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Independent School District No. 318
Grand Rapids, Minnesota

Basic Financial Statements

June 30, 2022

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Independent School District No. 318
Board of Education and Administration
June 30, 2022

Board of Education	Position	Term Expires
Melissa Bahr	Chairperson	January 1, 2023
David Marty	Clerk	January 1, 2023
Ben Hawkins	Treasurer	January 1, 2025
Mark Schroeder	Director	January 1, 2023
Pat Medure	Director	January 1, 2025
Mindy Nuhring	Director	January 1, 2025

Administration	
Matt Grose	Superintendent
Kara Lundin	Business Manager

Independent Auditor's Report

To the School Board
Independent School District No. 318
Grand Rapids, 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. 318, Grand Rapids, Minnesota, as of and for the year ended June 30, 2022, and the related notes to the basic financial statements, which collectively comprise the District's 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. 318, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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. 318 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

Responsibilities of Management for the Financial Statements
The management of Independent School District No. 318 is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management′s Discussion and Analysis, which follows this report letter, and Required Supplementary information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by 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 combining and individual nonmajor fund financial statements and 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* are presented for purposes of additional analysis and are 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 combining and individual nonmajor fund financial statements 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 October 19, 2022, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

BerganKDV, Ltd.

St. Cloud, Minnesota
October 19, 2022

Independent School District No. 318
Management's Discussion and Analysis

This section of Independent School District No. 318, Grand Rapids, annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2022. Please read it in conjunction with the District's financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model required by GASB Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999. GASB Statement No. 34 establishes reporting requirements that include financial statements, expanded disclosure, and supplemental information, including the MD&A (this section).

Comparative information between the current fiscal year and the prior fiscal year is presented in the MD&A.

FINANCIAL HIGHLIGHTS

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

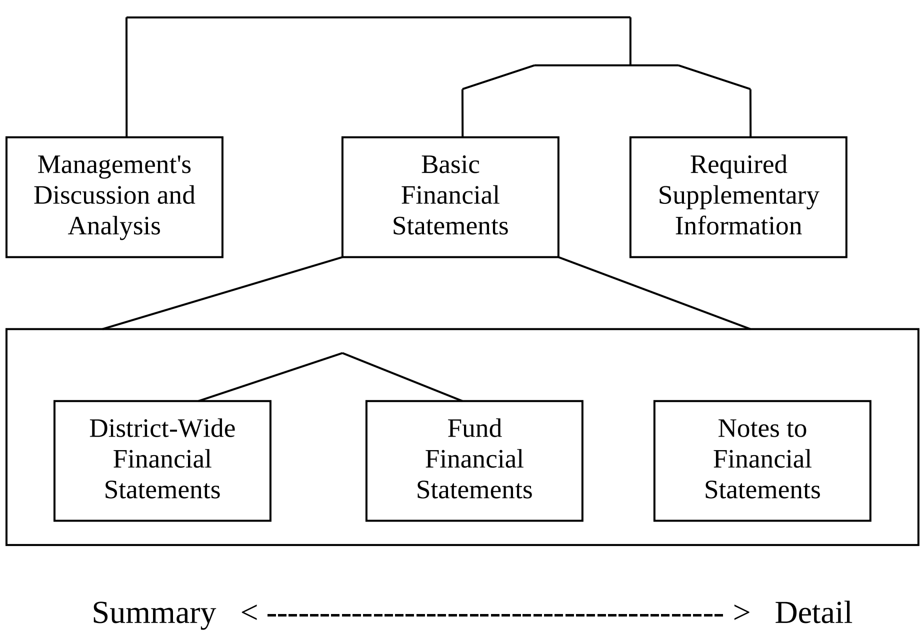
- Total governmental fund balances increased by $9.9m.
- General fund exceeded its budgeted expectations of a $2.3m loss with only an $800k loss
- While feeding every child in our District for free, the food service fund increased its fund balance. This is allowing the District to offset the inflation costs with only a 5-cent meal price increase.
- The District increased its health insurance premiums by 25% in order to offset the prior 4-years of operating losses in the Health Insurance Fund. The Net position increased by $418,000 to $1,162,000 but it far below its goal of 35% of expense, or approximately $4.7m.

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 the supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund-financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements. There are three types of these.
- The first type are governmental funds statements that tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- The second type is fiduciary funds statements which provide information about the financial relationships in which the District acts solely as a trustee or custodian for the benefit of others to whom the resources belong.
- The third type is proprietary funds statements which provide information about activities the District operates like a business. The District currently has two internal service funds that account for the District's self-insured risks and other post-employment benefits.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The diagram below shows how the various parts of this annual report is arranged and related to one another.



OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

Fund Financial Statements				
	District-Wide Statements	**Governmental Funds**	**Fiduciary Fund**	**Proprietary Funds**
Scope	Entire District (except fiduciary funds)	The activities of the District that are not fiduciary, such as general education, special education and building maintenance.	Instances in which the District administers resources on behalf of someone else - scholarships.	The activities the District operates like a business, such as retiree and District employee's self-funded health insurances benefits.
Required Financial Statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances	• Statement of Fiduciary Position • Statement of Changes in Fiduciary Net Position	• Statement of Net Position • Statement of Revenues, Expenses, and Changes in Fund Net Position • Statement of Cash Flows
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial focus.	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
Type of Assets/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term.	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities are included.	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can.	All assets and liabilities, both financial and capital, and short-term and long-term.
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All additions and deductions during the year, regardless of when cash is received or paid.	All revenues and expenses during the year, regardless of when cash is received or paid.

District-Wide Statements

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

District-Wide Statements (Continued)

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

- Over time, increases, or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base, the condition of school buildings and other facilities and the long-term retirement commitments that have been made to certain employees.

In the district-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 service, and community education. Property taxes and state aids finance most of these activities.

Fund Financial Statements

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

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues.

The District has three kinds 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 can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information following the governmental funds statements that explains the relationship (or differences) between them.
- Proprietary Funds: The District uses Internal Service Funds to account for operations of the District's self-insured Health Insurance plans and to account for its retiree health insurance costs and the payments of these from its revocable trust fund. The activities of these funds are reported in a separate Statement of Net Position, Statement of Revenues, Expenses, and changes in Fund Net Position, and Statement of Cash Flows. This activity is also included in the Government-Wide Statement of Net Position and Statement of Activities.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements (Continued)

- Fiduciary Funds: The District is the trustee, or fiduciary, for assets that belong to others to provide scholarships to students. The District is responsible for ensuring that the assets reported in these funds are used only by those to whom the assets belong. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

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

Net Position

The District's combined net position at June 30, 2022, was $(112,259,000), a decrease of $7,416,000 from fiscal year ended June 30, 2021. While the deficit net position is significant, the largest reason for this is the retiree health insurance liability. Without those future obligations, the District would have a positive net position.

Table A-1

Condensed Statement of Net Position

	2021	2022	Change	
Capital assets	$ 140,349,352	$ 140,898,892	$ 549,540	0%
Current and other assets	49,547,188	54,659,742	5,112,554	10%
Total assets	189,896,540	195,558,634	5,662,094	3%
Deferred Outflows of Resources	36,408,441	50,036,124	13,627,683	37%
Long-term liabilities	265,383,754	283,335,780	17,952,026	7%
Other liabilities	14,232,366	14,633,076	400,710	3%
Total liabilities	279,616,120	297,968,856	18,352,736	7%
Deferred Inflows of Resources	51,532,232	59,884,841	8,352,609	16%
Net position				
Net investment in capital assets	63,914,095	63,707,569	(206,526)	0%
Restricted	4,580,216	5,170,680	590,464	13%
Unrestricted (deficit)	(173,337,682)	(181,137,188)	(7,799,506)	4%
			-	
Total net position (deficit)	$ (104,843,371)	$ (112,258,939)	$ (7,415,568)	7%

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

Change in Net Position

The District's expenses were greater than revenues for the year ended June 30, 2022. A summary of the revenues and expenses is presented in Table A-2 below.

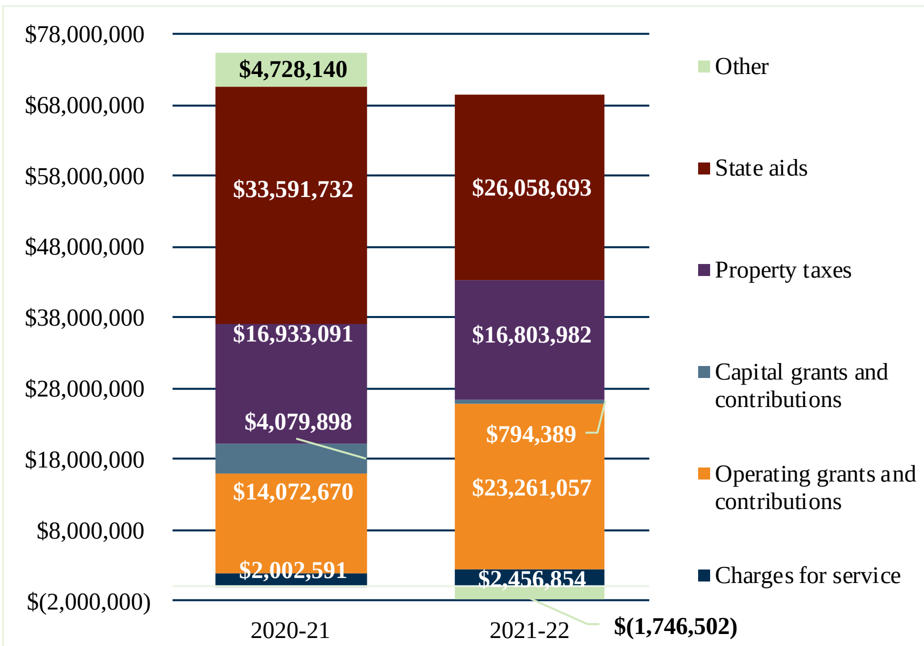
Table A-2

	2021	2022	Change	
Revenues				
Program revenues				
Charges for service	$ 2,002,591	$ 2,456,854	$ 454,263	23%
Operating grants and contributions	14,072,670	23,261,057	9,188,387	65%
Capital grants and contributions	4,079,898	794,389	(3,285,509)	-81%
General revenues				
Property taxes	16,933,091	16,803,982	(129,109)	-1%
State aids	33,591,732	26,058,693	(7,533,039)	-22%
Other	4,728,140	(1,746,502)	(6,474,642)	-137%
Total revenues	75,408,122	67,628,473	(7,779,649)	-10%
Expenses				
District and school administration	3,370,766	3,787,404	416,638	12%
District support services	1,854,250	1,661,024	(193,226)	-10%
Regular instruction	32,658,255	29,189,540	(3,468,715)	-11%
Vocational instruction	873,809	1,123,994	250,185	29%
Exceptional instruction	10,970,756	13,802,295	2,831,539	26%
Instructional support services	3,201,610	3,028,125	(173,485)	-5%
Pupil support services	4,570,817	6,041,572	1,470,755	32%
Sites, buildings and equipment	10,419,024	5,852,758	(4,566,266)	-44%
Food service	1,617,815	2,322,291	704,476	44%
Community service	1,110,361	1,296,029	185,668	17%
Interest and fiscal charges on long-term debt	3,085,140	3,281,128	195,988	6%
Fiscal and other fixed cost programs	216,652	229,762	13,110	6%
Unallocated depreciation expense	2,274,853	3,428,119	1,153,266	51%
Total expenses	76,224,108	75,044,041	(1,180,067)	-2%
Change in net position	(815,986)	(7,415,568)	(6,599,582)	809%
Beginning of year net position	(104,027,385)	(104,843,371)	(815,986)	1%
End of year net position (deficit)	$ (104,843,371)	$ (112,258,939)	$ (7,415,568)	7%

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

The District's total revenue of $67,628,000 consists of the categories below. Overall, revenues are down 10% due to a decrease in interest revenue of $6.5m and the elimination of funds donated by IRRRB for the new elementary schools. Charges for services increase nearly $500,000 due to community education and sports schedules that returned to normal and an increase in fees charged for participation. Operating grants increased due to the use of Covid funds and the reclassification of certain state aids.

