
Property taxes	\$ 5,559,780	\$ 5,104,980	\$ 454,800	8.91%
Investment earnings	364,051	(43,020)	407,071	-946.24%
Other	1,228,970	1,083,035	145,935	13.47%
State sources	32,497,857	31,054,885	1,442,972	4.65%
Federal sources	1,831,517	1,832,048	(531)	-0.03%
<b>Total</b>	<b>\$ 41,482,175</b>	<b>\$ 39,031,928</b>	<b>\$ 2,450,247</b>	<b>6.28%</b>

Revenues from the General Fund totaled \$41,482,175 an increase of 6.28% from the prior year. The favorable results in investment earnings reflects the rising interest rate environment and holding investments to maturity, resulting in positive market value adjustments. State sources increased due to increases in general education and special education aid. Other revenue increased due to increased billing rates and growth of medical assistance billings.

The following schedule presents a summary of General Fund Expenditures:

**Table A-6  
General Fund Expenditures**

	Year Ended		Change	
	June 30,		Increase (Decrease)	Percent
	2023	2022		
Salaries	\$ 24,177,297	\$ 22,553,857	\$ 1,623,440	7.20%
Employee benefits	9,175,955	8,427,698	748,257	8.88%
Purchased services	6,129,715	5,386,940	742,775	13.79%
Supplies and materials	1,973,460	1,480,396	493,064	33.31%
Capital expenditures	885,846	549,828	336,018	61.11%
Debt service	0	57,457	(57,457)	-100.00%
Other expenditures	69,761	59,949	9,812	16.37%
<b>Total</b>	<b>\$ 42,412,034</b>	<b>\$ 38,516,125</b>	<b>\$ 3,895,909</b>	<b>10.12%</b>

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

**GENERAL FUND – REVENUES/EXPENDITURES (CONTINUED)**

Total General Fund expenditures increased 10.12% 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 education students. The purchased services increase is a result of increased transportation costs due to a record number of special education and homeless transportation routes. The increase in supplies and materials is due to the District purchasing several technology devices for staff and students as well as purchasing a new literacy curriculum. Capital expenditures increased due to the purchase of technology hardware and athletics equipment. A lease paid off in 2021-2022 reflects the debt service decrease.

Total General Fund balance decreased \$ 791,557. Unassigned General Fund Balance decreased by \$821,493. Restricted and Committed/Assigned Fund balances decreased \$4,551. Nonspendable Fund balance increased by \$34,487. The Unassigned Fund Balance, or fund balance available for operations, is 16.7% 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, 2023, the Big Lake School District is in compliance with that fund balance goal.

**GENERAL FUND – BUDGETARY HIGHLIGHTS**

Actual revenues were \$556,680 over the final budget, a 1.36% variance. The variance is due to larger than expected special education aid, increased investment earnings, and medical assistance revenue. Actual expenditures were \$890,663 under budget, a 2.0% variance. The expenditure variance is mainly the result of the timing of certain capital expenditures and less than expected salaries and benefits, mainly in extra duty pay and part-time positions. Some part-time and casual positions were not able to be filled due to the tight labor market.

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 2023, revenue was adjusted for increased enrollment, changes in special education funding, changes in grants, increased investment earnings, and insurance recovery revenue. As for expenditures, the budget was changed throughout the year for changes in staffing and benefit assumptions, insurance recovery costs, changes in grants, increase in transportation costs, and timing of capital projects.

**DEBT SERVICE FUND**

The Debt Service Fund net change in fund balance was \$(121,165). 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 2022-2023.

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.

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

### 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 are expected to be completed over four years and 2022-2023 represented the second year of various capital projects pertaining to the referendum. Projects in 22-23 included HVAC upgrades, various roofing projects, and renovation of media center spaces.

### OTHER NON-MAJOR FUNDS

The Food Service Fund balance increased \$100,601 for an ending fund balance of \$806,335. Food service operations returned to normal in 2022-2023 with the Federal government no longer providing free meals due to the pandemic. Meal counts increased in 22-23 due to the District's growth in enrollment and despite free meals no longer being provided. The positive results in 2022-2023, as well as prior years, are being reinvested back into the food program with over \$300,000 in equipment being replaced in 2023-2024.

The Community Service Fund had a successful operational year with significant growth in youth and recreational programs as well as school age care and preschool programs. As a result, the Community Service fund revenues exceeded expenditures by \$278,448. The ending fund balance of \$1,191,053 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.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

By the end of 2023, the District had invested \$121 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 \$2.7 million.

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

	2023	2022	Percentage Change
Land	\$ 784,389	\$ 784,389	0.00%
Construction on progress	22,094,096	16,761,299	31.82%
Land improvements	5,960,458	6,354,706	-6.20%
Buildings and improvements	43,987,913	41,997,170	4.74%
Equipment	2,362,875	2,211,329	6.85%
Total	\$ 75,189,731	\$ 68,108,893	10.40%

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

**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 Phases I and II of the capital projects funded by the 2022A School Building Bonds from the November 2021 bond referendum.

**Construction – Next Five Years**

On November 2<sup>nd</sup>, 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 and Phase II began in fiscal year 2022-2023. Over the next three years the District will be 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. Discussions have also begun regarding a possible bond referendum to build a fieldhouse. If such a referendum is held and successful, the fieldhouse would be constructed in approximately three to five years.

**LONG-TERM LIABILITIES**

At year-end, the District had \$71,241,612 in total long-term debt, a decrease of 5.8% from last year, as shown in Table A-8. Included in this total, the District has \$256,109 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 Change
	2023	2022	
General obligation bonds	\$ 68,880,000	\$ 72,875,000	-5.48%
Premium	1,868,772	2,250,673	-16.97%
Severance payable	256,109	291,966	-12.28%
Compensated absences payable	236,731	209,418	13.04%
 Total	 <u>\$ 71,241,612</u>	 <u>\$ 75,627,057</u>	 -5.80%

General obligation bonds and premium on bonds decreased due to the yearly payments on bonds and amortization of premium with no new debt issued. Severance payable decreased 12.28% due to retirement of qualified employees from a closed retirement plan. Compensated absences increased due to salary increases and various changes in policies allowing more time to be accumulated.

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

### **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 District had experienced growth in enrollment in three of the last four years, with the exception being the COVID pandemic year of 2020-2021. After experiencing this growth, the District is encountering an approximately 1% decline in enrollment in the fall of 2023. As a result, the District will be making staffing and other adjustments since the 2023-2024 budget was developed and staffing hired anticipating further growth.

Another significant determining factor in the District's future is the state of the Minnesota economy. School districts received historic increases in funding from the 2023 Legislature; however, historic unfunded mandates were also passed, including between term unemployment eligibility for hourly employees. While the state provided some funding for the between terms unemployment, it is not ongoing, and the District anticipates only about half of the extra unemployment expenses will be funded in 2023-2024. Additional expenses from the passage of the READ Act are still being determined with funding for these expenses unknown at the time of this writing. And finally, the passage of the Earned Safe and Sick Time (ESST) is anticipated to increase costs for the District as employees such as coaches, substitutes, and part-time employees will now be eligible for paid time off.

One last factor bearing on the District's future continues to be 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 statutes and within its budget constraints.

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, 701 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, 2023**

	Governmental Activities
<b>Assets</b>	
Cash and investments (including cash equivalents)	\$ 42,299,521
Current property taxes receivable	6,083,691
Delinquent property taxes receivable	104,987
Accounts receivable	294,319
Interest receivable	173,456
Due from Department of Education	2,621,606
Due from Federal Government through Department of Education	583,308
Due from other Minnesota school districts	589,902
Due from other governmental units	814,175
Inventory	38,540
Prepaid items	95,239
Equity interest in joint venture	56,995
Capital assets, not being depreciated	
Land	784,389
Construction in progress	22,094,096
Capital assets, net of accumulated depreciation	
Land improvements	5,960,458
Buildings	43,987,913
Machinery and equipment	2,362,875
Total assets	128,945,470
<b>Deferred Outflows of Resources</b>	
Deferred outflows of resources related to pensions	9,516,462
Deferred outflows of resources related to OPEB	255,465
Total deferred outflows of resources	9,771,927
 Total assets and deferred outflows of resources	 \$ 138,717,397

**Independent School District No. 727**  
**Statement of Net Position**  
**June 30, 2023**

	Governmental Activities
<b>Liabilities</b>	
Accounts and contracts payable	\$ 3,449,463
Salaries and benefits payable	3,880,709
Interest payable	733,490
Due to other Minnesota school districts	102,384
Due to other governmental units	450,024
Unearned revenue	177,283
Bond principal payable	
Payable within one year	4,695,000
Payable after one year	66,053,772
Compensated absences payable	
Payable after one year	236,731
Severance payable	
Payable within one year	16,839
Payable after one year	239,270
Net other post employment benefits (OPEB) liability	901,873
Net pension liability	28,719,931
Total liabilities	109,656,769
<b>Deferred Inflows of Resources</b>	
Deferred inflows of resources related to pensions	5,009,957
Deferred inflows of resources related to OPEB	747,707
Deferred charge on refunding	178,349
Property taxes levied for subsequent year's expenditures	12,424,299
Total deferred inflows of resources	18,360,312
<b>Net Position</b>	
Net investment in capital assets	22,093,474
Restricted for	
Debt service	781,184
Capital projects	652,609
Other purposes	3,850,454
Unrestricted	(16,677,405)
Total net position	10,700,316
Total liabilities, deferred inflows of resources, and net position	\$ 138,717,397

