

**Independent School District No. 6070-50  
Itasca Area Schools Collaborative**

**Basic Financial Statements**

**June 30, 2022**



**Independent School District No. 6070-50  
Itasca Area Schools Collaborative  
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**Independent School District No. 6070-50  
Itasca Area Schools Collaborative  
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**Independent School District No. 6070-50  
Itasca Area Schools Collaborative  
Board of Directors and Ex Officio Members  
June 30, 2022**

<u>Board of Directors</u>	<u>Position</u>	<u>Term Expires</u>
Bill Hoeft	Chairperson	December 31, 2022
Barb Kalmi	Vice Chairperson	December 31, 2022
Malissa Bahr	Clerk	December 31, 2022
Bambi Lange	Treasurer	December 31, 2022
Tracy Hutchinson	Board Member	December 31, 2022
Bart Johnson	Board Member	December 31, 2022
Terri Nystrom	Board Member	December 31, 2022
Pam Thompson	Board Member	December 31, 2022
<u>Ex Officio</u>		
Matt Grose	Ex Officio	
David Pace	Ex Officio	
Jonathan Payne	Ex Officio	
Jeff Pesta	Ex Officio	
Pat Rendle	Ex Officio	
Rae Villebrun	Ex Officio	

## Independent Auditor's Report

To the Board of Directors  
Independent School District No. 6070-50  
Itasca Area Schools Collaborative  
Deer River, Minnesota

### **Report on the Audit of the Financial Statements**

We have audited the financial statements of the governmental activities and each major fund of Independent School District No. 6070-50, Itasca Area Schools Collaborative, Deer River, 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 basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Independent School District No. 6070-50, as of June 30, 2022, and the respective changes in financial position, and the budgetary comparison for the General Fund, Food Service Fund, and Community Service 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 the District 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. 6070-50 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.

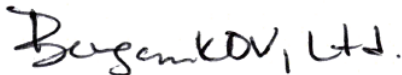
### **Supplementary Information**

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

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 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.



St. Cloud, Minnesota  
December 5, 2022

**Independent School Collaborative No. 6070-50**  
**Itasca Area Schools Collaborative**  
**Management's Discussion and Analysis**

**FINANCIAL HIGHLIGHTS**

**Collaborative-Wide Assets and Collaborative-Wide Activities**

Beginning with the 2003-2004 audit, the Itasca Area Schools Collaborative (the "Collaborative") implemented the requirements of GASB Statement No. 34. These requirements resulted in additional statements and information to accompany the Collaborative's audit. The additional information includes a Collaborative-wide Statement of Net Position, a Collaborative-wide Statement of Activities (revenues and expenses), and a report from management which will focus on the activities and developments that took place over the past year.

Total Collaborative-wide net position, as indicated on the Statement of Net Position was \$119,485.

The change in Collaborative-wide net position from the prior year, as indicated on the Statement of Activities, amounted to \$745,033.

**Governmental Funds**

General Fund revenues and other financing sources were \$7,164,026 and expenditures were \$6,528,377, resulting in an increase in fund balance of \$635,649.

The budget to actual comparison for the General Fund revenues resulted in a variance under budget of \$280,504, or 3.8%, from the final budget to actual revenues. This was due to a decrease in technology costs for replacement items and the districts decided to wait to replace other items until 2023 or later.

The budget to actual comparison for the General Fund expenditures resulted in a variance under budget of \$289,197, or 4.2%, from the final budget to actual revenues. This was due to a decrease in anticipated spending in technology and Special Education.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The basic financial statements include two kinds of statements that present different views of the Collaborative.

The first two statements are Collaborative-wide financial statements that provide both short-term and long-term information about the Collaborative's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the Collaborative, reporting the Collaborative's operations in more detail than the Collaborative-wide statements.

The governmental funds statements tell how basic services such as district support services, as well as special education instruction and instructional support services were financed in the short-term as well as what remains for future spending.

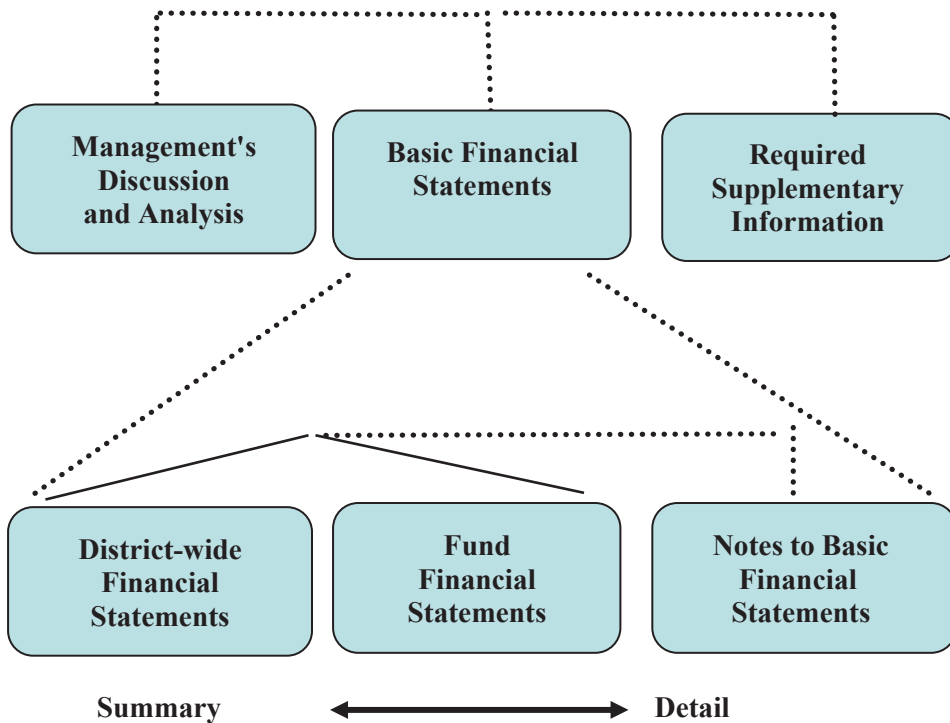


**Independent School Collaborative No. 6070-50  
Itasca Area Schools Collaborative  
Management's Discussion and Analysis**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-1  
Organization of the Collaborative's  
Annual Financial Report**



**Independent School Collaborative No. 6070-50  
Itasca Area Schools Collaborative  
Management's Discussion and Analysis**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Major Features of the Collaborative-Wide and Fund Financial Statements**

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

<b>Figure A-2 Major Features of the District-Wide and Fund Financial Statements</b>		
	District-Wide Statements	Fund Financial Statements
		Governmental Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not fiduciary, such as district support services and restriction
Required Financial Statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
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 good or services have been received and the related liability is due and payable

**Collaborative-Wide Statements**

The Collaborative-wide statements report information about the Collaborative as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Collaborative's assets and deferred outflows of resources and 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.

**Independent School Collaborative No. 6070-50  
Itasca Area Schools Collaborative  
Management's Discussion and Analysis**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

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

Over time, increases or decreases in the Collaborative's net position is an indicator of whether its financial position is improving or deteriorating, respectively.

In the Collaborative-wide financial statements, the Collaborative's activities are presented as follows:

Governmental Activities: The Collaborative's basic services are included here, such as regular and special education, transportation and administration.

**Fund Financial Statements**

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

Some funds are required by state law.

The Collaborative establishes other funds to control and manage money for particular purposes, such as food service and community service to show that it is properly using certain revenues.

The Collaborative has one kind of fund:

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

**Independent School Collaborative No. 6070-50  
Itasca Area Schools Collaborative  
Management's Discussion and Analysis**

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

**Net Position**

The Collaborative's total net position as of June 30, 2022, was \$119,485 which is summarized in Figure A-3. This is an increase in net position of \$745,033 from the previous year.

**Figure A-3  
Condensed Statement of Net Position**

	Governmental Activities	
	2021-2022	2020-2021
<b>Assets</b>		
Current and other assets	\$ 3,745,631	\$ 3,364,576
Capital assets	259,140	240,702
Total assets	\$ 4,004,771	\$ 3,605,278
<b>Deferred Outflows of Resources</b>	\$ 2,307,898	\$ 1,928,253
<b>Liabilities</b>		
Current payables	\$ 1,166,096	\$ 1,254,455
Noncurrent liabilities	2,269,843	3,717,479
Total liabilities	\$ 3,435,939	\$ 4,971,934
<b>Deferred Inflows of Resources</b>	\$ 2,757,245	\$ 1,187,145
<b>Net Position</b>		
Net investment in capital assets	\$ 176,880	\$ 240,702
Restricted	2,476,017	1,823,780
Unrestricted	(2,533,412)	(2,690,030)
Total net position	\$ 119,485	\$ (625,548)

The change in net position for 2021-2022 of \$745,033 was based on total revenues of \$7,322,833 and total expenses of \$6,577,800. Figure A-4 on the following page shows the breakdown into the various revenue and expense categories.

