



Board of Education
Big Lake School District #727
Regular Meeting

Thursday, December 17, 2020
6:30 PM
Virtual

Mission Statement

Our mission is to challenge, educate, & inspire all students
to reach their highest level of achievement in
academics, athletics, & the arts.

I. Call to Order
Chair, Tonya Reasoner
II. Roll Call
Chair, Tonya Reasoner
III. Approve Agenda
Chair, Tonya Reasoner
IV. Pledge of Allegiance
Chair, Tonya Reasoner
V. Appoint Acting Clerk (F. Expand and Stregthen Public Support)
Chair, Tonya Reasoner
VI. Open Forum
Chair, Tonya Reasoner
VII. Consent Agenda
Chair, Tonya Reasoner
A. Previous Minutes
Minutes from the November 19, 2020 Regular Board Meeting
B. Claims and Accounts
Claims and Accounts for the month of December
C. Credit Card Report
D. Personnel 3
VIII. Donations 4
Chair, Tonya Reasoner
IX. Approve 19-20 Financial Audit (C. Strong Financial Foundation) 5
Director of Business Services, Angie Manuel and Caroline Stutsman, BerganKDV
X. Approve OPEB Debt Service Fund Balance Transfer to Debt Service Fund (C. 154
Strong Financial Foundation)
Director of Business Services, Angie Manuel
XI. Financial Report (C. Strong Financial Foundation) 155
Director of Business Services, Angie Manuel
November report will be presented.
XII. Approve Pay 2021 Property Tax Levy Certification (C. Strong Financial Foundation)
Director of Business Services, Angie Manuel
XIII. Approve Resolution Stating Official Intent to Proceed with Phase 2 of MS HVAC 175
Bonds (E. Facilities and Infrastructure Design)
Director of Business Services, Angie Manuel and Matthew Hammer, Ehlers
XIV. Approve Revised 10 Year LTFM Plan (E. Facilities and Infrastructure Design) 192
Buildings and Grounds Manager, TJ Zerwas and Director of Business Services, Angie Manuel

XV. Establish Combined Polling Places Resolution (*F. Expand and Strengthen Public Support*)

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Chair, Tonya Reasoner

XVI. Joint Powers Meeting (*F. Expand and Strengthen Public Support*)

Superintendent, Tim Truebenbach

Set Joint Powers Meeting for Thursday, January 21, 2021 at 6:00 PM Big Lake City Council Chambers.

XVII. Student Representative Report (*F. Expand and Strengthen Public Support*)

Student Representative, Ella Dotzler

XVIII. Superintendent Report (*F. Expand and Strengthen Public Support*)

Superintendent, Tim Truebenbach

Monthly Superintendent's Report

XIX. Adjournment

Chair, Tonya Reasoner

Strategic Directions

- A. Implement practices that ensure all learners achieve at exceptional levels
- B. Ensure that staff, students, and families share in the accountability for the educational success of each student
- C. Establish a strong financial foundation that supports achievement of school district goals
- D. Seamlessly integrate technology as both a tool and a catalyst to maximize daily learning opportunities for students and staff
- E. Ensure that the facilities and infrastructure of Big Lake Schools are designed to optimize student learning in a safe, sustainable, and attractive environment
- F. Expand and strengthen public support for the school district

**ISD 727 SCHOOL BOARD
PERSONNEL ACTIONS
12/17/2020**

Employee	Position	Effective Date
HIRE		
Brown, Jordyn	Long Term Substitute Teacher – Independence Elementary	11/30/2020
Kilde, Krystle	Kids Club Site Supervisor – Community Education	11/17/2020
Mahoney, Serena	Classroom Teacher – Temporary/Independence Elementary	12/11/2020
Piotraschke, Johnathon	Education Assistant – Independence Elementary	12/03/2020
Employee	Position	Effective Date
Long, Roger – Termination	LTS Building Custodian – Liberty Elementary	12/03/2020

***Changes added after original form distributed**

12/17/2020 12:30 PM

The following resolution was moved by _____ and seconded by _____:

RESOLUTION ACCEPTING DONATIONS

WHEREAS, Minnesota Statutes 123B.02, Subd. 6 provides: “The board may receive, for the benefit of the district, bequests, donations, or gifts for any proper purpose and apply the same to the purpose designated. In that behalf, the board may act as trustee of any trust created for the benefit of the district, or for the benefit of pupils thereof, including trusts created to provide pupils of the district with advanced education after completion of high school, in the advancement of education.”; and

WHEREAS, Minnesota Statutes 465.03 provides: “Any city, county, school district or town may accept a grant or devise of real or personal property and maintain such property for the benefit of its citizens in accordance with the terms prescribed by the donor. Nothing herein shall authorize such acceptance or use for religious or sectarian purposes. Every such acceptance shall be by resolution of the governing body adopted by a two-thirds majority of its members, expressing such terms in full.”; and

WHEREAS, every such acceptance shall be by resolution of the governing body adopted by a two-thirds majority of its members, expressing such terms in full;

THEREFORE, BE IT RESOLVED, that the School Board of Big Lake Schools, ISD 727, gratefully accepts the following donations as identified below:

Donor	Item	Designated Purpose (if any)
Minnco	\$500.00	PBIS at Independence
Riverside Church	40 \$100 gift cards	For families in need, 10 from each school

The vote on adoption of the Resolution was as follows:

Aye:

Nay:

Absent:

Whereupon, said Resolution was declared duly adopted on December 17, 2020.

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

Communications Letter

June 30, 2020

Independent School District No. 727
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Report on Matters Identified as a Result of the Audit of the Financial Statements

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

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 727, Big Lake, Minnesota, as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 have not been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error, or fraud may occur and not be detected by such controls. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

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 over financial reporting, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. The significant deficiency identified is stated within this letter

The District's written response to the significant deficiency identified in our audit has not been subjected to audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

The accompanying memorandum also includes financial analysis provided as a basis for discussion. The matters discussed herein were considered by us during our audit and they do not modify the opinion expressed in our Independent Auditor's Report dated December 2, 2020, on such statements.

This communication is intended solely for the information and use of management, the School Board, others within the District, and state oversight agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

Bergan KDV Ltd .

Minneapolis, Minnesota
December 2, 2020

Independent School District No. 727 Significant Deficiency

Lack of Segregation of Accounting Duties

The District had a lack of segregation of accounting duties in the cash disbursements, receipts, and payroll processes due to a limited number of office employees. The lack of adequate segregation of accounting duties could adversely affect the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Although this meets the definition of a "significant deficiency," it may not be practical to correct since the costs of obtaining desirable segregation of accounting duties may exceed benefits that could be derived.

Cash Disbursement Process

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

Cash Receipt

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

Payroll

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

Management is aware of this condition and will take certain steps to compensate for the lack of segregation but due to the number of staff needed to properly segregate all of the accounting duties, the cost of obtaining desirable segregation of accounting duties can often exceed benefits which could be derived. Because of this, management has determined a complete segregation of accounting duties is impractical to correct.

We recommend management, along with the School Board, remain aware of this situation, and continually monitor the accounting system including changes that occur.

Independent School District No. 727 Required Communication

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2020. Professional standards require that we advise you of the following matters related to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgement, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the RSI, which supplements the basic audit financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI was not audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we do not express an opinion or provide any assurance on the RSI.

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Our Responsibility in Relation to *Government Auditing Standards*

As communicated in our engagement letter, part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

**Independent School District No. 727
Required Communication**

Our Responsibility in Relation to Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)

As communicated in our engagement letter, in accordance with the Uniform Guidance, we examined, on a test basis, evidence about the District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the District's compliance with those requirements. While our audit provided a reasonable basis for our opinion, it did not provide a legal determination on the District's compliance with those requirements.

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

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in the notes to financial statements. There have been no initial selection of accounting policies and no changes to significant accounting policies or their application during 2020. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgements. Those judgements are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgements. The most sensitive estimates affecting the financial statements were:

Depreciation – The District is currently depreciating its capital assets over their estimated useful lives, as determined by management, using the straight-line method.

**Independent School District No. 727
Required Communication**

Qualitative Aspects of Significant Accounting Practices (Continued)

Significant Accounting Estimates (Continued)

General Education and Special Education Aid – General Education Aid is an estimate until average daily membership (ADM) values are final. Since this is normally not done until after the reporting deadlines, this Aid is an estimate. Special Education Aid is dependent on the availability of funds and complex formulas that are finalized after reporting deadlines.

Net Other Post Employment Benefits (OPEB) Liability, Deferred Outflows of Resources Related to OPEB and Deferred Inflows of Resources Related to OPEB – These balances are based on an actuarial study using the estimates of future obligations of the District for post employment benefits.

Net Pension Liability, Deferred Outflows of Resources Related to Pensions and Deferred Inflows of Resources Related to Pensions – These balances are based on an allocation by the pension plans using estimates based on contributions.

We evaluated the key factors and assumptions used to develop the accounting estimates and determined that they are reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For the purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effects of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole.

We identified the following uncorrected misstatement of the financial statements. Management has determined its effect is immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

- Understatement of GASB 68 state contribution in the General Fund

Independent School District No. 727 Required Communication

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the District's financial statements or the auditor's report. No such disagreements arose during the course of our audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management has informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating conditions affecting the District, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditor.

Other Information in Documents Containing Audited Financial Statements

We applied certain limited procedures to the RSI that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Independent School District No. 727
Financial Analysis

The following pages provide graphic representation of select data pertaining to the financial position and operations of the District for the past five years. Our analysis of each graph is presented to provide a basis for discussion of past performance and how implementing certain changes may enhance future performance. A subsequent discussion of this information should be useful for planning purposes.

Due to its complexity, it would be impossible to fully explain the funding of public education in Minnesota within this letter. The last section of this report, which contains a summary of legislative changes affecting school districts, gives an indication of how complicated the funding system is. The following section provides some state-wide funding and financial trend information.

Average Daily Membership And Pupil Units

The largest single funding source for Minnesota school districts is basic General Education Aid. Each year, the State Legislature sets a basic formula allowance. Total basic general education revenue is calculated by multiplying the formula allowance by the number of pupil units for which a district is entitled to aid. Pupil units are calculated by using a legislatively determined weighting system applied to ADM. Over the years, various modifications have been made to this calculation, including changes in weighting and special consideration for declining enrollment districts.

<u>Year</u>	<u>General Education Aid Formula Allowance</u>	
	<u>Amount</u>	<u>Percent Increase</u>
2011	\$ 5,124	0.0%
2012	5,174	1.0%
2013	5,224	1.0%
2014	5,302	1.5%
2015*	5,831	1.9%
2016	5,948	2.0%
2017	6,067	2.0%
2018	6,188	2.0%
2019	6,312	2.0%
2020	6,438	2.0%
2021	6,567	2.0%

* General Education Aid - Of the \$529 increase over 2014, \$105 is for inflation at 1.9%; the remaining \$424 is a shifting of revenue to adjust for pupil weight changes, pension adjustments changes and other restructuring.

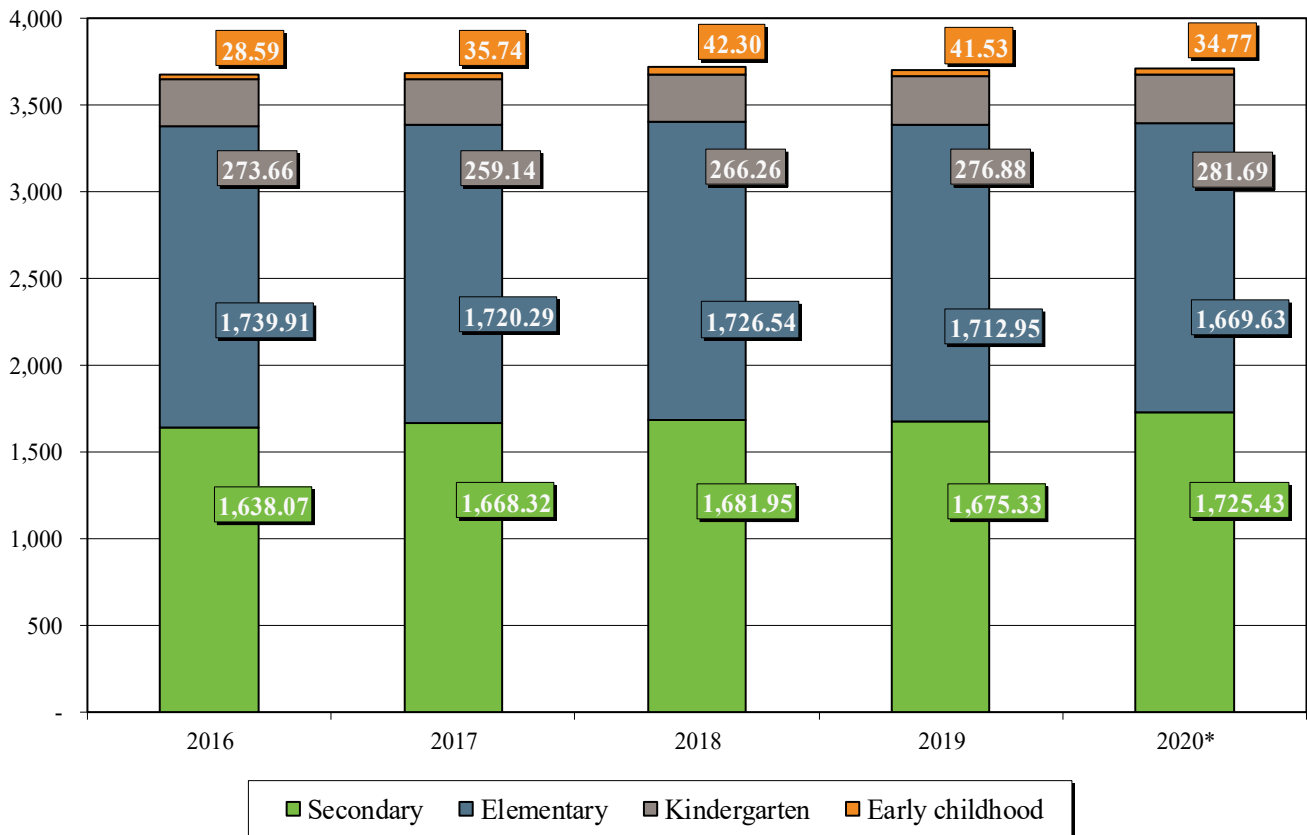
Independent School District No. 727 Financial Analysis

Average Daily Membership and Pupil Units (Continued)

The following table and graph summarizes resident ADM of the District for the past five years ended June 30.

ADM	2016	2017	2018	2019	2020*
Early childhood	28.59	35.74	42.30	41.53	34.77
Kindergarten	273.66	259.14	266.26	276.88	281.69
Elementary	1,739.91	1,720.29	1,726.54	1,712.95	1,669.63
Secondary	1,638.07	1,668.32	1,681.95	1,675.33	1,725.43
Total Resident ADM	3,680.23	3,683.49	3,717.05	3,706.69	3,711.52

Students (ADM)



* Estimate

Total resident ADM increased 0.1%, or 4.83 ADM, since 2019 and increased 0.8%, or 31.29 ADM, over the past five years.

Independent School District No. 727 Financial Analysis

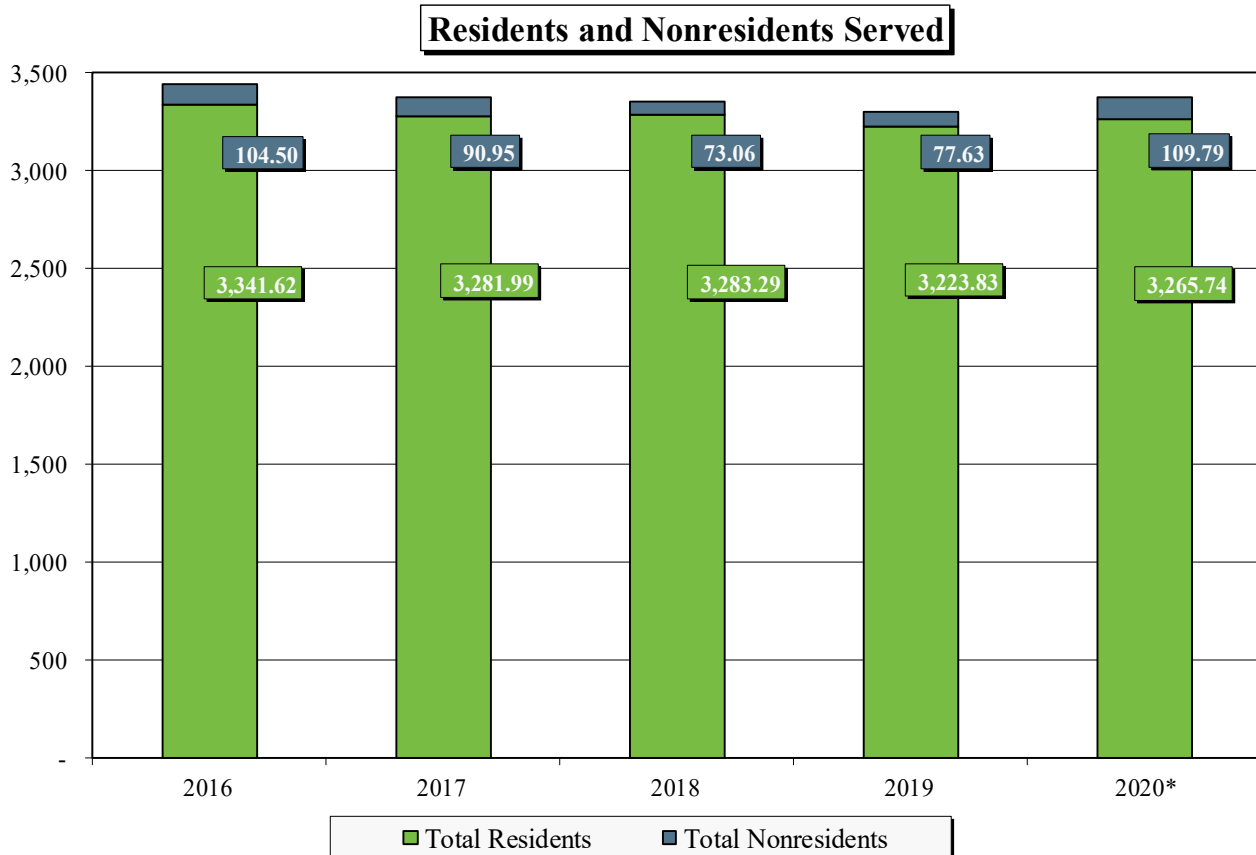
Average Daily Membership and Pupil Units (Continued)

To calculate a majority of the District's education aids, the ADM amounts are converted into pupil units by weighting, based on the student's grade level. These weighting factors are presented in the table below.

Pupil Units Weighting						
2016-2020	Kindergarten		Elementary	Elementary	Secondary	
	Pre-Kindergarten	Disabled	Kindergarten	Grades 1-3	Grade 4-6	Secondary
2016-2020	1.000	1.000	1.000	1.000	1.000	1.200

The PUN served table below and graph on the following page convert the resident ADM into weighted or adjusted pupil unit data for the past five years taking into consideration the above weighting factors and open enrollment.