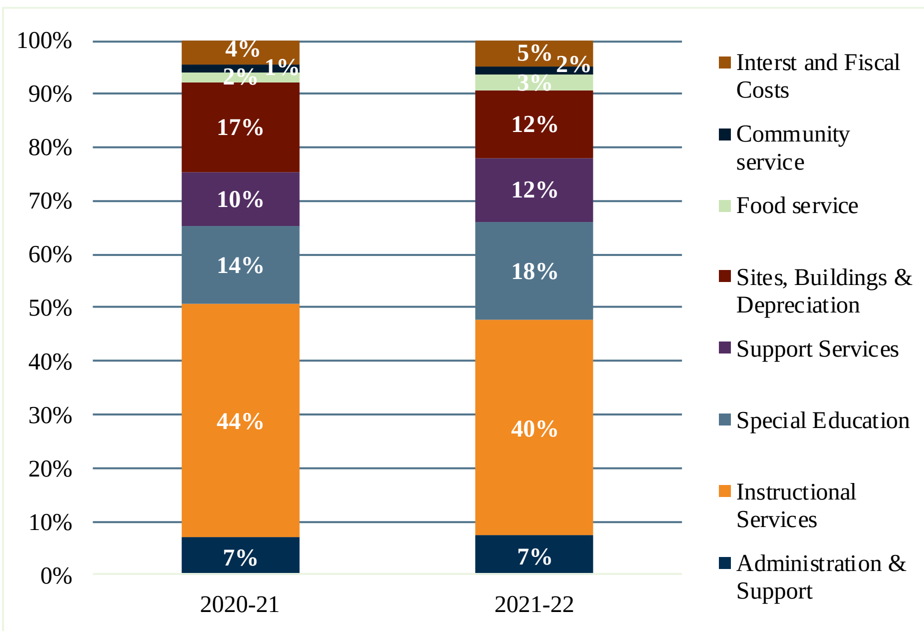
Revenues Table A-3



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

The District's total expenses of $75,040,000 decreased from the prior year by 2%. The District's expenses remain consistent with the majority being spent on Instructional Services. It is important to remember that the Statement of Activities includes expenses that aren't recorded in the fund statements or recognized when the District is making current decisions. Some of these expenses are changes attributed to the District's retiree health insurance obligation. This obligation increased by $22m due to changes in health costs and assumptions made by the actuary. (See Note 7) Other expenses are here because the State of Minnesota's pension system is under-funded. This amount is shared by all governments in the State and the District my recognize a portion of that unfunded amount. (See Note 6)

2021-22 Expenses – Table A-4



The net cost of governmental activities is the total cost less program revenues applicable to each category. Table A-5 presents these costs. Nearly every category of expense shows a negative net cost of services because property taxes and state aid formula grants support a large part of each program. Food service had revenues in excess of its expenses because of the high reimbursement rate from the federal government in FY22. These rates were higher due to all students eating for free.

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

Table A-5

	Total Cost of Services			Net Cost of Services		
	2020-21	2021-22	Percent Change	2020-21	2021-22	Percent Change
District and school administration	$ 3,370,766	$ 3,787,404	12%	$ (3,370,766)	$ (3,675,959)	9%
District support services	1,854,250	1,661,024	-10%	(1,659,082)	(1,268,038)	-24%
Regular instruction	32,658,255	29,189,540	-11%	(27,114,233)	(23,165,604)	-15%
Vocational instruction	873,809	1,123,994	29%	(847,819)	(1,084,211)	28%
Exceptional instruction	10,970,756	13,802,295	26%	(2,827,600)	(3,216,774)	14%
Instructional support services	3,201,610	3,028,125	-5%	(3,174,428)	(1,681,498)	-47%
Pupil support services	4,570,817	6,041,572	32%	(4,570,817)	(2,592,474)	-43%
Sites, buildings and equipment	10,419,024	5,852,758	-44%	(6,305,796)	(4,811,507)	-24%
Food service	1,617,815	2,322,291	44%	(123,890)	241,362	-295%
Community service	1,110,361	1,296,029	17%	(497,873)	(338,029)	-32%
Interest and fiscal charges on long-term d	3,085,140	3,281,128	6%	(3,085,140)	(3,281,128)	6%
Fiscal and other fixed cost programs	216,652	229,762	6%	(216,652)	(229,762)	6%
Unallocated depreciation expense	2,274,853	3,428,119	51%	(2,274,853)	(3,428,119)	51%
Total expenses	$ 76,224,108	$ 75,044,041	-2%	$ (56,068,949)	$ (48,531,741)	-13%

Financial Analysis of the districts Funds

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of $18,824,000. This is up $9,989,000 from the prior year's governmental fund balance of $8,835,000. At the end of FY22, nearly every fund had an increase in its fund balance, with the exception of the Debt Service Fund ($1,700 loss) and the General Fund - $834,000 loss.

General Fund

	Budget			Variance
	Orignal	Final	Acutual	Over (Under)
Total Revenues	$ 55,810,000	$ 58,220,000	$ 57,999,335	$ (220,665)
Total Expenditures	57,850,000	60,535,000	58,833,397	(1,701,603)
Net Change in fund balance	(2,040,000)	(2,315,000)	(834,062)	14,809,638
Fund balance, beginning	5,698,045	5,698,045	5,698,045	-
Fund balance, ending	$ 3,658,045	$ 3,383,045	$ 4,868,983	$ 1,480,938

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

General Fund (Continued)

Originally, the General Fund was budgeted to experience an operating loss of $2m. This was later revised to a loss of $2.3m because of the significant decrease in health insurance as well as many COVID specific grants that were received and spent during the year. In the end, revenues and other financing sources were under budget by $221,000, or 0.4% and expenditures were under budget by $1.7m, or 2.8%. Revenues were under budget due to the District not spending all of the COVID grants it had anticipated, state aids coming in under budget due to lower entitlements and an allocating between property taxes and state aids. Property taxes were over budget because of that allocation and other local revenue was over budget due to higher receipts from fees received. Because of the significant increase in health insurance, this was budgeted very conservatively. There were a few departures from the District that were not filled and created a larger departure from the budget.

Building Construction Fund

The building construction fund is used to account for bond proceeds received and the related capital expenditures. The District issued $13,260,000 in long-term bonds to pay for an indoor air quality project at Grand Rapids High School and multiple parking lot improvements. As only a small portion of the proceeds were spent, the fund increased its fund balance by over $10m. These funds will be spent in fiscal years 2023 and 2024.

Debt Service and Postemployment Benefits Debt Service Funds

The Debt service funds are used to collect taxes levied and pay the subsequent principal and interest payments on the related bonds. Both funds are highly regulated through the amount of property taxes that are allowed to be levied for the related payments. The District is allowed to levy up to 105% of the subsequent year’s payment. Because taxes are collected at a healthy rate, the District’s levy is often reduced since the fund balance is sufficient to make the next year’s payments.

Nonmajor Funds

Funds deemed to be nonmajor are reported in the aggregate. The food and community service funds, while very important to the operations of the District, did not meet the financial definition of ‘Major’ and are therefore, reported together. Below are the details:

	Revenue	Expenditures	Fund Balance Increase
Food Service Fund	$ 2,563,847	$ 2,140,229	$ 423,618
Community Service Fund	1,292,289	1,244,611	47,678
Total	$ 3,856,136	$ 3,384,840	$ 471,296

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The 2018 construction projects were finally completed in FY22 and moved from construction in progress to buildings. Because of GASB 87, the District is required to recognize lease buildings as assets and the corresponding future lease obligation as an expense. See Note 3 for additional capital asset details.

	Beginning Balance 7/1/2021	Additions	Deletions	Ending Balance 6/30/2022
Capital Assets not being depreciated				
Land	$ 2,696,530	$ -	$ 29,305	$ 2,667,225
CIP	75,190,340	3,014,847	77,289,247	915,940
Total Assets not being depreciated	77,886,870	3,014,847	77,318,552	3,583,165
Capital assets being depreciated				
Land Improvements	5,471,189	59,243	-	5,530,432
Buildings	96,937,441	77,596,871	-	174,534,312
Equipments	16,479,187	1,012,643	657,457	16,834,373
Leased Buildings	-	910,702	-	910,702
Total assets being depreciated	118,887,817	79,579,459	657,457	197,809,819
Total Assets	$ 196,774,687	$ 82,594,306	$ 77,976,009	$ 201,392,984

Long-Term Liabilities

At year-end the District had over $288 million in long-term liabilities. Well over half of the liability is attributed to the State of Minnesota’s unfunded pension plan ($23m) and the District’s retiree health insurance liability ($163m).

	Beginning Balance 7/1/2021	Additions	Deletions	Ending Balance 6/30/2022
Long-Term Liabilities				
G.O. Bonds	$ 87,000,000	$ 13,260,000	$ 4,455,000	$ 95,805,000
Unamortized bond premium	5,070,874	187,903	333,418	4,925,359
Financed purchase agreement	229,589	-	112,139	117,450
Lease Liability	-	910,702	331,814	578,888
Compensated absences payable	457,251	443,187	452,476	447,962
Severance payable	107,196	-	17,428	89,768
Net pension liability	36,376,962	-	13,155,614	23,221,348
Net OPEB obligation	140,418,047	27,625,465	4,669,804	163,373,708
Total Long-Term Liabilities	$ 269,659,919	$ 42,427,257	$ 23,527,693	$ 288,559,483

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following existing conditions that could significantly affect its financial health in the future:

- Legislature approves its biennial budget every two years. At this time, it is unclear what sort of financial formula increases schools in Minnesota will receive for the upcoming year. The basic education formula increased 2% for FY22-23 which will provide the District with an additional $576,000 over the prior year (if enrollment remained consistent).
- Inflation is at its highest since 1982. This has a significant effect on the District's expenditures, especially the heating fuel and the gas for buses. Food costs and most consumer goods are also experiencing the full effect of inflation. Since no state-aid formula includes a condition for inflation and the District does not have an operating levy that would increase with inflation, the District will need to evaluate operations very closely to determine how the higher costs are effecting the overall budget.
- The District has issued bonds for an indoor air-quality project at Grand Rapids High School. improvements at Southwest Elementary for renovations to move the ALC program, community education and administration services to that location and a lease levy for improvement at Bigfork. Construction materials continue to outpace inflation so the future costs of these projects may exceed the current resources available.
- The Federal Government has provided significant grants to address the COVID-19 Pandemic and the after-effects of the loss of learning. In total, ISD 318 has been awarded $11,853,000 in grants that are only earned *after* the cost is incurred. At 6.30.22, the District had $6,650,000 remaining in grants to be expended. All of these, if not spent within a specific time, will be lost and redistributed to other Districts in the State of Minnesota. These grants have explicit guidelines on what the funding can be spent on. The District must work within the constraints of these rules.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's 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 Kara Lundin at 218.327.5775 or klundin@isd318.org.