**Independent School Collaborative No. 6070-50  
Itasca Area Schools Collaborative  
Management's Discussion and Analysis**

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

**Net Position (Continued)**

**Figure A-4  
Changes in Net Position from Operating Results**

	Governmental Activities	
	2021-2022	2020-2021
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 2,738,625	\$ 2,787,357
Operating grants and contributions	4,088,182	3,985,699
Capital grants and contributions	452,085	431,079
General revenues		
Investment income	995	1,723
State aid formula grants	41,393	30,003
Other	1,553	19,330
Total revenues	7,322,833	7,255,191
<b>Expenses</b>		
District support services	4,226,310	4,338,714
Vocational educational instruction	317,065	401,632
Special education instruction	1,574,092	1,705,085
Food service	66,437	55,538
Community service	316,292	364,820
Unallocated depreciation	71,273	90,913
Interest and fiscal charges on long-term debt	6,331	14,012
Total expenses	6,577,800	6,970,714
Change in net position	\$ 745,033	\$ 284,477

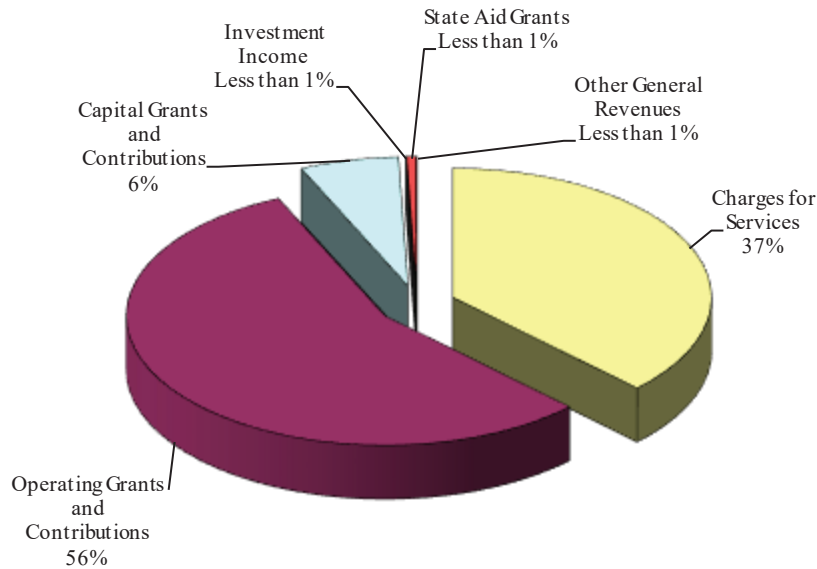
**Independent School Collaborative No. 6070-50  
Itasca Area Schools Collaborative  
Management's Discussion and Analysis**

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

**Net Position (Continued)**

As seen in Figure A-5, operating grants and contributions was the largest source of the Collaborative's revenue at 56%. The remaining 44% came from fees charged for services, investment income, and other sources.

**Figure A-5  
Sources of Revenues for 2021-2022**



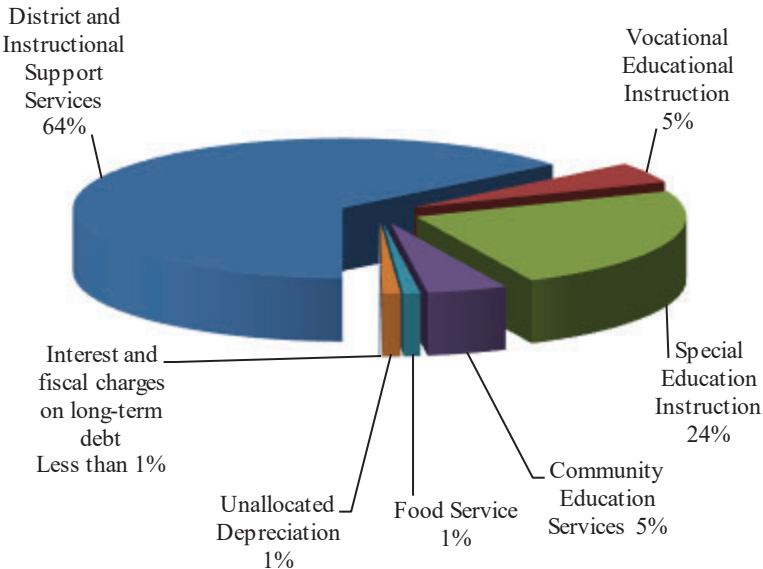
The majority of the Collaborative's expenses (shown on the next page) are related to district support and supporting the instruction of students. Figure A-6 indicates the breakdown of the total expenses on a percentage basis. District and instructional support services represents approximately 64% of the total expenditures. Other major categories of expense include special education.

**Independent School Collaborative No. 6070-50  
Itasca Area Schools Collaborative  
Management's Discussion and Analysis**

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

**Net Position (Continued)**

**Figure A-6  
Expenses for Fiscal Year 2021-2022**



**Governmental Activities**

Figure A-7 below represents the total cost of the Collaborative's functions and programs. The table also shows each function and program's net cost, which represents the total cost less fees and intergovernmental aid provided for specific programs. The net cost shows the financial burden placed on the state taxpayers by each of these functions and programs.

**Independent School Collaborative No. 6070-50  
Itasca Area Schools Collaborative  
Management's Discussion and Analysis**

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

**Governmental Activities (Continued)**

**Figure A-7  
Net Cost of Governmental Activities**

	Total Cost of Services <u>2021-2022</u>	Net Cost of Services <u>2021-2022</u>	Total Cost of Services <u>2020-2021</u>	Net Cost of Services <u>2020-2021</u>
District support services	\$ 4,226,310	\$ (676,169)	\$ 4,338,714	\$ (864,062)
Vocational educational instruction	317,065	(217,117)	401,632	193,798
Special educational instruction	1,574,092	118,361	1,705,085	334,058
Food service	66,437	(3,771)	55,538	(2,140)
Community education services	316,292	-	364,820	-
Unallocated depreciation	71,273	71,273	90,913	90,913
Interest and fiscal charges on long-term debt	6,331	6,331	14,012	14,012
	<u>\$ 6,577,800</u>	<u>\$ (701,092)</u>	<u>\$ 6,970,714</u>	<u>\$ (233,421)</u>
Total				

The cost of all governmental activities this year was \$6,577,800.

The users of the Collaborative's programs through fees and other charges financed \$2,738,625 of the cost. Operating grants and contributions subsidized specific programs totaling \$4,088,182 of the cost. Capital grants and contributions also subsidized specific programs totaling \$452,085 of the cost. The remainder was financed through general revenues.

**Governmental Funds**

As the Collaborative completed the year, the governmental funds reported combined fund balances of \$2,842,596, of which \$2,127,678 belongs to the Invest Early Program. The Collaborative fund balance also includes \$153,064 restricted for debt service payments and \$348,339 restricted for the career pathways program.

**General Fund Budgetary Highlights**

Over the course of the year, the Collaborative monitored and reviewed the annual operating budget and revised revenues and expenditures in June. Typically, budget amendments fall into two general categories. Revisions were made to reflect up-to-date projection of revenues and expenditures. Revenue formulas were updated to include adjusting interest income, fees/tuition charged for certain programs, and grant dollars awarded after the original budget was approved. Increases (decreases) were made to reflect more up-to-date projection of expenditures as a result of contracted services variations, grant dollars awarded after the original budget was approved, and changes in other miscellaneous budget categories.

The Collaborative's final budget for the General Fund anticipated an increase in fund balance of \$560,852, the actual results for the year show an increase in fund balance of \$635,649, a \$74,797 variance from the final budget that was adopted.



**Independent School Collaborative No. 6070-50  
Itasca Area Schools Collaborative  
Management's Discussion and Analysis**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2022, the Collaborative had invested \$259,140 in capital assets, including equipment (see Figure A-8). Depreciation and amortization expense for the year was \$93,547 with total accumulated depreciation/amortization amounting to \$4,380,522 (more detailed information on capital assets can be found in Note 3 to financial statements.)