**Independent School District No. 727**  
**Statement of Activities**  
**Year Ended June 30, 2023**

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
					Governmental Activities
Governmental activities					
Administration	\$ 1,310,180	\$ -	\$ -	\$ -	\$ (1,310,180)
District support services	1,360,257	-	-	-	(1,360,257)
Elementary and secondary regular instruction	15,810,226	335,938	2,743,385	577,522	(12,153,381)
Vocational education instruction	587,406	-	40,518	-	(546,888)
Special education instruction	8,255,936	565,959	4,556,587	-	(3,133,390)
Instructional support services	2,724,042	5,395	617,572	-	(2,101,075)
Pupil support services	3,764,806	8,872	742,669	-	(3,013,265)
Sites and buildings	5,338,511	125,236	16,447	595,786	(4,601,042)
Fiscal and other fixed cost programs	246,496	-	-	-	(246,496)
Food service	2,153,486	851,209	1,272,886	-	(29,391)
Community education and services	3,081,072	2,417,470	589,856	-	(73,746)
Interest and fiscal charges on long-term debt	1,385,998	-	-	-	(1,385,998)
<b>Total governmental activities</b>	<b>\$ 46,018,416</b>	<b>\$ 4,310,079</b>	<b>\$ 10,579,920</b>	<b>\$ 1,173,308</b>	<b>(29,955,109)</b>
General revenues					
Taxes					
					5,556,390
					313,488
					5,372,630
					25,264,450
					67,693
					998,147
					4,762
					<u>37,577,560</u>
Change in net position					7,622,451
Net position - beginning					<u>3,077,865</u>
Net position - ending					<u>\$ 10,700,316</u>

See notes to basic financial statements.

**Independent School District No. 727**  
**Balance Sheet - Governmental Funds**  
**June 30, 2023**

	General	Capital Projects	Debt Service	Other Nonmajor Funds	Total Governmental Funds
<b>Assets</b>					
Cash and investments	\$ 14,770,228	\$ 21,434,274	\$ 3,865,140	\$ 2,229,879	\$ 42,299,521
Current property taxes receivable	3,073,138	-	2,854,608	155,945	6,083,691
Delinquent property taxes receivable	48,353	-	53,115	3,519	104,987
Accounts receivable	233,113	-	-	61,206	294,319
Interest receivable	117,393	56,063	-	-	173,456
Due from Department of Education	2,542,171	-	46,517	32,918	2,621,606
Due from Federal Government through Department of Education	519,379	-	-	63,929	583,308
Due from other Minnesota school districts	563,414	-	-	26,488	589,902
Due from other governmental units	189,975	-	587,538	36,662	814,175
Inventory	-	-	-	38,540	38,540
Prepaid items	95,239	-	-	-	95,239
<b>Total assets</b>	<b>\$ 22,152,403</b>	<b>\$ 21,490,337</b>	<b>\$ 7,406,918</b>	<b>\$ 2,649,086</b>	<b>\$ 53,698,744</b>
<b>Liabilities</b>					
Accounts and contracts payable	\$ 367,131	\$ 3,006,864	\$ -	\$ 75,468	\$ 3,449,463
Salaries and benefits payable	3,707,096	-	-	173,613	3,880,709
Due to other Minnesota school districts	97,838	-	-	4,546	102,384
Due to other governmental units	450,024	-	-	-	450,024
Unearned revenue	107,866	-	-	69,417	177,283
Severance payable	16,839	-	-	-	16,839
<b>Total liabilities</b>	<b>4,746,794</b>	<b>3,006,864</b>	<b>-</b>	<b>323,044</b>	<b>8,076,702</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue - delinquent property taxes	48,353	-	53,115	3,519	104,987
Property taxes levied for subsequent year's expenditures	6,206,920	-	5,892,244	325,135	12,424,299
<b>Total deferred inflows of resources</b>	<b>6,255,273</b>	<b>-</b>	<b>5,945,359</b>	<b>328,654</b>	<b>12,529,286</b>
<b>Fund Balances</b>					
Nonspendable	95,239	-	-	38,540	133,779
Restricted	1,850,524	18,483,473	1,461,559	1,992,259	23,787,815
Committed	1,170,263	-	-	-	1,170,263
Assigned	972,541	-	-	-	972,541
Unassigned	7,061,769	-	-	(33,411)	7,028,358
<b>Total fund balances</b>	<b>11,150,336</b>	<b>18,483,473</b>	<b>1,461,559</b>	<b>1,997,388</b>	<b>33,092,756</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 22,152,403</b>	<b>\$ 21,490,337</b>	<b>\$ 7,406,918</b>	<b>\$ 2,649,086</b>	<b>\$ 53,698,744</b>

**Independent School District No. 727**  
**Reconciliation of the Balance Sheet to**  
**the Statement of Net Position - Governmental Funds**  
**June 30, 2023**

Total fund balances - governmental funds	\$ 33,092,756
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	121,009,036
Less accumulated depreciation	(45,819,305)
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)	(70,748,772)
Deferred charge on refunding	(178,349)
Compensated absences payable	(236,731)
Severance payable	(239,270)
Net pension liability	(28,719,931)
OPEB obligation	(901,873)
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	9,516,462
Deferred inflows of resources related to pensions	(5,009,957)
Deferred outflows of resources related to OPEB	255,465
Deferred inflows of resources related to OPEB	(747,707)
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.	104,987
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	56,995
Governmental funds do not report a liability for accrued interest on bonds until due and payable.	<u>(733,490)</u>
Total net position - governmental activities	<u><u>\$ 10,700,316</u></u>

**Independent School District No. 727**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Governmental Funds**  
**Year Ended June 30, 2023**

	General	Capital Projects	Debt Service	Other Nonmajor Funds	Total Governmental Funds
<b>Revenues</b>					
Local property taxes	\$ 5,559,780	\$ -	\$ 5,378,306	\$ 313,965	\$ 11,252,051
Other local and county revenues	1,552,063	496,703	85,084	2,545,660	4,679,510
Revenue from state sources	32,497,857	-	465,173	402,087	33,365,117
Revenue from federal sources	1,831,517	-	-	1,368,741	3,200,258
Sales and other conversion of assets	40,958	-	-	867,711	908,669
Total revenues	<u>41,482,175</u>	<u>496,703</u>	<u>5,928,563</u>	<u>5,498,164</u>	<u>53,405,605</u>
<b>Expenditures</b>					
<b>Current</b>					
Administration	1,530,452	-	-	-	1,530,452
District support services	1,313,188	-	-	-	1,313,188
Elementary and secondary regular instruction	18,036,334	-	-	-	18,036,334
Vocational education instruction	754,382	-	-	-	754,382
Special education instruction	9,423,433	-	-	-	9,423,433
Instructional support services	2,626,725	-	-	-	2,626,725
Pupil support services	3,853,710	-	-	-	3,853,710
Sites and buildings	3,741,467	791,671	-	-	4,533,138
Fiscal and other fixed cost programs	246,496	-	-	-	246,496
Food service	-	-	-	1,996,010	1,996,010
Community education and services	-	-	-	3,057,046	3,057,046
<b>Capital outlay</b>					
District support services	12,703	-	-	-	12,703
Elementary and secondary regular instruction	311,620	-	-	-	311,620
Special education instruction	41,854	-	-	-	41,854
Instructional support services	199,480	-	-	-	199,480
Sites and buildings	320,190	8,811,892	-	-	9,132,082
Food service	-	-	-	48,424	48,424
Community education and services	-	-	-	17,635	17,635
<b>Debt service</b>					
Principal	-	-	3,995,000	-	3,995,000
Interest and fiscal charges	-	-	2,054,728	-	2,054,728
Total expenditures	<u>42,412,034</u>	<u>9,603,563</u>	<u>6,049,728</u>	<u>5,119,115</u>	<u>63,184,440</u>
Excess of revenues over (under) expenditures	(929,859)	(9,106,860)	(121,165)	379,049	(9,778,835)
<b>Other Financing Sources (Uses)</b>					
Proceeds from sale of capital assets	32,827	-	-	-	32,827
Insurance recovery	105,475	-	-	-	105,475
Total other financing sources (uses)	<u>138,302</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>138,302</u>
Net change in fund balances	(791,557)	(9,106,860)	(121,165)	379,049	(9,640,533)
<b>Fund Balances</b>					
Beginning of year	<u>11,941,893</u>	<u>27,590,333</u>	<u>1,582,724</u>	<u>1,618,339</u>	<u>42,733,289</u>
End of year	<u>\$ 11,150,336</u>	<u>\$ 18,483,473</u>	<u>\$ 1,461,559</u>	<u>\$ 1,997,388</u>	<u>\$ 33,092,756</u>

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, 2023**

Net change in fund balances - total governmental funds \$ (9,640,533)

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	9,850,962
Depreciation expense	(2,742,059)
Loss on disposal	(28,065)

Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.