BASIC FINANCIAL STATEMENTS

Independent School District No. 318
Statement of Net Position
June 30, 2022

		Governmental Activities
Assets		
Cash and investments	$	40,769,174
Current property taxes receivable		6,359,151
Delinquent property taxes receivable		464,809
Accounts receivable		107,283
Due from other Minnesota school districts		576,587
Due from Department of Education		3,080,412
Due from Federal Government through Department of Education		1,376,355
Due from federal government directly		46,322
Due from other governmental units		1,743,683
Prepaid items		74,906
Inventory		61,060
Capital assets not being depreciated		
Land		2,667,225
Construction in progress		915,940
Other capital assets, net		
Land improvements		2,374,733
Buildings		127,268,141
Equipment		7,108,722
Leased buildings		564,131
Total assets		195,558,634
Deferred Outflows of Resources		
Deferred outflows related to pensions		15,130,214
Deferred outflows related to OPEB		34,905,910
Total deferred outflows of resources		50,036,124
Total assets and deferred outflows of resources	$	245,594,758
Liabilities		
Accounts and contracts payable	$	1,838,463
Salaries and benefits payable		5,664,465
Interest payable		1,468,348
Due to other Minnesota school districts		437,810
Due to other governmental units		287
Bond principal payable (net)		
Payable within one year		4,625,000
Payable after one year		96,105,359
Financed purchase agreement		
Payable within one year		117,450
Lease liability		
Payable within one year		346,864
Payable after one year		232,024
Compensated absences payable		
Payable within one year		134,389
Payable after one year		313,573
Severance payable		
Payable after one year		89,768
Net pension liability		23,221,348
Total OPEB liability		163,373,708
Total liabilities		297,968,856
Deferred Inflows of Resources		
Property taxes levied for subsequent year's expenditures		14,181,894
Deferred inflows related to pensions		36,219,700
Deferred inflows related to OPEB		9,483,247
Total deferred inflows of resources		59,884,841
Net Position		
Net investment in capital assets		63,707,569
Restricted		5,170,680
Unrestricted		(181,137,188)
Total net position		(112,258,939)
Total liabilities, deferred inflows of resources, and net position	$	245,594,758

Independent School District No. 318
Statement of Activities
Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position: Governmental Activities
Governmental activities					
Administration	$ 3,787,404	$ -	$ 111,445	$ -	$ (3,675,959)
District support services	1,661,024	-	392,986	-	(1,268,038)
Elementary and secondary regular instruction	29,189,540	1,112,584	4,911,352	-	(23,165,604)
Vocational education instruction	1,123,994	-	39,783	-	(1,084,211)
Special education instruction	13,802,295	834,114	9,751,407	-	(3,216,774)
Instructional support services	3,028,125	-	1,346,627	-	(1,681,498)
Pupil support services	6,041,572	16,447	3,432,651	-	(2,592,474)
Sites and buildings	5,852,758	127,265	119,597	794,389	(4,811,507)
Fiscal and other fixed cost programs	229,762	-	-	-	(229,762)
Food service	2,322,291	189,612	2,374,041	-	241,362
Community education and services	1,296,029	176,832	781,168	-	(338,029)
Unallocated depreciation	3,428,119	-	-	-	(3,428,119)
Interest and fiscal charges on long-term debt	3,281,128	-	-	-	(3,281,128)
Total governmental activities	$ 75,044,041	$ 2,456,854	$ 23,261,057	$ 794,389	(48,531,741)
General revenues					
Taxes					
Property taxes, levied for general purposes					8,740,988
Property taxes, levied for community service					333,538
Property taxes, levied for debt service					7,729,456
State aid-formula grants					26,058,693
Other general revenues					263,811
Investment income					(2,010,313)
Total general revenues					41,116,173
Change in net position					(7,415,568)
Net position - beginning					(104,843,371)
Net position - ending					$ (112,258,939)

See notes to basic financial statements.

Independent School District No. 318
Balance Sheet - Governmental Funds
June 30, 2022

	General Fund	Building Construction Capital Project Fund	Debt Service Fund
Assets			
Cash and investments	$ 3,797,989	$ 11,223,181	$ 2,682,001
Current property taxes receivable	2,737,559	-	1,596,288
Delinquent property taxes receivable	218,828	-	86,970
Accounts receivable	93,830		
Due from other Minnesota school districts	533,280	-	-
Due from Department of Education	3,003,919	-	20,605
Due from federal government through Department of Education	1,308,777	-	-
Due from federal government directly	46,322		
Due from other governmental units	1,743,683	-	-
Due from other funds	3,558,491	-	-
Prepaid items	74,906	-	-
Inventory	-	-	-
Total assets	$ 17,117,584	$ 11,223,181	$ 4,385,864
Liabilities			
Accounts and contracts payable	$ 402,443	$ 735,546	$ -
Salaries and benefits payable	5,513,811	-	-
Due to other Minnesota school districts	144,066	-	-
Due to other governmental units	287	-	-
Total liabilities	6,060,607	735,546	-
Deferred Inflows of Resources			
Property taxes levied for subsequent year's expenditures	5,974,166	-	3,477,446
Unavailable revenue - delinquent property taxes	218,828	-	86,970
Total deferred inflows of resources	6,192,994	-	3,564,416
Fund Balances			
Nonspendable	74,906		-
Restricted	2,920,662	10,795,525	821,448
Assigned	1,059,823		-
Unassigned	808,592	(307,890)	-
Total fund balances	4,863,983	10,487,635	821,448
Total liabilities, deferred inflows of resources, and fund balances	$ 17,117,584	$ 11,223,181	$ 4,385,864

Postemployment Benefits Debt Service Fund	Nonmajor Funds	Total Governmental Funds
$ 3,960,615	$ 1,694,808	$ 23,358,594
2,025,304	-	6,359,151
159,011	-	464,809
	13,453	107,283
-	43,307	576,587
3,039	52,849	3,080,412
-	67,578	1,376,355
		46,322
-	-	1,743,683
-	-	3,558,491
-	-	74,906
-	61,060	61,060
$ 6,147,969	$ 1,933,055	$ 40,807,653
$ -	$ 96,396	$ 1,234,385
-	150,654	5,664,465
-	293,744	437,810
-	-	287
-	540,794	7,336,947
4,730,282	-	14,181,894
159,011	-	464,809
4,889,293	-	14,646,703
-	61,060	135,966
1,258,676	1,331,201	17,127,512
-	-	1,059,823
-	-	500,702
1,258,676	1,392,261	18,824,003
$ 6,147,969	$ 1,933,055	$ 40,807,653

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Independent School District No. 318
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2022

Total fund balances - governmental funds	$ 18,824,003
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	200,482,282
Less accumulated depreciation	(60,147,521)
Leased assets	910,702
Less accumulated amortization	(346,571)
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	(95,805,000)
Bond premiums	(4,925,359)
Financed purchase agreement payable	(117,450)
Lease liability	(578,888)
Severance payable	(89,768)
Compensated absences payable	(447,962)
Net pension liability	(23,221,348)
Net OPEB obligation	(163,373,708)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions and OPEB that are not recognized in the governmental funds.	
Deferred outflows of resources related to pensions	15,130,214
Deferred inflows of resources related to pensions	(36,219,700)
Deferred outflows of resources related to OPEB	34,905,910
Deferred inflows of resources related to OPEB	(9,483,247)
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.	464,809
Internal service funds are used by management to charge the costs of the self-insured health insurance plan and postemployment benefits. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position and interfund activity is removed.	13,248,011
Governmental funds do not report a liability for accrued interest on bonds and capital leases until due and payable.	(1,468,348)
Total net position - governmental activities	$ (112,258,939)

See notes to basic financial statements.

Independent School District No. 318
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2022

	General Fund	Building Construction Capital Project Fund	Debt Service Fund
Revenues			
Local property taxes	$ 8,748,195	$ -	$ 2,897,826
Other local and county revenues	2,777,624	42,336	2,204
State sources	41,159,823	-	205,493
Federal sources	5,215,313	-	-
Sales and other conversion of assets	86,374	-	-
Total revenues	57,987,329	42,336	3,105,523
Expenditures			
Current			
Administration	3,410,663	-	-
District support services	1,575,758	-	-
Elementary and secondary regular instruction	25,930,704	-	-
Vocational education instruction	970,085	-	-
Special education instruction	11,887,922	-	-
Instructional support services	2,731,285	-	-
Pupil support services	5,046,792	-	-
Sites and buildings	5,189,703	45,752	-
Fiscal and other fixed cost programs	229,762	-	-
Food service	-	-	-
Community service	-	-	-
Capital outlay			
Elementary and secondary regular instruction	16,443	-	-
Special education instruction	21,990	-	-
Pupil support services	530,629	-	-
Sites and buildings	812,509	3,109,937	-
Debt service			
Principal	443,953	-	230,000
Interest and fiscal charges	35,199	139,975	2,900,724
Total expenditures	58,833,397	3,295,664	3,130,724
Excess of revenues over (under) expenditures	(846,068)	(3,253,328)	(25,201)
Other Financing Sources (Uses)			
Insurance recovery	12,006	-	-
Bond issuance	-	13,236,545	23,455
Bond premium	-	187,903	-
Total other financing sources (uses)	12,006	13,424,448	23,455
Net change in fund balances	(834,062)	10,171,120	(1,746)
Fund Balances			
Beginning of year	5,698,045	316,515	823,194
End of year	$ 4,863,983	$ 10,487,635	$ 821,448

Postemployment Benefits Debt Service Fund	Nonmajor Funds	Total Governmental Funds
$ 4,829,465	$ 333,538	$ 16,809,024
-	213,632	3,035,796
30,389	548,561	41,944,266
-	2,570,793	7,786,106
-	189,612	275,986
4,859,854	3,856,136	69,851,178
-	-	3,410,663
-	-	1,575,758
-	-	25,930,704
-	-	970,085
-	-	11,887,922
-	-	2,731,285
-	-	5,046,792
-	-	5,235,455
-	-	229,762
-	2,140,229	2,140,229
-	1,244,611	1,244,611
-	-	16,443
-	-	21,990
-	-	530,629
-	-	3,922,446
4,225,000	-	4,898,953
452,851	-	3,528,749
4,677,851	3,384,840	73,322,476
182,003	471,296	(3,471,298)
-	-	12,006
-	-	13,260,000
-	-	187,903
-	-	13,459,909
182,003	471,296	9,988,611
1,076,673	920,965	8,835,392
$ 1,258,676	$ 1,392,261	$ 18,824,003

Independent School District No. 318
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities - Governmental Funds
Year Ended June 30, 2022

Net change in fund balances - total governmental funds	$ 9,988,611
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	4,394,357
Depreciation and amortization expense	(4,704,073)
Disposal of capital assets	(51,446)
Compensated absences and severance payable are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	26,717
Governmental funds recognize OPEB contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to OPEB on a full accrual perspective.	(4,125,962)
Governmental funds recognized pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.	588,487
Principal payments on long-term debt are recognized as expenditures in the governmental funds but have no impact on net position in the Statement of Activities.	4,898,953
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.	(85,797)
Governmental funds report bond premiums and discounts as other financing sources and uses at the time of issuance. Net premiums and discounts are reported as a liability and deferred charges on refundings are presented as a deferred inflow of resources in the government-wide financial statements and are amortized over the life of the bond.	333,418
The issuance of long-term debt provides current financial resources to governmental funds and has no effect on net position. These amounts are reported in the governmental funds as a source of financing. These amounts are not shown as revenues in the Statement of Activities, but rather constitute long-term liabilities in the statement of net position.	
Bonds	(13,260,000)
Bond premium	(187,903)
Internal service funds are used by management to charge the costs of the self-insured health insurance plan and postemployment benefits. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position and interfund activity is removed.	(5,225,888)
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.	(5,042)
Change in net position - governmental activities	$ (7,415,568)