**Figure A-8  
Capital Assets (Net of Depreciation)**

	Governmental Activities		Percent Change
	2021-2022	2020-2021	
Leased building	\$ 82,033	\$ -	N/A
Equipment	177,107	240,702	-26.42%
Total	<u>\$ 259,140</u>	<u>\$ 240,702</u>	<u>7.66%</u>

The Collaborative's assets consist primarily of fiber optic cable that connects most of the districts and schools within the Collaborative. This fiber has been in existence for over 20 years and information regarding its longevity was collected in 2011, and while there is some difference of opinion, some experts believe the fiber will reach the end of its usable life in approximately five years.

**Long-Term Debt**

More detailed information on long-term debt can be found in Note 6 to the financial statements.

**Figure A-9  
Outstanding Long-Term Debt**

	Total School District		Percent Change
	2021-2022	2020-2021	
Compensated Absences Payable	\$ 72,536	\$ 92,356	-21.46%
Loan Payable	148,239	292,669	-49.35%
Lease Liability	82,260	-	N/A
Total	<u>\$ 303,035</u>	<u>\$ 385,025</u>	<u>-21.29%</u>

**Independent School Collaborative No. 6070-50  
Itasca Area Schools Collaborative  
Management's Discussion and Analysis**

**FACTORS BEARING ON THE COLLABORATIVE'S FUTURE**

Although current member districts continue to support the work of the collaborative by financial contributions via dues and in-kind support of programs, meetings, and collaborative efforts, a number of factors continue to influence the future of the Collaborative:

- The challenging economic situation facing Minnesota school districts requires a firm commitment on the part of member districts to maintain membership in the Collaborative and realize the benefits derived from working together.
- Further collaborations among the school districts in areas such as technology, professional development, administrative and business services, and curriculum could strengthen the collaboration and provide additional services for districts that otherwise would find them cost prohibitive.
- New uses for the fiber shared between the districts will be explored, and a long-range plan for the fiber as it nears the end of its calculated, usable lifespan, will need to be developed.
- A continued strong commitment by member districts to promote the highest quality education for all students in the region by investigating, promoting, and engaging in collaborative work that furthers the mission of the Collaborative and its member districts.
- Revenue in the form of membership dues and contracts with agencies will have to be monitored to ensure that revenues and expenditures remain in balance.

**CONTACTING THE COLLABORATIVE'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the Collaborative's citizens, taxpayers, customers, and investors and creditors with a general overview of the Collaborative's finances and to demonstrate the Collaborative's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Collaborative Office at P.O. Box 307, Deer River, Minnesota 56636.

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## **BASIC FINANCIAL STATEMENTS**

**Independent School District 6070-50  
Itasca Area Schools Collaborative  
Statement of Net Position  
June 30, 2022**

	Governmental Activities
<b>Assets</b>	
Cash and investments	\$ 1,049,066
Accounts receivable	216,323
Due from other Minnesota school districts	1,633,062
Due from Federal Government through Department of Education	658,859
Prepaid Items	40,082
Long-term receivable	
Receivable within one year	148,239
Capital assets, net	
Machinery and equipment	177,107
Leased building	82,033
Total assets	4,004,771
<b>Deferred Outflows of Resources</b>	
Deferred outflows of resources related to pensions	2,305,815
Deferred outflows of resources related to OPEB	2,083
Total deferred outflows of resources	2,307,898
Total assets and deferred outflows of resources	\$ 6,312,669
<b>Liabilities</b>	
Accounts payable	\$ 57,782
Salaries and benefits payable	201,905
Interest payable	4,627
Due to other Minnesota school districts	643,263
Unearned revenue	85
Intergovernmental payable	
Payable within one year	148,239
Lease liability	
Payable within one year	37,659
Payable after one year	44,601
Compensated absences payable	
Payable within one year	72,536
Net pension liability	2,210,038
Total OPEB liability	15,204
Total liabilities	3,435,939
<b>Deferred Inflows of Resources</b>	
Deferred inflows of resources related to pensions	2,757,245
<b>Net Position</b>	
Net investment in capital assets	176,880
Restricted for	
Career pathways	348,339
Invest early	2,127,678
Unrestricted	(2,533,412)
Total net position	119,485
Total liabilities, deferred inflows of resources, and net position	\$ 6,312,669

See notes to basic financial statements.



**Independent School District 6070-50  
Itasca Area Schools Collaborative  
Balance Sheet - Governmental Funds  
June 30, 2022**

	General	Special Revenue		Total Governmental Funds
		Food Service	Community Service	
<b>Assets</b>				
Cash and investments	\$ 1,049,066	\$ -	\$ -	\$ 1,049,066
Accounts receivable	216,323	-	-	216,323
Due from other Minnesota school districts	1,508,821	-	124,241	1,633,062
Due from Federal Government through Minnesota Department of Education	652,562	6,297	-	658,859
Due from other funds	130,538	-	-	130,538
Prepaid items	40,082	-	-	40,082
Loan receivable	148,239	-	-	148,239
<b>Total assets</b>	<u>\$ 3,745,631</u>	<u>\$ 6,297</u>	<u>\$ 124,241</u>	<u>\$ 3,876,169</u>
<b>Liabilities</b>				
Accounts payable	\$ 57,782	\$ -	\$ -	\$ 57,782
Salaries and benefits payable	201,905	-	-	201,905
Due to other Minnesota school districts	643,263	-	-	643,263
Unearned revenue	85	-	-	85
Due to other funds	-	6,297	124,241	130,538
<b>Total liabilities</b>	<u>903,035</u>	<u>6,297</u>	<u>124,241</u>	<u>1,033,573</u>
<b>Fund Balances</b>				
Nonspendable	40,082	-	-	40,082
Restricted	2,629,081	-	-	2,629,081
Unassigned	173,433	-	-	173,433
<b>Total fund balances</b>	<u>2,842,596</u>	<u>-</u>	<u>-</u>	<u>2,842,596</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u>\$ 3,745,631</u>	<u>\$ 6,297</u>	<u>\$ 124,241</u>	<u>\$ 3,876,169</u>

**Independent School District 6070-50  
Itasca Area Schools Collaborative  
Reconciliation of the Balance Sheet to  
the Statement of Net Position - Governmental Funds  
June 30, 2022**

Total fund balance - governmental funds	\$ 2,842,596
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	4,535,251
Less accumulated depreciation	(4,358,144)
Leased assets	104,411
Less accumulated amortization	(22,378)
Long-term liabilities 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:	
Intergovernmental payable	(148,239)
Lease liability	(82,260)
Compensated absences payable	(72,536)
Net pension liability	(2,210,038)
Total OPEB liability	(15,204)
Governmental funds do not report a liability for accrued interest on long-term debt until due and payable.	(4,627)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.	
Deferred outflows of resources related to pensions	2,305,815
Deferred inflows of resources related to pensions	(2,757,245)
Deferred outflows of resources related to OPEB	2,083
Total net position - governmental activities	<u>\$ 119,485</u>



**Independent School District 6070-50  
Itasca Area Schools Collaborative  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Governmental Funds  
Year Ended June 30, 2022**

	General	Special Revenue		Total Government Funds
		Food Service	Community Service	
<b>Revenues</b>				
Other local and county revenues	\$ 5,656,615	\$ -	\$ 316,292	\$ 5,972,907
Revenue from state sources	73,257	-	-	73,257
Revenue from federal sources	1,368,050	70,208	-	1,438,258
Total revenues	<u>7,097,922</u>	<u>70,208</u>	<u>316,292</u>	<u>7,484,422</u>
<b>Expenditures</b>				
Current				
District support services	4,297,076	-	-	4,297,076
Vocational education instruction	327,847	-	-	327,847
Special education instruction	1,550,421	-	-	1,550,421
Food service	-	70,208	-	70,208
Community education and services	-	-	316,292	316,292
Capital outlay				
District support services	170,115	-	-	170,115
Vocational education instruction	2,623	-	-	2,623
Special education instruction	3,731	-	-	3,731
Debt service				
Principal	166,581	-	-	166,581
Interest and fiscal charges	9,983	-	-	9,983
Total expenditures	<u>6,528,377</u>	<u>70,208</u>	<u>316,292</u>	<u>6,914,877</u>
Excess of revenues over expenditures	569,545	-	-	569,545
<b>Other Financing Sources</b>				
Lease proceeds	<u>66,104</u>	-	-	<u>66,104</u>
Net change in fund balances	635,649	-	-	635,649
<b>Fund Balances</b>				
Beginning of year	<u>2,206,947</u>	-	-	<u>2,206,947</u>
End of year	<u>\$ 2,842,596</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,842,596</u>