(27,313)

Severance payments are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.

36,023

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	5,388,876
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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.

3,995,000

OPEB obligations are recognized when paid in the governmental funds but recognized when incurred in the Statement of Activities.

76,688

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.

174,188

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	494,542
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Net loss from the equity interest in joint venture does not provide current financial resources and is not reported as revenue in the funds.

53,685

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.

(9,543)

Change in net position - governmental activities

\$ 7,622,451

**Independent School District No. 727**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
**Year Ended June 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues</b>				
Local property taxes	\$ 5,488,192	\$ 5,519,036	\$ 5,559,780	\$ 40,744
Other local and county revenues	874,263	1,217,562	1,552,063	334,501
Revenue from state sources	31,541,341	32,259,525	32,497,857	238,332
Revenue from federal sources	1,548,061	1,857,956	1,831,517	(26,439)
Sales and other conversion of assets	64,250	71,416	40,958	(30,458)
Total revenues	<u>39,516,107</u>	<u>40,925,495</u>	<u>41,482,175</u>	<u>556,680</u>
<b>Expenditures</b>				
<b>Current</b>				
Administration	1,538,743	1,538,928	1,530,452	(8,476)
District support services	1,428,336	1,473,192	1,313,188	(160,004)
Elementary and secondary regular instruction	17,868,133	17,954,129	18,036,334	82,205
Vocational education instruction	797,804	795,476	754,382	(41,094)
Special education instruction	9,432,795	9,493,560	9,423,433	(70,127)
Instructional support services	2,692,385	2,824,812	2,626,725	(198,087)
Pupil support services	3,844,531	4,003,470	3,853,710	(149,760)
Sites and buildings	3,627,281	3,894,200	3,741,467	(152,733)
Fiscal and other fixed cost programs	212,000	238,561	246,496	7,935
<b>Capital outlay</b>				
District support services	33,811	12,703	12,703	-
Elementary and secondary regular instruction	237,808	309,076	311,620	2,544
Vocational education instruction	1,500	1,500	-	(1,500)
Special education instruction	-	51,538	41,854	(9,684)
Instructional support services	376,265	297,057	199,480	(97,577)
Sites and buildings	471,743	414,495	320,190	(94,305)
Total expenditures	<u>42,563,135</u>	<u>43,302,697</u>	<u>42,412,034</u>	<u>(890,663)</u>
Excess of revenues over (under) expenditures	(3,047,028)	(2,377,202)	(929,859)	1,447,343
<b>Other Financing Sources</b>				
Proceeds from sale of capital assets	-	-	32,827	32,827
Insurance recoveries	-	105,475	105,475	-
Total other financing sources	<u>-</u>	<u>105,475</u>	<u>138,302</u>	<u>32,827</u>
Net change in fund balances	<u>\$ (3,047,028)</u>	<u>\$ (2,271,727)</u>	(791,557)	<u>\$ 1,480,170</u>
<b>Fund Balance</b>				
Beginning of year			11,941,893	
End of year			<u>\$ 11,150,336</u>	



**Independent School District No. 727**  
**Statement of Fiduciary Net Position**  
**Year Ended June 30, 2023**

	Custodial Fund	Other Post Employment Benefits Irrevocable Trust Fund
<b>Assets</b>		
Current		
Deposits	\$ 1,451	\$ 139,000
Investments		
Goldman Sachs Government Money Market	-	2,262
Vanguard Total Stock Market ETF	-	302,664
Vanguard Total Bond Market ETF	-	281,674
US Treasury Note	-	245,390
MN Trust Limited Term Duration	-	490,544
MN Trust Investment Shares Portfolio	-	1,399
Total investments	-	1,323,933
Interest receivable	-	3,176
Total assets	\$ 1,451	\$ 1,466,109
<b>Liabilities</b>		
Accounts payable	\$ 1,451	130,069
Benefits payable	-	55,405
Total liabilities	\$ 1,451	\$ 185,474
<b>Net Position</b>		
Held in trust for OPEB		\$ 1,280,635

**Statement of Changes in Fiduciary Net Position**  
**Year Ended June 30, 2023**

		Other Post Employment Benefits Irrevocable Trust Fund
<b>Additions</b>		
Investment income		\$ 71,410
Total additions		71,410
<b>Deductions</b>		
Benefit payments		181,779
Miscellaneous expense		3,025
Total deductions		184,804
Change in net position		(113,394)
<b>Net Position</b>		
Beginning of year		1,394,029
End of year		\$ 1,280,635

See notes to basic financial statements.

**Independent School District No. 727**  
**Notes to Basic Financial Statements**

**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.

**Independent School District No. 727**  
**Notes to Basic Financial Statements**

**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.

**Independent School District No. 727**  
**Notes to Basic Financial Statements**

**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.

**1. 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.

**Independent School District No. 727**  
**Notes to Basic Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Deposits and Investments (Continued)**

**1. 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 nonpooled investment balances related to bond proceeds and 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, 2023, 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.

**2. OPEB Trust Fund**

These funds represent investments administered by the District's OPEB Trust Fund investment managers. As of June 30, 2023, they were comprised of investments as detailed in Note 2. The District's investment policy, discussed previously, extends to the OPEB Trust Fund investments.

**Independent School District No. 727**  
**Notes to Basic Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Deposits and Investments (Continued)**

**2. 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 2022~~2022~~, 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 2023. 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.

**Independent School District No. 727**  
**Notes to Basic Financial Statements**

**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 \$5,000 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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has two items that qualify for reporting in this category. 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. 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.

**Independent School District No. 727**  
**Notes to Basic Financial Statements**

**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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has five 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. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. 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.



**Independent School District No. 727**  
**Notes to Basic Financial Statements**

**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, 2023.

**Independent School District No. 727**  
**Notes to Basic Financial Statements**

**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 9-12% 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.

**Independent School District No. 727**  
**Notes to Basic Financial Statements**

**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**

**1. 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	\$ 686,790
Certificates of deposit	<u>4,869,800</u>
Total deposits	<u><u>\$ 5,556,590</u></u>

**Independent School District No. 727**  
**Notes to Basic Financial Statements**

**NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)**

**A. Deposits (Continued)**

**2. Bond Proceeds**

The District's nonpooled deposits related to Bonds had a book balance as follows:

Certificates of deposit	<u>\$ 1,855,150</u>
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**3. OPEB Trust Fund**

As of June 30, 2023, the District's OPEB Trust Fund has the following non pooled deposits:

Certificates of deposit	<u>\$ 139,000</u>
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**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, 2023, 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.

**Independent School District No. 727**  
**Notes to Basic Financial Statements**

**NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)**

**B. Investments (Continued)**

As of June 30, 2023, the District had the following investments:

Investment Type	Fair Value	Investment Maturities		S & P Credit Ratings
		Less Than 1 Year	1 to 3 Years	
<b>Pooled</b>				
MN Trust Term Series	\$ 1,600,000	\$ 1,600,000	\$ -	AAA
Treasury Notes	2,041,090	2,041,090	-	AA+
Negotiable CDs	1,224,471	1,224,471	-	NR
Savings Deposit Account	605,057	605,057	-	NR
MN Trust Limited Term Duration	4,124,651	4,124,651	-	AAA
MN Trust Investment Shares Portfolio	5,674,429	5,674,429	-	AAA
Total pooled investments	<u>15,269,698</u>	<u>15,269,698</u>	<u>-</u>	
<b>Non Pooled</b>				
<b>Bond Proceeds Investments</b>				
Savings Deposit Account	633,345	633,345	-	NR
MN Trust Investment Shares Portfolio	4,145,610	4,145,610	-	AAA
Treasury Notes	14,834,019	11,755,464	3,078,555	AA+
Total 2015A, 2015B and 2017B Bonds	<u>19,612,974</u>	<u>16,534,419</u>	<u>3,078,555</u>	
<b>OPEB Investments</b>				
Goldman Sachs Government Money Market	2,262	2,262	-	NR
Vanguard Total Stock Market ETF	302,664	302,664	-	NR
Vanguard Total Bond Market ETF	281,674	281,674	-	NR
Treasury Notes	245,390	245,390	-	AA+
MN Trust Limited Term Duration	490,544	490,544	-	AAA
MN Trust Investment Shares Portfolio	1,399	1,399	-	AAA
Total OPEB Investments	<u>1,323,933</u>	<u>1,323,933</u>	<u>-</u>	
Total non-pooled investments	<u>20,936,907</u>	<u>17,858,352</u>	<u>3,078,555</u>	
Total investments	<u>\$ 36,206,605</u>	<u>\$ 33,128,050</u>	<u>\$ 3,078,555</u>	

The District has the following recurring fair value measurements as of June 30, 2023:

- \$584,338 of investments are valued using quoted market prices (Level 1 inputs)
- \$18,347,233 of investments are valued using a significant other observable (Level 2 inputs)

**Independent School District No. 727**  
**Notes to Basic Financial Statements**

**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)	\$ 5,556,590
Deposits - non pooled (Note 2A)	1,855,150
Deposits - non pooled (Note 2A)	139,000
Petty cash	6,560
Investments - pooled	15,269,698
Investments - non pooled	19,612,974
Investments - non pooled	<u>1,323,933</u>
Total deposits and investments	<u>\$ 43,763,905</u>
Statement of Net Position	
Cash and investments	\$ 42,299,521
Statement of Fiduciary Net Position	
Custodial Fund	1,451
OPEB Trust Fund	<u>1,462,933</u>
Total	<u>\$ 43,763,905</u>