WADM/PUN	2016	2017	2018	2019	2020*
Residents	4,007.84	4,017.15	4,053.03	4,041.77	4,056.60
Resident WADM/PUN loss	(666.22)	(735.16)	(769.74)	(817.94)	(790.86)
Nonresident WADM/PUN gain	104.50	90.95	73.06	77.63	109.79
Total WADM/PUN Served	3,446.12	3,372.94	3,356.35	3,301.46	3,375.53

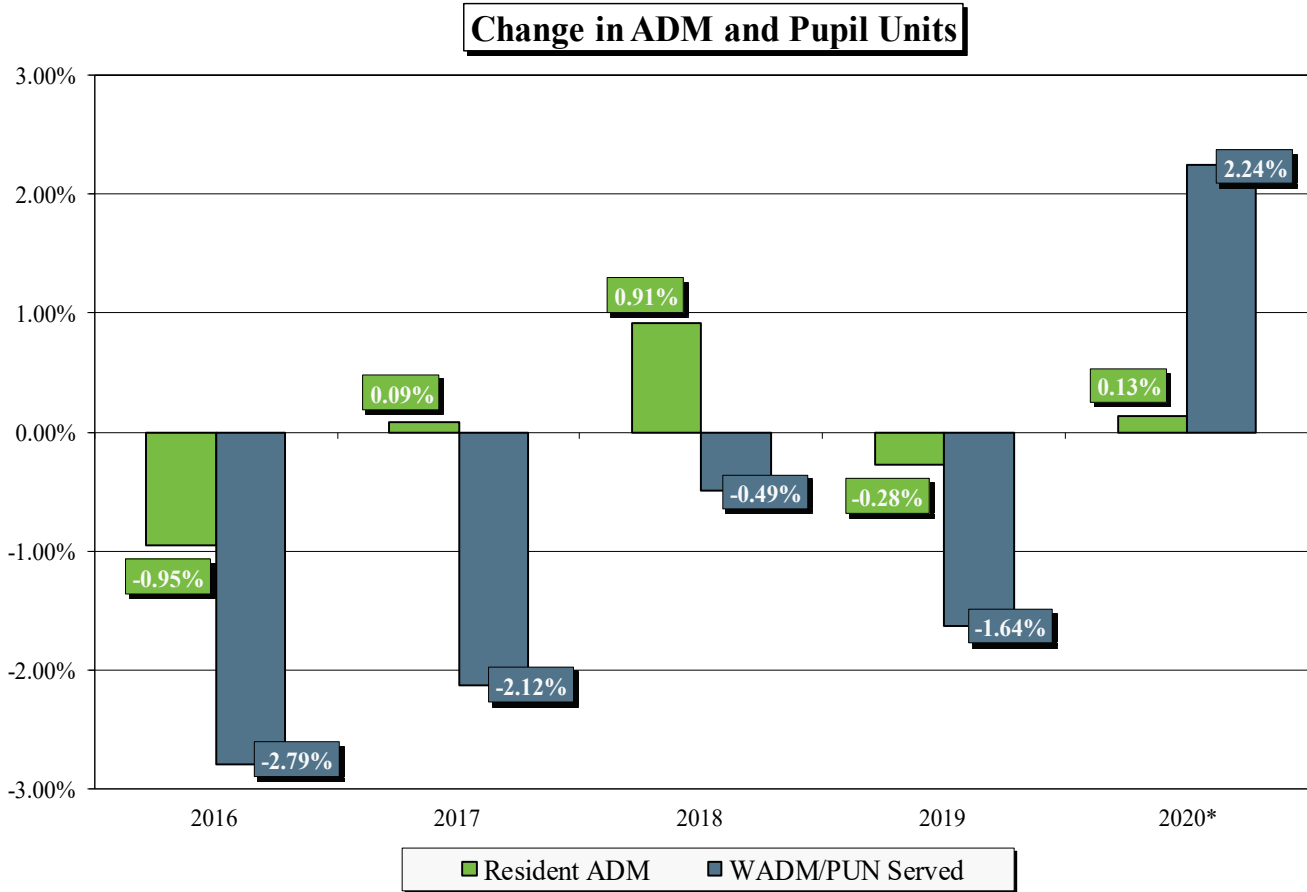


WADM served increased for the first time in the five years presented. The District continues to lose more resident WADM to open enrollment than it is gaining. In 2020, the District's PUN increased 2.2% from 2019.

**Independent School District No. 727
Financial Analysis**

Average Daily Membership and Pupil Units (Continued)

The following graph illustrates the percentage change from year-to-year in resident ADM and WADM served.



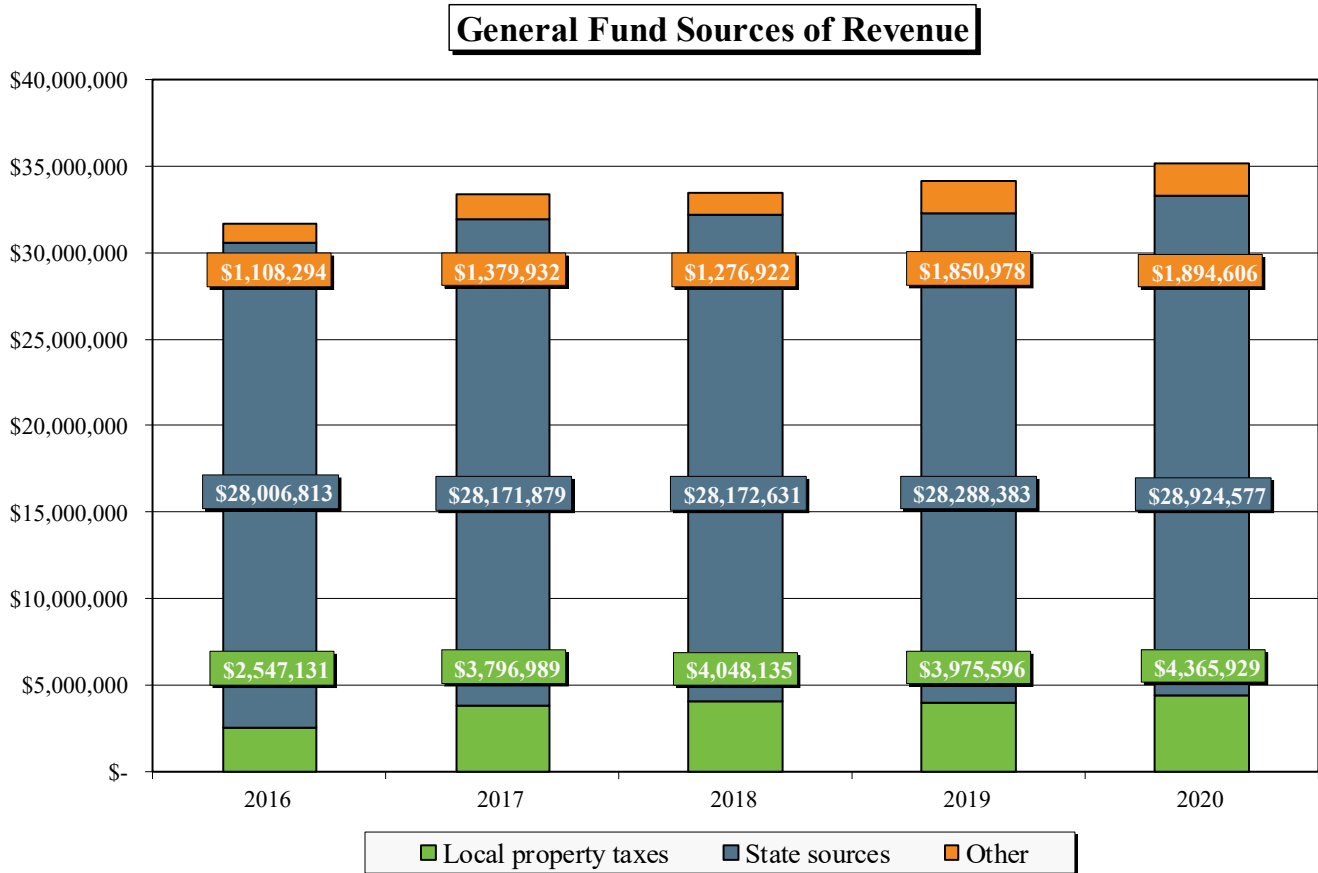
Independent School District No. 727 Financial Analysis

General Fund Sources of Revenue

General Fund sources of revenue are summarized as follows for the last five years:

	2016	2017	2018	2019	2020
Local property taxes	\$ 2,547,131	\$ 3,796,989	\$ 4,048,135	\$ 3,975,596	\$ 4,365,929
State sources	28,006,813	28,171,879	28,172,631	28,288,383	28,924,577
Other	1,108,294	1,379,932	1,276,922	1,850,978	1,894,606
Total	\$ 31,662,238	\$ 33,348,800	\$ 33,497,688	\$ 34,114,957	\$ 35,185,112

Total General Fund revenues increased \$1,070,155 or 3.1%, from 2019. The largest increase was in state sources as a result of an increase of 2.0% in the formula allowance and an increase in pupil units. Local property taxes increased due to an increase in the levy.



**Independent School District No. 727
Financial Analysis**

Expenditures Per Adm Served

Expenditures per student (ADM served) are summarized in the following table:

District	2016*	2017*	2018*	2019*	2020**
General Fund	\$ 9,683	\$ 10,196	\$ 10,422	\$ 11,148	\$ 10,828
Food Service	473	504	509	503	452
Community Service	589	688	757	796	654

State-Wide Average	2016*	2017*	2018*	2019*	2020
General Fund	\$ 11,956	\$ 12,249	12,596	13,025	N/A
Food Service	539	546	550	559	N/A
Community Service	550	579	606	638	N/A

* Source: *School District Profiles*, state-wide averages are for all districts regardless of size

** Estimate

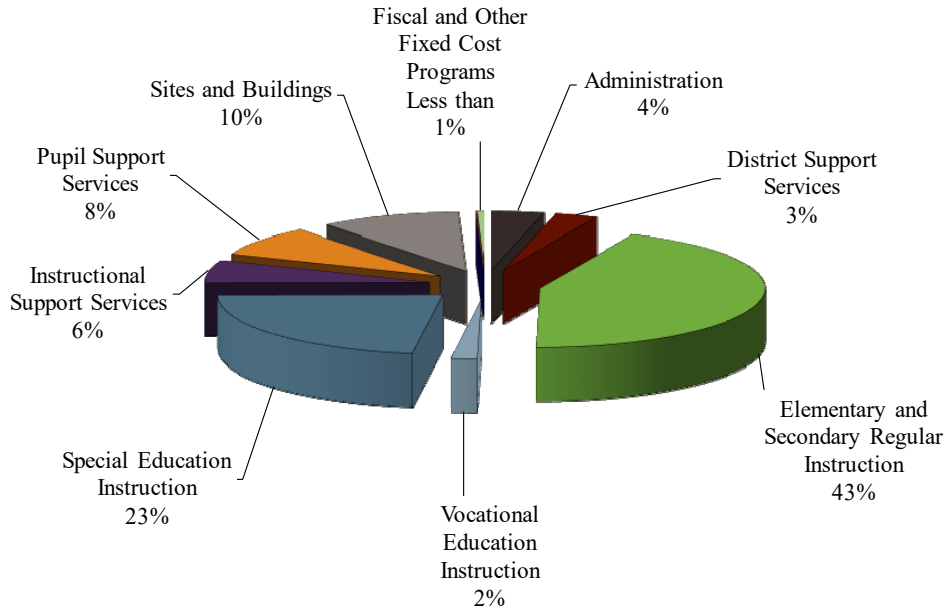
Expenditures per ADM served decreased 2.9% in the General Fund from 2019 to 2020. Total General Fund expenditures decreased 1.0% from the prior year, while ADM served increased 2.0%. Food service expenditures decreased 8.4% from 2019 to 2020, resulting in the decrease of 10.2% in expenditures per ADM served as shown above. Community service expenditures decreased 16.2% from 2019 to 2020 resulting in a decrease of 17.8% in expenditures per ADM served.

Independent School District No. 727 Financial Analysis

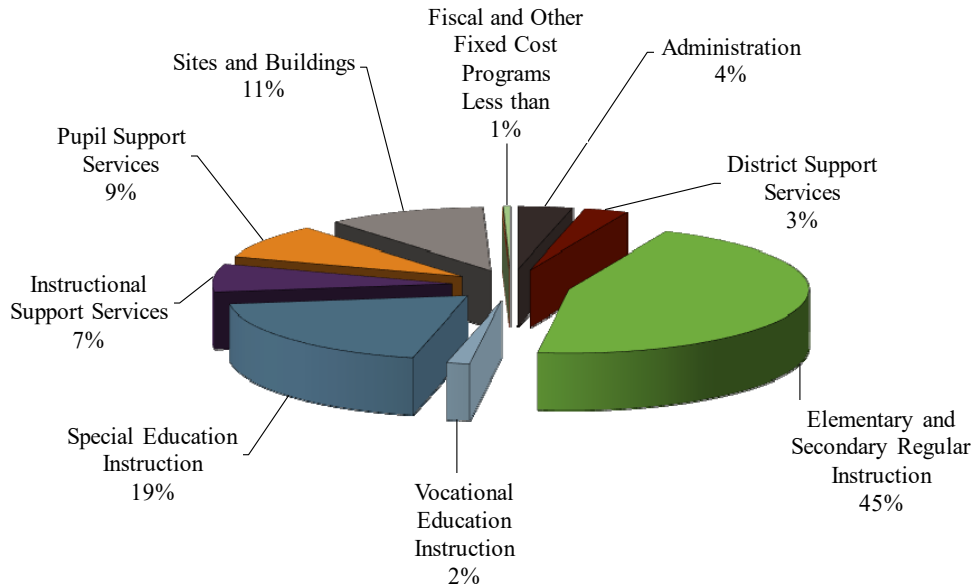
General Fund Expenditures

The following graphs depict the percentage of expenditures by function in the General Fund. The allocation of expenditures between 2019 and 2020 has been consistent from one year to the next. Special education increased to 23% of General Fund expenditures in 2020, compared to 19% in 2019.

2020 General Fund Expenditures



2019 General Fund Expenditures



The three instruction categories of regular, vocational, and special education comprised 68% and 66% of the total expenditures for 2020 and 2019, respectively.

Independent School District No. 727
Financial Analysis

General Fund Budget and Actual

The chart below outlines the District's final budget and actual results for the General Fund. In 2020, the District approved a budget anticipating expenditures would exceed revenues and other financing sources by \$1,226,048. This was modified in November of 2019 and April of 2020, increasing revenue by \$1,272,365, decreasing expenditures by \$254,703, and anticipated an increase in fund balance of \$301,540. In the end, revenues and other financing sources exceeded expenditures by \$1,462,903.

Total General Fund revenue sources ended the year with a 0.2% positive variance.

Overall, expenditures were 3.2% under budget. Regular instruction expenditures were \$316,465 under budget due to lower staffing costs for substitutes and spring activities coaches as a result of the stay at home order in effect from March through the end of the school year. Additionally, staffing increased from regular instruction to special education instruction as a result of the ADSIS program. Special education instruction expenditures were \$220,389 under budget as a result of conservative budgeting for health insurance benefit costs.

	2020			
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues				
Local property taxes	\$ 4,347,136	\$ 4,357,136	\$ 4,365,929	\$ 8,793
State sources	27,954,496	28,920,242	28,924,577	4,335
Other	1,546,851	1,843,470	1,894,606	51,136
Total revenues	<u>33,848,483</u>	<u>35,120,848</u>	<u>35,185,112</u>	<u>64,264</u>
Expenditures				
Administration	1,313,663	1,325,683	1,266,268	(59,415)
District support services	1,228,420	1,110,615	1,021,683	(88,932)
Regular instruction	15,322,612	14,983,222	14,666,757	(316,465)
Vocational education instruction	620,507	629,243	626,477	(2,766)
Special education instruction	7,328,347	7,888,020	7,667,631	(220,389)
Instructional support services	2,243,078	2,195,300	2,034,476	(160,824)
Pupil support services	3,253,533	2,891,541	2,793,158	(98,383)
Sites and buildings	3,539,339	3,561,233	3,403,411	(157,822)
Fiscal and other fixed costs	167,575	177,514	173,974	(3,540)
Community education and services	-	-	11,436	11,436
Debt service	57,457	57,457	57,458	1
Total expenditures	<u>35,074,531</u>	<u>34,819,828</u>	<u>33,722,729</u>	<u>(1,097,099)</u>
Excess of revenues over (under) expenditures	(1,226,048)	301,020	1,462,383	1,161,363
Other Financing Sources				
Insurance recoveries	-	520	520	-
Total other financing sources	-	520	520	-
Net change in fund balances	\$ (1,226,048)	\$ 301,540	\$ 1,462,903	\$ 1,161,363

Independent School District No. 727
Financial Analysis

General Fund

The following table presents five years of comparative operating results for the District's General Fund:

	2016	2017	2018	2019	2020
Revenues	\$ 31,662,238	\$ 33,348,800	33,497,688	34,114,957	35,185,112
Expenditures	31,082,765	32,004,832	32,585,535	34,054,607	33,722,729
Excess of revenues over (under) expenditures	579,473	1,343,968	912,153	60,350	1,462,383
Transfers/other financing Sources	-	-	222,520	247,007	520
Fund balance, July 1	5,293,714	5,873,187	7,217,155	8,351,828	8,659,185
Change in accounting principle	-	-	-	-	15,650
Fund Balance, June 30	\$ 5,873,187	\$ 7,217,155	\$ 8,351,828	\$ 8,659,185	\$ 10,137,738
Components					
Unassigned	\$ 3,889,033	\$ 5,102,332	\$ 6,122,852	\$ 6,748,712	\$ 7,548,558
Assigned for					
Athletics and activities	134,658	123,671	128,558	104,071	179,525
Targeted services	17,750	-	-	-	-
Student activities	113,262	111,317	107,940	118,135	-
Building level activities	-	-	-	-	122,937
Q Comp	245,130	270,498	230,761	129,791	138,190
STEM program	-	-	-	27,500	6,588
Copier replacement	-	-	-	35,000	30,000
Curriculum materials	-	-	-	50,000	79,806
Third party medical assistance	115,770	-	-	-	-
Moving costs	-	11,438	-	-	-
Gymnastics floor replacement	-	-	-	-	28,500
Special education transportation	-	-	-	-	11,454
Committed for					
Separation/retirement	509,720	535,627	573,511	596,778	620,191
Liberty shelter	-	-	-	6,702	29,120
TIES withdrawal fee	-	-	136,400	-	-
Ball field lights at four-plex	15,000	14,116	6,664	-	-
Restricted for					
Student activities	-	-	-	-	10,386
Scholarships	-	-	-	-	16,650
Basic skills	44,544	61,755	80,381	112,332	76,094
Long-term facilities maintenance	-	4,286	21,180	44,809	81,783
Capital projects levy	-	52,145	77,153	108,221	226,670
Medical assistance	-	140,219	118,218	92,243	230,996
Staff development	113,874	94,777	101,957	98,744	92,814
ALC	2,358	11,985	9,521	7,837	33,648
Health and safety	(62,173)	(5,496)	-	-	-
Operating capital	509,359	477,187	285,573	221,461	455,306
Nonspendable for					
Prepaid items	224,902	211,298	351,159	156,849	118,522
Total	\$ 5,873,187	\$ 7,217,155	\$ 8,351,828	\$ 8,659,185	\$ 10,137,738

Total revenues for the General Fund increased \$1,070,155 from 2019 as previously discussed. Total expenditures decreased \$331,878 from 2019. The largest variance was in special education instruction, which increased \$1,116,516 due to hiring additional special education employees based on student enrollment and needs and additional staffing as a result of beginning the ADSIS program. Instructional support services and pupil support services decreased due to reduced costs for staff development and transportation during the stay at home order. Sites and buildings expenditures decreased with lower utility and snow removal costs.