**Independent School District 6070-50  
Itasca Area Schools Collaborative  
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	\$ 635,649
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlays	33,175
Depreciation and amortization expense	(93,547)
Disposal of capital assets	(25,601)
Leased building addition	66,104
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.	
	166,664
Governmental funds recognized 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.	
	(13,121)
Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	
	19,820
Principal payments on long-term debt are recognized as expenditures in the Governmental funds but as an increase in the net position in the Statement of Activities.	
	166,581
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.	
	3,652
Proceeds from long-term debt are recognized as an other financing source in the governmental funds increasing fund balance but having no effect on net position in the Statement of Activities.	
	(66,104)
Long-term receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	
	<u>(148,239)</u>
Change in net position - governmental activities	<u><u>\$ 745,033</u></u>

**Independent School District 6070-50  
Itasca Area Schools Collaborative  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances -  
Budget and Actual - General Fund  
Year Ended June 30, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues</b>				
Other local and county revenues	\$ 5,800,876	\$ 5,929,721	\$ 5,656,615	\$ (273,106)
Revenue from state sources	320,000	123,562	73,257	(50,305)
Revenue from federal sources	1,037,000	1,325,143	1,368,050	42,907
Total revenues	<u>7,157,876</u>	<u>7,378,426</u>	<u>7,097,922</u>	<u>(280,504)</u>
<b>Expenditures</b>				
Current				
District support services	4,269,157	4,449,209	4,297,076	(152,133)
Elementary and secondary regular instruction	-	35,100	-	(35,100)
Vocational education instruction	538,500	315,620	327,847	12,227
Special education instruction	1,617,703	1,685,369	1,550,421	(134,948)
Capital outlay				
District support services	205,000	179,212	170,115	(9,097)
Vocational education instruction	47,500	-	2,623	2,623
Special education instruction	-	-	3,731	3,731
Debt service				
Principal	153,064	153,064	166,581	13,517
Interest and fiscal charges	-	-	9,983	9,983
Total expenditures	<u>6,830,924</u>	<u>6,817,574</u>	<u>6,528,377</u>	<u>(289,197)</u>
Excess of revenues over expenditures	326,952	560,852	569,545	8,693
<b>Other Financing Sources</b>				
Proceeds from lease	-	-	66,104	66,104
Net change in fund balances	<u>\$ 326,952</u>	<u>\$ 560,852</u>	635,649	<u>\$ 74,797</u>
<b>Fund Balances</b>				
Beginning of year			<u>2,206,947</u>	
End of year			<u>\$ 2,842,596</u>	

**Independent School District 6070-50  
Itasca Area Schools Collaborative  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances -  
Budget and Actual - Food Service Fund  
Year Ended June 30, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over
	Original	Final		
<b>Revenues</b>				
Revenue from federal sources	\$ 90,000	\$ 69,305	\$ 70,208	\$ 903
<b>Expenditures</b>				
Food service	90,000	69,305	70,208	903
Excess of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
<b>Fund Balances</b>				
Beginning of year			-	
End of year			<u>\$ -</u>	

**Independent School District 6070-50  
Itasca Area Schools Collaborative  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances -  
Budget and Actual - Community Service Fund  
Year Ended June 30, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over
	Original	Final		
<b>Revenues</b>				
Other local and county revenues	\$ 384,482	\$ 384,482	\$ 316,292	\$ (68,190)
<b>Expenditures</b>				
Community education and services	384,482	384,482	316,292	(68,190)
Excess of revenues over (under) expenditures	\$ -	\$ -	-	\$ -
<b>Fund Balances</b>				
Beginning of year			-	
Ending of year			\$ -	

**Independent School District No. 6070-50**  
**Itasca Area Schools Collaborative**  
**Notes to the Basic Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The District operates under a board form of government for the purpose of providing resources and services to its member districts. The governing body consists of a eight member board appointed by the District's member districts to serve one-year terms.

The accounting policies of the District, formerly known as Quad County Telecommunications Project, have been prepared in conformity with 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. Organization**

The District was formed in 1995 under the authority of *Minnesota Statutes 471.59* under the name Quad County Projects. The name was officially changed to Itasca Area Schools Collaborative in 2005. The state school district number for the District is 6070-50. Previously, there were four separate funds in two school districts. The organization has moved to a single General Fund, Food Service Fund, and Community Service Fund solely in the District.

Previously there were two separate projects; one project for telecommunication and one project for vocational. Both of these services are now combined in the District. Special education and other services have also been added to the District.

**B. Reporting Entity**

The basic financial statements present the District and 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.

**C. 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.

**Independent School District No. 6070-50  
Itasca Area Schools Collaborative  
Notes to the Basic Financial Statements**

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

**C. Basic Financial Statement Information (Continued)**

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments 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. Other items not properly included among program revenues are reported instead as general revenues.

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. The effect of interfund activity has been removed from these statements.

Separate fund financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**D. 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. 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. 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 60 days.

**2. Recording of Expenditures**

Expenditures are generally recorded when a liability is incurred. The exception to this general rule is that compensated absences and claims and adjustments are recognized when payment is due.

The District applies unrestricted resources first when an expenditure is incurred for a purpose for which both restricted and unrestricted fund balances are available. Further, the District applies unrestricted funds in this order if various levels of restricted fund balances exist: unassigned, assigned, committed, and restricted.

**Independent School District No. 6070-50  
Itasca Area Schools Collaborative  
Notes to the Basic Financial Statements**

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

**D. Measurement Focus and Basis of Accounting (Continued)**

**Description of Funds:**

Major Funds:

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

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

Community Service Special Revenue Fund – This fund is used to account for services provided to residents in the areas of community education, school readiness, early childhood, and family education or other similar services.

**E. 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 average of month-end cash and investment balances.

*Minnesota Statutes* requires all deposits be protected by federal deposit 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.

Cash and investments at June 30, 2022, consisted of deposits.

**F. Capital Assets**

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

Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their acquisition value at the date of donation.

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



**Independent School District No. 6070-50**  
**Itasca Area Schools Collaborative**  
**Notes to the Basic Financial Statements**

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

**F. Capital Assets (Continued)**

Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purpose. Useful lives vary from 5 to 16 years for machinery and equipment.

The District does not possess any material amounts of land, buildings, or infrastructure capital assets, such as sidewalks and parking lots.

**G. 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 financial statement element represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has two items that qualify for reporting in this category. Deferred outflows of resources related to pensions is recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years. Deferred outflows of resources related to OPEB is recorded on the government-wide statements for contributions made subsequent to the measurement date .

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 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 one item which qualifies for reporting in this category. Deferred inflows of resources related to pensions is recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years.

**H. Long-Term Obligations**

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities.

**I. Compensated Absences**

Certain employees are entitled to paid time off (PTO) at various rates. Unused PTO may be accumulated up to certain limits and is paid out upon termination.

**J. 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.

**Independent School District No. 6070-50  
Itasca Area Schools Collaborative  
Notes to the Basic Financial Statements**

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

**J. Pensions (Continued)**

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. Additional information can be found in TRA Note 7.

**K. 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.

**L. Fund Equity**

In the fund financial statements, governmental funds report various levels of spending constraints.

- Nonspendable Fund Balances – These are amounts that cannot be spent because they are not in spendable form as they relate to amounts already spent on prepaid items.
- Restricted Fund Balances – These are subject to externally enforceable legal restrictions.
- Unassigned Fund Balances – These are the residual amounts in the General Fund not reported in any other classification.
- Minimum Fund Balance Policy – The District will strive to maintain a minimum unassigned General Fund balance of 20% of the general operating expenditure budget.

**M. Net Position**

Net position represents the difference between assets and deferred outflows of resources; and liabilities and deferred inflows of resources in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation reduced by the outstanding balance of long-term debt used to 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.

**N. 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.

**Independent School District No. 6070-50  
Itasca Area Schools Collaborative  
Notes to the Basic Financial Statements**

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

**O. Budgetary Information**

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

1. Prior to July 1, the Chairperson submits to the Board of Directors, a proposed operating budget for the year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. The Chairperson 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 Board of Directors.
3. Formal budgetary integration is employed as a management control device during the year for the General, Food Service, and Community Service Funds.
4. Budgets for the General, Food Service, and Community 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 Board of Directors. Budgeted expenditure appropriations lapse at year-end.