Independent School District No. 318
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Local property taxes	$ 7,337,000	$ 8,125,000	$ 8,748,195	$ 623,195
Other local and county revenues	2,080,214	2,255,214	2,777,624	522,410
State sources	41,380,500	42,028,719	41,159,823	(868,896)
Federal sources	4,961,286	5,648,067	5,215,313	(432,754)
Sales and other conversion of assets	21,000	133,000	86,374	(46,626)
Total revenues	55,780,000	58,190,000	57,987,329	(202,671)
Expenditures				
Current				
Administration	3,349,780	3,555,915	3,410,663	(145,252)
District support services	1,725,345	1,756,107	1,575,758	(180,349)
Elementary and secondary regular instruction	25,153,687	26,893,881	25,930,704	(963,177)
Vocational education instruction	816,909	903,493	970,085	66,592
Special education instruction	12,633,613	11,678,662	11,887,922	209,260
Instructional support services	2,560,817	2,754,669	2,731,285	(23,384)
Pupil support services	4,576,335	5,399,250	5,046,792	(352,458)
Sites and buildings	4,883,728	5,559,447	5,189,703	(369,744)
Fiscal and other fixed cost programs	252,000	235,000	229,762	(5,238)
Capital outlay				
Administration	5,000	5,000	-	(5,000)
Elementary and secondary regular instruction	21,000	77,000	16,443	(60,557)
Special education instruction	5,000	26,990	21,990	(5,000)
Instructional support services	5,000	5,000	-	(5,000)
Pupil support services	587,000	533,000	530,629	(2,371)
Sites and buildings	795,000	671,800	812,509	140,709
Debt service				
Principal	444,000	444,000	443,953	(47)
Interest and fiscal charges	35,786	35,786	35,199	(587)
Total expenditures	57,850,000	60,535,000	58,833,397	(1,701,603)
Excess of revenues over (under) expenditures	(2,070,000)	(2,345,000)	(846,068)	1,498,932
Other Financing Sources				
Proceeds from sale of capital assets	10,000	10,000	-	(10,000)
Insurance recovery	20,000	20,000	12,006	(7,994)
Total other financing sources	30,000	30,000	12,006	(17,994)
Net change in fund balance	$ (2,040,000)	$ (2,315,000)	(834,062)	$ 1,480,938
Fund Balance				
Beginning of year			5,698,045	
End of year			$ 4,863,983	

Independent School District No. 318
Statement of Net Position - Proprietary Funds
June 30, 2022

	Total Internal Service Funds
Assets	
Current assets	
Investments	$ 17,410,580
Liabilities	
Accounts payable	$ 21,590
Claims payable	582,488
Due to other funds	3,558,491
Total liabilities	4,162,569
Net Position	
Unrestricted	13,248,011
Total liabilities and net position	$ 17,410,580

Independent School District No. 318
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
Year Ended June 30, 2022

	Total Internal Service Funds
Operating Revenue	
Contributions from the District and employees	$ 14,351,533
Contributions from employees and retirees	614,369
Total operating revenues	14,965,902
Operating Expenses	
Healthcare benefits and claims	17,746,127
Administrative costs	419,056
Total operating expenses	18,165,183
Operating loss	(3,199,281)
Nonoperating Revenue	
Investment income	(2,026,607)
Change in net position	(5,225,888)
Net Position	
Beginning of year	18,473,899
End of year	$ 13,248,011

See notes to basic financial statements.

Independent School District No. 318
Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2022

	Total Internal Service Funds
Cash Flows - Operating Activities	
Contributions from the District and employees	$ 14,351,533
Receipts from retirees and employees	614,369
Payments for healthcare premiums	(18,259,588)
Payments for administrative costs	(318,483)
Net cash flows - operating activities	(3,612,169)
Cash Flows - Noncapital Financing Activities	
Amounts repaid to other funds	(2,145,373)
Amounts borrowed from other funds	3,558,491
Net cash flows - noncapital financing activities	1,413,118
Cash Flows - Investing Activities	
Proceeds from sales and maturities of investments	20,320,211
Purchase of investments	(21,069,512)
Interest received	1,259,199
Trustee fees paid	(71,313)
Net cash flows - investing activities	438,585
Net Change in Cash and Cash Equivalents	(1,760,466)
Cash and Cash Equivalents	
Beginning of year	1,760,466
End of year	$ -
Reconciliation of Operating Loss to Net Cash Flows- Operating Activities	
Operating loss	$ (3,199,281)
Adjustments to reconcile operating loss to net cash flows - operating activities	
Change in accounts payable	10,093
Change in claims payable	(422,981)
Total adjustments	(412,888)
Net cash flows - operating activities	$ (3,612,169)

See notes to basic financial statements.

Independent School District No. 318
Statement of Fiduciary Net Position
June 30, 2022

		Custodial Fund
Assets		
Cash and investments (including cash equivalents)	$	57,397
Liabilities		
Accounts payable	$	30,900
Net Position		
Held for student activities		1,641
Held for scholarships	$	24,856
Total Net Position	$	26,497

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

		Custodial Fund
Additions		
Contributions and donations	$	34,608
Interest revenue		54
Total additions		34,662
Deductions		
Scholarships		33,250
Change in net position		1,412
Net Position		
Beginning of year		25,085
End of year	$	26,497

See notes to basic financial statements.

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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 basic 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 board 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, except for the fiduciary funds. The fiduciary funds are only reported in the Statements 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 not properly included among program revenues are reported instead as general revenues.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statement Information (Continued)

Depreciation expense that can be specifically identified by function is included in the direct expenses of that function. Depreciation expense relating to assets that serve multiple functions is presented as unallocated depreciation in the Statement of Activities. 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, proprietary funds, and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's internal service funds are charges to customers for service. Operating expenses for the internal service funds include the cost of services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Custodial Fund is 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, this fund is 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 proprietary and 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 years. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within one year.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

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.

The District applies restricted resources first when an expenditure is incurred for a purpose for which both restricted and unrestricted fund balances are available. Further, the District will strive to spend resources from fund balance classifications in the following order (first to last): restricted, committed, assigned, and unassigned.

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.

Building Construction Capital Project Fund – This fund is used to account for financial resources used the acquisition and construction of major capital facilities.

Debt Service Fund – This fund is used to account for the accumulation of resources for, and payment of, general obligation (G.O.) bond principal, interest, and related costs, other than the District's OPEB bonds.

Postemployment Benefits Debt Service Fund – This fund is used to account for the accumulation of resources for, and payment of, OPEB general obligation (G.O.) bond principal, interest, and related costs.

Nonmajor Funds:

Food Service Special Revenue Fund – This fund is used to account for food service revenues and expenditures. Local, state, and federal revenues are received in this Fund to specifically support the food service program.

Community Service Special Revenue Fund – This fund is used to account for services provided to residents in the areas of community education, school readiness, early childhood and family education, aquatic center, or other similar services. The District receipts property tax and local and state revenues in this fund that were received for these specific purposes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Description of Funds: (Continued)

Proprietary Funds:

Postemployment Benefit Revocable Trust Fund – This internal service fund is used for reporting resources set aside and held in a revocable trust arrangement for post-employment benefits other than pensions. District contributions to this fund must be expensed to an operating fund.

Health Insurance Fund – This internal service fund is used to account for health benefits for employees who are covered by the self-insured plan of the District.

Fiduciary Funds:

Custodial Fund – This fund is used to account for fiduciary activities that are not required to be reported as another fiduciary fund type. The District reports funds held in for scholarships in the Custodial Fund.

D. Deposits and Investments

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the individual funds based on the basis of applicable cash and investment balance participation by each fund.

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. Investments held by investment pools are measured at amortized cost.

Pooled cash and investments at June 30, 2022, were comprised of deposits, and shares in the Minnesota School District Liquid Asset Fund (MSDLAF) including MSDLAF Max and MSDLAF term. Non-pooled investments were comprised of various investments as detailed in Note 2.

Minnesota Statutes require 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.

Minnesota Statutes authorizes the District 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, repurchase and reverse repurchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deposits and Investments (Continued)

In accordance with GASB Statement No. 79, the various MSDLAF securities are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the MSDLAF. Investments in the MSDLAF MAX must be deposited for a minimum of 14 calendar days with the exception of direct investments of funds distributed by the State of Minnesota. Withdrawals prior to the 14-day restriction period may be subject to a penalty and there is a 24 hour hold on all requests for redemptions. MSDLAF+ term series investments have a maturity of 60 days to one year and early withdrawal may result in substantial early redemption penalties.

E. Property Tax Receivable

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

F. Property Taxes Levied for Subsequent Year's Expenditures

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

G. Prepaid Items

Certain payments to vendors reflect costs applicable to a future accounting period and are recorded as prepaid in both the government-wide and fund financial statements. Prepaid items are recorded as expenditures at the time of consumption.

H. 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.

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. Itasca 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 basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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. A half year of depreciation expense is deducted the year depreciable assets are placed into service. 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 5 to 50 years.

Capital assets not being depreciated include land and construction in progress. The District's infrastructure capital assets, such as sidewalks and parking lots are considered to be part of the cost of buildings or land improvements.

K. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate basic 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 related to pensions and deferred outflows related to OPEB are reported in the government-wide Statement of Net Position for various estimate differences that will be amortized and recognized over future years.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the Statement of Financial Position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate basic 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 four types of items which qualify for reporting in this category. The first item, unavailable revenue from property taxes, arises under a modified accrual basis of accounting and is reported only in the Governmental Funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available. The second item is property taxes levied for subsequent year's expenditures, which represent property taxes received or reported as a receivable before the period for which the taxes are levied, and is reported as a deferred inflow of resources in both the government-wide Statement of Net Position and the Governmental Funds Balance Sheet. Property taxes levied for subsequent year's expenditures are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied and in the governmental fund financial statements during the year for which they are levied, if available. Deferred inflows of resources related to pensions and OPEB are reported in the government-wide Statement of Net Position 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 Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

M. Accrued Employee Benefits

Compensated Absences Payable

The District has employee and union contracts with several different employee groups. Employee benefits under the contracts are different, but generally include provisions for sick leave and vacation leave. In the fund financial statements, a liability is recorded for unpaid vacation when the employee terminates from the District. In the government-wide financial statements, a liability is recorded for unpaid vacation pay when earned. Unused sick leave is included in the severance benefits payable for certain employees as noted on the next page.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Accrued Employee Benefits (Continued)

Severance Benefits Payable
Upon retirement, certain District employees are entitled to a severance amount based on accumulated unused sick leave, age, years of service and wage rate at the date of retirement, as established by contracts with bargaining units or other employment contracts and reduced by the District's retirement matching contribution. These contracts establish the terms and amounts each retiree is eligible to receive and establish when this severance benefit vests, all of which may differ between each bargaining unit and employee group. In the fund financial statements, a liability is recorded for severance pay when the employee retires. In the government-wide financial statements, a liability is recorded for severance pay at the time the employee becomes eligible for retirement.

Other Post Employment Benefits
Under the provisions of various employee and union contracts, the District provides postemployement health care benefits if certain age and minimum years of service requirements are met. The amount to be incurred is limited as specified by contract. The liability amount was actuarially determined, in accordance with GASB Statement No. 75.

N. 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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Fund Equity

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 these funds can be spent.

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

- Restricted Fund Balances – These are subject to externally enforceable legal restrictions.

- Committed Fund Balances – These are amounts comprised of unrestricted funds used for a specific purpose. pursuant to constraints imposed by formal action (majority vote) of the School Board that remain binding unless removed by the School Board by subsequent formal action.

- Assigned Fund Balances – These amounts are comprised of unrestricted funds constrained by the School Board's intent that they be used for a specific purpose, but do not meet the criteria to be restricted or committed. The School Board delegates the Business Manager the power to assign balances for specific purposes.

- Unassigned Fund Balances – These are amounts that have not been restricted, committed, or assigned to a specific purpose in the General Fund. Other funds may also report a negative unassigned fund balance if the total nonspendable, restricted and committed fund balances exceed the total net resources of that fund.

- Minimum Fund Balance Policy – The District's annual budget will be developed to maintain a minimum unassigned General Fund balance of 10-15% of the annual expenditures budget.