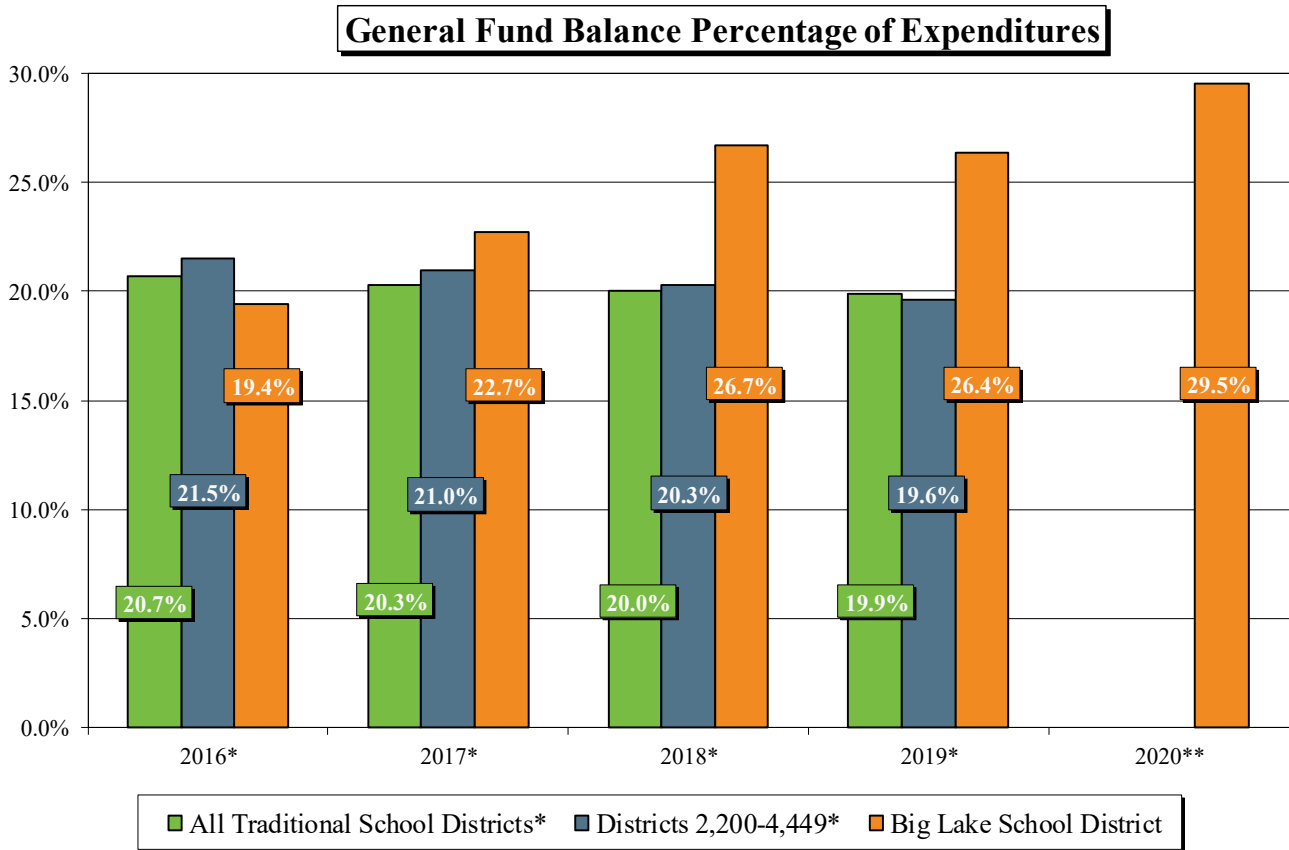
Independent School District No. 727 Financial Analysis

General Fund (Continued)

Overall, fund balance increased by \$1,462,903 from 2019, including an increase of \$799,846 in the unassigned fund balance.

General Fund Financial Health

One of the most common comparable statistics used to evaluate school district financial health is the operating fund balance as a percentage of operating expenditures.



* Information was obtained from the Minnesota Department of Education (MDE) web site report *Fiscal Year 2016-2019 General Fund Unreserved Balance*. Fiscal year 2020 information is not available.

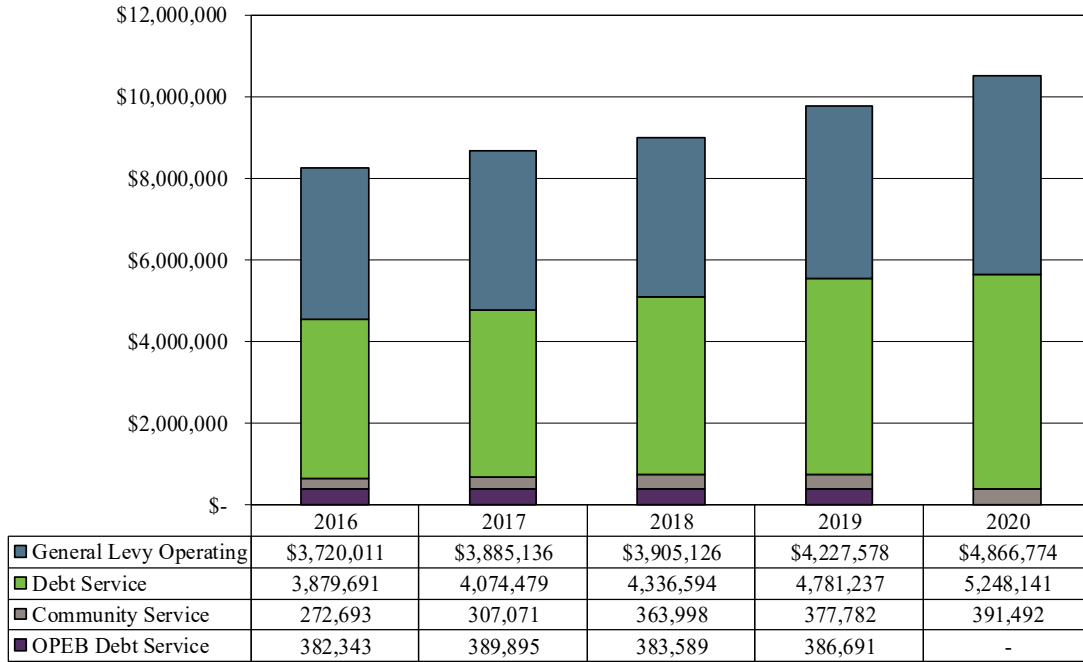
** Obtained from MDE Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Report

The calculations above reflect only the unrestricted fund balance of the General Fund and the corresponding expenditures, which is the same method which the state uses for the statutory operating debt (SOD) calculation. SOD is when a district's unrestricted fund balance ends the year below (2.5%). The District's unrestricted fund balance in comparison to its expenditures has historically been lower than both the state-wide average as well as other districts in the same ADM range, but 2017 and beyond exceeded the state-wide average.

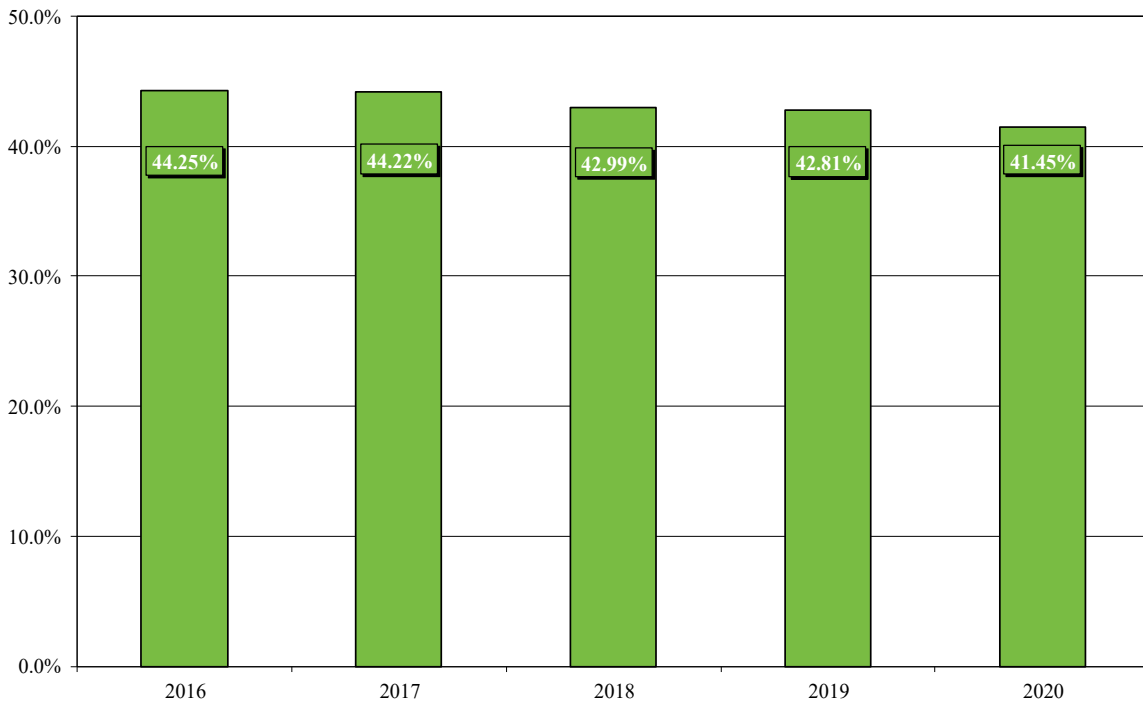
Independent School District No. 727 Financial Analysis

General Fund Operations

Computed Tax Levy



Tax Capacity Rates



**Independent School District No. 727
Financial Analysis**

Food Service Fund

The following table presents five years of comparative operating results for the District's Food Service Fund:

For the Year Ended June 30,	2016	2017	2018	2019	2020
Revenues	\$ 1,543,430	\$ 1,617,064	\$ 1,563,782	\$ 1,559,039	\$ 1,463,232
Expenditures	1,519,873	1,576,373	1,580,541	1,536,519	1,407,244
Excess of revenues over (under) expenditures	23,557	40,691	(16,759)	22,520	55,988
Fund balance, July 1	140,448	164,005	204,696	187,937	210,457
Fund Balance, June 30	\$ 164,005	\$ 204,696	\$ 187,937	\$ 210,457	\$ 266,445

In 2020, the Food Service Fund's revenues exceeded expenditures, resulting in an increase in fund balance of \$55,988. Food service revenues decreased \$95,807 from 2019, while expenditures decreased \$129,275. The decrease in activity is due to the stay at home order that began in March which reduced the amount of meals served through the end of the school year.

The graphs on the following page reflect the number and type of breakfast and lunch meals served to students.

**Independent School District No. 727
Financial Analysis**

Community Service Fund

The following table presents five years of comparative operating results for the District's Community Service Fund:

For the Year Ended June 30,	2016	2017	2018	2019	2020
Revenues	\$ 2,103,645	\$ 2,174,196	\$ 2,243,337	\$ 2,374,813	\$ 2,024,723
Expenditures	1,892,031	2,154,588	2,351,505	2,431,749	2,036,977
Excess of revenues over (under) expenditures	211,614	19,608	(108,168)	(56,936)	(12,254)
Fund balance, July 1	341,983	553,597	573,205	465,037	408,101
Fund Balance, June 30	\$ 553,597	\$ 573,205	\$ 465,037	\$ 408,101	\$ 395,847
Components					
Nonspendable	\$ 1,298	\$ 1,000	\$ -	\$ -	\$ -
Restricted/reserved for					
Community Education	424,446	373,609	312,718	345,321	359,366
ECFE	77,984	115,960	101,217	59,867	52,390
School Readiness	47,844	82,405	50,080	1,489	(23,826)
Fund purpose	2,025	231	1,022	1,424	7,917
Total	\$ 553,597	\$ 573,205	\$ 465,037	\$ 408,101	\$ 395,847

In 2020, expenditures exceeded revenues by \$12,254, resulting in a decrease in fund balance. Revenues decreased \$350,090 or 14.7%, from the prior year, while expenditures decreased 394,772 or 16.2%. The decrease in revenues was due to a decrease in fees collected as a result of the stay at home order related to COVID-19. The decrease in expenditures was due a decrease in program and staffing costs due to the stay at home order issued in March through the end of the school year.

Independent School District No. 727 Legislative Summary

The following is a brief summary of current legislative changes and issues affecting the funding of Minnesota school districts. More detailed and extensive summaries are available from the Minnesota Department of Education (MDE).

State Aid Appropriations

The formula allowance for 2020 General Education Aid was increased \$126 (2%) to \$6,438. For 2021, the formula allowance is set at \$6,567, which is an increase of \$129, or 2%.

Coronavirus Aid, Relief, and Economic Security (CARES) Act

Funding provided includes Governor's Emergency Education Relief (GEER) funding totaling \$38.1 million to MDE to be used for technology and summer school programming. Elementary and Secondary School Emergency Relief (ESSER) funding totaling \$140.1 million is 90% allocated based on 2020 Title I, part A allocations and 9.5% is allocated as grants, with the remaining 0.5% available for administration. Child Nutrition Grants to States funding totaled \$160.3 million.

Compensatory Revenue

A percentage of the total compensatory revenue must be used for extended time activities. This percentage was 5.5% for 2020. For 2021 and later, this restriction was eliminated.

Special Education

Beginning for 2020, cross subsidy reduction aid was established as a new component of the special education aid formula. Cross subsidy reduction aid is a percentage of each district's initial cross subsidy for the prior fiscal year – 2.6% for 2020 and 6.43% for 2021 and later. The tuition rate paid by the resident school district for open enrolled special education students served by another district or charter school was reduced from 90% to 85% of unfunded costs for 2020 and will be reduced to 80% for 2021 and later.

For 2020, the special education aid cap was increased to the greater of the current cap or the sum of 56% of current year special education program costs plus 100% of current year special education transportation cost plus the tuition adjustment. For 2021 and later, the cap is eliminated.

Beginning in 2021, the pupil-driven portion of the initial special education aid formula will reflect 2018 data.

The special education hold harmless guarantee was limited to the sum of 90% in 2020, and will be limited to 85% in 2021, 80% in 2022, and 75% in 2023 and later, of current year special education program costs plus 100% of special transportation costs plus the tuition adjustment. The annual inflation adjustment used in the calculation of the hold harmless will be reduced by 0.2% per year from 4.4% in 2021 until the inflation adjustment reaches 2.0%.

Formula Adjustments in Response to COVID-19

Special education 2020 expenditures for employees and contracted services that would have been eligible for state aid in the absence of school closures due to COVID-19 must be included as eligible expenditures for the calculation of special education aid and for tuition billing, regardless of whether special education services were actually provided during the closure. State aid savings due to lower meal counts for regular school food service programs are reallocated on a per meal served basis to school providing summer food service meals between March 16, 2020 and June 30, 2020.

Independent School District No. 727 Legislative Summary

Formula Adjustments in Response to COVID-19 (Continued)

MDE is authorized to adjust reimbursement rate for career and technical expenditures to ensure the full expected amount of funding is distributed to schools. Expenditures for individuals who were essential personnel prior to March 13, 2020 and would have been eligible to generate revenue in the absence of school closures due to COVID-19 may be included as eligible expenditures for the calculation of revenue, regardless of whether services were actually provided during the closure.

MDE may adjust 2020 transportation expenditures used to determine future aid to ensure the full amount of transportation aid, and interdistrict desegregation or integration transportation aid is equitable amount districts.

MDE may recalculate the contact hour reimbursement rate for 2021 or otherwise adjust the formula to fully spend the estimated adult basic education aid.

Tests administered during the 2019-2020 school year are excluded from the three-year averages used in computing literacy incentive aid for fiscal years 2021, 2022, and 2023, and allows the commissions to adjust formula rates for these years to ensure total aid does not fall below the amount estimated in the February 2020 forecast.

School age care revenue for fiscal years 2020 and 2021 only, received for spending on or after March 18, 2020, continues at its approved amounts. Program funds may be reallocated consistent with the process and limitations of the fund transfer provisions in the education bill.

After-school enrichment revenue for fiscal years 2020 and 2021 only, received for spending on or after March 18, 2020, may be reallocated consistent with the process and limitations of the fund transfer provisions in the education bill.

Early childhood screening aid for fiscal years 2020 and 2021 will be calculated using the formula amounts set in statute for each age group and the 2018-2019 school year counts of children screened for each age group.

School districts may carry over any unspent achievement and integration funds from its approved budget for fiscal year 2020 into 2021. If spent for approved purposes in fiscal year 2021, the district would generate additional 2021 revenue over and above the regular formula limitations.

Operating Referendum and Local Option Revenue (LOR) Simplification

For fiscal year 2021, the annual recalculation of referendum allowances approved before 2014 based on the amount of LOR a district opts to receive is eliminated. \$300 per pupil unit of referendum revenue is transferred to LOR and the board approved referendum is eliminated. To ensure there is no change in revenue, aid, or levy for any district, a two-tiered levy for LOR is created; Tier 1 of LOR replaces Tier 1 of the referendum. The referendum cap is reduced by \$300 to neutralize the impact of the \$300 transfer to LOR.

Independent School District No. 727 Legislative Summary

Fund Transfers

Emergency Executive Order allows a school district, charter school, or cooperative unit to make operating fund and account transfers for fiscal years 2020 and 2021 for certain costs related to care, transportation, technology, and for certain community service and food service salaries and benefits. Amounts transferred must not be already assigned or encumbered by staff salary and benefits, or otherwise encumbered by federal law. Fund or account transfers must be neutral for the district and not affect aid or levy revenues. Board approval is required, and transfers must be made prior to the UFARS reporting deadline for the fiscal year.

Debt Service Relief

For fiscal year 2021, districts unable to make required debt service payments because of an anticipated delay in property tax receipts may apply for modified cash flow payments under Minnesota Statutes, section 127A.45. The Commissioner of Education may adjust the timing of IDEAS state aid payments.

Property Tax Bill

Effective for taxes payable in 2018, there will be a property tax credit on all property classified as agricultural. The credit will be equal to 40% of the tax on the property attributable to school district bonded debt levies. The credit is increased to 50% for taxes payable in 2020, 55% for taxes payable in 2021, 60% for taxes payable in 2022, and 70% for taxes payable in 2023 and thereafter. Estimated property tax relief totals \$10.9 million for pay 2020, \$18.2 million for pay 2021, and \$27.2 million for pay 2022.

Effective for 2021, the equalizing factor for tier 2 of the operating referendum was increased from \$510,000 to \$567,000. For 2021, property tax relief totals \$9.4 million.

Safe Schools Supplemental Aid

Funding is contingent based on the 2019 closing balance and will be up to \$30 million. The aid was allocated among districts and charter schools based on total adjusted ADMs for 2018. The one-time aid was paid out on the October 30, 2019 IDEAS payment. Aid must be used for the same purposes as the safe schools levy.

Voluntary Prekindergarten (VPK)/School Readiness Plus

For 2020 and 2021 only, the 4,000 seats currently expiring after 2019 will continue to be funded.

Pension Bill

Augmentation has been eliminated for TRA members after December 31, 2017, and early retirement subsidies have been phased out.

Post-retirement cost of living adjustments (COLAs) have been reduced –

- 1) TRA – lowers the COLA from 2% to 1% for five years; then the rate will increase by 0.1% each year until it reaches 1.5%
- 2) PERA – the increase will be 50% of the increase for Social Security announced January 1, but not less than 0.5% or more than 1.5%
- 3) Defers commencement of COLA for early retirees

Independent School District No. 727
Legislative Summary

Pension Bill (Continued)

The rate of interest paid on refunds of employee contributions to former employees has been reduced from 4% to 3%. TRA required contributions have increased to 7.75% for employees effective for fiscal year 2024. Required employer contributions will increase 0.21% for fiscal year 2019 to fiscal year 2023 and 0.2% in fiscal year 2024 until a required contribution rate of 8.75% is reached.