**NOTE 2 – DEPOSITS**

**A. Deposits**

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

Custodial Credit Risk – 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's policy states deposit type securities shall be collateralized as required by *Minnesota Statutes* 118A.06 for any amount exceeding Federal Deposit Insurance Corporation (FDIC), SIAF, BIF or FCUA or other federal deposit coverage. *Minnesota Statutes* requires all deposits made by the District with financial institutions be collateralized in an amount equal to 110% of deposits in excess of FDIC insurance or corporate surety bonds.

As of June 30, 2022, the District's bank balance was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name.

The following is a summary of total deposits:

Checking and savings accounts	<u>\$ 1,049,066</u>
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Deposits and investments are presented in the June 30, 2022, basic financial statements as follows:

Statement of Net Position	
Cash and investments	<u>\$ 1,049,066</u>

**Independent School District No. 6070-50  
Itasca Area Schools Collaborative  
Notes to the Basic Financial Statements**

**NOTE 3 – CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets				
Machinery and equipment	\$ 5,123,697	\$ 33,175	\$ 621,621	\$ 4,535,251
Leased building	-	104,411	-	104,411
Total capital assets at historical cost	<u>5,123,697</u>	<u>137,586</u>	<u>621,621</u>	<u>4,639,662</u>
Less accumulated depreciation for				
Machinery and equipment	4,882,995	71,169	596,020	4,358,144
Less accumulated amortization for				
Leased building	-	22,378	-	22,378
Total accumulated Depreciation/amortization	<u>4,882,995</u>	<u>93,547</u>	<u>596,020</u>	<u>4,380,522</u>
Total capital assets, net	<u>240,702</u>	<u>44,039</u>	<u>25,601</u>	<u>259,140</u>
Governmental activities, capital assets, net	<u>\$ 240,702</u>	<u>\$ 44,039</u>	<u>\$ 25,601</u>	<u>\$ 259,140</u>

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

District support services	\$ 47,875
Unallocated	<u>45,672</u>
Total depreciation and amortization expense	<u>\$ 93,547</u>

**Independent School District No. 6070-50  
Itasca Area Schools Collaborative  
Notes to the Basic Financial Statements**

**NOTE 4 – INTERFUND ASSETS/LIABILITIES**

At June 30, 2022, due from/to other funds for the District were as follows:

Fund Type and Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 130,538	\$ -
Special Revenue Funds		
Food Service Fund	-	6,297
Community Service Fund	-	124,241
Total	<u>\$ 130,538</u>	<u>\$ 130,538</u>

The due from/due to other funds is to cover the cash deficit in the Food Service and Community Service Funds. This balance will be eliminated in the future by the receivable from the federal government, through the Minnesota Department of Education (MDE) and other programs.

**NOTE 5 – LONG-TERM RECEIVABLE**

At June 30, 2022, the District had a long-term intergovernmental receivable from its member districts in the amount of \$148,239. Amounts are due to ISD No. 317 – Deer River for the issuance of the 2020A G.O. Equipment Certificates. These Certificates were issued on behalf of the District for the acquisition of technology equipment and the final payment on the outstanding capital lease. The District will collect payments from its member districts and submit these collections to ISD No. 317 – Deer River in accordance with the payable payment schedule listed on the following page.

**NOTE 6 – LONG-TERM LIABILITIES**

**A. Components of Long-Term Liabilities**

	Principal Outstanding	Due within One Year
Long-term liabilities		
Intergovernmental payable	\$ 148,239	\$ 148,239
Lease liability	82,260	37,659
Compensated absences payable	72,536	72,536
Total long-term liabilities	<u>\$ 303,035</u>	<u>\$ 258,434</u>

The General Fund typically liquidates the long-term liabilities.

The District has a lease liability related to the lease of various building space.

**Independent School District No. 6070-50  
Itasca Area Schools Collaborative  
Notes to the Basic Financial Statements**

**NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)**

**A. Components of Long-Term Liabilities (Continued)**

	Beginning Balance	Additions	Reductions	Ending Balance
Long-term liabilities				
Intergovernmental payable	\$ 292,669	\$ -	\$ 144,430	\$ 148,239
Lease liability	-	104,411	22,151	82,260
Compensated absences payable	92,356	569,465	589,285	72,536
Total long-term liabilities	<u>\$ 385,025</u>	<u>\$ 673,876</u>	<u>\$ 755,866</u>	<u>\$ 303,035</u>

**B. Minimum Debt Service Payments**

Year Ending June 30,	Intergovernmental Payable		
	Principal	Interest	Total
2023	\$ 148,239	\$ 4,825	\$ 153,064
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Year Ending June 30,	Lease Liability		
	Principal	Interest	Total
2023	\$ 37,659	\$ 3,341	\$ 41,000
2024	19,206	1,794	21,000
2025	20,189	811	21,000
2026	5,206	44	5,250
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total	<u>\$ 82,260</u>	<u>\$ 5,990</u>	<u>\$ 88,250</u>

**NOTE 7 – RESTRICTED/RESERVED FUND BALANCE**

Certain portions of the 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.

Nonspendable fund balance relates to amounts spent on prepaid items.

The District has \$2,127,678 restricted for the Invest Early Program. In addition, \$153,064 was restricted for debt service, and \$348,339 was restricted for the Career Pathways Program.

**NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE**

The District participates in various pension plans, total pension expense for the year ended June 30, 2022, was \$124,768. The components of pension expense are noted in the following plan summaries.

**Independent School District No. 6070-50  
Itasca Area Schools Collaborative  
Notes to the Basic Financial Statements**

**NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

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

**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.

**Teachers' Retirement Association**

**B. Benefits Provided**

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

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

*Tier I Benefits*

Tier I	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 up to 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.

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Notes to the Basic Financial Statements**

**NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**Teachers' Retirement Association (Continued)**

**B. Benefits Provided (Continued)**

*Tier I Benefits (Continued)*

- 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.

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:

	<u>June 30, 2020</u>		<u>June 30, 2021</u>		<u>June 30, 2022</u>	
	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>
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%



**Independent School District No. 6070-50  
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Notes to the Basic Financial Statements**

**NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**Teachers' Retirement Association (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	<u>(538)</u>
Total employer contributions	448,670
Total non-employer contributions	<u>37,840</u>
Total contributions reported in Schedule of Employer and Non-Employer Allocations	<u><u>\$ 486,510</u></u>

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

**Independent School District No. 6070-50  
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Notes to the Basic Financial Statements**

**NOTE 8 – 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

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**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
Projected salary increase	2.85% to 8.85% before July 1, 2028, and 3.25% to 9.25% thereafter
Cost of living adjustment	1.0% for January 2020 through January 2023, then increasing by 0.1% each year up to 1.5% annually.

**Mortality Assumptions**

Pre-retirement	RP 2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP 2015 scale.
Post-retirement	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.

**Independent School District No. 6070-50  
Itasca Area Schools Collaborative  
Notes to the Basic Financial Statements**

**NOTE 8 – 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:

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

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).

**Independent School District No. 6070-50  
Itasca Area Schools Collaborative  
Notes to the Basic Financial Statements**

**NOTE 8 – 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 \$1,150,967 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 0.0263% at the end of the measurement period and 0.0264% 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	\$ 1,150,967
State's proportionate share of the net pension liability associated with the District	<u>97,009</u>
Total	<u><u>\$ 1,247,976</u></u>

For the year ended June 30, 2022, the District recognized pension expense of \$276,555. Included in this amount, the District recognized (\$1,086) as pension expense for the support provided by direct aid.

**Independent School District No. 6070-50  
Itasca Area Schools Collaborative  
Notes to the Basic Financial Statements**

**NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**Teachers' Retirement Association (Continued)**

**F. Net Pension Liability (Continued)**

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 31,292	\$ 25,124
Net difference between projected and actual earnings on plan investments	-	950,629
Changes of assumptions	421,790	512,992
Changes in proportion	907,708	6,157
District's contribution to TRA subsequent to measurement date	130,272	-
Total	\$ 1,491,062	\$ 1,494,902

The \$130,272 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 reported as deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2023	\$ (33,627)
2024	(48,878)
2025	(6,814)
2026	(124,803)
2027	80,010
Total	\$ (134,112)

**Independent School District No. 6070-50  
Itasca Area Schools Collaborative  
Notes to the Basic Financial Statements**

**NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**Teachers' Retirement Association (Continued)**

**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.

District proportionate share of NPL		
1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
\$ 2,325,009	\$ 1,150,967	\$ 188,159

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

**H. Pension Plan Fiduciary Net Position**

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

**Public Employees' Retirement Association**

**A. Plan Description**

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

**General Employees Retirement Plan**

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

**Independent School District No. 6070-50  
Itasca Area Schools Collaborative  
Notes to the Basic Financial Statements**

**NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**Public Employees' Retirement Association**

**B. Benefits Provided**

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

**General Employees Plan Benefits**

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

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1.0% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

**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 \$159,632. The District's contributions were equal to the required contributions as set by state statute.