**Independent School District No. 727**  
**Notes to Basic Financial Statements**

**NOTE 3 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 784,389	\$ -	\$ -	\$ 784,389
Construction in progress	16,761,299	9,466,902	4,134,105	22,094,096
Total capital assets not being depreciated	<u>17,545,688</u>	<u>9,466,902</u>	<u>4,134,105</u>	<u>22,878,485</u>
Capital assets being depreciated				
Land improvements	8,689,903	-	10,421	8,679,482
Buildings	80,668,716	3,963,431	6,688	84,625,459
Machinery and equipment	4,611,470	554,734	340,594	4,825,610
Total capital assets being depreciated	<u>93,970,089</u>	<u>4,518,165</u>	<u>357,703</u>	<u>98,130,551</u>
Less accumulated depreciation for				
Land improvements	2,335,197	393,958	10,131	2,719,024
Buildings	38,671,546	1,969,802	3,802	40,637,546
Machinery and equipment	2,400,141	378,299	315,705	2,462,735
Total accumulated depreciation	<u>43,406,884</u>	<u>2,742,059</u>	<u>329,638</u>	<u>45,819,305</u>
Total capital assets being depreciated, net	<u>50,563,205</u>	<u>1,776,106</u>	<u>28,065</u>	<u>52,311,246</u>
Governmental activities, capital assets, net	<u>\$ 68,108,893</u>	<u>\$ 11,243,008</u>	<u>\$ 4,162,170</u>	<u>\$ 75,189,731</u>

Depreciation expense of for the year ended June 30, 2023, was charged to the following governmental functions:

Administration	\$ 22,565
District support services	2,001
Elementary and secondary regular instruction	1,112,474
Vocational instruction	233
Special education instruction	34,146
Instructional support services	164,710
Pupil support services	12,911
Sites and buildings	1,258,159
Food service	117,167
Community service	17,693
	<u>                  </u>
Total depreciation expense	<u>\$ 2,742,059</u>

**Independent School District No. 727**  
**Notes to Basic Financial Statements**

**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	\$ 3,150,000	\$ 355,000
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	3,290,000	165,000
G.O. Tax Abatement and Facilities Maintenance Bonds Series 2019A	02/14/19	3.00%-4.00%	3,750,000	02/01/35	3,360,000	175,000
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	5,075,000	3,030,000
G.O. School Building Bonds, Series 2022A	01/27/22	2.00%-4.00%	30,000,000	02/01/42	29,600,000	970,000
Total G.O. bonds					68,880,000	4,695,000
Plus net bond premium					1,868,772	-
Net bonds payable					70,748,772	4,695,000
Severance payable					256,109	16,839
Compensated absences payable					236,731	-
Total all long-term liabilities					<u>\$ 71,241,612</u>	<u>\$ 4,711,839</u>

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.



**Independent School District No. 727**  
**Notes to Basic Financial Statements**

**NOTE 4 – LONG TERM DEBT (CONTINUED)**

**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
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	3,280,000	1,161,101	4,441,101
2029-2033	17,355,000	4,484,424	21,839,424
2034-2038	18,850,000	2,448,400	21,298,400
2039-2042	13,795,000	670,200	14,465,200
Total	<u>\$ 68,880,000</u>	<u>\$ 14,663,525</u>	<u>\$ 83,543,525</u>

**C. Changes in Long-Term Liabilities**

	Beginning Balance	Additions	Reductions	Ending Balance
Long-term liabilities				
G.O. bonds	\$ 72,875,000	\$ -	\$ 3,995,000	\$ 68,880,000
Premium	2,250,673	-	381,901	1,868,772
Severance payable	291,966	25,522	61,379	256,109
Compensated absences payable	209,418	65,366	38,053	236,731
Total long-term liabilities	<u>\$ 75,627,057</u>	<u>\$ 90,888</u>	<u>\$ 4,476,333</u>	<u>\$ 71,241,612</u>

The only changes occurred during the year were normal payments.

**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.

**Independent School District No. 727**  
**Notes to Basic Financial Statements**

**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	\$ -	\$ -	\$ -	\$ 38,540	\$ 38,540
Prepaid items	95,239	-	-	-	95,239
Total nonspendable	95,239	-	-	38,540	133,779
Restricted/reserved for					
Student Activities	27,067	-	-	-	27,067
Scholarships	24,150	-	-	-	24,150
Staff Development	162,615	-	-	-	162,615
Long-Term Facilities Maintenance	135,484	533,759	-	-	669,243
Area Learning Center	82,017	-	-	-	82,017
Operating Capital	577,380	-	-	-	577,380
Basic Skills Programs	3,236	-	-	-	3,236
Capital Projects Levy	509,069	-	-	-	509,069
Medical Assistance	329,506	-	-	-	329,506
Community Education	-	-	-	1,096,721	1,096,721
Early Childhood and Family Education	-	-	-	127,743	127,743
Debt Service	-	-	1,461,559	-	1,461,559
Capital Projects	-	17,949,714	-	-	17,949,714
Food Service	-	-	-	767,795	767,795
Total restricted/reserved	1,850,524	18,483,473	1,461,559	1,992,259	23,787,815
Committed for					
Separation/retirement	1,141,143	-	-	-	1,141,143
Liberty shelter	29,120	-	-	-	29,120
Total committed	1,170,263	-	-	-	1,170,263
Assigned for					
Q Comp	48,885	-	-	-	48,885
STEM	5,116	-	-	-	5,116
Copier replacement	44,719	-	-	-	44,719
Curriculum materials	75,000	-	-	-	75,000
Special education vehicles	55,619	-	-	-	55,619
Athletics and activities	139,118	-	-	-	139,118
Technology repairs and replacement	49,114	-	-	-	49,114
Middle school sound system	287,060	-	-	-	287,060
Activities Bus	125,000	-	-	-	125,000
Building level activities	142,910	-	-	-	142,910
Total assigned	972,541	-	-	-	972,541
Unassigned for					
General purposes	7,061,769	-	-	-	7,061,769
School Readiness	-	-	-	(33,411)	(33,411)
Total unassigned	7,061,769	-	-	(33,411)	7,028,358
 Total fund balances	 <u>\$ 11,150,336</u>	 <u>\$ 18,483,473</u>	 <u>\$ 1,461,559</u>	 <u>\$ 1,997,388</u>	 <u>\$ 33,092,756</u>

**Independent School District No. 727**  
**Notes to Basic Financial Statements**

**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 least 90 and no more than 100 percent of the district average General Education Revenue per adjusted pupil unit minus an amount equal to the product of the formula allowance according to *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 Statutes* § 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).

**Independent School District No. 727**  
**Notes to Basic Financial Statements**

**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 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.

**Independent School District No. 727**  
**Notes to Basic Financial Statements**

**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 Activities Bus – This balance represents resources segregated from unassigned fund balance for Activities Bus.

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, 2023, was \$(3,031,507). 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 Defined Contribution Plan (DCR) administered by Minnesota State.

**Independent School District No. 727  
Notes to Basic Financial Statements**

**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 I 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.

**Independent School District No. 727  
Notes to Basic Financial Statements**

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

**Teachers’ Retirement Association (Continued)**

**B. Benefits Provided (Continued)**

*Tier II Benefits (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, 2021, June 30, 2022, and June 30, 2023, were:

	June 30, 2021		June 30, 2022		June 30, 2023	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic	11.00%	12.13%	11.00%	12.34%	11.00%	12.55%
Coordinated	7.50%	8.13%	7.50%	8.34%	7.50%	8.55%

**Independent School District No. 727**  
**Notes to Basic Financial Statements**

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

**Teachers' Retirement Association (Continued)**

**C. Contribution Rate (Continued)**

*Tier II Benefits (Continued)*

The following is a reconciliation of employer contributions in TRA's fiscal year 2022 ACFR "Statement of Changes in Fiduciary Net Position" to the employer contributions used in Schedule of Employer and Non-Employer Pension Allocations. Amounts are reported in thousands.

Employer contributions reported in TRA's ACFR Statement of Changes in Fiduciary Net Position	\$ 482,679
Deduct employer contributions not related to future contribution efforts	(2,178)
Deduct TRA's contributions not included in allocation	<u>(572)</u>
Total employer contributions	479,929
Total non-employer contributions	<u>35,590</u>
Total contributions reported in <i>Schedule of Employer and Non-Employer Pension Allocations</i>	<u><u>\$ 515,519</u></u>

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, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.



**Independent School District No. 727**  
**Notes to Basic Financial Statements**

**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

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**Actuarial Information**

Valuation date	July 1, 2022
Measurement date	June 30, 2022
Experience study	June 28, 2019 (demographic and economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	7.00%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028, and 3.25% after June 30, 2028.
Projected salary increase	2.85% to 8.85% before July 1, 2028, and 3.25% to 9.25% after June 30, 2028.
Cost of living adjustment	1.0% for January 2019 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	RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational 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.