Q. Use of Estimates

The preparation of basic 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 basic financial statements. Estimates also affect the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

R. Budgetary Information

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

1. Prior to July 1, the Business Manager 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. Legal budgetary control is at the fund level.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Budgetary Information (Continued)

2. The Business Manager 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, Special Revenue, and Debt Service governmental funds. The Board also approves a budget for the Internal Service Funds.
4. Budgets for the General, Special Revenue, and Debt Service governmental funds as well as the Internal 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

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

Custodial Credit Risk – Deposits: For deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has a deposit policy which requires deposits in excess of federal deposit coverage to be collateralized as required by *Minnesota Statutes* 118A03.

As of June 30, 2022, the District's bank balances were not exposed to custodial credit risk as they were insured and properly collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name.

At June 30, 2022, the District had the following deposits:

Checking accounts	$ (1,949,655)
Certificate of deposit	3,643
Total	$ (1,946,012)

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

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

Investments	Amount	Maturity Less than 1 Year	Maturity 1 to 3 Years	Rating
Pooled				
MSDLAF	$ 4,826,830	$ 4,826,830	$ -	AAAm
MSDMAX	7,529,739	7,529,739	-	AAAm
MSDLAF Term	1,000,000	1,000,000	-	AAAm
Total pooled	$ 13,356,569	$ 13,356,569	$ -	
Nonpooled				
Self Health Insurance				
Brokered Money Market	$ 103,848	$ 103,848	$ -	N/A
U.S. Treasury Bill	199,976	199,976	-	Aaa
U.S. Treasury Note	99,917	99,917	-	Aaa
Brokered Certificates of Deposit	3,558,347	2,628,727	929,620	N/A
Total self health insurance	$ 3,962,088	$ 3,032,468	$ 929,620	
Bond proceeds				
MSDLAF	$ 1,755,434	$ 1,755,434	$ -	AAAm
MSDLAF Term	10,250,000	10,250,000	-	AAAm
Total bond proceeds	$ 12,005,434	$ 12,005,434	$ -	
OPEB Trust Investments				
Exchange Traded Fund - Bonds	$ 350,074	$ 350,074	$ -	N/A
Exchange Traded Fund - Equity	420,477	420,477	-	N/A
Money Market Mutual Fund	891,881	891,881	-	N/A
Mutual Fund - Bonds	5,381,536	5,381,536	-	N/A
Mutual Fund - Equity	5,478,362	5,478,362	-	N/A
Mutual Fund - Other	926,162	926,162	-	N/A
Total OPEB trust investments	$ 13,448,492	$ 13,448,492	$ -	

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The investments shall be managed in a manner to obtain a market rate of return through various economic and budgetary cycles while preserving and protecting capital in the investment portfolio and taking into account constraints on risk and cash flow requirements.

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. *Minnesota Statutes* 118A.04 and 118A.05 outlines allowable investments. The District's investment policy limits investments to those specified in the above statutes. As of June 30, 2022, the District's investments were rated by Standard & Poor's (S & P) or Moody's as noted in the table on the previous page.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. The District places no limit on the amount that may be invested with any one issuer or depository. The District's policy states the District shall diversify its investments to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities.

Custodial Credit Risk – Investments: For an investment, this is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy requires that all investment securities purchased by the school district shall be held in third-party safekeeping by an institution designated as custodial agent.

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

- $299,893 of Self Health Insurance investments are valued using a quoted market price (Level 1 inputs)
- $3,558,347 of Self Health Insurance investments are valued using a matrix pricing model (Level 2 inputs)
- $13,448,492 of OPEB Trust investments are valued using a quoted market price (Level 1 inputs)

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Summary of Deposits and Investments

Following is a summary of deposits and investments as of June 30, 2022:

Deposits (Note 2.A)	$ (1,946,012)
Investments - pooled (Note 2.B)	13,356,569
Investments- non-pooled (Note 2.B)	29,416,014
Total deposits and investments	$ 40,826,571

Deposits and investments are presented in the June 30, 2022, basic financial statements as follows:

Statement of Net Position	
Cash and investments	$ 40,769,174
Statement of Fiduciary Net Position	
Cash and investments	57,397
Total cash and investments	$ 40,826,571

NOTE 3 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 2,696,530	$ -	$ 29,305	$ 2,667,225
Construction in progress	75,190,340	3,014,847	77,289,247	915,940
Total capital assets not being depreciated	77,886,870	3,014,847	77,318,552	3,583,165
Other capital assets				
Land improvements	5,471,189	59,243	-	5,530,432
Buildings	96,937,441	77,596,871	-	174,534,312
Equipment	16,479,187	1,012,643	657,457	16,834,373
Leased building	-	910,702	-	910,702
Total other capital assets at historical cost	118,887,817	79,579,459	657,457	197,809,819
Less accumulated depreciation for				
Land improvements	2,918,390	237,309	-	3,155,699
Buildings	44,428,510	2,837,661	-	47,266,171
Equipment	9,078,435	1,282,532	635,316	9,725,651
Less accumulated amortization for				
Leased building	-	346,571	-	346,571
Total accumulated depreciation/amortization	56,425,335	4,704,073	635,316	60,494,092
Total other capital assets, net	62,462,482	74,875,386	22,141	137,315,727
Governmental activities, capital assets, net	$ 140,349,352	$ 77,890,233	$ 77,340,693	$ 140,898,892

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

Administration	$ 3,298
District support services	1,562
Elementary and secondary regular instruction	204,508
Vocational education instruction	9,565
Special education instruction	1,374
Instructional support services	184,937
Pupil support services	707,441
Sites and buildings	116,206
Food service	53,659
Community education and services	22,710
Unallocated depreciation	3,398,813
Total depreciation and amortization expense	$ 4,704,073

NOTE 4 – LONG-TERM DEBT

A. Components of Long-Term Debt

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One year
Long-term debt						
G.O. bonds						
G.O. OPEB refunding bonds, series 2016A	12/29/16	2.0%-2.8%	$ 30,805,000	02/01/25	$ 13,390,000	$ 4,340,000
G.O. School building bonds, series 2018A	06/28/18	3.5%-5.0%	65,440,000	02/01/38	65,440,000	-
G.O. facilities maintenance bonds series 2019A	06/27/19	3.0%-5.0%	4,380,000	02/01/34	3,715,000	245,000
G.O. facilities maintenance bonds bonds series 2022A	01/24/22	2.0%-4.0%	13,260,000	02/01/40	13,260,000	40,000
Total G.O. bonds					95,805,000	4,625,000
Unamortized bond premium					4,925,359	-
Financed purchase from direct borrowing					117,450	117,450
Lease liability					578,888	346,864
Compensated absences payable					447,962	134,389
Severance payable					89,768	-
Total long term-debt					$ 101,964,427	$ 5,223,703

The long-term bond, financed purchase agreement, and lease liabilities listed above were issued to finance acquisition and construction of capital facilities, equipment, and to refinance (refund) previous bond issues. Other long-term liabilities such as compensated absences payable and severance payable are typically liquidated through the General Fund.

B. Minimum Debt Payments

Minimum annual principal and interest payments required to retire long-term debt:

Year Ending June 30,	G.O. Bonds Principal	G.O. Bonds Interest	G.O. Bonds Total
2023	$ 4,625,000	$ 3,552,077	$ 8,177,077
2024	4,805,000	3,423,778	8,228,778
2025	4,970,000	3,289,305	8,259,305
2026	4,300,000	3,142,875	7,442,875
2027	4,505,000	2,931,275	7,436,275
2028-2032	26,055,000	11,235,475	37,290,475
2033-2037	31,615,000	5,664,775	37,279,775
2038-2040	14,930,000	648,875	15,578,875
Total	$ 95,805,000	$ 33,888,435	$ 129,693,435

NOTE 4 – LONG-TERM DEBT (CONTINUED)

B. Minimum Debt Payments (Continued)

Year Ending June 30,	Lease Liability Principal	Lease Liability Interest	Lease Liability Total
2023	$ 346,864	$ 17,347	$ 364,211
2024	232,024	5,240	237,264
Total	$ 578,888	$ 22,587	$ 601,475

Year Ending June 30,	Financed Purchase From Direct Borrowing Principal	Financed Purchase From Direct Borrowing Interest	Financed Purchase From Direct Borrowing Total
2023	$ 117,450	$ 4,138	$ 121,588

C. Changes in Long-Term Debt

	Beginning Balance	Increases	Decreases	Ending Balance
Long-term debt				
G.O. Bonds	$ 87,000,000	$ 13,260,000	$ 4,455,000	$ 95,805,000
Unamortized bond premium	5,070,874	187,903	333,418	4,925,359
Financed purchase agreement	229,589	-	112,139	117,450
Lease liability	-	910,702	331,814	578,888
Compensated absences payable	457,251	443,187	452,476	447,962
Severance payable	107,196	-	17,428	89,768
Total long-term debt	$ 92,864,910	$ 14,801,792	$ 5,702,275	$101,964,427

NOTE 5 – FUND BALANCES AND 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.

NOTE 5 – FUND BALANCES AND NET POSITION (CONTINUED)

A. Fund Equity

Fund equity balances are classified as follows to reflect the limitations and restrictions of the respective funds.

	General Fund	Building Construction	Debt Service	Postemployment Benefit Debt Service	Nonmajor Funds	Total
Nonspendable						
Prepaid items	74,906	-	-	-	-	74,906
Inventory	-	-	-	-	61,060	61,060
Total nonspendable	74,906	-	-	-	61,060	135,966
Restricted/reserved						
Student Activities	151,887	-	-	-		151,887
Operating Capital	372,436	-	-	-		372,436
Area Learning Center	105,371	-	-	-		105,371
Gifted and Talented	10,903	-	-	-		10,903
Achievement and Integration	127,028	-	-	-		127,028
Long-Term Facilities Maintenance	1,066,084	10,795,525	-	-		11,861,609
Medical Assistance	1,081,193	-	-	-		1,081,193
Payments in Lieu of Taxes	5,760	-	-	-		5,760
Debt service	-	-	821,448	1,258,676		2,080,124
Food service	-	-	-	-	774,978	774,978
Community education	-	-	-	-	462,118	462,118
School Readiness	-	-	-	-	1,250	1,250
Community service	-	-	-	-	92,855	92,855
Total restricted/reserved	2,920,662	10,795,525	821,448	1,258,676	1,331,201	17,127,512
Assigned						
Grants and gifts	107,593	-	-	-	-	107,593
Transportation	952,230	-	-	-	-	952,230
Total assigned	1,059,823	-	-	-	-	1,059,823
Unassigned						
General purposes	837,505	-	-	-	-	837,505
Safe School Crime Levy	(28,913)	-	-	-	-	(28,913)
Building Construction	-	(307,890)	-	-	-	(307,890)
Total unassigned	808,592	(307,890)	-	-	-	500,702
Total fund balance	$ 4,863,983	$ 10,487,635	$ 821,448	$ 1,258,676	$ 1,392,261	$ 18,824,003

Negative restricted/reserved amounts are reported as unassigned fund balance in accordance with GASB Statement No. 54.

Nonspendable for Inventory and Prepaid Items – This balance represents a portion of the fund balance that is not available since the amounts have been spent by the District on inventory and prepaid items for subsequent fiscal years.

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

NOTE 5 – FUND BALANCES AND NET POSITION (CONTINUED)

A. Fund Equity (Continued)

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

Restricted/Reserved for Gifted and Talented – The part of General Education Aid revenue for the gifted and talented program that is unspent at year end must be restricted in this Balance Sheet account.

Restricted/Reserved for Achievement and Integration – The unspent resources available from the Achievement and Integration program must be restricted in this account for use within the fiscal year.

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

Restricted for Payments in Lieu of Taxes (PILT) – This balance represents resources available from PILT.