**Independent School District No. 6070-50  
Itasca Area Schools Collaborative  
Notes to the Basic Financial Statements**

**NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**D. Pension Costs**

General Employees Fund Pension Costs

At June 30, 2022, the District reported a liability of \$1,059,071 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 \$32,396.

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 0.0248% at the end of the measurement period and 0.0270% for the beginning of the period.

District's proportionate share of net pension liability	\$ 1,059,071
State's proportionate share of the net pension liability associated with the District	<u>32,396</u>
Total	<u><u>\$ 1,091,467</u></u>

For the year ended June 30, 2022, the District recognized pension expense of (\$151,787) for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized \$2,614 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.



**Independent School District No. 6070-50  
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Notes to the Basic Financial Statements**

**NOTE 8 – 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	\$ 8,474	\$ 32,744
Changes in actuarial assumptions	646,647	27,098
Difference between projected and actual investments earnings	-	918,231
Changes in proportion	-	284,270
District's contributions to PERA subsequent to the measurement date	159,632	-
Total	\$ 814,753	\$ 1,262,343

The \$159,632 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 Amount
2023	\$ (199,856)
2024	(119,157)
2025	(38,039)
2026	(250,170)
Total	\$ (607,222)

**Independent School District No. 6070-50  
Itasca Area Schools Collaborative  
Notes to the Basic Financial Statements**

**NOTE 8 – 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:

<u>Asset Class</u>	<u>Final Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>100.0 %</u>	

**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.

**Independent School District No. 6070-50  
Itasca Area Schools Collaborative  
Notes to the Basic Financial Statements**

**NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**F. Actuarial Methods and Assumptions (Continued)**

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020, actuarial valuation. 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 the PERA net pension liability	\$ 2,159,964	\$ 1,059,071	\$ 155,721

**I. Pension Plan Fiduciary Net Position**

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

**Independent School District No. 6070-50  
Itasca Area Schools Collaborative  
Notes to the Basic Financial Statements**

**NOTE 9 – POST EMPLOYMENT HEALTH CARE PLAN**

**A. Plan Description**

The District's defined benefit OPEB plan provides a single-employer defined benefit health care plan to eligible retirees and their spouses. The plan offers 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. No assets are acclimated in a trust to offset this liability.

**B. Benefits Paid**

Employees of the District receiving a retirement or disability benefit, or eligible to receive a benefit, from a Minnesota Public Pension Plan may continue to participate in the District group insurance plan. Full vesting of such amounts occurs upon attaining 55 years of age. The General Fund typically liquidates the liability related to OPEB.

**C. Members**

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

Retirees electing coverage	0
Active employees waiving coverage	64
Active employees electing coverage	<u>13</u>
Total	<u><u>77</u></u>

**D. Contributions**

Retirees contribute to the health care plan at the same rate as District employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the District. The required contributions are based on projected pay-as-you-go financing requirements. For the year-ended June 30, 2022, the District contributed \$2,083 to the plan.

**Independent School District No. 6070-50  
Itasca Area Schools Collaborative  
Notes to the Basic Financial Statements**

**NOTE 9 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)**

**Actuarial Assumptions**

The total 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%
Inflation	2.25%
Payroll Growth Rate	3.00%
Healthcare cost trend increases	6.7% initially, decreasing over several decades to an ultimate rate of 3.7% in FY2075 and later years
Mortality Assumption	RP-2014 mortality tables with projected mortality improvements based on scale MP-2015, and other adjustments for teachers and Pub-2010 General mortality tables with projected mortality improvements based on scale MP-2020, and other adjustments for non-teachers

Changes in actuarial assumptions include the following:

- The discount rate was decreased from 2.45% to 1.92% based on the index rate for 20-year, tax exempt municipal bonds.

**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.

**Independent School District No. 6070-50  
Itasca Area Schools Collaborative  
Notes to the Basic Financial Statements**

**NOTE 9 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)**

**F. Total OPEB Liability**

Changes in the total OPEB liability are as follows:

	Total OPEB Liability
Balances at June 30, 2021	\$ 13,249
Changes for the year	
Service cost	1,177
Interest	353
Changes in assumptions	425
Net changes	1,955
Balances at June 30, 2022	\$ 15,204

**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	\$ 16,051	\$ 15,204	\$ 14,416

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	\$ 14,052	\$ 15,204	\$ 16,626

**Independent School District No. 6070-50  
Itasca Area Schools Collaborative  
Notes to the Basic Financial Statements**

**NOTE 9 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)**

**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 \$1,955. As of June 30, 2022, the District reported deferred outflows of resources related to OPEB of \$2,083 resulting from District contributions made subsequent to the measurement date, which will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2023.

**NOTE 10 – FISCAL AGENT**

Independent School District No. 317, Deer River, Minnesota, acted as the fiscal agent for the District. The District paid Independent School District No. 317 \$120,000 for these services for the year ended June 30, 2022.

**NOTE 11 – CHANGE IN ACCOUNTING PRINCIPLE**

The District implemented GASB Statement No. 87 – *Leases*, which resulted in the recording of leased building and lease liability on July 1, 2021, in offsetting amounts of \$38,307. 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 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.

**REQUIRED SUPPLEMENTARY INFORMATION**



**Independent School District No. 6070**  
**Schedule of Changes in Total OPEB Liability**  
**and Related Ratios**

	June 30, 2022
Total OPEB Liability (TPL)	
Service cost	\$ 1,177
Interest	353
Changes of assumptions	425
Net change in total OPEB liability	1,955
Beginning of year, restated	13,249
End of year	\$ 15,204
Covered payroll	\$ 3,149,067
Total OPEB liability as a percentage of covered-employee payroll	0.5%

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

**Independent School District No. 6070-50  
Itasca Area Schools Collaborative  
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 State of Minnesota's Share of the Net Pension of Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0346%	\$ 1,625,335	\$ -	\$ 1,625,335	\$ 1,818,538	89.38%	78.75%
2015	0.0311%	1,611,763	-	1,611,763	1,797,027	89.69%	78.19%
2016	0.0320%	2,598,241	33,915	2,632,156	1,985,507	130.86%	68.91%
2017	0.0335%	2,138,618	26,915	2,165,533	2,160,053	99.01%	75.90%
2018	0.0351%	1,947,204	63,957	2,011,161	2,362,213	82.43%	79.53%
2019	0.0323%	1,785,795	55,498	1,841,293	2,285,427	78.14%	80.23%
2020	0.0270%	1,618,773	49,859	1,668,632	1,922,800	84.19%	79.06%
2021	0.0248%	1,059,071	32,396	1,091,467	1,788,240	59.22%	87.00%

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

**Schedule of District's and Non-Employer Proportionate Share  
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 State of Minnesota's Share of the Net Pension of Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0065%	\$ 299,515	\$ 21,200	\$ 320,715	\$ 295,953	101.20%	81.50%
2015	0.0058%	358,787	43,931	402,718	296,453	121.03%	76.77%
2016	0.0061%	1,454,996	145,776	1,600,772	319,360	455.60%	44.88%
2017	0.0081%	1,616,907	156,600	1,773,507	437,960	369.19%	51.57%
2018	0.0138%	867,229	81,454	948,683	762,840	113.68%	78.07%
2019	0.0216%	1,376,789	121,782	1,498,571	1,226,148	112.29%	78.21%
2020	0.0264%	1,950,467	163,384	2,113,851	1,534,381	127.12%	75.48%
2021	0.0263%	1,150,967	97,009	1,247,976	1,572,534	73.19%	86.63%