**Independent School District No. 727  
Notes to Basic Financial Statements**

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

**Teachers’ Retirement Association (Continued)**

**D. Actuarial Assumptions (Continued)**

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

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2023 is six years. The "Difference Between Expected and Actual Experience," "Changes of Assumptions," and "Changes in Proportion" use the amortization period of six years in the schedule presented. The amortization period for "Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments" is five years as required by GASB 68.

Changes in actuarial assumptions and methods for the July 1, 2021, valuation:

- None

**E. Discount Rate**

The discount rate used to measure the total pension liability was 7.0%. There was no change in the discount rate since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2022 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, 2023, the District reported a liability of \$21,932,463 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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 0.2739% at the end of the measurement period and 0.2568% for the beginning of the year.

**Independent School District No. 727**  
**Notes to Basic Financial Statements**

**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	\$ 21,932,463
State's proportionate share of the net pension liability associated with the District	1,626,705

For the year ended June 30, 2023, the District recognized pension expense of \$(3,971,487). Included in this amount, the District recognized \$223,677 as pension expense for the support provided by direct aid.

On June 30, 2023, 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	\$ 304,008	\$ 182,145
Net collective difference between projected and actual earnings on plan investment	1,070,501	-
Changes of assumptions	3,294,111	4,366,838
Changes in proportion	823,243	354,770
Contributions to TRA subsequent to the measurement date	1,566,826	-
Total	\$ 7,058,689	\$ 4,903,753

The \$1,566,826 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, 2024.

**Independent School District No. 727  
Notes to Basic Financial Statements**

**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
2024	\$ (3,666,309)
2025	776,909
2026	376,862
2027	2,960,460
2028	140,188
Total	\$ 588,110

**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%)
\$ 34,575,334	\$ 21,932,463	\$ 11,569,251

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](http://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.

**Independent School District No. 727**  
**Notes to Basic Financial Statements**

**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.

**Independent School District No. 727**  
**Notes to Basic Financial Statements**

**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 2023 and the District was required to contribute 7.5% for Coordinated Plan members in fiscal year 2023. The District’s contributions to the General Employees Plan for the year ended June 30, 2023, were \$537,137. 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, 2023, the District reported a liability of \$6,787,468 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 \$198,960.

The net pension liability was measured as of June 30, 2022, 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, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0857% at the end of the measurement period and 0.0823% for the beginning of the period.

School's proportionate share of net pension liability	\$ 6,787,468
State of Minnesota's proportionate share of the net pension liability associated with the School	198,960
	198,960
Total	\$ 6,986,428

For the year ended June 30, 2023, the District recognized pension expense of \$939,980 for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized an additional \$29,729 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.

**Independent School District No. 727**  
**Notes to Basic Financial Statements**

**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, 2023, 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	\$ 56,694	\$ 69,440
Changes in actuarial assumptions	1,477,025	25,706
Net collective difference between projected and actual investments earnings	203,076	-
Changes in proportion	183,841	11,058
District's contributions to PERA subsequent to the measurement date	537,137	-
Total	\$ 2,457,773	\$ 106,204

The \$537,137 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, 2024. 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
2024	\$ 655,349
2025	690,969
2026	(145,710)
2027	613,824
Total	\$ 1,814,432

**Independent School District No. 727**  
**Notes to Basic Financial Statements**

**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, 2022, 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 27 years of service.

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.



**Independent School District No. 727**  
**Notes to Basic Financial Statements**

**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 2022:

General Employees Fund

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from scale MP-2020 to scale MP-2021.

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 2022 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	\$ 10,721,162	\$ 6,787,468	\$ 3,561,233

**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](http://www.mnpera.org).

**Independent School District No. 727**  
**Notes to Basic Financial Statements**

**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, 2023, the following were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	21
Active employees	<u>407</u>
Total	<u><u>428</u></u>

**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 2023, the District contributed \$0 to the plan.

**Independent School District No. 727**  
**Notes to Basic Financial Statements**

**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, 2022, 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

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Investment rate of return	5.00%, net of investment expense long-term
Salary increases	Service graded table
Inflation	2.50%
Healthcare cost trend increases	6.50% in 2022 grading to 5.00% over six years and then to 4.00% over the next 48 years.
 Mortality Assumption	 Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.

The actuarial assumptions used in the July 1, 2022, valuation were based on the results of an actuarial experience study for the period July 1, 2022 through June 30, 2023.

The following changes in actuarial assumptions occurred in 2023:

Changes in Actuarial Assumptions

- The expected long-term investment return was changed from 3.5% to 5.0%.
- The discount rate was changed from 3.7% to 4.2%.

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 %	5.00 %
Fixed income	75.00	5.00
Cash	5.00	4.00
 Total	 100.00 %	 5.00 %

**Independent School District No. 727**  
**Notes to Basic Financial Statements**

**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, 2023, the annual money-weighted rate of return on investments, net of investments expenses, was 5.00%.

**F. Discount Rate**

The discount rate used to measure the total OPEB liability was 4.2%. 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, 2022	\$ 2,055,761	\$ 1,394,028	\$ 661,733
Changes for the year			
Service cost	172,276	-	172,276
Interest	77,523	-	77,523
Assumption changes	(21,623)	-	(21,623)
Employer contributions	-	86,289	(86,289)
Projected investment income	-	69,701	(69,701)
Differences between expected and actual economic experience	166,640	(1,064)	167,704
Benefit payments	(268,068)	(268,068)	-
Administrative expense	-	(250)	250
Net changes	126,748	(113,392)	240,140
Balances at June 30, 2023	\$ 2,182,509	\$ 1,280,636	\$ 901,873
Plan fiduciary net position as a percentage of the total OPEB liability			58.68%

**Independent School District No. 727**  
**Notes to Basic Financial Statements**

**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 4.2% as well as the liability measured using 1 percent lower and 1 percent higher than the current discount rate.

	1% Decrease in Discount Rate (3.2%)	Current Discount Rate (4.2%)	1% Increase in Discount Rate (5.2%)
Net OPEB Liability	\$ 1,040,179	\$ 901,873	\$ 768,103

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	\$ 689,277	\$ 901,873	\$ 1,152,582

**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, 2023, the District recognized OPEB expense of \$9,601. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability gains/losses	\$ 142,834	\$ 578,502
Assumption changes	62,069	169,205
Investment losses	50,562	-
Total	\$ 255,465	\$ 747,707

**Independent School District No. 727**  
**Notes to Basic Financial Statements**

**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
2024	\$ (170,893)
2025	(155,293)
2026	(73,580)
2027	(116,421)
2028	3,230
Thereafter	20,715
Total	\$ (492,242)

**J. Payable from the OPEB Plan**

At June 30, 2023, the OPEB plan reported a payable of \$130,069 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.

**Independent School District No. 727**  
**Notes to Basic Financial Statements**

**NOTE 9 – COMMITMENTS**

<u>Description</u>	<u>Contract Amount</u>	<u>Expended Through June 30, 2023</u>	<u>Remaining Commitment</u>
MS Sound System	\$ 239,646	\$ 229,970	\$ 9,676
HS/Liberty Controls Replacement	1,866,200	1,772,812	93,388
HS Renovation	3,315,481	918,154	2,397,327
HS HVAC Dehumidification	1,549,830	1,150,782	399,048
INDEP HVAC Project	12,382,915	3,606,889	8,776,026
Liberty Media Renovation	165,750	48,509	117,241
MS HVAC Project	823,537	802,378	21,159
Indep Boiler and MS HVAC Project	48,000	41,495	6,505
 Total	 <u>\$ 20,391,359</u>	 <u>\$ 8,570,989</u>	 <u>\$ 11,820,370</u>

**REQUIRED SUPPLEMENTARY INFORMATION**



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

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Total OPEB Liability				
Service cost	\$ 172,276	\$ 144,902	\$ 168,800	\$ 197,753
Interest	77,523	53,839	77,064	93,513
Changes of assumptions	(21,623)	(122,409)	(87,357)	96,832
Differenced between expected and actual experience	166,640	-	(751,726)	-
Benefit payments	<u>(268,068)</u>	<u>(236,532)</u>	<u>(207,881)</u>	<u>(189,650)</u>
Net change in total OPEB liability	<u>126,748</u>	<u>(160,200)</u>	<u>(801,100)</u>	<u>198,448</u>
Beginning of year	<u>2,055,761</u>	<u>2,215,961</u>	<u>3,017,061</u>	<u>2,818,613</u>
End of year	<u>\$ 2,182,509</u>	<u>\$ 2,055,761</u>	<u>\$ 2,215,961</u>	<u>\$ 3,017,061</u>
Plan Fiduciary Net Pension (FNP)				
Employer contributions	\$ 86,289	\$ 100,938	\$ 82,172	\$ -
Projected investment income	69,701	56,642	49,811	52,109
Differences between expected and actual experience	(1,064)	(145,111)	87,696	11,402
Benefit payments	(268,068)	(236,532)	(207,881)	(189,650)
Administrative expense	<u>(250)</u>	<u>(250)</u>	<u>(250)</u>	<u>(4,033)</u>
Net change in plan fiduciary net position	<u>(113,392)</u>	<u>(224,313)</u>	<u>11,548</u>	<u>(130,172)</u>
Beginning of year	<u>1,394,028</u>	<u>1,618,341</u>	<u>1,606,793</u>	<u>1,736,965</u>
End of year	<u>\$ 1,280,636</u>	<u>\$ 1,394,028</u>	<u>\$ 1,618,341</u>	<u>\$ 1,606,793</u>
Net OPEB liability	<u>\$ 901,873</u>	<u>\$ 661,733</u>	<u>\$ 597,620</u>	<u>\$ 1,410,268</u>
Plan FNP as a percentage of the total OPEB liability	58.68%	67.81%	73.03%	53.26%
Covered-employee payroll	\$ 24,173,514	\$ 21,624,099	\$ 20,994,271	\$ 20,561,896
Net OPEB liability as a percentage of covered-employee payroll	3.73%	3.06%	2.85%	6.86%