Restricted for Debt Service – This balance represents the positive fund balance of the debt service funds.

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

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

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

NOTE 5 – FUND BALANCES AND NET POSITION (CONTINUED)

A. Fund Equity (Continued)

Assigned Fund Balances – These balances represent amounts set aside by management for purposes as listed in the previous table.

Restricted/Reserved for Safe School Crime Levy – The unspent resources available from the safe schools levy must be restricted in this account for future use. Negative balance is reported as unassigned in accordance with GASB Statement No. 54.

B. Net Position

Restricted for State mandated restrictions net position is comprised of the total positive General Fund restricted fund balance plus the positive fund balances of the Debt Service, Food Service, and Community Service funds, and the effects of the conversion to the government-wide statements.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

The District participates in various pension plans, total pension expense for the year ended June 30, 2022, was $1,205,714. The components of pension expense are noted in the following plan summaries.

The General Fund typically liquidates the Liability related to the pensions.

Teachers' Retirement Association

A. Plan Description

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

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

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.

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

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

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

Tier 1 Benefits

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

With these provisions:

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

Tier II Benefits

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

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.

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

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

Tier II Benefits (Continued)

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

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

C. Contribution Rate

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

	June 30, 2020		June 30, 2021		June 30, 2022	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic	11.0%	11.92%	11.0%	12.13%	11.0%	12.34%
Coordinated	7.5%	7.92%	7.5%	8.13%	7.5%	8.34%

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

Teachers' Retirement Association (Continued)

C. Contribution Rate (Continued)

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

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

Amounts reported in the allocation schedules may not precisely agree with basic 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.

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

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions
The total pension liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Actuarial Information	
Valuation date	July 1, 2021
Measurement date	June 30, 2021
Experience study	June 5, 2019 (demographic assumptions) November 6, 2017 (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	7.00%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028, and 3.25% thereafter 3.25% to 9.25% thereafter
Cost of living adjustment	1.0% for January 2020 through January 2023, then increasing by 0.1% each year up to 1.5% annually.
Mortality Assumptions	
Pre-retirement	RP 2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP 2015 scale.
Post-retirement	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.

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

Teachers' Retirement Association (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	35.5 %	5.10 %
International stocks	17.5	5.30
Bonds (fixed income)	20.0	0.75
Alternative assets (private markets)	25.0	5.90
Cash	2.0	0.00
Total	100.0 %	

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

Changes in actuarial assumptions since the 2020 valuation:

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

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

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

Teachers' Retirement Association (Continued)

F. Net Pension Liability

On June 30, 2022, the District reported a liability of $17,776,527 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. District proportionate share was 0.4062% at the end of the measurement period and 0.4039% for the beginning of the year.

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

District's proportionate share of net pension liability	$ 17,776,527
State's proportionate share of the net pension liability associated with the District	1,499,392

For the year ended June 30, 2022, the District recognized pension expense of $1,053,182. Included in this amount, the District recognized ($16,789) as pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 478,742	$ 497,219
Net difference between projected and actual earnings on plan investments	-	14,911,154
Changes of assumptions	6,514,327	15,791,275
Changes in proportion	1,706,748	-
Contributions to TRA subsequent to the measurement date	2,087,078	-
Total	$ 10,786,895	$ 31,199,648

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

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)

The $2,087,078 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts of deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2023	$ (10,616,516)
2024	(8,395,644)
2025	(2,101,824)
2026	(2,668,955)
2027	1,283,108
Total	$ (22,499,831)

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%) than the current rate.

	1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
District's proportionate share of NPL	$ 35,909,449	$ 17,776,527	$ 2,906,085

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

H. Pension Plan Fiduciary Net Position

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

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

Public Employees' Retirement Association

A. Plan Description

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

General Employees Retirement 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.

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 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.

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

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

General Employees Plan Benefits (Continued)

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.

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 Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2022 and the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2022, were $710,496. The District's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At June 30, 2022, the District reported a liability of $5,444,821 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 $166,282.

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

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.1275% at the end of the measurement period and 0.1257% for the beginning of the period.

School's proportionate share of net pension liability	$ 5,444,821
State of Minnesota's proportionate share of the net pension liability associated with the School	166,282
Total	$ 5,611,103

For the year ended June 30, 2022, the District recognized pension expense of $152,532 for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized $13,416 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

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

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 31,116	$ 166,355
Changes in actuarial assumptions	3,324,495	116,609
Difference between projected and actual investments earnings	-	4,716,285
Change in proportion	277,212	20,803
Contributions paid to PERA subsequent to the measurement date	710,496	-
Total	$ 4,343,319	$ 5,020,052

The $710,496 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense
2023	$ (123,701)
2024	40,666
2025	(18,038)
2026	(1,286,156)
Total	$ (1,387,229)

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 %	

F. Actuarial Methods and Assumptions

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

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

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

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

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

Public Employees' Retirement Association (Continued)

F. Actuarial Methods and Assumptions (Continued)

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

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the previous valuation.

G. Discount Rate

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

H. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (5.5%)	Current Discount Rate (6.5%)	1% Increase in Discount Rate (7.5%)
District's proportionate share of NPL	$ 11,104,656	$ 5,444,821	$ 800,581

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 basic financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

The District provides a single-employer defined benefit health care plan which provides medical coverage to eligible retirees and their dependents. The District is self-insured for medical coverage. 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. The Plan does not issue a publicly available financial report.

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

B. Benefits Paid

The District provides retiree health insurance to certain retired employees as established by contracts with bargaining units or other employment contracts. These contracts state the years, age and retiring dates needed to qualify for these postemployment benefits. The contracts also establish the amount the District will contribute towards the purchase of health insurance. The District recognized expenditures on a pay-as-you-go basis. The General Fund, Food Service Fund, and Community Service Fund typically liquidate the liability related to post employment health benefits.

C. Contributions

Retirees and their spouses 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. The required contributions are based on projected pay-as-you-go financing requirements. For the year ended June 30, 2022, the District contributed $4,669,804 to the plan.

D. Members

As of June 30, 2021, the following were covered by the benefit terms:

Active employees electing medical coverage	478
Active employees waiving medical coverage	179
Retirees electing medical coverage	419
Total	1,076

E. Actuarial Assumptions

The total post employment health care plan (OPEB) liability was determined by an actuarial valuation as of June 30, 2021, 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	
Discount rate	1.92%
Salary increases	Service graded table that varies by contract and service group
Inflation	2.25%
Healthcare cost trend increases	6.7% for 2022, gradually decreasing over several decades to an ultimate rate of 3.7% in 2075
Mortality assumption - teachers	RP-2014 mortality tables with projected mortality improvements based on scale MP-2015, and other adjustments
Mortality assumption - non-teachers	Pub-2010 general mortality tables with projected mortality improvements based on scale MP-2020, and other adjustments

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

E. Actuarial Assumptions (Continued)

Changes in actuarial assumptions

- The discount rate was changed from 2.45% to 1.92% based on the updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita costs were updated to reflect recent experience.
- Withdrawal, retirement, mortality, disability, and salary increase rates were updated from the rates used in the most recent TRA and GERF valuations.
- The inflation assumption was changed from 2.5% to 2.25% based on an updated historical analysis of inflation rates and forward-looking market expectations.

F. Total OPEB Liability

The District's total OPEB liability was measured as of June 30, 2021, and was determined by an actuarial valuation as of that date.

Changes in the total OPEB liability are as follows:

	Total OPEB Liability
Balances at July 1, 2021	$ 140,418,047
Changes for the year	
Service cost	2,434,104
Interest	3,442,673
Differences between expected and actual economic experience	16,782,433
Changes in assumptions	4,966,255
Employer contributions	(4,669,804)
Net changes	22,955,661
Balances at June 30, 2022	$ 163,373,708

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

G. OPEB Liability Sensitivity

The following presents the District's total OPEB liability calculated using the discount rate of 1.92% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

	1% Decrease in Discount Rate (0.92%)	Current Discount Rate (1.92%)	1% Increase in Discount Rate (2.92%)
Total OPEB Liability	$ 190,726,643	$ 163,373,708	$ 141,341,668

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower and 1% higher than the current healthcare cost trend rates.

	1% decrease (5.7% decreasing to 2.7%)	Current (6.7% decreasing to 3.7%)	1% increase (7.7% decreasing to 4.7%)
Total OPEB Liability	$ 140,477,007	$ 163,373,708	$ 192,128,876

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

For the year ended June 30, 2022, the District recognized OPEB expense of $8,231,864. At June 30, 2022, the District reported deferred outflows of resources related to OPEB from the following source:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual liability	$ 14,423,598	$ 3,694,565
Changes of assumptions	16,544,545	5,788,682
Contributions made subsequent to the measurement date	3,937,767	-
Total	$ 34,905,910	$ 9,483,247

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

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

The $3,937,767 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and (deferred inflows of resources) will be recognized in OPEB expense as follows:

Year Ended June 30,	Total
2023	$ 2,355,087
2024	2,355,087
2025	3,758,747
2026	4,592,833
2027	4,989,061
Thereafter	3,434,081
Total	$ 21,484,896

NOTE 8 – INTERFUND BALANCES

A. Interfund Balances

At June 30, 2022, the Post Employment Benefits Revocable Trust Fund had an interfund payable due to the General Fund in the amount of $1,362,511 to cover the cash deficit in the Post Employment Benefits Revocable Trust Fund at year-end. At June 30, 2022, the Health Insurance Fund had an interfund payable due to the General Fund in the amount of $2,195,980 to cover the cash deficit in the Health Insurance Fund at year-end.

NOTE 9 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and injuries to employees for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in the District's insurance coverage during the year ending June 30, 2022.

An Internal Service Fund accounts for the District's health self-insurance program. The District self-insures health benefits provided to retirees and active employees. The District purchases health insurance stop-loss reinsurance (plan) that protects against individual claims in excess of $300,000, with no lifetime maximum, and against aggregate annual claims in excess of an amount determined by formula. The plan is administered by a third-party administrator. The plan liabilities for claims incurred but not reported are estimated based on subsequent claims activity.

NOTE 9 – RISK MANAGEMENT (CONTINUED)

Changes in the Fund's claims liability amounts for the past three years for the health plan were as follows:

Year Ended	Beginning of Year	Claims Incurred	Claims Paid	End of Year
June 30, 2022	$ 1,005,469	$13,553,273	$(13,976,254)	$ 582,488
June 30, 2021	1,065,031	14,056,286	(14,115,848)	1,005,469
June 30, 2020	1,030,189	11,569,696	(11,534,854)	1,065,031

NOTE 10 – CHANGE IN ACCOUNTING PRINCIPLE

The District implemented GASB Statement No. 87 – *Leases*, which resulted in the recording of leased equipment and lease liability on July 1, 2021, in offsetting amounts of $910,702. Because there was no net effect on the beginning net position, a change in accounting principle is not reported on the Statement of Activities.

NOTE 11 – SUBSEQUENT EVENT

On August 11, 2022, the District issued G.O. School Building Bonds, Series 2022B in the amount of $3,470,000.