Pension adjustment revenue will increase to match the required contribution increases.

Independent School District No. 727 Emerging Issue

Executive Summary

The following is an executive summary of financial and business related updates to assist you in staying current on emerging issues in accounting and finance. This summary will give you a preview of the new standards that have been recently issued and what is on the horizon for the near future. The most recent and significant update includes:

- **Accounting Standard Update – GASB Statement No. 87 – Leases** – GASB has issued GASB Statement No. 87 relating to accounting and financial reporting for leases. This new statement establishes a single model for lease accounting based on the principle that leases are financing of the right to use an underlying asset.

The following is an extensive summary of the current update. As your continued business partner, we are committed to keeping you informed of new and emerging issues. We are happy to discuss these issues with you further and their applicability to your District.

Accounting Standard Update – GASB Statement No. 87 – *Leases*

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement.

A short-term lease is defined as a lease that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Lessees and lessors should recognize short-term lease payments as outflows of resources or inflows of resources, respectively, based on the payment provisions of the lease contract.

Independent School District No. 727
Emerging Issue

Accounting Standard Update – GASB Statement No. 87 – *Leases* (Continued)

A lessee should recognize a lease liability and a lease asset at the commencement of the lease term, unless the lease is a short-term lease or it transfers ownership of the underlying asset. The lease liability should be measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease asset should be measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. A lessee should reduce the lease liability as payments are made and recognize an outflow of resources (for example, expense) for interest on the liability. The lessee should amortize the lease asset in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. The notes to financial statements should include a description of leasing arrangements, the amount of lease assets recognized, and a schedule of future lease payments to be made.

A lessor should recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for leases of assets held as investments, certain regulated leases, short-term leases, and leases that transfer ownership of the underlying asset. A lessor should not derecognize the asset underlying the lease. The lease receivable should be measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources should be measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods. A lessor should recognize interest revenue on the lease receivable and an inflow of resources (for example, revenue) from the deferred inflows of resources in a systematic and rational manner over the term of the lease. The notes to financial statements should include a description of leasing arrangements and the total amount of inflows of resources recognized from leases.

GASB Statement No. 87 is effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

Information provided above was obtained from www.gasb.org.

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

Financial Statements

June 30, 2020

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**Independent School District No. 727
Board of Education and Administration
June 30, 2020**

<u>Board of Education</u>	<u>Position</u>	<u>Term Expires</u>
Tonya Reasoner	Chairperson	December 31, 2022
Amber Sixberry	Treasurer	December 31, 2020
Mark Hedstrom	Clerk	December 31, 2020
Lenette Brown	Director	December 31, 2022
Dan Nygaard	Director	December 31, 2022
Tony Scales	Director	December 31, 2020
<u>Administration</u>		
Steve Westerberg	Superintendent	
Angie Manuel, CPA	Director of Business Services	
Robert Dockendorf	High School Principal	
Mark Ernst	Middle School Principal	
Caryl Gordy	Liberty Elementary Principal	
Jona Deveal	Independence Elementary Principal	

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 727, Big Lake, Minnesota, as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 727, Big Lake, Minnesota, as of June 30, 2020, and the respective changes in financial position thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Implementation of GASB 84

As discussed in Note 10 to the financial statements, the District has adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

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 the Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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.

Other Information

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

Other Matters (Continued)

Other Information (Continued)

The accompanying supplementary information identified in the Table of Contents and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such 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 2, 2020, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

BerganKDV Ltd.

Minneapolis, Minnesota
December 2, 2020

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

This section of the District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2020. Please read it in conjunction with the District's financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued in June 1999. Certain comparative information between the current year (2019-2020) and the prior year (2018-2019) is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for the 2019-2020 fiscal year include the following:

- Net Position increased from \$(5,753,226) to \$(4,025,609), an increase of \$1,727,617.
- General Fund revenues were \$35,185,112 as compared to expenditures of \$33,722,729 for revenues over expenditures of \$1,462,383.
- Total General Fund balance increased \$1,462,903. Unassigned General Fund Balance increased by \$799,846, due to enrollment growth as well as decrease in expenses from the change in learning models as required by the COVID-19 pandemic. Restricted and Committed/Assigned Fund balances increased by 717,034, due to an increase in restricted revenues and because of decreased expenses due to the change in learning models caused by the COVID-19 pandemic. Nonspendable Fund balance decreased by \$38,327.
- The District increased its long-term liabilities by \$2,907,771 as a result of issuing general obligation facilities maintenance bonds to finance a large heating and ventilation project at the Big Lake Middle School.

Overview of the Financial Statements

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

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

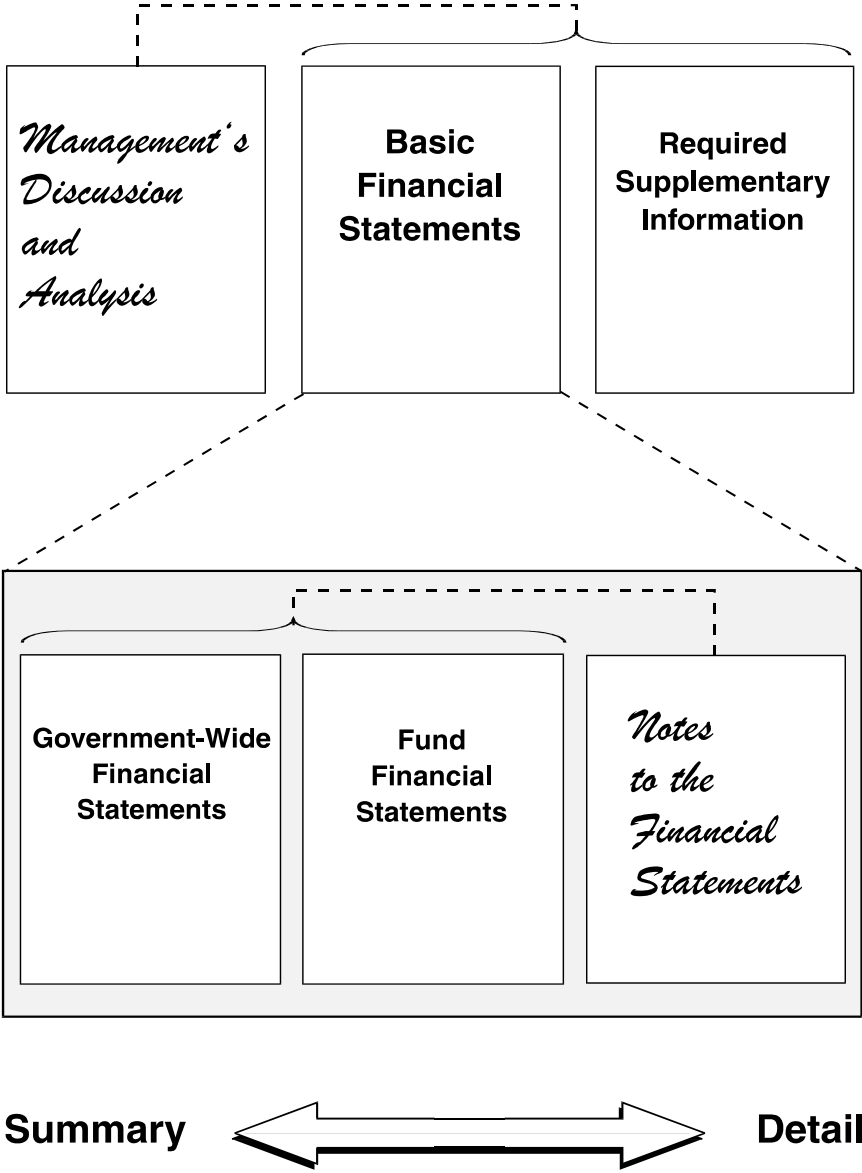
The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

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

Overview of the Financial Statements (Continued)

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

**Figure A-1
Annual Report Format**



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

Overview of the Financial Statements (Continued)

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

Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements				
Type of Statements	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District's government (except fiduciary funds) and the Districts Component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses	Instances in which the district is the trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> ◆ Statement of net position ◆ Statement of activities 	<ul style="list-style-type: none"> ◆ Balance sheet ◆ Statement of revenues, expenditures, & changes in fund balances 	<ul style="list-style-type: none"> ◆ Statement of net position ◆ Statement of changes in net position ◆ Statement of cash flows 	<ul style="list-style-type: none"> ◆ Statement of fiduciary net position ◆ Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the District's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-Wide Statements

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

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

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

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

Overview of the Financial Statements (Continued)

Government-Wide Statements (Continued)

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

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

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

Fund Financial Statements

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

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

The District has two types of funds:

- **Governmental Funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- **Fiduciary Funds:** The District is the trustee, or fiduciary, for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only by those to whom the assets belong. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

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

Financial Analysis of the District as A Whole

Net Position

The District's combined Net Position was (\$4,025,609) on June 30, 2020, an increase of \$1,727,617. (See Table A-1) This increase is mainly the result of an increase in the total general fund balance due to enrollment growth and decrease in expenses from the change in learning models as required by the COVID-19 pandemic. The fluctuations in the deferred outflows and deferred inflows of resources are related to various TRA and PERA state pension differences and changes in assumptions and proportion.

Table A-1

	Governmental Activities		Percentage Change
	2020	2019	
Current and other assets	\$ 33,150,748	\$ 29,270,468	13.26%
Capital and noncurrent assets	57,991,690	54,143,577	7.11%
Total assets	91,142,438	83,414,045	9.27%
Deferred outflows of resources	16,254,178	23,725,892	-31.49%
Current liabilities	10,181,776	9,646,878	5.54%
Long-term liabilities	65,286,717	61,599,331	5.99%
Total liabilities	75,468,493	71,246,209	5.93%
Deferred inflows of resources	35,953,732	41,646,954	-13.67%
Net position			
Invested in capital assets, net of related debt	16,027,753	14,776,398	8.47%
Restricted	3,549,047	2,565,298	38.35%
Unrestricted	(23,602,409)	(23,094,922)	-2.20%
Net position	\$ (4,025,609)	\$ (5,753,226)	30.03%

Changes in Net Position

The District's total revenues were \$44,582,327 for the year ended June 30, 2020. Property taxes, unrestricted state formula aid, and other revenue accounted for 75% of total revenue for the year (See Figure A-3). The remaining 25% came from other program revenues (charges for services, operating and capital grants, and contributions). The decline in charges for services is due to the shut down of school districts in mid-March due to the COVID-19 pandemic. Investment earnings decreased as a result of dropping interest rates as the global economy adjusted to the impact of the COVID-19 pandemic.

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

Financial Analysis of the District as A Whole (Continued)

Changes in Net Position (Continued)

Table A-2 Change in Net Position

	Governmental Activities for the Fiscal Year Ended June 30,		Total Percentage Change
	2020	2019	
Revenues			
Program revenues			
Charges for services	\$ 2,895,528	\$ 3,413,510	-15.17%
Operating grants and contributions	7,058,959	6,877,142	2.64%
Capital grants and contributions	1,098,584	1,154,314	-4.83%
General revenues			
Property taxes	9,901,243	9,023,377	9.73%
Unrestricted state aid	23,284,116	21,928,938	6.18%
Investment earnings	301,278	378,686	-20.44%
Other	42,619	106,197	-59.87%
Total revenues	<u>44,582,327</u>	<u>42,882,164</u>	<u>3.96%</u>
Expenses			
Administration	1,370,328	908,234	50.88%
District support services	1,043,134	947,451	10.10%
Regular instruction	16,821,807	11,140,867	50.99%
Vocational education instruction	654,377	421,832	55.13%
Special education instruction	8,107,966	4,918,134	64.86%
Instructional support services	2,323,077	2,121,716	9.49%
Pupil support services	2,853,430	2,714,276	5.13%
Sites and buildings	4,778,379	5,229,880	-8.63%
Fiscal and other fixed cost programs	173,974	152,677	13.95%
Food service	1,527,738	1,654,943	-7.69%
Community service	2,119,054	2,242,007	-5.48%
Interest and fiscal charges on Long-term liabilities	1,097,096	1,109,329	-1.10%
Total expenses	<u>42,870,360</u>	<u>33,561,346</u>	<u>27.74%</u>
Increase (decrease) in net position	<u>1,711,967</u>	<u>9,320,818</u>	<u>-81.63%</u>
Beginning net position	<u>(5,753,226)</u>	<u>(15,074,044)</u>	
Change in accounting principle	<u>15,650</u>	<u>-</u>	
Ending net position	<u>\$ (4,025,609)</u>	<u>\$ (5,753,226)</u>	

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

Financial Analysis of the District as A Whole (Continued)

Figure A-3 Sources of District Revenue for Fiscal 2020

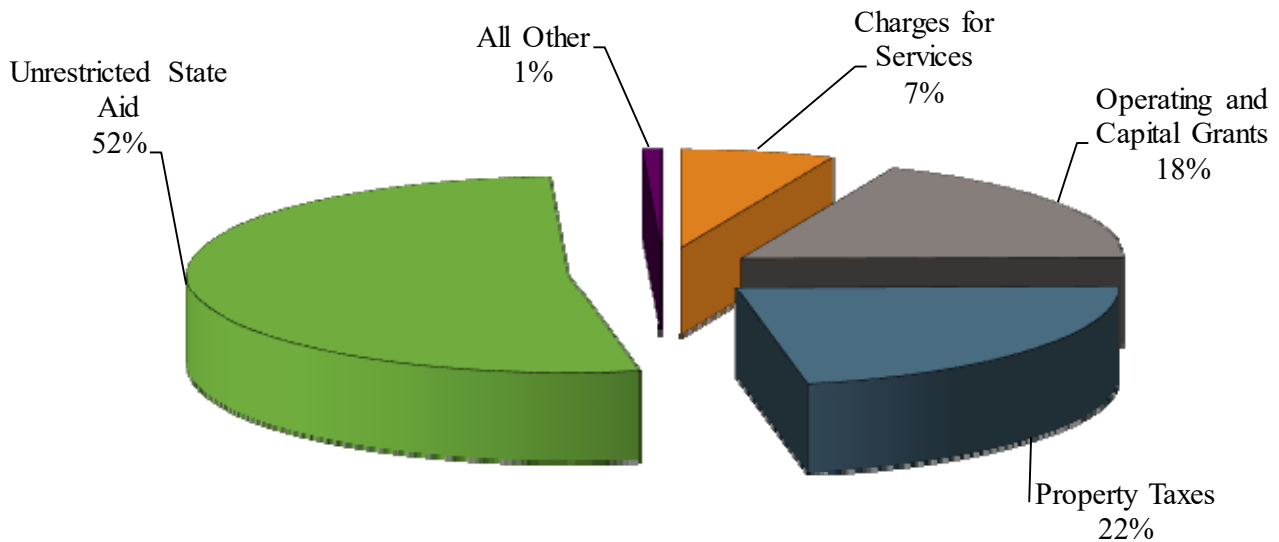
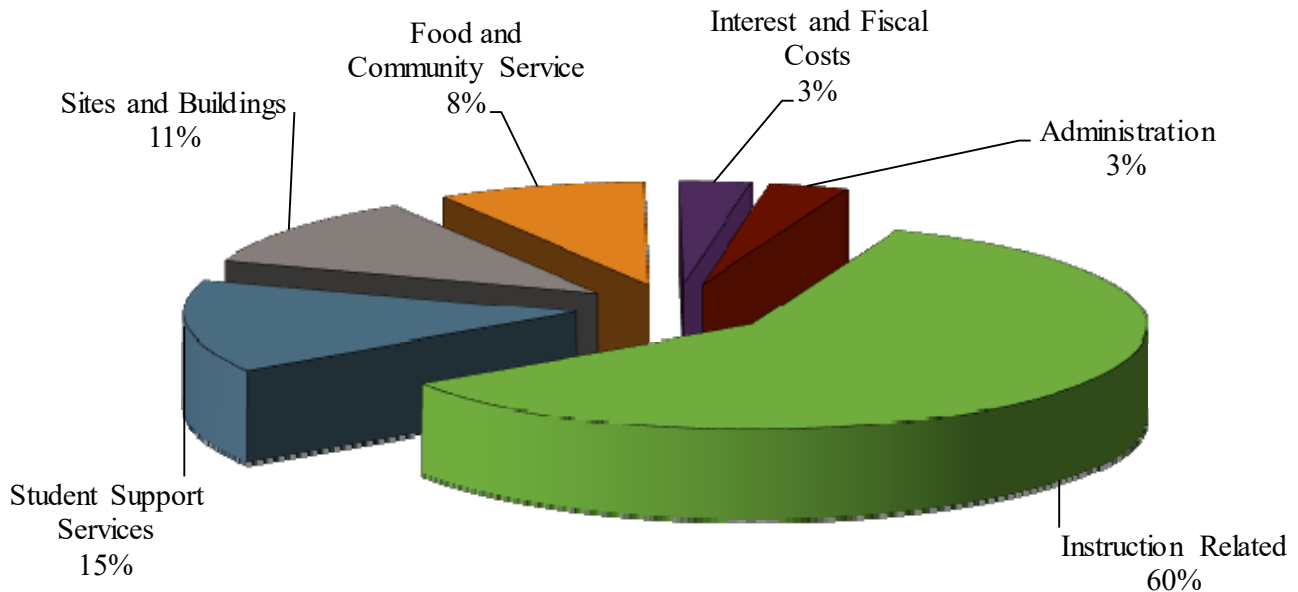


Figure A-4 District Expenses for Fiscal 2020



The total cost of all programs and services was \$42,870,360 for fiscal year 2020. The District's expenses are predominately related to educating and caring for students (75%). (See Figure A-4). Another 3% of expenses are related to interest and fiscal costs for the District's bonds. Another 11% supports the facilities maintenance needs of the entire District. Only 3% of costs are for administration. Finally, 8% of total expenses are for food and community service programs.

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

Financial Analysis of the District as A Whole (Continued)

The cost of all governmental activities this year was \$42,870,360.

- Some of the cost was paid by the users of the District's programs (\$2,895,528).
- The federal and state governments subsidized certain programs with grants and contributions (\$8,157,543).
- Most of the District's costs (\$33,529,256); however, were paid for by District taxpayers and taxpayers of the State of Minnesota.

Typically the District does not incorporate funds allocated to direct instruction as part of an analysis of expenditures in all governmental funds. Funding for general operation of the District is controlled by the state and the District does not have latitude to allocate money received from entrepreneurial-type funds like Food Service and Community Education. Therefore, a more accurate analysis would be limited to the allocation of resources received for the general operation of the District and would show that 75% of those resources are spent on instruction and support services associated with education.

**Table A-3
Program Expenses and Net Cost of Services**

	Total Cost of Services		%	Net Cost of Services		%
	2020	2019		Change	2020	
Administration	\$ 1,370,328	\$ 908,234	50.88%	\$ 1,370,828	\$ 908,234	50.93%
District support services	1,043,134	\$ 947,451	10.10%	1,043,125	947,113	10.14%
Regular instruction	16,821,807	\$ 11,140,867	50.99%	13,486,282	7,685,039	75.49%
Vocational education instruction	654,377	421,832	55.13%	599,374	370,189	61.91%
Special education instruction	8,107,966	4,918,134	64.86%	4,623,054	1,621,079	185.18%
Instructional support services	2,323,077	2,121,716	9.49%	1,861,303	1,680,005	10.79%
Pupil support services	2,853,430	2,714,276	5.13%	2,802,028	2,690,212	4.16%
Sites and buildings	4,778,379	5,229,880	-8.63%	4,207,906	4,603,899	-8.60%
Fiscal and other fixed cost programs	173,974	152,677	13.95%	173,974	152,677	13.95%
Food service	1,527,738	1,654,943	-7.69%	68,684	100,251	-31.49%
Community service	2,119,054	2,242,007	-5.48%	484,135	248,353	94.94%
Interest and fiscal charges on long-term liabilities	1,097,096	1,109,329	-1.10%	1,097,096	1,109,329	-1.10%
Total	\$42,870,360	\$33,561,346	27.74%	\$31,817,789	\$22,116,380	43.87%

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

Financial Analysis of the District's Funds

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$17,544,591. Revenues for the District's governmental funds were \$44,571,533 while total expenditures were \$49,734,066, for a decrease of \$5,162,533. After other financing sources of \$7,718,515, the combined fund balance increased \$2,555,982. This increase is the result of a \$1.46 million surplus in the General Fund as well as the issuance of the District's 2020A General Obligation Facilities Maintenance Bonds to fund the costs of a heating and ventilation construction project in the Big Lake Middle School.