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

**Independent School District No. 6070-50  
Itasca Area Schools Collaborative  
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
2014	\$ 131,844	\$ 131,844	\$ -	\$ 1,818,538	7.25%
2015	134,777	134,777	-	1,797,027	7.50%
2016	148,913	148,913	-	1,985,507	7.50%
2017	162,004	162,004	-	2,160,053	7.50%
2018	177,166	177,166	-	2,362,213	7.50%
2019	171,407	171,407	-	2,285,427	7.50%
2020	144,210	144,210	-	1,922,800	7.50%
2021	134,118	134,118	-	1,788,240	7.50%
2022	159,632	159,632	-	2,128,427	7.50%

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

**Schedule of District Contributions  
TRA Retirement Fund  
Last Ten Years**

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
2014	\$ 20,717	\$ 20,717	\$ -	\$ 295,953	7.00%
2015	22,234	22,234	-	296,453	7.50%
2016	23,952	23,952	-	319,360	7.50%
2017	32,847	32,847	-	437,960	7.50%
2018	57,213	57,213	-	762,840	7.50%
2019	94,536	94,536	-	1,226,148	7.71%
2020	121,523	121,523	-	1,534,381	7.92%
2021	127,847	127,847	-	1,572,534	8.13%
2022	130,272	130,272	-	1,562,014	8.34%

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

**Independent School District No. 6070-50  
Itasca Area Schools Collaborative  
Notes to the Required Supplementary Information**

**TRA Retirement Funds**

**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.

**Independent School District No. 6070-50  
Itasca Area Schools Collaborative  
Notes to the Required Supplementary Information**

**TRA Retirement Funds (Continued)**

**2017 Changes**

Changes in Actuarial Assumptions

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

Changes in Actuarial Assumptions

- 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.

**Independent School District No. 6070-50  
Itasca Area Schools Collaborative  
Notes to the Required Supplementary Information**

**TRA Retirement Funds (Continued)**

**2015 Changes**

Changes of Benefit Terms

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

Changes in Actuarial Assumptions

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

**Independent School District No. 6070-50**  
**Itasca Area Schools Collaborative**  
**Notes to the Required Supplementary Information**

**General Employees Fund**

**2021 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2020 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**2019 Changes**

Changes in Actuarial Assumptions

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

**Independent School District No. 6070-50  
Itasca Area Schools Collaborative  
Notes to the Required Supplementary Information**

**General Employees Fund (Continued)**

**2019 Changes (Continued)**

Changes in Plan Provisions

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

**2018 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**2017 Changes**

Changes in Actuarial Assumptions

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

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.



**Independent School District No. 6070-50  
Itasca Area Schools Collaborative  
Notes to the Required Supplementary Information**

**General Employees Fund (Continued)**

**2016 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2015 Changes**

Changes in 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.

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.

**Independent School District No. 6070-50**  
**Itasca Area Schools Collaborative**  
**Notes to the Required Supplementary Information**

**Post Employment Benefits**

**2021 Changes**

Changes in Actuarial Assumptions

- The discount rate was decreased from 2.45% to 1.92% based on the index rate for 20-year, tax exempt municipal bonds.

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**SUPPLEMENTARY INFORMATION**

**Independent School District 6070-50**  
**Itasca Area Schools Collaborative**  
**Uniform Financial Accounting and Reporting Standards**  
**Compliance Table**  
**Year Ended June 30, 2022**

	Audit	UFARS	Audit-UFARS		Audit	UFARS	Audit-UFARS
<b>01 GENERAL FUND</b>				<b>06 BUILDING CONSTRUCTION FUND</b>			
Total revenue	\$ 7,097,922	\$ 7,097,923	\$ (1)	Total revenue	\$ -	\$ -	\$ -
Total expenditures	6,528,377	6,528,380	(3)	Total expenditures	-	-	-
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
4.60 Nonspendable fund balance	40,082	40,082	-	4.60 Nonspendable fund balance	-	-	-
<i>Restricted/reserved:</i>				<i>Restricted/reserved:</i>			
4.01 Student Activities	-	-	-	4.07 Capital Projects Levy	-	-	-
4.02 Scholarships	-	-	-	4.13 Building Projects Funded By COP	-	-	-
4.03 Staff Development	-	-	-	4.67 Long-term Facilities Maintenance	-	-	-
4.07 Capital Projects Levy	-	-	-	<i>Restricted:</i>			
4.08 Cooperative Programs	-	-	-	4.64 Restricted fund Balance	-	-	-
4.13 Building Projects Funded by COP	-	-	-	<i>Unassigned:</i>			
4.14 Operating Debt	-	-	-	4.63 Unassigned fund balance	-	-	-
4.16 Levy Reduction	-	-	-				
4.17 Taconite Building Maintenance	-	-	-	<b>07 DEBT SERVICE FUND</b>			
4.24 Operating Capital	-	-	-	Total revenue	\$ -	\$ -	\$ -
4.26 \$25 Taconite	-	-	-	Total expenditures	-	-	-
4.27 Disabled Accessibility	-	-	-	<i>Nonspendable:</i>			
4.28 Learning and Development	-	-	-	4.60 Nonspendable fund balance	-	-	-
4.34 Area Learning Center	-	-	-	<i>Restricted/reserved:</i>			
4.35 Contracted Alternative Programs	-	-	-	4.25 Bond refundings	-	-	-
4.36 State Approved Alternative Program	-	-	-	4.33 Maximum effort loan aid	-	-	-
4.38 Gifted and Talented	-	-	-	4.51 QZAB payments	-	-	-
4.40 Teacher Development and Evaluation	-	-	-	4.67 LTFM	-	-	-
4.41 Basic Skills Programs	-	-	-	<i>Restricted:</i>			
4.48 Achievement and Integration Revenue	-	-	-	4.64 Restricted fund balance	-	-	-
4.49 Safe School Crime	-	-	-	<i>Unassigned:</i>			
4.51 QZAB Payments	-	-	-	4.64 Unassigned fund balance	-	-	-
4.52 OPEB Liabilities not Held in Trust	-	-	-				
4.53 Unfunded Severance and	-	-	-	<b>08 TRUST FUND</b>			
4.59 Basic Skills Extended Time	-	-	-	Total revenue	\$ -	\$ -	\$ -
Retirement Levy	-	-	-	Total expenditures	-	-	-
4.67 Long-term Facilities Maintenance	-	-	-	<i>Unassigned:</i>			
<i>Restricted:</i>				4.22 Net position	-	-	-
4.72 Medical Assistance	-	-	-				
4.64 Restricted fund balance	2,629,081	2,629,081	-	<b>18 CUSTODIAL</b>			
4.75 Title VII - Impact Aid	-	-	-	Total revenue	\$ -	\$ -	\$ -
4.76 Payments in Lieu of Taxes	-	-	-	Total expenditures	-	-	-
<i>Committed:</i>				<i>Restricted/Reserved:</i>			
4.18 Committed for separation	-	-	-	4.01 Student Activities	-	-	-
4.61 Committed	-	-	-	4.02 Scholarships	-	-	-
<i>Assigned:</i>				4.48 Achievement and Integration	-	-	-
4.62 Assigned fund balance	-	-	-	4.64 Restricted	-	-	-
<i>Unassigned:</i>							
4.22 Unassigned fund balance	173,433	173,431	2	<b>20 INTERNAL SERVICE FUND</b>			
				Total revenue	\$ -	\$ -	\$ -
<b>02 FOOD SERVICE FUND</b>				Total expenditures	-	-	-
Total revenue	\$ 70,208	\$ 70,208	\$ -	<i>Unassigned:</i>			
Total expenditures	70,208	70,208	-	4.22 Net position	-	-	-
<i>Nonspendable:</i>							
4.60 Nonspendable fund balance	-	-	-	<b>25 OPEB Revocable Trust</b>			
<i>Restricted/reserved:</i>				Total revenue	\$ -	\$ -	\$ -
4.52 OPEB Liabilities not Held in Trust	-	-	-	Total expenditures	-	-	-
<i>Restricted:</i>				<i>Unassigned:</i>			
4.64 Restricted fund balance	-	1	(1)	4.22 Net position	-	-	-
<i>Unassigned:</i>							
4.63 Unassigned fund balance	-	-	-	<b>45 OPEB IRRVOCABLE TRUST</b>			
				Total revenue	\$ -	\$ -	\$ -
<b>04 COMMUNITY SERVICE FUND</b>				Total expenditures	-	-	-
Total revenue	\$ 316,292	\$ 316,292	\$ -	<i>Unassigned:</i>			
Total expenditures	316,292	316,292	-	4.22 Net position	-	-	-
<i>Nonspendable:</i>							
4.60 Nonspendable fund balance	-	-	-	<b>47 OPEB DEBT SERVICE</b>			
<i>Restricted/reserved:</i>				Total revenue	\$ -	\$ -	\$ -
4.26 \$25 Taconite	-	-	-	Total expenditures	-	-	-
4.31 Community Education	-	-	-	<i>Nonspendable:</i>			
4.32 ECFE	-	-	-	4.60 Nonspendable fund balance	-	-	-
4.40 Teacher Development and Evaluation	-	-	-	<i>Restricted:</i>			
4.44 School Readiness	-	-	-	4.25 Bond refundings	-	-	-
4.47 Adult Basic Education	-	-	-	4.64 Restricted fund balance	-	-	-
4.52 OPEB liabilities not held in trust	-	-	-	<i>Unassigned:</i>			
<i>Restricted:</i>				4.63 Unassigned fund balance	-	-	-
4.64 Restricted fund balance	-	-	-				
<i>Unassigned:</i>							
4.63 Unassigned fund balance	-	-	-				