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

<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
\$ 172,521	\$ 180,473	\$ 192,545
113,540	94,654	93,888
72,013	(93,263)	-
(521,316)	-	-
<u>(177,734)</u>	<u>(209,937)</u>	<u>(285,466)</u>
<u>(340,976)</u>	<u>(28,073)</u>	<u>967</u>
<u>3,159,589</u>	<u>3,187,662</u>	<u>3,186,695</u>
<u>\$ 2,818,613</u>	<u>\$ 3,159,589</u>	<u>\$ 3,187,662</u>
\$ 89,079	\$ 112,897	\$ 152,807
59,286	64,821	43,551
-	(1,668)	36,699
(177,734)	(209,937)	(285,466)
<u>(250)</u>	<u>(250)</u>	<u>(250)</u>
<u>(29,619)</u>	<u>(34,137)</u>	<u>(52,659)</u>
<u>1,766,584</u>	<u>1,800,721</u>	<u>1,853,380</u>
<u>\$ 1,736,965</u>	<u>\$ 1,766,584</u>	<u>\$ 1,800,721</u>
<u>\$ 1,081,648</u>	<u>\$ 1,393,005</u>	<u>\$ 1,386,941</u>
61.62%	55.91%	56.49%
\$ 19,963,006	\$ 19,228,177	\$ 18,668,133
5.42%	7.24%	7.43%

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

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially Determined contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	<u>\$ 24,173,514</u>	<u>\$ 21,624,099</u>	<u>\$ 20,994,271</u>	<u>\$ 20,561,896</u>
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%

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

<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
\$ 89,079	\$ 112,897	\$ 152,807
<u>89,079</u>	<u>112,897</u>	<u>152,807</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 19,963,006</u>	<u>\$ 19,228,177</u>	<u>\$ 18,668,133</u>
0.45%	0.59%	0.82%

**Independent School District No. 727**  
**Schedule of Investment Returns**

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Annual money-weighted rate of return, net of investment expense	5.00%	3.50%	3.10%	3.00%	3.40%

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

June 30, 2018    June 30, 2017

3.50%

4.30%

**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 Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Share of the Net Pension of Liability	District's Covered Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Employee 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%
2022	0.0857%	6,787,468	198,960	6,986,428	6,415,573	105.8%	76.67%

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 State of Minnesota's Share of the Net Pension of Liability	District's Covered Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Employee 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%
2022	0.2739%	21,932,463	1,626,705	23,559,168	16,932,842	129.5%	76.17%

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 Employee 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	481,168	481,168	-	6,415,573	7.50%
2023	537,137	537,137	-	7,161,827	7.50%

**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 Employee 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	1,412,199	1,412,199	-	16,932,842	8.34%
2023	1,566,826	1,566,826	-	18,325,450	8.55%



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

**TRA Retirement Fund**

**2022 Changes**

Changes in Actuarial Assumptions

- None

**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.

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

**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.

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

**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**

**2022 Changes**

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from scale MP-2020 to scale MP-2021.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

**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 changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retirees 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.

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

**General Employees Fund (Continued)**

**2019 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from \$31 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.

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

**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.

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

**Post Employment Health Care Plan**

**2023 Changes**

Changes in Actuarial Assumptions:

- The expected long-term investment return was changed from 3.5% to 5.0%.
- The discount rate was changed from 3.7% to 4.2%.

**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%.

**SUPPLEMENTRY INFORMATION**



**Independent School District No. 727**  
**Combining Balance Sheet -**  
**Nonmajor Governmental Funds**  
**June 30, 2023**

	Special Revenue Funds		Total Nonmajor Funds
	Food Service	Community Service	
<b>Assets</b>			
Cash and investments (including cash equivalents)	\$ 812,688	\$ 1,417,191	\$ 2,229,879
Current property taxes receivable	-	155,945	155,945
Delinquent property taxes receivable	-	3,519	3,519
Accounts receivable	13,753	47,453	61,206
Due from Department of Education	-	32,918	32,918
Due from Federal Government through Department of Education	32,338	31,591	63,929
Due from other Minnesota school districts	-	26,488	26,488
Due from other governmental units	-	36,662	36,662
Inventory	38,540	-	38,540
<b>Total assets</b>	<b>\$ 897,319</b>	<b>\$ 1,751,767</b>	<b>\$ 2,649,086</b>
<b>Liabilities</b>			
Accounts payable	\$ 52,907	\$ 22,561	\$ 75,468
Salaries and benefits payable	660	172,953	173,613
Due to other Minnesota districts	-	4,546	4,546
Unearned revenue	37,417	32,000	69,417
<b>Total liabilities</b>	<b>90,984</b>	<b>232,060</b>	<b>323,044</b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - delinquent property taxes	-	3,519	3,519
Property taxes levied for subsequent year's expenditures	-	325,135	325,135
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>328,654</b>	<b>328,654</b>
<b>Fund Balances</b>			
Nonspendable	38,540	-	38,540
Restricted	767,795	1,224,464	1,992,259
Unassigned	-	(33,411)	(33,411)
<b>Total fund balances</b>	<b>806,335</b>	<b>1,191,053</b>	<b>1,997,388</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 897,319</b>	<b>\$ 1,751,767</b>	<b>\$ 2,649,086</b>

**Independent School District No. 727**  
**Combining Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances -**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2023**

	<u>Special Revenue Funds</u>		Total Nonmajor Funds
	<u>Food Service</u>	<u>Community Service</u>	
<b>Revenues</b>			
Local property taxes	\$ -	\$ 313,965	\$ 313,965
Other local and county revenues	20,940	2,524,720	2,545,660
Revenue from state sources	94,865	307,222	402,087
Revenue from federal sources	1,178,021	190,720	1,368,741
Sales and other conversion of assets	851,209	16,502	867,711
Total revenues	<u>2,145,035</u>	<u>3,353,129</u>	<u>5,498,164</u>
<b>Expenditures</b>			
Current			
Food service	1,996,010	-	1,996,010
Community education and services	-	3,057,046	3,057,046
Capital outlay	48,424	17,635	66,059
Total expenditures	<u>2,044,434</u>	<u>3,074,681</u>	<u>5,119,115</u>
Excess of revenues over expenditures	100,601	278,448	379,049
<b>Fund Balances</b>			
Beginning of year	<u>705,734</u>	<u>912,605</u>	<u>1,618,339</u>
End of year	<u>\$ 806,335</u>	<u>\$ 1,191,053</u>	<u>\$ 1,997,388</u>

**Independent School District No. 727**  
**Detailed Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
**Year Ended June 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues</b>				
Local property taxes	\$ 5,488,192	\$ 5,519,036	\$ 5,559,780	\$ 40,744
Other local and county revenues	874,263	1,217,562	1,552,063	334,501
Revenue from state sources	31,541,341	32,259,525	32,497,857	238,332
Revenue from federal sources	1,548,061	1,857,956	1,831,517	(26,439)
Sales and other conversion of assets	64,250	71,416	40,958	(30,458)
Total revenues	<u>39,516,107</u>	<u>40,925,495</u>	<u>41,482,175</u>	<u>556,680</u>
<b>Expenditures</b>				
<b>Current</b>				
Administration				
Salaries	1,089,594	1,072,819	1,076,556	3,737
Employee benefits	390,984	381,579	372,837	(8,742)
Purchased services	26,180	53,657	53,989	332
Supplies and materials	4,850	5,250	2,413	(2,837)
Other expenditures	27,135	25,623	24,657	(966)
Total administration	<u>1,538,743</u>	<u>1,538,928</u>	<u>1,530,452</u>	<u>(8,476)</u>
District support services				
Salaries	844,675	887,912	787,854	(100,058)
Employee benefits	310,560	266,028	268,288	2,260
Purchased services	223,031	285,225	263,412	(21,813)
Supplies and materials	11,150	14,107	13,918	(189)
Capital expenditures	33,811	12,703	12,703	-
Other expenditures	38,920	19,920	(20,284)	(40,204)
Total district support services	<u>1,462,147</u>	<u>1,485,895</u>	<u>1,325,891</u>	<u>(160,004)</u>
Elementary and secondary				
Regular instruction				
Salaries	11,890,331	11,816,776	11,969,574	152,798
Employee benefits	4,274,284	4,246,089	4,304,604	58,515
Purchased services	832,828	799,613	819,578	19,965
Supplies and materials	848,260	1,070,080	921,614	(148,466)
Capital expenditures	237,808	309,076	311,620	2,544
Other expenditures	22,430	21,571	20,964	(607)
Total elementary and secondary regular instruction	<u>18,105,941</u>	<u>18,263,205</u>	<u>18,347,954</u>	<u>84,749</u>