General Fund

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

The majority of General Fund revenue is generated by state general education aid. The basic formula allowance in 2020 was \$6,438 per adjusted marginal cost per pupil unit (AMCPU). Other factors that influence the general education aid formula include operating referendum allowance, age of school buildings, transportation sparsity index, percent of eligible free and reduced students, number of English Learner (EL) students, number of Gifted and Talented students, and number of open enrolled students in and out of the District. Total general education aid was \$24,949,312, which represents 71% of total General Fund revenue. The other major General Fund revenue is state special education aid. Total special education aid in 2020 was \$2,699,272, 8% of total General Fund revenue. Other state formulas then determine what portion of the general fund revenue will be provided by property taxes. Property taxes totaled \$4,365,929, 12% of total General Fund revenue. After factoring in general education aid, special education aid and property taxes, which are all formula driven, only 9% of General Fund revenues are generated by other miscellaneous state aids, aid from the federal government and local revenues such as fees or sales.

General Fund - Enrollment

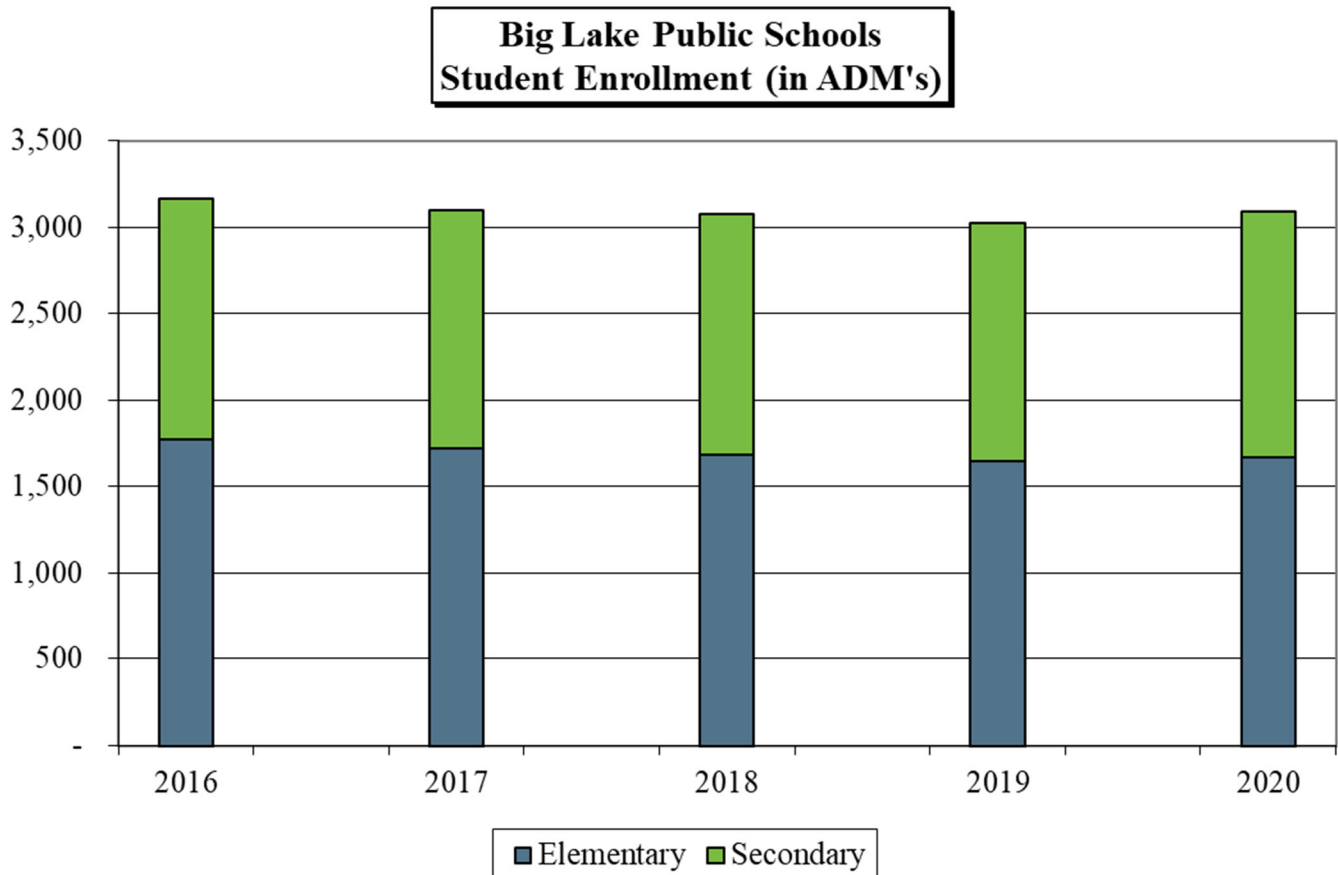
Enrollment is a critical factor in determining revenue with approximately 84% of General Fund revenue being determined by student counts. The chart on the next page indicates that enrollment increased for the first time in five years. While school choice, such as open enrollment, charter schools, online learning, private schools, and home schooling continue to negatively impact enrollment, an aggressive marketing and public relations campaign reaped some benefits in attracting students back to Big Lake Schools.

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

	2016	2017	2018	2019	2020
Elementary	1,773	1,718	1,686	1,649	1,668
Secondary	1,394	1,379	1,391	1,377	1,423
Total	3,259	3,167	3,097	3,077	3,091
		-2.83%	-2.20%	-0.65%	0.45%

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

General Fund – Enrollment (Continued)



General Fund – Revenues/Expenditures

The table below presents a summary of General Fund Revenues:

**Table A-5
General Fund Revenues**

Fund	Year Ended		Change	
	June 30,		Increase	Percent
	2020	2019	(Decrease)	
Local sources				
Property taxes	\$ 4,365,929	\$ 3,975,596	\$ 390,333	9.82%
Investment earnings	169,371	194,662	(25,291)	-12.99%
Other	1,268,753	1,238,945	29,808	2.41%
State sources	28,924,577	28,288,383	636,194	2.25%
Federal sources	456,482	417,371	39,111	9.37%
Total	\$ 35,185,112	\$ 34,114,957	\$ 1,070,155	3.14%

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

General Fund – Revenues/Expenditures (Continued)

Revenues from the General Fund totaled \$35,185,112, an increase of 3.14% from the prior year. Property taxes increased in the general fund mainly due to decreased equalization aid from the state of Minnesota, resulting in a greater property tax burden on the local taxpayers. Investment earnings decreased due to the rapid drop in interest rates as a result of the economic impact of the COVID-19 pandemic. State sources increased due to increased enrollment and 2% increase on the general education aid formula allowance. In addition, the District receive one time safe schools aid of \$107,000 from the state of Minnesota. Increased spending in Title II and Title IV federal grants is the reason for the increase in federal sources revenue.

The following schedule presents a summary of General Fund Expenditures:

**Table A-6
General Fund Expenditures**

	Year Ended		Change	
	2020	2019	Increase (Decrease)	Percent
Salaries	\$ 19,847,256	\$ 19,608,149	\$ 239,107	1.22%
Employee benefits	7,469,920	7,204,622	265,298	3.68%
Purchased services	4,766,820	5,098,117	(331,297)	-6.50%
Supplies and materials	965,230	1,585,267	(620,037)	-39.11%
Capital expenditures	524,204	381,524	142,680	37.40%
Debt service	57,458	57,458	-	N/A
Other expenditures	91,841	119,470	(27,629)	-23.13%
Total	\$ 33,722,729	\$ 34,054,607	\$ (331,878)	-0.97%

Total General Fund expenditures decreased .97% from the prior year. The change in learning model to distance learning due to the COVID-19 pandemic in mid-March resulted in the overall decrease in expenditures. Employee salaries and benefits increased 1.22% and 3.68%, respectively. The salaries increase would have been higher but the distance learning model beginning in mid-March as well as cancellation of the spring sports and activities season resulted in a savings in substitute costs and coaches pay of approximately \$213,000. The purchased services decrease is a result of paying 85% of the District's transportation contract during distance learning and savings in utilities from the shutdown of buildings beginning in mid-March. The large decrease in supplies and materials is due to a two year buy of curriculum materials in 18-19 as well as less supplies and materials needed from mid-March to the end of the school year. Capital expenditures increased due to the purchase of bus camera equipment with the one time safe schools aid revenue as well as a capital equipment purchase for buildings and grounds.

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

General Fund – Revenues/Expenditures (Continued)

Total General Fund balance increased \$1,462,903. Unassigned General Fund balance increased by \$799,846 mainly as a result of savings in expenditures due to the change in learning models and shutdown of buildings in mid-March from the COVID-19 pandemic. Restricted and Committed/Assigned Fund balances increased by \$701,384. Nonspendable Fund balance decreased by \$38,327. The Unassigned Fund Balance, or fund balance available for operations, is 22.3% of total General Fund expenditures.

Fund balance is the single best measure of overall financial health. It is the goal of the Big Lake Board of Education to maintain an unassigned fund balance of 8% of general fund operating expenditures. For the fiscal year ended June 30, 2020, the Big Lake School District is in compliance with that fund balance goal.

General Fund Budgetary Highlights

Actual revenues were \$64,264 over the final budget, a .2% variance. The variance is due to more than expected investment earnings and medical assistance revenue. Actual expenditures were \$1,097,099 under budget, a 3.2% variance. The expenditure variance is mainly the result of less expenditures due to the change in learning models to distance learning in mid-March due to the COVID-19 pandemic.

The General Fund budget is adjusted several times throughout the year for changes in enrollment, changes in special education funding assumptions, changes in other state aids, and expenditure changes such as staffing costs, transportation, utilities and capital expenditures. In fiscal year 2020, revenue was adjusted for increased enrollment, changes in special education funding, receipt of one time safe schools aid, increased medical assistance revenue, and changes in local fees due to the COVID-19 pandemic. As for expenditures, the budget was changed throughout the year for changes in staffing and benefit assumptions, decreased utilities expenditures from a mild winter, decrease in transportation from less than expected SPED routes and change in contract due to change to distance learning and finally, decreased expenditures due to change in learning models as a result of the COVID-19 pandemic.

Debt Service Fund

The Debt Service Fund revenues exceeded expenditures and other financing sources by \$501,291 in 2019-2020. \$536,967 in capitalized interest from the 2020A General Obligation Facilities Maintenance bond proceeds were required to be deposited to the debt service fund, per bond covenants, for fiscal year 20-21 to 22-23 bond interest payments. Without the deposit of this capitalized interest, the Debt Service Fund would have decreased by \$35,676. School districts in Minnesota are only allowed to keep 5% of the following year's bond principal and interest payments due in their ending fund balance. Any excess fund balance is returned to the local taxpayers in a subsequent year property tax levy.

Capital Projects Fund

In 2018-2019, the District issued \$3,750,000 in Tax Abatement and Facilities Improvement Bonds. This bond issue funded major improvements to parking lots across the entire District. The District also continued roof replacement at Independence Elementary and other deferred maintenance and paving projects as identified in the Districts 10 year Long Term Facilities Maintenance (LTFM) Plan. Most of these projects were completed in 2019-2020.

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

Capital Projects Fund (Continued)

In 2019-2020 the District issued \$7,350,000 in General Obligation Facilities Maintenance Bonds for Phase I of renovating and updating the Big Lake Middle School heating, ventilation, and air conditioning (HVAC) system. The bonds also funded replacement of boilers at Independence Elementary. The project is expected to be completed over two years and a second set of facilities maintenance bonds will be issued in 2020-2021 to complete Phase II of the project.

Other Non-Major Funds

The Other Post Employment (OPEB) Benefits Debt Service fund was created in 2008-2009 to account for the property tax levy revenues and repayment of OPEB bonds that were issued in June 2009. These revenues and expenditures are required by the State of Minnesota to be reported in a separate fund. The final payment of the OPEB bonds was made in fiscal 2019-2020 and the surplus in this fund will be transferred to the Debt Service Fund in fiscal 2020-2021 to reduce future debt service levy payments.

The Food Service Fund balance increased \$55,988 for an ending fund balance of \$266,445. A larger federal reimbursement rate due to the change in food service delivery models during distance learning contributed to the surplus as well as controlled costs during the COVID-19 pandemic. The ending fund balance represents slightly over one and a half months' of expenditures.

The Community Service Fund experienced significant challenges at the start of the COVID-19 pandemic. Minnesota school districts were required to provide free child care to children of essential workers as well as school district employees. In addition, all community education programming came to a halt in mid-March. Fortunately, swift action in reducing costs due to the loss of revenue and CARES Act funding from a local government agency resulted only in \$12,254 expenditures exceeding revenue. Total combined fund balance decreased to \$395,847. The ending fund balance represents approximately 19% of expenditures.

Capital Assets and Debt Administration

Capital Assets

By the end of 2020, the District had invested approximately \$97 million in a broad range of capital assets, including school buildings, athletic facilities and fields, computers, and other technology equipment. (More detailed information about capital assets can be found in Note 3 to the financial statements.) Total depreciation expense for the year was \$2.4 million.

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

	2020	2019	Percentage Change
Land	\$ 784,389	\$ 784,389	0.00%
Construction on progress	5,389,338	3,414,985	57.81%
Land improvements	4,658,459	4,944,879	-5.79%
Buildings and improvements	44,543,980	42,177,428	5.61%
Equipment	2,615,524	2,821,896	-7.31%
Total	\$ 57,991,690	\$ 54,143,577	7.11%

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

Capital Assets and Debt Administration (Continued)

Capital Assets (Continued)

Each year, departments review their machinery and equipment capital inventories. Disposals are then accounted for accordingly as items are sold or deemed obsolete. The overall increase in capital assets is a result of construction projects from the District's 2019A Tax Abatement and Facilities Maintenance Bonds and 2020A General Obligation Facilities Maintenance Bonds.

Construction – Next Five Years

With the passage of the new long-term facilities maintenance revenue (LTFM) program by the Minnesota Legislature in June, 2015, the District has been issuing facilities maintenance bonds every one to two years. The District expects to issue another set of facilities maintenance bonds in January 2021 to finance Phase II of the replacement of HVAC systems and boilers at the Middle School and Independence Elementary. Once the District issues the Phase II HVAC bonds in January 2021, it is not expected the District will issue any more facilities maintenance bonds for several years.

Long-Term Liabilities

At year-end, the District had \$47,019,969 in total long-term debt, an increase of 6.59% from last year, as shown in Table A-8. Included in this total, the District has \$381,806 in severance liabilities. More detailed information about long-term liabilities can be found in Note 4 to the financial statements.

**Table A-8
Long-Term Liabilities**

	Total Cost of Services		Percentage Change
	2020	2019	
General obligation bonds	\$ 44,460,000	\$ 41,505,000	7.12%
Premium	1,854,965	1,878,172	-1.24%
Capital lease	111,721	166,025	-32.71%
Severance payable	381,806	386,508	-1.22%
Compensated absences payable	211,477	176,493	19.82%
 Total	 <u>\$ 47,019,969</u>	 <u>\$ 44,112,198</u>	 6.59%

General obligation bonds increased 7% due to the issuance of the 2020A General Obligation Facilities Maintenance Bonds. The capital lease is a technology lease with a term of four years; therefore, the total amount decreased 32% from 18-19 to 19-20. Compensated absences increased 20% due to a change in interpretation of union contract language for vacation leave for certain union groups and employees.

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

Factors Bearing on the District's Future

The 2019-2020 General Fund balance closed the year at \$10,137,738 with the Unassigned General Fund balance, or fund balance available for operations, closing at \$7,548,558, an increase of \$799,846. The Unassigned General Fund balance represents 22.3% of total General Fund expenditures. The District was able to improve its financial position at the start of the COVID-19 pandemic due to decreased expenditures with the change in learning model to distance learning, as required by the State of Minnesota in mid-March. The state of Minnesota also held districts harmless in all areas of funding, including general education and special education aid, the District's two main sources of revenue.

Despite the improved financial condition in 2019-2020, there is concern about the future due to the COVID-19 pandemic. Even though enrollment increased in 2019-2020, enrollment will decrease in 2020-2021 due to many parents choosing to homeschool or enroll their students in private or online schools. This is a common theme across the state of Minnesota. Big Lake is expected to experience an approximately 3% decrease in enrollment in 2020-2021. Fortunately, the District invested in an online platform prior to the 2020-2021 school year and created a "Big Lake Online" option for families in 2020-2021. Without this platform, the enrollment loss would have been significantly more. It is the District's plan to apply for a Big Lake Online site for the 2021-2022 school year and aggressively market this new enrollment choice for Big Lake families, even after the pandemic is over. The intent is to attract Big Lake resident students that had left the district for online platforms even before the pandemic began.

A significant amount of the 2020-2021 increased expenditures due to the COVID-19 pandemic have been offset by CARES Act funding from the state of Minnesota, Sherburne County, and Big Lake Township. The concern is this funding will be spent prior to the end of 2020-2021 and extra costs may still be incurred in the latter part of this fiscal year and into the 2021-2022 school year, depending on how long the pandemic lasts.

The one last important factor bearing on the District's future is the concern about the status of the state of Minnesota's budget. The winter and spring of 2021 will be the Legislative session that develops the State's budget for the next two fiscal years. It is widely anticipated districts across the state of Minnesota will receive little to no increase in general education funding. Accounting tactics such as payment shifts and the tax shift is expected to come back, which will affect the cash flow of Minnesota school districts. Fortunately, the Big Lake School District is well positioned to weather the financial storm that will more than likely be coming in the next few years.

The District is committed to strive to maintain its long-standing commitment to academic excellence and educational opportunities for students within a framework of financial fiduciary responsibility.