NOTE 12 – GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED

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

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REQUIRED SUPPLEMENTARY INFORMATION

Independent School District No. 318
Schedule of Changes in Total OPEB Liability
and Related Ratios

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Total OPEB Liability					
Service cost	$ 2,434,104	$ 1,869,536	$ 2,088,191	$ 2,039,175	$ 2,355,184
Interest	3,442,673	3,917,567	4,527,425	4,482,108	4,020,675
Changes of assumptions	4,966,255	13,587,233	4,471,411	(3,344,599)	(13,771,004)
Differenced between expected and actual experience	16,782,433	2,187	(6,451,703)	-	-
Benefit payments	(4,669,804)	(4,501,669)	(4,141,846)	(3,979,422)	(4,183,169)
Net change in total OPEB liability	22,955,661	14,874,854	493,478	(802,738)	(11,578,314)
Beginning of year	140,418,047	125,543,193	125,049,715	125,852,453	137,430,767
End of year	$ 163,373,708	$ 140,418,047	$ 125,543,193	$ 125,049,715	$ 125,852,453
Covered-employee payroll	$ 32,725,100	$ 29,033,034	$ 31,721,000	$ 31,316,240	$ 27,651,000
Total OPEB liability as a percentage of covered-employee payroll	499.2%	483.6%	395.8%	399.3%	455.1%

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

Independent School District No. 318
Schedule of District's and Non-Employer Proportionate Share
(if Applicable) of Net Pension Liability
Last Ten Years General Employees Retirement Fund

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension of Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.1275%	$ 5,444,821	$ 166,282	$ 5,611,103	$ 9,198,537	59.2%	87.0%
2020	0.1257%	7,536,289	232,435	7,768,724	8,963,540	84.1%	79.1%
2019	0.1186%	6,557,128	203,024	6,760,152	7,675,611	85.4%	80.2%
2018	0.1201%	6,662,656	218,477	6,881,133	8,064,059	82.6%	79.5%
2017	0.1216%	7,762,864	97,637	7,860,501	7,830,659	99.1%	75.9%
2016	0.1205%	9,784,002	127,810	9,911,812	7,477,040	130.9%	68.9%
2015	0.1228%	6,364,133	-	6,364,133	7,213,933	88.2%	78.2%
2014	0.1319%	6,196,001	-	6,196,001	6,926,346	89.5%	78.7%

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 Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension of Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.4062%	$ 17,776,527	$ 1,499,392	$ 19,275,919	$ 24,305,966	73.1%	86.6%
2020	0.4039%	29,840,673	2,500,461	32,341,134	23,473,382	127.1%	75.5%
2019	0.4039%	25,744,671	2,278,098	28,022,769	19,518,797	131.9%	78.2%
2018	0.4020%	25,248,206	2,371,875	27,620,081	22,209,188	113.7%	78.1%
2017	0.3875%	77,352,029	7,478,105	84,830,134	20,858,755	370.8%	51.6%
2016	0.3739%	89,184,071	8,951,105	98,135,176	19,450,667	458.5%	44.9%
2015	0.3506%	21,688,077	2,660,220	24,348,297	17,796,307	121.9%	76.8%
2014	0.3679%	16,952,567	1,192,647	18,145,214	16,794,301	100.9%	81.5%

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

Independent School District No. 318
Schedule of District Contributions
General Employees Retirement Fund
Last Ten Years

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2022	$ 710,496	$ 710,496	$ -	$ 9,473,280	7.50%
2021	688,568	688,568	-	9,198,537	7.50%
2020	672,309	672,309	-	8,963,540	7.50%
2019	575,673	575,673	-	7,675,611	7.50%
2018	604,805	604,805	-	8,064,059	7.50%
2017	587,688	587,688	-	7,830,659	7.50%
2016	560,767	560,767	-	7,477,040	7.50%
2015	532,425	532,425	-	7,213,933	7.38%

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

Schedule of District Contributions
TRA Retirement Fund
Last Ten Years

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2022	$ 2,087,078	$ 2,087,078	$ -	$ 25,024,916	8.34%
2021	1,976,075	1,976,075	-	24,305,966	8.13%
2020	1,859,095	1,859,095	-	23,473,382	7.92%
2019	1,504,900	1,504,900	-	19,518,797	7.71%
2018	1,665,683	1,665,683	-	22,209,188	7.50%
2017	1,564,407	1,564,407	-	20,858,755	7.50%
2016	1,458,800	1,458,800	-	19,450,667	7.50%
2015	1,334,723	1,334,723	-	17,796,307	7.50%

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

TRA Retirement Fund

2021 Changes
Changes in Actuarial Assumptions
- The investment return assumption was changed from 7.5% to 7.0%.

2020 Changes
Changes in Actuarial Assumptions
- Assumed termination rates were changed to more closely reflect actual experience.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP 2015 scale.
- Assumed form of annuity election proportions were changed to more closely reflect actual experience for female retirees.

2019 Changes
Changes in Actuarial Assumptions
- None

2018 Changes
Changes in Actuarial Assumptions
- The discount rate was increased to 7.5% 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 zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers was reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 6 years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017 Changes
Changes in Actuarial Assumptions
- The discount rate was increased to 5.12% from 4.66%.

TRA Retirement Fund (Continued)

2017 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

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

2015 Changes

Changes of Benefit Terms

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

TRA Retirement Fund (Continued)

2015 Changes (Continued)

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%.

General Employees Fund

2021 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2019 Changes

Changes in Actuarial Assumptions

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

General Employees Fund (Continued)

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.

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.

General Employees Fund (Continued)

2016 Changes (Continued)
Changes in Actuarial Assumptions (Continued)

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, the inflation was decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 Changes
Changes in Plan Provisions

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

Changes in Actuarial Assumptions

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

Post Employment Health Care Plan
There are no assets accumulated in a trust that meet criteria of GASB Statement No. 75, paragraph 4, to pay related benefits.

2022 Changes
Changes in Actuarial Assumptions

- The discount rate was changed from 2.45% to 1.92% based on the updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita costs were updated to reflect recent experience.
- Withdrawal, retirement, mortality, disability, and salary increase rates were updated from the rates used in the most recent TRA and GERF valuations.
- The inflation assumption was changed from 2.5% to 2.25% based on an updated historical analysis of inflation rates and forward-looking market expectations.

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SUPPLEMENTARY INFORMATION

Independent School District No. 318
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2022

	Special Revenue Funds		
	Food Service	Community Service	Total Nonmajor Funds
Assets			
Cash and investments	$ 891,783	$ 803,025	$ 1,694,808
Accounts receivable	109	13,344	13,453
Due from other Minnesota school districts	-	43,307	43,307
Due from Department of Education	-	52,849	52,849
Due from federal government through department of education	24,749	42,829	67,578
Inventory	61,060	-	61,060
Total assets	$ 977,701	$ 955,354	$ 1,933,055
Liabilities			
Accounts and contracts payable	$ 6,899	$ 89,497	96,396
Salaries and benefits payable	134,764	15,890	150,654
Due to other Minnesota school districts	-	293,744	293,744
Total liabilities	141,663	399,131	540,794
Fund Balances			
Nonspendable	61,060	-	61,060
Restricted	774,978	556,223	1,331,201
Total fund balances	836,038	556,223	1,392,261
Total liabilities, deferred inflows of resources, and fund balances	$ 977,701	$ 955,354	$ 1,933,055

Independent School District No. 318
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended June 30, 2022

	Special Revenue Funds		Total
	Food Service	Community Service	Total Nonmajor Funds
Revenues			
Local property taxes	$ -	$ 333,538	$ 333,538
Other local and county revenues	194	213,438	213,632
Revenue from state sources	72,770	475,791	548,561
Revenue from federal sources	2,301,271	269,522	2,570,793
Sales and other conversion of assets	189,612	-	189,612
Total revenues	2,563,847	1,292,289	3,856,136
Expenditures			
Current			
Food service	2,140,229	-	2,140,229
Community education and services	-	1,244,611	1,244,611
Total expenditures	2,140,229	1,244,611	3,384,840
Net change in fund balances	423,618	47,678	471,296
Fund Balances			
Beginning of year	412,420	508,545	920,965
End of year	$ 836,038	$ 556,223	$ 1,392,261

Independent School District No. 318
Combining Schedule of Net Position - Internal Service Funds
June 30, 2022

	Postemployment Benefits Revocable Trust	Health Insurance Fund	Total Internal Service Funds
Assets			
Investments	$ 13,448,492	$ 3,962,088	17,410,580
Liabilities			
Accounts payable	$ -	$ 21,590	$ 21,590
Claims payable	-	582,488	582,488
Due to other funds	1,362,511	2,195,980	3,558,491
Total liabilities	1,362,511	2,800,058	4,162,569
Net Position			
Unrestricted	12,085,981	1,162,030	13,248,011
Total liabilities and net position	$ 13,448,492	$ 3,962,088	$ 17,410,580

Independent School District No. 318
Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position - Internal Service Funds
Year Ended June 30, 2022

	Postemployment Benefits Revocable Trust	Health Insurance Fund	Total Internal Service Funds
Operating Revenue			
Contributions from the District and employees	$ -	$ 14,351,533	$ 14,351,533
Contributions from employees and retirees	614,369	-	614,369
Total operating revenues	614,369	14,351,533	14,965,902
Operating Expenses			
Healthcare benefits and claims	4,192,854	13,553,273	17,746,127
Administrative costs	100,573	318,483	419,056
Total operating expenses	4,293,427	13,871,756	18,165,183
Operating income (loss)	(3,679,058)	479,777	(3,199,281)
Nonoperating Revenue			
Investment income (loss), net of fees	(1,965,205)	(61,402)	(2,026,607)
Change in net position	(5,644,263)	418,375	(5,225,888)
Net Position			
Beginning of year	17,730,244	743,655	18,473,899
End of year	$ 12,085,981	$ 1,162,030	$ 13,248,011

Independent School District No. 318
Combining Schedule of Cash Flows - Internal Service Funds
Year Ended June 30, 2022

	Postemployment Benefits Revocable Trust	Health Insurance Fund	Total Internal Service Funds
Cash Flows - Operating Activities			
Contributions from the District and employees	$ -	$ 14,351,533	$ 14,351,533
Receipts from retirees and employees	614,369	-	614,369
Payments for healthcare premiums	(4,293,582)	(13,966,006)	(18,259,588)
Payments for administrative costs	-	(318,483)	(318,483)
Net cash flows - operating activities	(3,679,213)	67,044	(3,612,169)
Cash Flows - Noncapital Financing Activities			
Amounts repaid to other funds	(2,145,373)	-	(2,145,373)
Amounts borrowed from other funds	1,362,511	2,195,980	3,558,491
Net cash flows - noncapital financing activities	(782,862)	2,195,980	1,413,118
Cash Flows - Investing Activities			
Proceeds from sales and maturities of investments	14,402,912	5,917,299	20,320,211
Purchase of investments	(11,128,722)	(9,940,790)	(21,069,512)
Interest received	1,240,894	18,305	1,259,199
Trustee fees paid	(53,009)	(18,304)	(71,313)
Net cash flows - investing activities	4,462,075	(4,023,490)	438,585
Net Change in Cash and Cash Equivalents	-	(1,760,466)	(1,760,466)
Cash and Cash Equivalents			
Beginning of year	-	1,760,466	1,760,466
End of year	$ -	$ -	$ -
Reconciliation of Operating Loss to Net Cash Flows- Operating Activities			
Operating loss	$ (3,679,058)	$ 479,777	$ (3,199,281)
Adjustments to reconcile operating loss to net cash flows - operating activities			
Change in accounts payable	(155)	10,248	10,093
Change in claims payable	-	(422,981)	(422,981)
Total adjustments	(155)	(412,733)	(412,888)
Net cash flows - operating activities	$ (3,679,213)	$ 67,044	$ (3,612,169)

Independent School District No. 318
Uniform Financial Accounting and Reporting Standards
Compliance Table
Year Ended June 30, 2022