**Independent School District No. 727**  
**Detailed Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
**Year Ended June 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Expenditures (Continued)</b>				
Current (Continued)				
Vocational education instruction				
Salaries	\$ 389,129	\$ 391,388	\$ 363,649	\$ (27,739)
Employee benefits	187,499	166,653	154,215	(12,438)
Purchased services	185,776	185,776	187,423	1,647
Supplies and materials	35,400	51,659	49,095	(2,564)
Capital expenditures	1,500	1,500	-	(1,500)
Total vocational education instruction	<u>799,304</u>	<u>796,976</u>	<u>754,382</u>	<u>(42,594)</u>
Special education instruction				
Salaries	6,338,847	6,415,871	6,348,451	(67,420)
Employee benefits	2,778,649	2,667,258	2,686,773	19,515
Purchased services	266,959	326,634	326,515	(119)
Supplies and materials	48,340	83,797	61,694	(22,103)
Capital expenditures	-	51,538	41,854	(9,684)
Total special education instruction	<u>9,432,795</u>	<u>9,545,098</u>	<u>9,465,287</u>	<u>(79,811)</u>
Instructional support services				
Salaries	1,550,534	1,597,013	1,456,578	(140,435)
Employee benefits	536,207	586,145	554,161	(31,984)
Purchased services	103,574	119,454	85,434	(34,020)
Supplies and materials	497,249	515,918	526,301	10,383
Capital expenditures	376,265	297,057	199,480	(97,577)
Other expenditures	4,821	6,282	4,251	(2,031)
Total instructional support services	<u>3,068,650</u>	<u>3,121,869</u>	<u>2,826,205</u>	<u>(295,664)</u>
Pupil support services				
Salaries	1,032,011	986,024	900,989	(85,035)
Employee benefits	332,188	299,924	287,917	(12,007)
Purchased services	2,418,667	2,596,677	2,500,616	(96,061)
Supplies and materials	60,745	109,625	154,167	44,542
Other expenditures	920	11,220	10,021	(1,199)
Total pupil support services	<u>3,844,531</u>	<u>4,003,470</u>	<u>3,853,710</u>	<u>(149,760)</u>

**Independent School District No. 727**  
**Detailed Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
**Year Ended June 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Expenditures (Continued)</b>				
Current (Continued)				
Sites and buildings				
Salaries	\$ 1,243,386	\$ 1,294,947	\$ 1,273,642	\$ (21,305)
Employee benefits	581,705	545,501	547,161	1,660
Purchased services	1,609,630	1,705,710	1,674,258	(31,452)
Supplies and materials	191,015	346,497	244,256	(102,241)
Capital expenditures	471,743	414,495	320,190	(94,305)
Other expenditures	1,545	1,545	2,150	605
Total sites and buildings	<u>4,099,024</u>	<u>4,308,695</u>	<u>4,061,657</u>	<u>(247,038)</u>
Fiscal and other fixed cost programs				
Purchased services	200,000	226,561	218,496	(8,065)
Other expenditures	12,000	12,000	28,000	16,000
Total fiscal and other fixed Cost programs	<u>212,000</u>	<u>238,561</u>	<u>246,496</u>	<u>7,935</u>
Total expenditures	<u>42,563,135</u>	<u>43,302,697</u>	<u>42,412,034</u>	<u>(890,663)</u>
Excess of revenues over (under) expenditures	(3,047,028)	(2,377,202)	(929,859)	1,447,343
<b>Other Financing Sources</b>				
Proceeds from sale of capital assets	-	-	32,827	32,827
Insurance recovery	-	105,475	105,475	-
Total other financing sources	<u>-</u>	<u>105,475</u>	<u>138,302</u>	<u>32,827</u>
Net change in fund balances	<u>\$ (3,047,028)</u>	<u>\$ (2,271,727)</u>	(791,557)	<u>\$ 1,480,170</u>
<b>Fund Balance</b>				
Beginning of year			<u>11,941,893</u>	
End of year			<u>\$ 11,150,336</u>	

**Independent School District No. 727**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - Food Service Fund**  
**Year Ended June 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues</b>				
Other local and county revenues	\$ 1,831	\$ 53,476	\$ 20,940	\$ (32,536)
Revenue from state sources	120,000	88,665	94,865	6,200
Revenue from federal sources	790,000	1,124,607	1,178,021	53,414
Sales and other conversion of assets	1,042,000	848,102	851,209	3,107
Total revenues	<u>1,953,831</u>	<u>2,114,850</u>	<u>2,145,035</u>	<u>30,185</u>
<b>Expenditures</b>				
Current				
Food service	1,868,831	2,029,610	1,996,010	(33,600)
Capital outlay				
Food service	85,000	194,642	48,424	(146,218)
Total expenditures	<u>1,953,831</u>	<u>2,224,252</u>	<u>2,044,434</u>	<u>(179,818)</u>
Excess of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (109,402)</u>	100,601	<u>\$ 210,003</u>
<b>Fund Balance</b>				
Beginning of year			<u>705,734</u>	
End of year			<u>\$ 806,335</u>	

**Independent School District No. 727**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - Community Service Fund**  
**Year Ended June 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues</b>				
Local property taxes	\$ 314,092	\$ 314,092	\$ 313,965	\$ (127)
Other local and county revenues	1,422,874	2,138,539	2,524,720	386,181
Revenue from state sources	305,312	305,312	307,222	1,910
Revenue from federal sources	48,821	208,244	190,720	(17,524)
Sales and other conversion of assets	12,100	16,600	16,502	(98)
Total revenues	<u>2,103,199</u>	<u>2,982,787</u>	<u>3,353,129</u>	<u>370,342</u>
<b>Expenditures</b>				
Current				
Community education and services	2,320,494	3,002,646	3,057,046	54,400
Capital outlay				
Community education and services	<u>24,455</u>	<u>15,154</u>	<u>17,635</u>	<u>2,481</u>
Total expenditures	<u>2,344,949</u>	<u>3,017,800</u>	<u>3,074,681</u>	<u>56,881</u>
Excess of revenues over (under) expenditures	<u>\$ (241,750)</u>	<u>\$ (35,013)</u>	278,448	<u>\$ 313,461</u>
<b>Fund Balance</b>				
Beginning of year			<u>912,605</u>	
End of year			<u>\$ 1,191,053</u>	

**Independent School District No. 727**  
**Uniform Financial Accounting and Reporting Standards**  
**Compliance Table**  
**Year Ended June 30, 2023**