Contacting the District's Financial Management

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

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BASIC FINANCIAL STATEMENTS

Independent School District No. 727
Statement of Net Position
June 30, 2020

	<u>Governmental Activities</u>
Assets	
Cash and investments including cash equivalents)	\$ 23,933,522
Current property taxes receivable	5,255,645
Delinquent property taxes receivable	158,673
Accounts receivable	327,291
Interest receivable	101,436
Due from Department of Education	2,463,804
Due from Federal Government through Department of Education	126,760
Due from other Minnesota school districts	461,331
Due from other governmental units	164,841
Inventory	38,923
Prepaid items	118,522
Capital assets, not being depreciated	
Land	784,389
Construction in progress	5,389,338
Capital assets, net of accumulated depreciation	
Land improvements	4,658,459
Buildings	44,543,980
Machinery and equipment	2,615,524
Total assets	<u>91,142,438</u>
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	16,119,743
Deferred outflows of resources related to OPEB	134,435
Total deferred outflows of resources	<u>16,254,178</u>
 Total assets and deferred outflows of resources	 <u>\$ 107,396,616</u>
Liabilities	
Accounts and contracts payable	\$ 1,762,678
Salaries and benefits payable	3,177,883
Interest payable	622,856
Due to other Minnesota school districts	71,749
Due to other governmental units	70,081
Unearned revenue	96,928
Equity interest in joint venture	16,213
Bond principal payable	
Payable within one year	4,300,000
Payable after one year	42,014,965
Capital lease payable	
Payable within one year	55,335
Payable after one year	56,386
Compensated absences payable	
Payable after one year	211,477
Severance payable	
Payable within one year	8,053
Payable after one year	373,753
Net other post employment benefits (OPEB) liability	1,410,268
Net pension liability	21,219,868
Total liabilities	<u>75,468,493</u>
Deferred Inflows of Resources	
Deferred inflows of resources related to pensions	25,252,631
Deferred inflows of resources related to OPEB	440,989
Property taxes levied for subsequent year's expenditures	10,260,112
Total deferred inflows of resources	<u>35,953,732</u>
Net Position	
Net investment in capital assets	16,027,753
Restricted for	
Debt service	1,368,223
Capital projects	375,032
Other purposes	1,805,792
Unrestricted	(23,602,409)
Total net position	<u>(4,025,609)</u>
 Total liabilities, deferred inflows of resources, and net position	 <u>\$ 107,396,616</u>

Independent School District No. 727
Statement of Activities
Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
					Governmental Activities
Governmental activities					
Administration	\$ 1,370,328	\$ -	\$ -	\$ -	\$ (1,370,328)
District support services	1,043,134	-	9	-	(1,043,125)
Elementary and secondary regular instruction	16,821,807	291,587	2,458,132	585,806	(13,486,282)
Vocational education instruction	654,377	-	55,003	-	(599,374)
Special education instruction	8,107,966	670,735	2,814,177	-	(4,623,054)
Instructional support services	2,323,077	-	461,774	-	(1,861,303)
Pupil support services	2,853,430	9,513	41,889	-	(2,802,028)
Sites and buildings	4,778,379	12,504	45,191	512,778	(4,207,906)
Fiscal and other fixed cost programs	173,974	-	-	-	(173,974)
Food service	1,527,738	635,986	823,068	-	(68,684)
Community education and services	2,119,054	1,275,203	359,716	-	(484,135)
Interest and fiscal charges on long-term debt	1,097,096	-	-	-	(1,097,096)
Total governmental activities	\$ 42,870,360	\$ 2,895,528	\$ 7,058,959	\$ 1,098,584	(31,817,289)
General revenues					
Taxes					
Property taxes, levied for general purposes					4,372,071
Property taxes, levied for community service					379,450
Property taxes, levied for debt service					5,149,722
State aid-formula grants					23,284,116
Other general revenues					42,619
Investment income					301,278
Total general revenues					<u>33,529,256</u>
Change in net position, as previously stated					1,711,967
Net position - beginning					(5,753,226)
Change in accounting principle (see Note 10)					15,650
Net position - beginning, as restated					<u>(5,737,576)</u>
Net position - ending					<u>\$ (4,025,609)</u>

Independent School District No. 727
Balance Sheet - Governmental Funds
June 30, 2020

	General	Capital Projects	Debt Service	Other Nonmajor Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 12,410,999	\$ 6,305,493	\$ 4,318,411	\$ 898,619	\$ 23,933,522
Current property taxes receivable	2,428,765	-	2,632,186	194,694	5,255,645
Delinquent property taxes receivable	68,426	-	77,474	12,773	158,673
Accounts receivable	287,114	-	-	40,177	327,291
Interest receivable	77,723	23,713	-	-	101,436
Due from Department of Education	2,349,246	-	62,371	52,187	2,463,804
Due from Federal Government through Department of Education	83,833	-	-	42,927	126,760
Due from other Minnesota school districts	453,822	-	-	7,509	461,331
Due from other governmental units	63,394	-	41,135	60,312	164,841
Inventory	-	-	-	38,923	38,923
Prepaid items	118,522	-	-	-	118,522
	<u>\$ 18,341,844</u>	<u>\$ 6,329,206</u>	<u>\$ 7,131,577</u>	<u>\$ 1,348,121</u>	<u>\$ 33,150,748</u>
Total assets					
	<u>\$ 18,341,844</u>	<u>\$ 6,329,206</u>	<u>\$ 7,131,577</u>	<u>\$ 1,348,121</u>	<u>\$ 33,150,748</u>
Liabilities					
Accounts and contracts payable	\$ 231,943	\$ 1,491,425	\$ -	\$ 39,310	\$ 1,762,678
Salaries and benefits payable	3,105,381	-	-	72,502	3,177,883
Due to other Minnesota school districts	71,749	-	-	-	71,749
Due to other governmental units	70,081	-	-	-	70,081
Unearned revenue	27,995	-	-	68,933	96,928
Severance payable	8,053	-	-	-	8,053
Total liabilities	<u>3,515,202</u>	<u>1,491,425</u>	<u>-</u>	<u>180,745</u>	<u>5,187,372</u>
Deferred Inflows of Resources					
Unavailable revenue - delinquent property taxes	68,426	-	77,474	12,773	158,673
Property taxes levied for subsequent year's expenditures	4,620,478	-	5,248,142	391,492	10,260,112
Total deferred inflows of resources	<u>4,688,904</u>	<u>-</u>	<u>5,325,616</u>	<u>404,265</u>	<u>10,418,785</u>
Fund Balances					
Nonspendable	118,522	-	-	38,923	157,445
Restricted	1,224,347	4,837,781	1,805,961	748,014	8,616,103
Committed	649,311	-	-	-	649,311
Assigned	597,000	-	-	-	597,000
Unassigned	7,548,558	-	-	(23,826)	7,524,732
Total fund balances	<u>10,137,738</u>	<u>4,837,781</u>	<u>1,805,961</u>	<u>763,111</u>	<u>17,544,591</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 18,341,844</u>	<u>\$ 6,329,206</u>	<u>\$ 7,131,577</u>	<u>\$ 1,348,121</u>	<u>\$ 33,150,748</u>

Independent School District No. 727
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2020

Total fund balances - governmental funds	\$ 17,544,591
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	96,981,527
Less accumulated depreciation	(38,989,837)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Bond principal payable (net of premiums)	(46,314,965)
Capital lease payable	(111,721)
Compensated absences payable	(211,477)
Severance payable	(373,753)
Net pension liability	(21,219,868)
OPEB obligation	(1,410,268)
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	16,119,743
Deferred inflows of resources related to pensions	(25,252,631)
Deferred outflows of resources related to OPEB	134,435
Deferred inflows of resources related to OPEB	(440,989)
Delinquent property taxes receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	
	158,673
Equity interest in underlying capital assets of joint ventures are not reported in the funds because they do not represent current financial assets (liabilities).	
Equity interest in joint venture - Wright Technical Center	(16,213)
Governmental funds do not report a liability for accrued interest on bonds until due and payable.	
	<u>(622,856)</u>
Total net position - governmental activities	<u><u>\$ (4,025,609)</u></u>

Independent School District No. 727
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2020

	General	Capital Projects	Debt Service	Other Nonmajor Funds	Total Governmental Funds
Revenues					
Local property taxes	\$ 4,365,929	\$ -	\$ 4,764,544	\$ 767,946	\$ 9,898,419
Other local and county revenues	1,379,372	62,877	51,529	1,314,159	2,807,937
Revenue from state sources	28,924,577	-	626,267	370,051	29,920,895
Revenue from federal sources	456,482	-	-	782,751	1,239,233
Sales and other conversion of assets	58,752	-	-	646,297	705,049
Total revenues	<u>35,185,112</u>	<u>62,877</u>	<u>5,442,340</u>	<u>3,881,204</u>	<u>44,571,533</u>
Expenditures					
Current					
Administration	1,262,764	-	-	-	1,262,764
District support services	1,020,735	-	-	-	1,020,735
Elementary and secondary regular instruction	14,496,297	-	-	-	14,496,297
Vocational education instruction	626,477	-	-	-	626,477
Special education instruction	7,667,631	-	-	-	7,667,631
Instructional support services	1,937,460	-	-	-	1,937,460
Pupil support services	2,748,158	-	-	-	2,748,158
Sites and buildings	3,196,135	363,606	-	-	3,559,741
Fiscal and other fixed cost programs	173,974	-	-	-	173,974
Food service	-	-	-	1,407,244	1,407,244
Community education and services	11,436	-	-	2,031,193	2,042,629
Capital outlay					
Administration	3,504	-	-	-	3,504
District support services	948	-	-	-	948
Elementary and secondary regular instruction	170,460	-	-	-	170,460
Instructional support services	97,016	-	-	-	97,016
Pupil support services	45,000	-	-	-	45,000
Sites and buildings	207,276	6,335,663	-	-	6,542,939
Community education and services	-	-	-	5,784	5,784
Debt service					
Principal	54,304	-	4,025,000	370,000	4,449,304
Interest and fiscal charges	3,154	-	1,453,016	19,831	1,476,001
Total expenditures	<u>33,722,729</u>	<u>6,699,269</u>	<u>5,478,016</u>	<u>3,834,052</u>	<u>49,734,066</u>
Excess of revenues over (under) expenditures	1,462,383	(6,636,392)	(35,676)	47,152	(5,162,533)
Other Financing Sources					
Bond issuance	-	6,813,033	536,967	-	7,350,000
Bond premium	-	367,995	-	-	367,995
Insurance recovery	520	-	-	-	520
Total other financing sources	<u>520</u>	<u>7,181,028</u>	<u>536,967</u>	<u>-</u>	<u>7,718,515</u>
Net change in fund balances	1,462,903	544,636	501,291	47,152	2,555,982
Fund Balances					
Beginning of year, as previously stated	8,659,185	4,293,145	1,304,670	715,959	14,972,959
Change in accounting principle (Note 10)	15,650	-	-	-	15,650
Beginning of year, restated	<u>8,674,835</u>	<u>4,293,145</u>	<u>1,304,670</u>	<u>715,959</u>	<u>14,988,609</u>
End of year	<u>\$ 10,137,738</u>	<u>\$ 4,837,781</u>	<u>\$ 1,805,961</u>	<u>\$ 763,111</u>	<u>\$ 17,544,591</u>

**Independent School District No. 727
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances to the
Statement of Activities - Governmental Funds
Year Ended June 30, 2020**

Net change in fund balances - total governmental funds \$ 2,555,982

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	6,284,772
Depreciation expense	(2,413,020)
Loss on disposal	(23,639)

Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities. (34,984)

Severance payments are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities. 4,954

Governmental funds recognized pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on the full accrual perspective.
Pension expense (1,611,584)

Principal payments on long-term debt are recognized as expenditures in the governmental funds but have no effect on net position in the Statement of Activities. 4,449,304

OPEB obligations are recognized when paid in the governmental funds but recognized when incurred in the Statement of Activities. (170,382)

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. (12,297)

Proceeds from the sale of bonds are recognized as other financing sources in the governmental funds increasing fund balance but having no effect on net position in the Statement of Activities. (7,350,000)

Governmental funds report debt issuance premiums and discounts as an other financing source or use at the time of issuance. Premiums and discounts are reported as an unamortized asset or liability in the government-wide financial statements.
Debt issuance premium 23,207

Net loss from the equity interest in joint venture does not provide current financial resources and is not reported as revenue in the funds. 6,830

Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds. 2,824

Change in net position - governmental activities \$ 1,711,967

Independent School District No. 727
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Local property taxes	\$ 4,347,136	\$ 4,357,136	\$ 4,365,929	\$ 8,793
Other local and county revenues	1,009,254	1,290,821	1,379,372	88,551
Revenue from state sources	27,954,496	28,920,242	28,924,577	4,335
Revenue from federal sources	447,735	474,163	456,482	(17,681)
Sales and other conversion of assets	89,862	78,486	58,752	(19,734)
Total revenues	<u>33,848,483</u>	<u>35,120,848</u>	<u>35,185,112</u>	<u>64,264</u>
Expenditures				
Current				
Administration	1,311,863	1,320,379	1,262,764	(57,615)
District support services	1,206,511	1,106,615	1,020,735	(85,880)
Elementary and secondary regular instruction	15,094,120	14,842,517	14,496,297	(346,220)
Vocational education instruction	620,507	629,243	626,477	(2,766)
Special education instruction	7,328,347	7,888,020	7,667,631	(220,389)
Instructional support services	2,013,661	2,026,614	1,937,460	(89,154)
Pupil support services	3,253,533	2,846,541	2,748,158	(98,383)
Sites and buildings	3,419,976	3,363,113	3,196,135	(166,978)
Fiscal and other fixed cost programs	167,575	177,514	173,974	(3,540)
Community education and services	-	-	11,436	11,436
Capital outlay				
Administration	1,800	5,304	3,504	(1,800)
District support services	21,909	4,000	948	(3,052)
Elementary and secondary regular instruction	228,492	140,705	170,460	29,755
Instructional support services	229,417	168,686	97,016	(71,670)
Pupil support services	-	45,000	45,000	-
Sites and buildings	119,363	198,120	207,276	9,156
Debt service				
Principal	54,304	54,304	54,304	-
Interest and fiscal charges	3,153	3,153	3,154	1
Total expenditures	<u>35,074,531</u>	<u>34,819,828</u>	<u>33,722,729</u>	<u>(1,097,099)</u>
Excess of revenues over (under) expenditures	(1,226,048)	301,020	1,462,383	1,161,363
Other Financing Sources				
Insurance recoveries	-	520	520	-
Net change in fund balances	<u>\$ (1,226,048)</u>	<u>\$ 301,540</u>	1,462,903	<u>\$ 1,161,363</u>
Fund Balance				
Beginning of year			8,659,185	
Change in accounting principle (Note 10)			15,650	
Beginning of year, restated			<u>8,674,835</u>	
End of year			<u>\$ 10,137,738</u>	

Independent School District No. 727
Statement of Fiduciary Net Position
Year Ended June 30, 2020

	Custodial Fund	Other Post Employment Benefits Irrevocable Trust Fund
Assets		
Current		
Deposits	\$ 1,471	\$ 822,000
Investments		
Goldman sachs government money market	-	5,977
Vanguard total stock market ETF	-	341,079
Vanguard total bond market ETF	-	128,535
MN Trust limited term duration	-	483,064
MN Trust investment shares portfolio	-	9,776
Total investments	-	968,431
Interest receivable	-	10,260
Total assets	\$ 1,471	\$ 1,800,691
Liabilities		
Accounts payable	\$ 1,471	166,720
Benefits payable	-	27,178
Total liabilities	\$ 1,471	\$ 193,898
Net Position		
Held in trust for OPEB		\$ 1,606,793

Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2020

		Other Post Employment Benefits Irrevocable Trust Fund
Additions		
Investment income		\$ 63,511
Total additions		63,511
Deductions		
Benefit payments		189,650
Miscellaneous expense		4,033
Total deductions		193,683
Change in net position		(130,172)
Net Position		
Beginning of year		1,736,965
End of year		\$ 1,606,793

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Independent School District No. 727
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

The student activity accounts of the District are under the School Board's control; therefore, separate audited financial statements have not been issued.

B. Basic Financial Statement Information

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

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

Independent School District No. 727
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statement Information (Continued)

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

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

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

C. Measurement Focus and Basis of Accounting

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

1. Revenue Recognition

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

2. Recording of Expenditures

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

Independent School District No. 727
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Description of Funds:

Major Funds:

General Fund – This fund is the basic operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund. It includes the general operations and pupil transportation activities of the District, as well as the capital related activities such as maintenance of facilities, equipment purchases, health and safety projects, and disabled accessibility projects.

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

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

Nonmajor Funds:

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

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

OPEB Debt Service Fund – This fund is used to account for the financial resources relating to the bond issued for post employment benefits.

Fiduciary Funds:

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

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

D. Deposits and Investments

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

Independent School District No. 727
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deposits and Investments (Continued)

District Funds Other than OPEB Trust Fund

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

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

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

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

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

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

Cash and investments at June 30, 2020, were comprised of deposits, negotiable certificates of deposit, shares in the Minnesota Trust (MNTrust) Term Series, shares in the MNTrust Investment Shares Portfolio and MN Trust Limited Term Duration. In accordance with GASB Statement No. 79, the various MNTrust securities are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from MNTrust. Seven days' notice of redemption is required for withdrawals of investments in the MNTrust Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption.

Independent School District No. 727
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deposits and Investments (Continued)

OPEB Trust Fund

These funds represent investments administered by the District's OPEB Trust Fund investment managers. As of June 30, 2020, they were comprised of shares in the MN Trust Investment Shares Portfolio, MN Trust Limited Term Duration, money markets and Vanguard Total Stock Market Exchange Traded Funds. The District's investment policy, discussed previously, extends to the OPEB Trust Fund investments.

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

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

E. Property Tax Receivable

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

F. Property Taxes Levied for Subsequent Year's Expenditures

Property taxes levied for subsequent year's expenditures consist principally of property taxes levied in the current year which will be collected and recognized as revenue in the District's following year to properly match those revenues with the budgeted expenditures for which they were levied. This amount is equal to the amount levied by the School Board in December 2019, less various components and their related adjustments as mandated by the state. These portions of that levy were recognized as revenue in the fiscal year 2020. The remaining portion of the levy will be recognized when measurable and available.

G. Inventories

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

Independent School District No. 727
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Prepaid Items

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

I. Property Taxes

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

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

J. Capital Assets

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

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

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

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

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

Independent School District No. 727
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Deferred Outflows/Inflows of Resources

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

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

L. Long-Term Obligations

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

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

Independent School District No. 727
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Compensated Absences

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

The District maintains various sick leave plans for its employee groups. All District employees are entitled to sick leave at various rates. Sick leave may be accumulated to a maximum of 120 days for all employee groups. Unused sick leave is a factor in the calculation of an employee's severance pay upon retirement under some collective bargaining agreements. The amount of compensated absences is recorded in the Statement of Net Position.

N. Severance Benefits

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

O. Post Employment Health Benefits

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

P. Pensions

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

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

Q. Postemployment Benefits Other Than Pensions (OPEB)

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

Independent School District No. 727
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and injuries to employees for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in the District's insurance coverage during the year ending June 30, 2020.

S. Fund Equity

1. Classification

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

- Nonspendable Fund Balances – These are amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact and include inventory and prepaid items.
- Restricted Fund Balances – These are amounts that are restricted to specific purposes either by constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through enabling legislation.
- Committed Fund Balances – These are amounts that can only be used for specific purposes pursuant to constraints imposed by the School Board (highest level of decision making authority) through resolution.
- Assigned Fund Balances – The School Board delegates to the Director of Business Services, after consultation with the Finance Committee, the authority to assign fund balances for specific purposes.
- Unassigned fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to a specific purpose in the General Fund.

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

2. Minimum Fund Balance Policy

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

Independent School District No. 727
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Net Position

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

U. Use of Estimates

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

V. Budgetary Information

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

District Funds Other than OPEB Trust Fund

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits (Continued)

District Funds Other than OPEB Trust Fund (Continued)

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

Checking	\$ 441,116
Certificates of deposit	<u>7,626,300</u>
Total deposits	<u><u>\$ 8,067,416</u></u>

Bond Proceeds

The District's nonpooled deposits related to the 2020A Bonds had a book balance as follows:

Certificates of deposit	<u><u>\$ 2,571,100</u></u>
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OPEB Trust Fund

As of June 30, 2020, the District's OPEB Trust Fund has the following non pooled deposits:

Certificates of deposit	<u><u>\$ 822,000</u></u>
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B. Investments

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper and corporate bonds to be in the top two ratings issued by nationally recognized statistical rating organizations. The District's investment policy refers to *Minnesota Statutes* governing investments. Statutes limits investments in the top two ratings issued by nationally recognized statistical rating organizations. The policy also states the District will prequalify the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business. As of June 30, 2020, the District's investments were rated in the table on following page.