		Audit	UFARS	Audit-UFARS
01 GENERAL FUND				
Total revenue		$ 57,987,329	$ 57,987,328	$ 1
Total expenditures		58,833,397	58,833,397	-
Nonspendable:				
4.60	Nonspendable fund balance	74,906	74,907	(1)
Restricted/reserved:				
4.01	Student Activities	151,887	151,887	-
4.02	Scholarships	-	-	-
4.03	Staff Development	-	1	(1)
4.07	Capital Projects Levy	-	-	-
4.09	Alternative Facility Program	-	-	-
4.13	Building Projects Funded by COP/LP	-	-	-
4.14	Operating Debt	-	-	-
4.16	Levy Reduction	-	-	-
4.17	Taconite Building Maintenance	-	-	-
4.24	Operating Capital	372,436	372,437	(1)
4.26	$25 Taconite	-	-	-
4.27	Disabled Accessibility	-	-	-
4.28	Learning and Development	-	-	-
4.34	Area Learning Center	105,371	105,371	-
4.35	Contracted Alternative Programs	-	-	-
4.36	State Approved Alternative Program	-	-	-
4.38	Gifted and Talented	10,903	10,903	-
4.40	Teacher Development and Evaluation	-	-	-
4.41	Basic Skills Programs	-	-	-
4.48	Achievement and Integration	127,028	127,028	-
4.49	Safe School Crime Levy	(28,913)	(28,913)	-
4.51	QZAB Payments	-	-	-
4.52	OPEB Liabilities not Held in Trust	-	-	-
4.53	Unfunded Severance and Retirement Levy	-	-	-
4.59	Basic Skills Extended Time	-	-	-
4.67	Long-Term Facilities Maintenance	1,066,084	1,066,083	1
4.72	Medical Assistance	1,081,193	1,081,192	1
4.73	PPP Loans	-	-	-
4.74	EIDL Loans	-	-	-
Restricted:				
4.64	Restricted fund balance	-	-	-
4.75	Title VII - Impact Aid	-	-	-
4.76	Payments in Lieu of Taxes	5,760	5,760	-
Committed:				
4.18	Committed for separation/ retirement benefits	-	-	-
4.61	Committed for separation/	-	-	-
Assigned:				
4.62	Assigned fund balance	1,059,823	1,059,823	-
Unassigned:				
4.22	Unassigned fund balance	837,505	837,506	(1)
02 FOOD SERVICE FUND				
Total revenue		$ 2,563,847	$ 2,563,848	$ (1)
Total expenditures		2,140,229	2,140,229	-
Nonspendable:				
4.60	Nonspendable fund balance	61,060	61,060	-
Restricted/reserved:				
4.52	OPEB liabilities not held in trust	-	-	-
Restricted:				
4.64	Restricted fund balance	774,978	774,978	-
Unassigned:				
4.63	Unassigned fund balance	-	-	-
04 COMMUNITY SERVICE FUND				
Total revenue		$ 1,292,289	$ 1,292,289	$ -
Total expenditures		1,244,611	1,244,612	(1)
Nonspendable:				
4.60	Nonspendable fund balance	-	-	-
Restricted/reserved:				
4.26	$25 Taconite	-	-	-
4.31	Community Education	462,118	462,118	-
4.32	ECFE	-	-	-
4.40	Teacher Development and Evaluation	-	-	-
4.44	School Readiness	1,250	1,250	-
4.47	Adult Basic Education	-	-	-
4.52	OPEB Liabilities not Held in Trust	-	-	-
Restricted:				
4.64	Restricted fund balance	92,855	92,855	-
Unassigned:				
4.63	Unassigned fund balance	-	-	-

		Audit	UFARS	Audit-UFARS
06 BUILDING CONSTRUCTION FUND				
Total revenue		$ 42,336	$ 42,336	$ -
Total expenditures		3,295,664	3,295,663	1
Nonspendable:				
4.60	Nonspendable fund balance	-	-	-
Restricted/reserved:				
4.07	Capital Projects Levy	-	-	-
4.13	Building Projects Funded by COP/LP	-	-	-
4.67	LTFM	10,795,525	10,795,525	-
Restricted:				
4.64	Restricted fund balance	-	-	-
Unassigned:				
4.63	Unassigned fund balance	(307,890)	(307,890)	-
07 DEBT SERVICE FUND				
Total revenue		$ 3,105,523	$ 3,105,523	$ -
Total expenditures		3,130,724	3,130,725	(1)
Nonspendable:				
4.60	Nonspendable fund balance	-	-	-
Restricted/reserved:				
4.25	Bond refunding	-	-	-
4.33	Maximum effort loan aid			
4.51	QZAB payments	-	-	-
4.67	LTFM	370,856	370,856	-
Restricted:				
4.64	Restricted fund balance	450,592	450,591	1
Unassigned:				
4.63	Unassigned fund balance	-	-	-
08 TRUST FUND				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Unassigned:				
4.01	Student Activities	-	-	-
4.02	Scholarships	-	-	-
4.22	Net Assets	-	-	-
18 CUSTODIAL FUND				
Total revenue		$ 34,662	34,662	-
Total expenditures		33,250	33,250	-
Unassigned:				
4.01	Student Activities	1,641	1,641	-
4.02	Scholarships	24,856	24,856	-
4.22	Achievement & Integration	-	-	-
4.64	Restricted	-	-	-
20 INTERNAL SERVICE FUND				
Total revenue		$ 14,308,435	$ 14,308,434	$ 1
Total expenditures		13,890,060	13,890,059	1
Unassigned:				
4.22	Net position	1,162,030	1,162,030	-
25 OPEB REVOCABLE TRUST				
Total revenue		$ (1,350,836)	$ (1,350,836)	$ -
Total expenditures		4,293,427	4,293,428	(1)
Unassigned:				
4.22	Net position	12,085,981	12,085,980	1
45 OPEB IRREVOCABLE TRUST				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Unassigned:				
4.22	Net position	-	-	-
47 OPEB DEBT SERVICE				
Total revenue		$ 4,859,854	$ 4,859,854	$ -
Total expenditures		4,677,851	4,677,853	(2)
Nonspendable:				
4.60	Nonspendable fund balance	-	-	-
Restricted:				
4.64	Restricted fund balance	1,258,676	1,258,675	1
Unassigned:				
4.63	Unassigned fund balance	-	-	-

Independent School District No. 318
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Agency/Pass Through Agency/Program Title	Federal Assistance Listing Number	Expenditures
U.S. Department of Agriculture		
Through Minnesota Department of Education		
Child Nutrition Cluster		
COVID-19 - Supply Chain Assistance Funds	10.555C	$ 66,756
Commodities Programs (noncash)	10.555	94,602
School Breakfast	10.553	370,539
Type A Lunch	10.555	1,664,276
Summer Food Service Program	10.559	58,155
Total Child Nutrition Cluster		2,254,328
COVID-19 - Child and Adult Care Food Program	10.558C	1,773
Child and Adult Care Food Program	10.558	45,170
Total		46,943
Through Itasca County		
Schools and Roads - Grants to States	10.665	107,650
Total U.S. Department of Agriculture		2,408,921
U.S. Department of Treasury		
Through Minnesota Department of Education		
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	364,650
U.S. Department of Education		
Direct from Federal Government		
Indian Education	84.060	76,862
Through Minnesota Department of Education		
Title I Program		
Title I, Part A	84.010	866,247
Title I, Part D	84.010A	223,593
Total Title I program		1,089,840
Special Education Cluster		
Special Education	84.027	863,356
COVID-19 - Individuals with Disabilities Education Act (IDEA)/American Rescue Plan Act (ARP) of 2021	84.027X	177,094
Disabled Early Education	84.173	37,509
COVID-19 - IDEA/ARP of 2021	84.173X	18,363
Total Special Education Cluster		1,096,322
Special Education - Grants for Infants and Toddlers	84.181	36,190
Twenty-First Century Community Learning Centers	84.287	269,522
Title II, Part A - Suppporting Effective Instruction State Grants	84.367	107,035
Student Support and Achievement Enrichment Program	84.424	38,949
Education Stabilization Fund		
COVID-19 - Governor's Emergency Education Relief Fund	84.425C	76,815
COVID-19 - Elementary and Secondary School Education Relief Fund	84.425D	1,569,008
COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief	84.425U	315,758
COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief - Homeless Children and Youth	84.425W	1,161
Total Education Stabilization Fund		1,962,742
Through Independent School District No. 6070-50		
Carl Perkins	84.048A	29,721
Total U.S. Department of Education		4,707,183
U.S. Department of Health and Human Services		
Through Minnesota Department of Education		
Drug-Free Communities Support Program Grants	93.276	99,722
COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	215,152
Total U.S. Department of Health and Human Services		314,874
Total Federal Expenditures		$ 7,795,628

See notes to schedule of expenditures of federal awards.

Independent School District No. 318
Notes to the Schedule of Expenditures of Federal Awards

NOTE 1 – BASIS OF PRESENTATION

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

NOTE 2 – PASS-THROUGH GRANT NUMBERS

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

NOTE 3 – INVENTORY

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

NOTE 4 – INDIRECT COST RATE

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

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

Independent Auditor's Report

To the School Board
Independent School District No. 318
Grand Rapids, 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 basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 318, Grand Rapids, Minnesota, as of and for the year ending June 30, 2022, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 19, 2022.

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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 did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance as audit finding 2022-001 that we consider to be a significant deficiency.

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 basic financial statement amounts. 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 Finding
The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance. The District's response was not subjected to the auditing procedures applied in the audit of the basic 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 results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BerganKDV, Ltd.

St. Cloud, Minnesota
October 19, 2022

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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. 318
Grand Rapids, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the compliance of Independent School District No. 318, Grand Rapids, Minnesota 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, 2022. 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 each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

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

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

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

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

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

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

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

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

BerganKDV, Ltd.

St. Cloud, Minnesota
October 19, 2022

Independent School District No. 318
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Basic Financial Statements

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

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	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.:	21.027
Name of Federal Program or Cluster:	Coronavirus State and Local Fiscal Recovery Funds
Assistance Listing No.:	84.425C, 84.425D, 84.425U, 84.425W
Name of Federal Program or Cluster:	Education Stabilization Fund
Assistance Listing No.:	84.027, 84.027X, 84.173, 84.173X
Name of Federal Program or Cluster:	Special Education Cluster
Auditee qualified as low risk auditee?	No

Independent School District No. 318
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance

SECTION II – FINANCIAL STATEMENT FINDINGS

Audit Finding 2022-001

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

Condition:
During the year ended June 30, 2022, the District had a lack of segregation of accounting duties due to a limited number of office employees. This condition increases the risk that errors could occur which would not be prevented or detected and corrected in a timely manner.

The Business Manager has full access to the general ledger as well as reconciles state aids and property tax revenues.

Questioned Costs:
None

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

Effect or Potential 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 basic financial statements.

Cause:
The Business Manager has full access to the general ledger to complete job duties.

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

Independent School District No. 318
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

Audit Finding 2022-001 (Continued)

Management's Response:

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding
   The District does not disagree with the audit finding.

2. Actions Planned in Response to Finding
   The District officials are aware of the access that the Business Manager possesses. Mitigating procedures are in place to when journal entries are made by the business manager. This position is unable to run accounts payable or payroll checks. This individual is unable to make withdrawals from bank accounts and does not make any deposits of cash or check.

3. Official Responsible for Ensuring CAP
   The Business Manager, Kara Lundin and Superintendent, Matt Grose.

4. Planned Completion Date for CAP
   The plan is complete. The business manager is unable to withdrawal cash and investments or issue checks, accounts or payroll checks.

5. Plan to Monitor Completion of CAP
   The Business Manager will monitor compliance with the corrective action plan and report to the Superintendent, Matt Grose, and the School Board.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV – PRIOR YEAR FEDERAL AWARD FINDING

None

Minnesota Legal Compliance

Independent Auditor's Report

To the School Board
Independent School District No. 318
Grand Rapids, 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. 318, Grand Rapids, Minnesota, as of and for the year ended June 30, 2022, and the related notes to basic financial statements, and have issued our report thereon dated October 19, 2022.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, 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 as not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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

BerganKDV, Ltd.

St. Cloud, Minnesota
October 19, 2022