	Audit	UFARS	Audit-UFARS		Audit	UFARS	Audit-UFARS
<b>01 GENERAL FUND</b>				<b>06 BUILDING CONSTRUCTION FUND</b>			
Total revenue	\$ 41,482,175	\$ 41,482,175	\$ -	Total revenue	\$ 496,703	\$ 496,702	\$ 1
Total expenditures	42,412,034	42,412,037	(3)	Total expenditures	9,603,563	9,603,562	1
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
4.60 Nonspendable fund balance	95,239	95,238	1	4.60 Nonspendable fund balance	-	-	-
<i>Restricted/reserved:</i>				<i>Restricted/reserved:</i>			
4.01 Student Activities	27,067	27,067	-	4.07 Capital Projects Levy	-	-	-
4.02 Scholarships	24,150	24,150	-	4.09 Alternative Facility Program	-	-	-
4.03 Staff Development	162,615	162,615	-	4.67 LTFM	533,759	533,759	-
4.07 Capital Projects Levy	509,069	509,069	-	<i>Restricted:</i>			
4.08 Cooperative Programs	-	-	-	464 Restricted fund balance	17,949,714	17,949,714	-
4.09 Alternative Facility Program	-	-	-	<i>Unassigned:</i>			
4.13 Building Projects Funded by COP/LP	-	-	-	4.63 Unassigned fund balance	-	-	-
4.14 Operating Debt	-	-	-	<b>07 DEBT SERVICE FUND</b>			
4.16 Levy Reduction	-	-	-	Total revenue	\$ 5,928,563	\$ 5,928,562	\$ 1
4.17 Taconite Building Maintenance	-	-	-	Total expenditures	6,049,728	6,049,725	3
4.24 Operating Capital	577,380	577,380	-	<i>Nonspendable:</i>			
4.26 \$25 Taconite	-	-	-	4.60 Nonspendable fund balance	-	-	-
4.27 Disabled Accessibility	-	-	-	<i>Restricted/reserved:</i>			
4.28 Learning and Development	-	-	-	4.25 Bond refunding	-	-	-
4.34 Area Learning Center	82,017	82,017	-	4.33 Maximum effort loan aid	-	-	-
4.35 Contracted Alternative Programs	-	-	-	4.51 QZAB payments	-	-	-
4.36 State Approved Alternative Program	-	-	-	4.67 LTFM	-	-	-
4.38 Gifted and Talented	-	-	-	<i>Restricted:</i>			
4.40 Teacher Development and Evaluation	-	-	-	464 Restricted fund balance	1,461,559	1,461,561	(2)
4.41 Basic Skills Programs	3,236	3,236	-	<i>Unassigned:</i>			
4.46 First Grade Preparedness	-	-	-	4.63 Unassigned fund balance	-	-	-
4.48 Achievement and Integration	-	-	-	<b>08 TRUST FUND</b>			
4.49 Safe School Crime	-	-	-	Total revenue	\$ -	\$ -	\$ -
4.51 QZAB Payments	-	-	-	Total expenditures	-	-	-
4.52 OPEB Liabilities not Held in Trust	-	-	-	<i>Unassigned:</i>			
4.53 Unfunded Severance and Retirement Levy	-	-	-	4.01 Student Activities	\$ -	\$ -	\$ -
4.59 Basic Skills Extended Time	-	-	-	4.02 Scholarships	-	-	-
4.67 Long-term Facilities Maintenance	135,484	135,484	-	4.22 Net position	-	-	-
4.72 Medical Assistance	329,506	329,506	-	<b>18 CUSTODIAL FUND</b>			
4.75 Title VII - Impact Aid	-	-	-	Total revenue	\$ -	\$ -	\$ -
4.76 Payments in Lieu of Taxes	-	-	-	Total expenditures	-	-	-
<i>Restricted:</i>				<i>Unassigned:</i>			
4.64 Restricted fund balance	-	-	-	4.01 Student Activities	-	-	-
<i>Committed:</i>				4.02 Scholarships	-	-	-
4.18 Committed for separation	1,141,143	1,141,143	-	4.48 Achievement and Integration	-	-	-
4.61 Committed fund balance	29,120	29,120	-	4.64 Restricted	-	-	-
<i>Assigned:</i>				<b>20 INTERNAL SERVICE FUND</b>			
4.62 Assigned fund balance	972,541	972,541	-	Total revenue	\$ -	\$ -	\$ -
<i>Unassigned:</i>				Total expenditures	-	-	-
4.22 Unassigned fund balance (net position)	7,061,769	7,061,771	(2)	<i>Unassigned:</i>			
<b>02 FOOD SERVICE FUND</b>				4.22 Net position	-	-	-
Total revenue	\$ 2,145,035	\$ 2,145,036	\$ (1)	<b>25 OPEB REVOCABLE TRUST</b>			
Total expenditures	2,044,434	2,044,432	2	Total revenue	\$ -	\$ -	\$ -
<i>Nonspendable:</i>				Total expenditures	-	-	-
4.62 Nonspendable fund balance	38,540	38,541	(1)	<i>Unassigned:</i>			
<i>Restricted/Reserved:</i>				4.22 Net position	-	-	-
4.52 OPEB liabilities not held in trust	-	-	-	<b>45 OPEB IRREVOCABLE TRUST</b>			
<i>Restricted:</i>				Total revenue	\$ 71,410	\$ 71,412	\$ (2)
4.64 Restricted fund balance	767,795	767,795	-	Total expenditures	184,804	184,804	-
<i>Unassigned:</i>				<i>Unassigned:</i>			
4.63 Unassigned fund balance	-	-	-	4.22 Net position	1,280,635	1,280,636	(1)
<b>04 COMMUNITY SERVICE FUND</b>				<b>47 OPEB DEBT SERVICE</b>			
Total revenue	\$ 3,353,129	\$ 3,353,128	\$ 1	Total revenue	\$ -	\$ -	\$ -
Total expenditures	3,074,681	3,074,679	2	Total expenditures	-	-	-
<i>Capital lease payable</i>				<i>Nonspendable:</i>			
4.60 Nonspendable fund balance	-	-	-	4.60 Nonspendable fund balance	-	-	-
<i>Restricted/reserved:</i>				<i>Restricted:</i>			
4.26 \$25 Taconite	-	-	-	4.64 Restricted fund balance	-	-	-
4.31 Community Education	1,096,721	1,096,721	-	<i>Unassigned:</i>			
4.32 ECFE	127,743	127,743	-	4.63 Unassigned fund balance	-	-	-
4.40 Teacher Development and Evaluation	-	-	-				
4.44 School Readiness	(33,411)	(33,411)	-				
4.47 Adult Basic Education	-	-	-				
4.52 OPEB Liabilities not Held in Trust	-	-	-				
<i>Restricted:</i>							
4.64 Restricted fund balance	-	-	-				
<i>Unassigned:</i>							
4.63 Unassigned fund balance	-	-	-				



**Independent School District No. 727**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2023**

Federal Funding Source	Federal Assistance Listing Number	Pass Through Entity	Grant Name	Expenditures
U.S. Department of Agriculture	10.553	Minnesota Department of Education	School Breakfast	\$ 150,420
U.S. Department of Agriculture	10.555	Minnesota Department of Education	Type A Lunch	736,484
U.S. Department of Agriculture	10.555	Minnesota Department of Education	Commodities (Noncash)	136,797
U.S. Department of Agriculture	10.555C	Minnesota Department of Education	Supply Chain Assistance	87,339
U.S. Department of Agriculture	10.559	Minnesota Department of Education	COVID-19 Summer Food Service	66,981
			Total Child Nutrition Cluster	<u>1,178,021</u>
U.S. Department of Education	84.010	Minnesota Department of Education	Title I, Part A	170,172
U.S. Department of Education	84.424	Minnesota Department of Education	Title IV, Part A - Student Support and Academic Enrichment	17,389
U.S. Department of Education	84.367	Minnesota Department of Education	Title II, Part A - Teacher and Principal Training and Recruiting	50,346
U.S. Department of Education	84.365	Minnesota Department of Education	Title III, Part A - English Language Acquisition, Language Enhancement and Academic Achievement	10,440
U.S. Department of Health and Human Services	93.323	Minnesota Department of Education	MN COVID Testing Program	74,720
U.S. Department of Health and Human Services	93.959	Minnesota Department of Education	PCN Grant	214,166
U.S. Department of Health and Human Services	93.575	Minnesota Department of Education	DHS Childcare	119,355
U.S. Department of Education	84.027	Independent School District No. 882	Special Education	122,799
U.S. Department of Education	84.027X	Independent School District No. 882	ARP Special Education	119,999
			Total Special Education Cluster	<u>242,798</u>
U.S. Department of Treasury	21.027	Minnesota Department of Education	COVID-19 American Rescue Plan Summer Academic Enrichment and Mental Health	31,675
U.S. Department of Treasury	21.027	Minnesota Department of Education	COVID-19 Summer Preschool Program	9,339
U.S. Department of Treasury	21.027	Sherburne County	COVID-19 CMMHC	39,442
U.S. Department of Treasury	21.027	Minnesota Department of Education	COVID-19 Pandemic Enrollment Loss	42,485
			Total American Rescue Plan Cluster	<u>122,941</u>
U.S. Department of Education	84.425W	Minnesota Department of Education	COVID-19 ARP Homeless II	6,453
U.S. Department of Education	84.425U	Minnesota Department of Education	COVID-19 ESSER III Fund	747,962
U.S. Department of Education	84.425U	Minnesota Department of Education	COVID-19 ESSER III Fund - Learning Loss	145,199
U.S. Department of Education	84.425D	Minnesota Department of Education	COVID-19 Expanded Summer Learning - ESSER	48,172
U.S. Department of Education	84.425U	Minnesota Department of Education	COVID-19 Learning Recovery - Lost Instructional Time	52,139
			Total Education Stabilization Fund	<u>999,925</u>
			Total Federal Expenditures	<u>\$ 3,200,273</u>

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, 2023**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes of net assets, or cash flows of the District.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3 – 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 4 – 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 5 – 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, 2023, 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 7, 2023.

**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 2023-001.

### **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**

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and 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 the response.

### **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.*

St. Cloud, Minnesota  
November 7, 2023

## 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

#### **Report on Compliance for Each Major Federal Program**

##### **Opinion on Each Major Federal Program**

We have audited the District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the District complied in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2023.

##### **Basis for Opinion on Each Major Federal Program**

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

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

##### **Responsibilities of Management for Compliance**

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

## **Auditor's Responsibilities for the Audit of Compliance**

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

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

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

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

## **Report on Internal Control over Compliance**

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

### **Report on Internal Control over Compliance (Continued)**

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

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

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

*BergankDV, Ltd.*

St. Cloud, Minnesota  
November 7, 2023



**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 2023-001
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
Assistance Listing No:	10.555/10.553/10.559
Name of Federal Program or Cluster:	Child Nutrition
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 2023-001**

*Criteria:*

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, 2023, 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 periodically 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 2023-001 (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.

*Responsible Official'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 2023-001 (Continued)**

*Responsible Official's Response: (Continued)*

**CORRECTIVE ACTION PLAN (CAP): (CONTINUED)**

3. 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.

4. Official Responsible for Ensuring CAP

Angie Manuel, Director of Business Services, is the official responsible for ensuring corrective action of the deficiency.

5. Planned Completion Date for CAP

The planned completion date is ongoing.

6. 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, 2023, 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 7, 2023.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards for school districts sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to *Minnesota Statutes* § 6.65, insofar as they relate to accounting matters. However, our audit 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.



St. Cloud, Minnesota  
November 7, 2023