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

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

Independent School District No. 727
Notes to Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Custodial Credit Risk – Investments: For an investment, this is the risk in the event of the failure of the counterparty; the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy states an annual review of the financial condition and registration of all qualified financial institutions and broker/dealers will be conducted by the investment officer. In addition, the School Board shall annually designate one or more official depositories for District funds. The Finance Manager of the District may also exercise the power of the School Board to designate a depository.

As of June 30, 2020, the District had the following investments:

Investment Type	Fair Value	Investment Maturities		S & P Credit Ratings
		Less Than 1 Year	1 to 3 Years	
Pooled				
MN Trust Term Series	\$ 2,000,000	\$ 2,000,000	\$ -	AAA
Negotiable CDs	491,818	491,818	-	NR
MN Trust Limited Term Duration	1,065,700	1,065,700	-	AAA
MN Trust Investment Shares Portfolio	5,460,909	5,460,909	-	AAA
Total pooled investments	<u>9,018,427</u>	<u>9,018,427</u>	<u>-</u>	
Non Pooled				
Bond Proceeds Investments				
MN Trust Investment Shares Portfolio	2,271,360	2,271,360	-	AAA
MN Trust Term Series	2,000,000	2,000,000	-	AAA
Total 2015A, 2015B and 2017B Bonds	<u>4,271,360</u>	<u>4,271,360</u>	<u>-</u>	
OPEB Investments				
Goldman Sachs Government Money Market	5,977	5,977	-	NR
Vanguard Total Stock Market ETF	341,079	341,079	-	NR
Vanguard Total Bond Market ETF	128,535	128,535	-	NR
MN Trust Limited Term Duration	483,064	483,064	-	AAA
MN Trust Investment Shares Portfolio	9,776	9,776	-	AAA
Total OPEB Investments	<u>968,431</u>	<u>968,431</u>	<u>-</u>	
Total non-pooled investments	<u>5,239,791</u>	<u>5,239,791</u>	<u>-</u>	
Total investments	<u>\$ 14,258,218</u>	<u>\$ 14,258,218</u>	<u>\$ -</u>	

The District has the following recurring fair value measurements as of June 30, 2020:

- \$475,591 of investments are valued using quoted market prices (Level 1 inputs)
- \$491,818 of investments are valued using a significant other observable (Level 2 inputs)

Independent School District No. 727
Notes to Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Deposits and Investments

The following is a summary of total deposits and investments:

District Governmental Funds and Private Purpose Trust Fund	
Deposits - pooled (Note 2A)	\$ 8,067,416
Deposits - non pooled (Note 2A)	2,571,100
Deposits - non pooled (Note 2A)	822,000
Petty cash	6,691
Investments - pooled	9,018,427
Investments - non pooled	4,271,360
Investments - non pooled	<u>968,431</u>
Total deposits and investments	<u><u>\$ 25,725,425</u></u>
Statement of Net Position	
Cash and investments	\$ 23,933,522
Statement of Fiduciary Net Position	
Cash - Agency Fund	1,471
Irrevocable Trust Fund	<u>1,790,432</u>
Total	<u><u>\$ 25,725,425</u></u>

Independent School District No. 727
Notes to Financial Statements

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 784,389	\$ -	\$ -	\$ 784,389
Construction in progress	3,414,985	6,043,089	4,068,736	5,389,338
Total capital assets not being depreciated	<u>4,199,374</u>	<u>6,043,089</u>	<u>4,068,736</u>	<u>6,173,727</u>
Capital assets being depreciated				
Land improvements	6,249,505	-	4,745	6,244,760
Buildings	75,481,161	4,083,682	-	79,564,843
Machinery and equipment	5,010,313	226,737	238,853	4,998,197
Total capital assets being depreciated	<u>86,740,979</u>	<u>4,310,419</u>	<u>243,598</u>	<u>90,807,800</u>
Less accumulated depreciation for				
Land improvements	1,304,626	284,759	3,084	1,586,301
Buildings	33,303,733	1,717,130	-	35,020,863
Machinery and equipment	2,188,417	411,131	216,875	2,382,673
Total accumulated depreciation	<u>36,796,776</u>	<u>2,413,020</u>	<u>219,959</u>	<u>38,989,837</u>
Total capital assets being depreciated, net	<u>49,944,203</u>	<u>1,897,399</u>	<u>23,639</u>	<u>51,817,963</u>
Governmental activities, capital assets, net	<u>\$54,143,577</u>	<u>\$ 7,940,488</u>	<u>\$ 4,092,375</u>	<u>\$57,991,690</u>

Depreciation expense of for the year ended June 30, 2020, was charged to the following governmental functions:

Administration	\$ 22,565
District support services	2,019
Elementary and secondary regular instruction	1,126,272
Vocational instruction	234
Special education instruction	26,779
Instructional support services	208,622
Pupil support services	13,486
Sites and buildings	871,188
Food service	120,378
Community service	21,477
Total depreciation expense	<u>\$ 2,413,020</u>

Independent School District No. 727
Notes to Financial Statements

NOTE 4 – LONG TERM DEBT

A. Components of Long-Term Liabilities

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One Year
Long-term liabilities						
G.O. bonds including						
refunding bonds						
G.O. School Building Refunding Bonds, Series 2010B	11/22/10	2.00%-3.33%	\$ 11,500,000	02/02/21	\$ 1,455,000	\$ 1,455,000
G.O. Refunding Bonds, Series 2012B	04/25/12	5.00%	8,730,000	02/01/25	8,730,000	-
G.O. School Building Refunding Bonds, Series 2015A	11/03/15	2.00%-4.00%	14,490,000	02/01/22	6,230,000	2,275,000
G.O. Facilities Maintenance Bonds, Series 2016A	02/18/16	3.00%-5.00%	5,120,000	02/01/31	4,140,000	320,000
G.O. School Building Bonds Series 2016B	07/27/16	2.00%-2.75%	4,000,000	02/01/33	4,000,000	-
G.O. School Building Bonds Series 2017A	02/16/17	2.50%-3.00%	5,080,000	02/01/33	5,080,000	-
G.O. Facilities Maintenance Bonds, Series 2017B	12/28/17	3.00%	3,900,000	02/01/33	3,725,000	125,000
G.O. Tax Abatement and Facilities Maintenance Bonds Series 2019A	02/14/19	3.00%-4.00%	3,750,000	02/01/35	3,750,000	125,000
G.O. Facilities Maintenance Bonds, Series 2020A	02/13/20	2.00%-4.00%	7,350,000	02/01/36	7,350,000	-
Total G.O. bonds					<u>44,460,000</u>	<u>4,300,000</u>
Plus net bond premium					1,854,965	-
Net bonds payable					<u>46,314,965</u>	<u>4,300,000</u>
Capital leases			222,520	7/15/2021	111,721	55,335
Severance payable					381,806	8,053
Compensated absences payable					<u>211,477</u>	<u>-</u>
Total all long-term liabilities					<u>\$ 47,019,969</u>	<u>\$ 4,363,388</u>

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

B. Minimum Debt Payments for Bonds and Loans

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

Year Ending June 30,	G.O. Bonds		
	Principal	Interest	Total
2021	\$ 4,300,000	\$ 1,499,080	\$ 5,799,080
2022	4,550,000	1,370,063	5,920,063
2023	3,650,000	1,149,862	4,799,862
2024	3,695,000	975,613	4,670,613
2025	3,905,000	799,462	4,704,462
2026-2030	12,195,000	2,431,188	14,626,188
2031-2035	11,365,000	869,487	12,234,487
2036	<u>800,000</u>	<u>16,000</u>	<u>816,000</u>
Total	<u>\$ 44,460,000</u>	<u>\$ 9,110,755</u>	<u>\$ 53,570,755</u>

Independent School District No. 727
Notes to Financial Statements

NOTE 4 – LONG TERM DEBT (CONTINUED)

C. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance
Long-term liabilities				
G.O. bonds	\$ 41,505,000	\$ 7,350,000	\$ 4,395,000	\$ 44,460,000
Premium	1,878,172	367,995	391,202	1,854,965
Capital lease	166,025	-	54,304	111,721
Severance payable	386,508	18,701	23,403	381,806
Compensated absences payable	176,493	273,927	238,943	211,477
	<u>\$ 44,112,198</u>	<u>\$ 8,010,623</u>	<u>\$ 5,102,852</u>	<u>\$ 47,019,969</u>

On April 23, 2018, the District entered into a lease purchase agreement with Apple Inc. for the acquisition of computer hardware. The capital lease obligation and corresponding equipment totaled \$222,520. The capital lease agreement includes annual principal and interest payments of \$57,457 for four years.

The future minimum lease obligation and the net present value of these minimum lease payments were as follows:

Year Ending June 30,	
2021	\$ 57,457
2022	57,457
Total minimum lease payments	<u>114,914</u>
Less amount representing interest	<u>(3,193)</u>
	<u>\$ 111,721</u>

The assets purchased with the lease did not meet the threshold for capitalization and are not included in fixed assets, therefore there is no depreciation.

NOTE 5 – FUND BALANCES/NET POSITION

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

A. Fund Balances

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

Independent School District No. 727
Notes to Financial Statements

NOTE 5 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balances (Continued)

	General Fund	Capital Projects Fund	Debt Service Fund	Other Nonmajor Funds	Total
Nonspendable for					
Inventory	\$ -	\$ -	\$ -	\$ 38,923	\$ 38,923
Prepaid items	118,522	-	-	-	118,522
Total nonspendable	118,522	-	-	38,923	157,445
Restricted/reserved for					
Student Activities	10,386	-	-	-	10,386
Scholarships	16,650	-	-	-	16,650
Staff Development	92,814	-	-	-	92,814
Basic Skills Programs	76,094	-	-	-	76,094
Long-Term Facilities Maintenance	81,783	4,762,317	-	-	4,844,100
Area Learning Center	33,648	-	-	-	33,648
Operating Capital	455,306	-	-	-	455,306
Capital Projects Levy	226,670	-	-	-	226,670
Medical Assistance	230,996	-	-	-	230,996
Community Education	-	-	-	359,366	359,366
Early Childhood and Family Education	-	-	-	52,390	52,390
Community Service	-	-	-	7,917	7,917
Debt Service	-	-	1,805,961	100,819	1,906,780
Capital Projects	-	75,464	-	-	75,464
Food Service	-	-	-	227,522	227,522
Total restricted/reserved	1,224,347	4,837,781	1,805,961	748,014	8,616,103
Committed for					
Separation/retirement	620,191	-	-	-	620,191
Liberty shelter	29,120	-	-	-	29,120
Total committed	649,311	-	-	-	649,311
Assigned for					
Q Comp	138,190	-	-	-	138,190
STEM	6,588	-	-	-	6,588
Copier replacement	30,000	-	-	-	30,000
Curriculum materials	79,806	-	-	-	79,806
Gymnastics floor replacement	28,500	-	-	-	28,500
Special education transportation	11,454	-	-	-	11,454
Athletics and activities	179,525	-	-	-	179,525
Building level activities	122,937	-	-	-	122,937
Total assigned	597,000	-	-	-	597,000
Unassigned for					
General purposes	7,548,558	-	-	-	7,548,558
School Readiness	-	-	-	(23,826)	(23,826)
Total unassigned	7,548,558	-	-	(23,826)	7,524,732
 Total fund balances	 <u>\$ 10,137,738</u>	 <u>\$ 4,837,781</u>	 <u>\$ 1,805,961</u>	 <u>\$ 763,111</u>	 <u>\$ 17,544,591</u>

Independent School District No. 727
Notes to Financial Statements

NOTE 5 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balances (Continued)

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

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

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

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

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

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

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

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

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

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

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

Independent School District No. 727
Notes to Financial Statements

NOTE 5 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balances (Continued)

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

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

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

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

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

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

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

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

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

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

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

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

Assigned for Gymnastics Floor Replacement – This balance represents resources segregated from the unassigned fund balance for the gymnastics floor replacement.

Assigned for Special Education Van Replacement – This balance represents resources segregated from the unassigned fund balance for the replacement of special education van.

Independent School District No. 727
Notes to Financial Statements

NOTE 5 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balances (Continued)

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

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

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

B. Restricted Net Position

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

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

The District participates in various pension plans. Total pension expense for the year ended June 30, 2020, was \$3,360,050. The components of pension expense are noted in the following plan summaries.

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

Teachers' Retirement Association

A. Plan Description

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

Educators employed in Minnesota's public elementary and secondary schools, charter schools and certain 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 the State of Minnesota.

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.

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

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

Teachers’ Retirement Association (Continued)

B. Benefits Provided (Continued)

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

Tier I Benefits

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

With these provisions:

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

Tier II Benefits

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

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.

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

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

Teachers’ Retirement Association (Continued)

Tier II Benefits (Continued)

B. Benefits Provided (Continued)

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

C. Contribution Rate

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.

Per *Minnesota Statutes*, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year ended June 30, 2018, June 30, 2019, and June 30, 2020, were:

	June 30, 2018		June 30, 2019		June 30, 2020	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic	11.00%	11.50%	11.00%	11.50%	11.00%	11.92%
Coordinated	7.50%	7.50%	7.50%	7.71%	7.50%	7.92%

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

Employer contributions reported in TRA's CAFR Statement of Changes in Fiduciary Net Position	\$ 403,300
Deduct employer contributions not related to future contribution efforts	(688)
Deduct TRA's contributions not included in allocation	<u>(486)</u>
Total employer contributions	402,126
Total non-employer contributions	<u>35,588</u>
Total contributions reported in <i>Schedule of Employer and Non-Employer Pension Allocations</i>	<u><u>\$ 437,714</u></u>

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

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

Teachers’ Retirement Association (Continued)

C. Contribution Rate (Continued)

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

D. Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information

Valuation date	July 1, 2019
Experience study	June 5, 2015
	November 6, 2017 (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	7.50%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028 and 3.25% 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 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually

Mortality Assumption

Pre-retirement	RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.
Post-retirement	RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projections uses the MP 2015 scale.
Post-disability	RP 2014 disabled retiree mortality table, without adjustment.

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

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

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

Teachers’ Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestis equity	35.5 %	5.10 %
International equity	17.5	5.30
Private markets	25.0	5.90
Fixed income	20.0	0.75
Unallocated cash	2.0	0.00
 Total	 <u>100 %</u>	

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

Changes in actuarial assumptions since the 2018 valuation:

- 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.

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

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

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

- The employer contribution rate is increased each July 1 over the next 6 years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

E. Discount Rate

The discount rate used to measure the total pension liability was 7.5%. There was no change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 2019 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

F. Net Pension Liability

On June 30, 2020, the District reported a liability of \$16,763,675 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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 0.2630% at the end of the measurement period and 0.2577% 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	\$ 16,763,675
State's proportionate share of the net pension liability associated with the District	1,483,666

For the year ended June 30, 2020, the District recognized pension expense of \$2,942,016. It also recognized \$112,776 as an increase to this pension expense for the support provided by direct aid.

Independent School District No. 727
Notes to Financial Statements

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

Teachers’ Retirement Association (Continued)

F. Net Pension Liability (Continued)

On June 30, 2020, the District had deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,428	\$ 404,501
Net difference between projected and actual earnings on plan investment	-	1,369,935
Changes of assumptions	13,909,443	21,841,361
Changes in proportion	456,301	566,257
Contributions to TRA subsequent to the measurement date	1,198,243	-
Total	\$ 15,566,415	\$ 24,182,054

\$1,198,243 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, 2021.

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
2021	\$ 910,321
2022	(128,204)
2023	(6,201,615)
2024	(4,418,786)
2025	24,402
Total	\$ (9,813,882)

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

NOTE 6 – 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 7.5% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percent lower (6.5%) and 1 percent higher (8.5%).

District Proportionate Share of NPL		
1% decrease (6.50%)	Current (7.50%)	1% increase (8.50%)
\$ 26,725,397	\$ 16,763,675	\$ 8,550,382

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

H. Pension Plan Fiduciary Net Position

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

Public Employees’ Retirement Association

A. Plan Description

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

General Employees Retirement Plan

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

B. Benefits Provided

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

Independent School District No. 727
Notes to Financial Statements

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

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

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% of average salary for each of the first ten years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% of average salary 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.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be 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. For 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 Plan Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2020 and the District was required to contribute 7.5% for Coordinated Plan members in fiscal year 2020. The District's contributions to the General Employees Plan for the year ended June 30, 2020, were \$427,074. The District's contributions were equal to the required contributions as set by state statute.

Independent School District No. 727
Notes to Financial Statements

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

Public Employees' Retirement Association (Continued)

C. Pension Costs

General Employees Plan Pension Costs

At June 30, 2020, the District reported a liability of \$4,456,193 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 to the fund in 2019. 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 \$138,494. The net pension liability was measured as of June 30, 2019, 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, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the District's proportionate share was 0.0806% at the end of the measurement period and 0.0843% for the beginning of the period.

School's proportionate share of net pension liability	\$ 4,456,193
State of Minnesota's proportionate share of the net pension liability associated with the School	<u>138,494</u>
Total	<u><u>\$ 4,594,687</u></u>

For the year ended June 30, 2020, the District recognized pension expense of \$1,198,243 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional \$10,372 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

Independent School District No. 727
Notes to Financial Statements

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

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Plan Pension Costs (Continued)

At June 30, 2020, the District reported its proportionate share of deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 126,254	\$ -
Changes in actuarial assumptions	-	363,005
Difference between projected and actual investments earnings	-	460,253
Changes in proportion	-	247,319
District's contributions to PERA subsequent to the measurement date	427,074	-
Total	\$ 553,328	\$ 1,070,577

\$427,074 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, 2021. Other amounts reported as deferred outflows and inflows of resources related pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2021	\$ (380,025)
2022	(426,669)
2023	(144,810)
2024	7,181
Total	\$ (944,323)

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

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

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

The total pension liability in the June 30, 2019, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.50 % Per year
Active member payroll growth	3.25 % Per year
Investment rate of return	7.50 %

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year.

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2019:

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

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.

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

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

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	35.5 %	5.10 %
Private markets	25.0	5.90
Fixed income	20.0	0.75
International equity	17.5	5.90
Cash equivalents	2.0	0.00
Total	<u>100 %</u>	

F. Discount Rates

The discount rate used to measure the total pension liability in 2019 was 7.5%. 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.

G. 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 (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
District's proportionate share of the PERA net pension liability	\$ 7,325,742	\$ 4,456,193	\$ 2,086,811

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

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

Public Employees' Retirement Association (Continued)

H. Pension Plan Fiduciary Net Position

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

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

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

B. Benefit Provided

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

C. Members

As of June 30, 2020, the following were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	18
Active employees	354
	372
Total	372

D. Contributions

Retirees contribute to the health care plan at the same rate as District employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the District, based on the contract terms with Blue Cross Blue Shield. The required contributions are based on projected pay-as-you-go financing requirements. For the year 2020, the District contributed \$0 to the plan.

Independent School District No. 727
Notes to Financial Statements

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

Investment rate of return	3.00%, net of investment expense long-term
Salary increases	3.00%
Inflation	2.50%
Healthcare cost trend increases	6.25% in 2019 grading to 5.00% over five years
 Mortality Assumption	 RP-2014 white collar mortality tables with MP-2017 generational improvement scale

The actuarial assumptions used in the July 1, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2017 – June 30, 2018.

The following changes in actuarial assumptions occurred in 2020:

Changes in Actuarial Assumptions:

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

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

<u>Asset Class</u>	<u>Target</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	79 %	2.0 %
Domestic equity	20	7.0
Cash	1	0.3
 Total	 <u>100 %</u>	 <u>3.0 %</u>

Independent School District No. 727
Notes to Financial Statements

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

E. Actuarial Assumptions (Continued)

The details of the investments and the investment policy are described in Note 2. of the District’s financial statements. For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investments expenses, was 3.00%.