**Independent School District 6070-50  
Itasca Area Schools Collaborative  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2022**

Federal Agency/Pass Through Agency/Program Title	Federal Assistance Listing Number	Federal Expenditures	Passed Through to Subrecipients
<b>U.S. Department of Agriculture</b>			
Through Minnesota Department of Education			
Child Nutrition			
Child and Adult Care Food Program	10.558	\$ 57,902	\$ -
COVID-19 - Child and Adult Care Food Program	10.558C	<u>12,306</u>	<u>-</u>
Total U.S. Department of Agriculture and Child and Adult Care Food Program		<u>70,208</u>	<u>-</u>
<b>U.S. Department of Education</b>			
Through Minnesota Department of Education			
Carl Perkins			
Carl Perkins Career And Technical Education	84.048A	84,740	84,740
Carl Perkins Career And Technical Education - Reserve	84.048	<u>42,693</u>	<u>42,693</u>
Total Carl Perkins		127,433	127,433
Special Education Cluster			
Special Education Grants to State and Low Incidence	84.027	889,729	320,499
Disabled Early Education	84.173	<u>26,993</u>	<u>26,993</u>
Total Special Education Cluster		916,722	347,492
Infants and Toddlers	84.181	<u>38,825</u>	<u>38,825</u>
Total U.S. Department of Education		<u>1,082,980</u>	<u>513,750</u>
<b>U.S. Department of Health and Human Services</b>			
Through Minnesota Department of Human Services			
Child Care Development Fund (CCDF) Cluster			
Child Care and Development Block Grant and Total CCDF Cluster	93.575	<u>285,070</u>	<u>-</u>
Total Federal Expenditures		<u>\$ 1,438,258</u>	<u>\$ 513,750</u>

**Independent School District No. 6070-50**  
**Itasca Area Schools Collaborative**  
**Notes to 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 – 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 Board of Directors  
Independent School District No. 6070-50  
Itasca Area Schools Collaborative  
Deer River, 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, and each major fund of Independent School District No. 6070-50, Itasca Area Schools Collaborative, Deer River, 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 December 5, 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Corrective Action Plans on Internal Control that we consider to be material weaknesses, Audit Findings 2022-001 and 2022-002.



### **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 statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **District's Responses to the Findings**

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Corrective Action Plans on Internal Control. The District's responses were not subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on the responses.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



St. Cloud, Minnesota  
December 5, 2022

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

**Independent Auditor's Report**

To the Board of Directors  
Independent School District No. 6070-50  
Itasca Area Schools Collaborative  
Deer River, 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. 6070-50, Itasca Area Schools Collaborative, Deer River, 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 the District's major federal program for the year ended June 30, 2022. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

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

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

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

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

**Responsibilities of Management for Compliance**

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

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

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

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

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

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

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

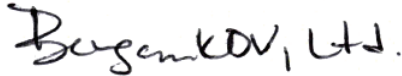
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

## Report on Internal Control over Compliance

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.



St. Cloud, Minnesota  
December 5, 2022

**Independent School District No. 6070-50  
Itasca Area Schools Collaborative  
Schedule of Findings and Questioned Costs  
in Accordance with the Uniform Guidance**

**SECTION I – SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued:	We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).
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Internal control over financial reporting:	
<ul style="list-style-type: none"> <li>• Material weakness(es) identified?</li> <li>• Significant deficiency(ies) identified?</li> </ul>	<p>Yes, Audit Findings 2022-001 and 2022-002</p> <p>None reported</p>

Noncompliance material to financial statements noted?	No
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**Federal Awards**

Type of auditor's report issued on compliance for major programs:	Unmodified
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Internal control over major programs:	
<ul style="list-style-type: none"> <li>• Material weakness(es) identified?</li> <li>• Significant deficiency(ies) identified?</li> </ul>	<p>No</p> <p>None reported</p>

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516?	No
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**Identification of Major Programs**

Assistance Listing No:	84.027, 84.173
Name of Federal Program or Cluster:	Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
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Auditee qualified as low risk auditee?	No
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**Independent School District No. 6070-50  
Itasca Area Schools Collaborative  
Schedule of Findings and Questioned Costs  
in Accordance with the Uniform Guidance**

**CURRENT AND PRIOR YEAR FINDINGS:**

**Material Weaknesses:**

**Audit Finding 2022-001 – Lack of Segregation of Accounting Duties**

*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:*

The District does not have adequate segregation of accounting duties.

*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:*

There are a limited number of office employees.

*Recommendation:*

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

**Independent School District No. 6070-50  
Itasca Area Schools Collaborative  
Schedule of Findings and Questioned Costs  
in Accordance with the Uniform Guidance**

**CURRENT AND PRIOR YEAR FINDINGS: (CONTINUED)**

**Material Weaknesses: (Continued)**

**Audit Finding 2022-001 – Lack of Segregation of Accounting Duties (Continued)**

*Management's Response:*

**CORRECTIVE ACTION PLAN (CAP):**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding  
Administration will review current segregation of accounting duties to determine if further segregation is possible.
3. Official Responsible for Ensuring CAP  
Jackie Skelly, Director, is the official responsible for ensuring corrective action of the deficiency.
4. Planned Completion Date for CAP  
The planned completion date for the CAP is June 30, 2023.
5. Plan to Monitor Completion of CAP  
The Board of Directors will be monitoring this CAP.

**Independent School District No. 6070-50  
Itasca Area Schools Collaborative  
Schedule of Findings and Questioned Costs  
in Accordance with the Uniform Guidance**

**CURRENT AND PRIOR YEAR FINDINGS: (CONTINUED)**

**Material Weaknesses: (Continued)**

**Audit Finding 2022-002 – Material Audit Adjustments**

*Criteria or Specific Requirement:*

Internal control that assures all material adjustments are identified and prepared by District personnel.

*Condition:*

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the District's existing internal controls and, therefore, could have resulted in a material misstatement of the District's basic financial statements.

In order to ensure basic financial statements were free from material misstatement, audit adjustments were required in the following areas:

- Revenues and receivables

*Context:*

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

*Effect or Potential Effect:*

The basic financial statements could have material misstatements.

*Cause:*

The District did not make all the required adjustments.

*Recommendation:*

Have all material entries completed before the audit.



**Independent School District No. 6070-50  
Itasca Area Schools Collaborative  
Schedule of Findings and Questioned Costs  
in Accordance with the Uniform Guidance**

**CURRENT AND PRIOR YEAR FINDINGS: (CONTINUED)**

**Material Weaknesses: (Continued)**

**Audit Finding 2022-002 – Material Audit Adjustments (Continued)**

*Management's Response:*

**CORRECTIVE ACTION PLAN (CAP):**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding  
The District Office will work to ensure that all entries are completed prior to the audit and seek assistance for complex entries.
3. Official Responsible for Ensuring CAP  
Jackie Skelly, Director, is the official responsible for ensuring corrective action of the deficiency.
4. Planned Completion Date for CAP  
The planned completion date for the CAP is June 30, 2023.
5. Plan to Monitor Completion of CAP  
The Board of Directors will be monitoring this CAP.

**Minnesota Legal Compliance**

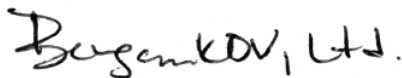
**Independent Auditor's Report**

To the Board of Directors  
Independent School District No.6070-50  
Itasca Area Schools Collaborative  
Deer River, 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. 6070-50, Deer River, 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 December 5, 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 is not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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



St. Cloud, Minnesota  
December 5, 2022