F. Discount Rate

The discount rate used to measure the total OPEB liability was 2.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

G. Changes in Net Other Post Employment Benefit Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2019	\$ 2,818,613	\$ 1,736,965	\$ 1,081,648
Changes for the year			
Service cost	197,753	-	197,753
Interest	93,513	-	93,513
Assumption changes	96,832	-	96,832
Projected investment income	-	52,109	(52,109)
Differences between expected and actual economic experience	-	11,402	(11,402)
Benefit payments	(189,650)	(189,650)	-
Administrative expense	-	(4,033)	4,033
Net changes	198,448	(130,172)	328,620
Balances at June 30, 2020	\$ 3,017,061	\$ 1,606,793	\$ 1,410,268
Plan fiduciary net position as a percentage of the total OPEB liability			53.26%

Independent School District No. 727
Notes to Financial Statements

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

H. Other Post Employment Benefit Liability Sensitivity

The following presents the District's net OPEB liability calculated using the discount rate of 2.5% as well as the liability measured using 1 percent lower and 1 percent higher than the current discount rate.

	1% decrease (1.5%)	Current (2.5%)	1% increase (3.5%)
Net OPEB Liability	\$ 1,580,854	\$ 1,410,268	\$ 1,243,030

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percent lower and 1 percent higher than the current healthcare cost trend rates. The decrease in healthcare cost trend rates is over seven years.

	1% decrease (5.25% decreasing to 4.0%)	Current (6.25% decreasing to 5.0%)	1% increase (7.25% decreasing to 6.0%)
Net OPEB Liability	\$ 1,121,295	\$ 1,410,268	\$ 1,751,492

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$170,382. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability gains	\$ -	\$ 372,368
Assumption changes	134,435	53,291
Investment gains	-	15,330
Total	\$ 134,435	\$ 440,989

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

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

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

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

Year Ending June 30,	Total
2021	\$ (72,807)
2022	(65,470)
2023	(65,803)
2024	(65,949)
2025	(50,353)
Thereafter	13,828
Total	\$ (306,554)

J. Payable from the OPEB Plan

At June 30, 2020, the OPEB plan reported a payable of \$166,720 to the District. The amount is reported as a payable on the OPEB Trust Fund Statement of Fiduciary Net Position.

NOTE 8 – JOINT POWERS AGREEMENT

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

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

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

Independent School District No. 727
Notes to Financial Statements

NOTE 9 – COMMITMENTS

Description	Contract Amount	Expended through June 30, 2018	Remaining Commitment
Independence boiler replacement	\$ 523,900	\$ 75,000	\$ 448,900
Middle School HVAC project	11,690,925	2,476,325	9,214,600
Independence boiler replacement and Middle School HVAC project engineering	723,046	71,510	651,536
Total	<u>\$ 12,937,871</u>	<u>\$ 2,622,835</u>	<u>\$ 10,315,036</u>

NOTE 10 – CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2020, the District implemented GASB Statement No 84, Fiduciary Activities. As a result, the District moved the scholarship trust fund in the amount of \$15,650 to the general fund and the governmental activities.

NOTE 11 – GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 87, Leases establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement will be effective for the year ending June 30, 2022.

REQUIRED SUPPLEMENTARY INFORMATION

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

	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB Liability				
Service cost	\$ 197,753	\$ 172,521	\$ 180,473	\$ 192,545
Interest	93,513	113,540	94,654	93,888
Changes of assumptions	96,832	72,013	(93,263)	-
Differenced between expected and actual experience	-	(521,316)	-	-
Benefit payments	(189,650)	(177,734)	(209,937)	(285,466)
Net change in total OPEB liability	<u>198,448</u>	<u>(340,976)</u>	<u>(28,073)</u>	<u>967</u>
Beginning of year	<u>2,818,613</u>	<u>3,159,589</u>	<u>3,187,662</u>	<u>3,186,695</u>
End of year	<u>\$ 3,017,061</u>	<u>\$ 2,818,613</u>	<u>\$ 3,159,589</u>	<u>\$ 3,187,662</u>
Plan Fiduciary Net Pension (FNP)				
Employer contributions	\$ -	\$ 89,079	\$ 112,897	\$ 152,807
Projected investment income	52,109	59,286	64,821	43,551
Differences between expected and actual experience	11,402	-	(1,668)	36,699
Benefit payments	(189,650)	(177,734)	(209,937)	(285,466)
Administrative expense	(4,033)	(250)	(250)	(250)
Net change in plan fiduciary net position	<u>(130,172)</u>	<u>(29,619)</u>	<u>(34,137)</u>	<u>(52,659)</u>
Beginning of year	<u>1,736,965</u>	<u>1,766,584</u>	<u>1,800,721</u>	<u>1,853,380</u>
End of year	<u>\$ 1,606,793</u>	<u>\$ 1,736,965</u>	<u>\$ 1,766,584</u>	<u>\$ 1,800,721</u>
Net OPEB liability	<u>\$ 1,410,268</u>	<u>\$ 1,081,648</u>	<u>\$ 1,393,005</u>	<u>\$ 1,386,941</u>
Plan FNP as a percentage of the total OPEB liability	53.26%	61.62%	55.91%	56.49%
Covered-employee payroll	\$ 20,561,896	\$ 19,963,006	\$ 19,228,177	\$ 18,668,133
Net OPEB liability as a percentage of covered-employee payroll	6.86%	5.42%	7.24%	7.43%

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

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

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Actuarially determined contribution	\$ -	\$ 89,079	\$ 112,897	\$ 152,807
Contributions in relation to the actuarially determined contribution	<u>-</u>	<u>89,079</u>	<u>112,897</u>	<u>152,807</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	<u>\$ 20,561,896</u>	<u>\$ 19,963,006</u>	<u>\$ 19,228,177</u>	<u>\$ 18,668,133</u>
Contributions as a percentage of covered-employee	0.00%	0.45%	0.59%	0.82%

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

Independent School District No. 727
Schedule of Investment Returns

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Annual money-weighted rate of return, net of investment expense	3.00%	3.40%	3.50%	4.30%

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

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

For Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Share of State of Minnesota's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Share of the Net Pension of Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0950%	\$ 4,462,624	\$ -	\$ -	\$ 4,986,276	89.5%	78.7%
2015	0.0919%	4,762,735	-	-	5,459,160	87.2%	78.2%
2016	0.0889%	7,218,239	94,209	7,312,448	5,513,720	130.9%	68.9%
2017	0.0843%	5,381,656	67,686	5,449,342	5,432,067	99.1%	75.9%
2018	0.0843%	4,676,618	153,463	4,830,081	5,667,080	82.5%	79.5%
2019	0.0806%	4,456,193	138,494	4,594,687	5,705,227	78.1%	80.2%

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

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

For Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Share of State of Minnesota's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Share of the Net Pension of Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.2996%	\$ 13,805,352	\$ 971,259	\$ 14,776,611	\$ 13,677,649	100.9%	81.5%
2015	0.2673%	16,535,149	2,028,282	18,563,431	13,729,307	120.4%	76.8%
2016	0.2592%	61,825,385	6,205,287	68,030,672	13,481,080	458.6%	44.9%
2017	0.2607%	52,040,449	5,030,565	57,071,014	14,031,107	370.9%	51.6%
2018	0.2577%	16,185,972	1,520,654	17,706,626	14,239,253	113.7%	78.1%
2019	0.2630%	16,763,675	1,483,666	18,247,341	14,931,686	112.3%	78.2%

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

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

For Fiscal Year Ended June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	\$ 361,505	\$ 361,505	\$ -	\$ 4,986,276	7.25%
2015	409,437	409,437	-	5,459,160	7.50%
2016	413,529	413,529	-	5,513,720	7.50%
2017	407,405	407,405	-	5,432,067	7.50%
2018	425,031	425,031	-	5,667,080	7.50%
2019	427,892	427,892	-	5,705,227	7.50%
2020	427,074	427,074	-	5,694,320	7.50%

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

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

For Fiscal Year Ended June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	\$ 957,435	\$ 957,435	\$ -	\$ 13,677,649	7.00%
2015	1,029,698	1,029,698	-	13,729,307	7.50%
2016	1,011,081	1,011,081	-	13,481,080	7.50%
2017	1,052,333	1,052,333	-	14,031,107	7.50%
2018	1,067,944	1,067,944	-	14,239,253	7.50%
2019	1,151,233	1,151,233	-	14,931,686	7.71%
2020	1,198,243	1,198,243	-	15,129,331	7.92%

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

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

TRA Retirement Fund

2019 Changes

Changes in Actuarial Assumptions

- None

2018 Changes

Changes in Actuarial Assumptions

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

2017 Changes

Changes in Actuarial Assumptions

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

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

TRA Retirement Fund (Continued)

2017 Changes (Continued)

- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

2016 Changes

Changes in Actuarial Assumptions

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

2015 Changes

Changes of Benefit Terms

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

Changes in Actuarial Assumptions

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

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

General Employees Fund

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

2017 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

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

General Employees Fund (Continued)

2016 Changes

Changes in Actuarial Assumptions

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

2015 Changes

Changes in Plan Provisions

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

Changes in Actuarial Assumptions

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

Post Employment Health Care Plan

2018 Changes

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

2019 Changes

Changes in Actuarial Assumptions:

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

2020 Changes

Changes in Actuarial Assumptions:

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

SUPPLEMENTRY INFORMATION

Independent School District No. 727
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2020

	Special Revenue Funds			Total Nonmajor Funds
	Food Service	Community Service	Other Post Employment Benefits Debt Service Fund	
Assets				
Cash and investments (including cash equivalents)	\$ 246,489	\$ 555,254	\$ 96,876	\$ 898,619
Current property taxes receivable	-	194,694	-	194,694
Delinquent property taxes receivable	-	5,948	6,825	12,773
Accounts receivable	18,468	21,709	-	40,177
Due from Department of Education	20,358	31,774	55	52,187
Due from Federal Government through Department of Education	42,927	-	-	42,927
Due from other Minnesota school districts	-	7,509	-	7,509
Due from other governmental units	-	56,424	3,888	60,312
Inventory	38,923	-	-	38,923
	<u>\$ 367,165</u>	<u>\$ 873,312</u>	<u>\$ 107,644</u>	<u>\$ 1,348,121</u>
Liabilities				
Accounts payable	\$ 35,454	\$ 3,856	\$ -	\$ 39,310
Salaries and benefits payable	743	71,759	-	72,502
Unearned revenue	64,523	4,410	-	68,933
Total liabilities	<u>100,720</u>	<u>80,025</u>	<u>-</u>	<u>180,745</u>
Deferred Inflows of Resources				
Unavailable revenue - delinquent property taxes	-	5,948	6,825	12,773
Property taxes levied for subsequent year's expenditures	-	391,492	-	391,492
Total deferred inflows of resources	<u>-</u>	<u>397,440</u>	<u>6,825</u>	<u>404,265</u>
Fund Balances				
Nonspendable	38,923	-	-	38,923
Restricted	227,522	419,673	100,819	748,014
Unassigned	-	(23,826)	-	(23,826)
Total fund balances	<u>266,445</u>	<u>395,847</u>	<u>100,819</u>	<u>763,111</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 367,165</u>	<u>\$ 873,312</u>	<u>\$ 107,644</u>	<u>\$ 1,348,121</u>

Independent School District No. 727
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended June 30, 2020

	<u>Special Revenue Funds</u>			Total Nonmajor Funds
	<u>Food Service</u>	<u>Community Service</u>	<u>Other Post Employment Benefits Debt Service Fund</u>	
Revenues				
Local property taxes	\$ -	\$ 379,197	\$ 388,749	\$ 767,946
Other local and county revenues	4,178	1,306,046	3,935	1,314,159
Revenue from state sources	89,895	279,591	565	370,051
Revenue from federal sources	733,173	49,578	-	782,751
Sales and other conversion of assets	635,986	10,311	-	646,297
Total revenues	<u>1,463,232</u>	<u>2,024,723</u>	<u>393,249</u>	<u>3,881,204</u>
Expenditures				
Current				
Food service	1,407,244	-	-	1,407,244
Community education and services	-	2,031,193	-	2,031,193
Capital outlay	-	5,784	-	5,784
Debt service				
Principal	-	-	370,000	370,000
Interest and fiscal charges	-	-	19,831	19,831
Total expenditures	<u>1,407,244</u>	<u>2,036,977</u>	<u>389,831</u>	<u>3,834,052</u>
Excess of revenues over (under) expenditures	55,988	(12,254)	3,418	47,152
Fund Balances				
Beginning of year	<u>210,457</u>	<u>408,101</u>	<u>97,401</u>	<u>715,959</u>
End of year	<u>\$ 266,445</u>	<u>\$ 395,847</u>	<u>\$ 100,819</u>	<u>\$ 763,111</u>

Independent School District No. 727
Detailed Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Local property taxes	\$ 4,347,136	\$ 4,357,136	\$ 4,365,929	\$ 8,793
Other local and county revenues	1,009,254	1,290,821	1,379,372	88,551
Revenue from state sources	27,954,496	28,920,242	28,924,577	4,335
Revenue from federal sources	447,735	474,163	456,482	(17,681)
Sales and other conversion of assets	89,862	78,486	58,752	(19,734)
Total revenues	<u>33,848,483</u>	<u>35,120,848</u>	<u>35,185,112</u>	<u>64,264</u>
Expenditures				
Current				
Administration				
Salaries	905,511	905,275	911,884	6,609
Employee benefits	317,800	312,532	294,900	(17,632)
Purchased services	23,195	32,966	25,892	(7,074)
Supplies and materials	4,950	5,650	3,519	(2,131)
Capital expenditures	1,800	5,304	3,504	(1,800)
Other expenditures	60,407	63,956	26,569	(37,387)
Total administration	<u>1,313,663</u>	<u>1,325,683</u>	<u>1,266,268</u>	<u>(59,415)</u>
District support services				
Salaries	669,123	616,717	606,566	(10,151)
Employee benefits	320,488	259,144	206,004	(53,140)
Purchased services	146,990	224,218	204,877	(19,341)
Supplies and materials	7,300	9,000	5,531	(3,469)
Capital expenditures	21,909	4,000	948	(3,052)
Other expenditures	62,610	(2,464)	(2,243)	221
Total district support services	<u>1,228,420</u>	<u>1,110,615</u>	<u>1,021,683</u>	<u>(88,932)</u>
Elementary and secondary				
Regular instruction				
Salaries	10,339,941	9,928,321	9,829,092	(99,229)
Employee benefits	3,744,315	3,593,303	3,508,540	(84,763)
Purchased services	659,503	769,893	698,068	(71,825)
Supplies and materials	318,715	522,774	433,811	(88,963)
Capital expenditures	228,492	140,705	170,460	29,755
Other expenditures	31,646	28,226	26,786	(1,440)
Total elementary and secondary regular instruction	<u>15,322,612</u>	<u>14,983,222</u>	<u>14,666,757</u>	<u>(316,465)</u>

Independent School District No. 727
Detailed Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Expenditures				
Current (continued)				
Vocational education instruction				
Salaries	\$ 287,174	\$ 294,129	\$ 294,514	\$ 385
Employee benefits	124,927	125,904	120,642	(5,262)
Purchased services	176,606	176,726	184,473	7,747
Supplies and materials	31,800	32,484	26,848	(5,636)
Total vocational education instruction	<u>620,507</u>	<u>629,243</u>	<u>626,477</u>	<u>(2,766)</u>
Special education instruction				
Salaries	4,800,291	5,304,945	5,226,122	(78,823)
Employee benefits	2,200,458	2,301,257	2,194,836	(106,421)
Purchased services	290,833	243,853	225,290	(18,563)
Supplies and materials	36,765	37,965	21,383	(16,582)
Total special education instruction	<u>7,328,347</u>	<u>7,888,020</u>	<u>7,667,631</u>	<u>(220,389)</u>
Instructional support services				
Salaries	1,201,656	1,218,437	1,188,654	(29,783)
Employee benefits	416,447	398,997	393,132	(5,865)
Purchased services	76,017	103,497	72,787	(30,710)
Supplies and materials	313,306	298,698	276,253	(22,445)
Capital expenditures	229,417	168,686	97,016	(71,670)
Other expenditures	6,235	6,985	6,634	(351)
Total instructional support services	<u>2,243,078</u>	<u>2,195,300</u>	<u>2,034,476</u>	<u>(160,824)</u>
Pupil support services				
Salaries	848,685	743,200	705,903	(37,297)
Employee benefits	319,811	289,083	266,081	(23,002)
Purchased services	2,036,197	1,777,956	1,736,586	(41,370)
Supplies and materials	22,050	23,012	26,298	3,286
Capital expenditures	-	45,000	45,000	-
Other expenditures	26,790	13,290	13,290	-
Total pupil support services	<u>3,253,533</u>	<u>2,891,541</u>	<u>2,793,158</u>	<u>(98,383)</u>

Independent School District No. 727
Detailed Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Expenditures				
Current (continued)				
Sites and buildings				
Salaries	\$ 1,124,108	\$ 1,107,094	\$ 1,084,521	\$ (22,573)
Employee benefits	497,721	491,832	485,785	(6,047)
Purchased services	1,617,592	1,571,347	1,444,537	(126,810)
Supplies and materials	169,525	181,810	171,587	(10,223)
Capital expenditures	119,363	198,120	207,276	9,156
Other expenditures	11,030	11,030	9,705	(1,325)
Total sites and buildings	<u>3,539,339</u>	<u>3,561,233</u>	<u>3,403,411</u>	<u>(157,822)</u>
Fiscal and other fixed cost programs				
Purchased services	167,575	165,014	162,874	(2,140)
Other expenditures	-	12,500	11,100	(1,400)
Total fiscal and other fixed Cost programs	<u>167,575</u>	<u>177,514</u>	<u>173,974</u>	<u>(3,540)</u>
Community service				
Purchased services	-	-	11,436	11,436
Total community service	<u>-</u>	<u>-</u>	<u>11,436</u>	<u>11,436</u>
Debt Service				
Principal	54,304	54,304	54,304	-
Interest and fiscal charges	3,153	3,153	3,154	1
Total debt service	<u>57,457</u>	<u>57,457</u>	<u>57,458</u>	<u>1</u>
Total expenditures	<u>35,074,531</u>	<u>34,819,828</u>	<u>33,722,729</u>	<u>(1,097,099)</u>
Excess of revenues over (under) expenditures	(1,226,048)	301,020	1,462,383	1,161,363
Other Financing Sources				
Insurance recovery	-	520	520	-
Net change in fund balances	<u>\$ (1,226,048)</u>	<u>\$ 301,540</u>	1,462,903	<u>\$ 1,161,363</u>
Fund Balance				
Beginning of year, as previously stated			8,659,185	
Change in accounting principle (Note 10)			<u>15,650</u>	
Beginning of year, restated			8,674,835	
End of year			<u>\$ 10,137,738</u>	

Independent School District No. 727
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Food Service Fund
Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Other local and county revenues	\$ 2,100	\$ 3,717	\$ 4,178	\$ 461
Revenue from state sources	95,866	69,537	89,895	20,358
Revenue from federal sources	597,071	721,796	733,173	11,377
Sales and other conversion of assets	891,548	658,169	635,986	(22,183)
Total revenues	<u>1,586,585</u>	<u>1,453,219</u>	<u>1,463,232</u>	<u>10,013</u>
Expenditures				
Current				
Food service	1,593,410	1,508,092	1,407,244	(100,848)
Capital outlay				
Food service	2,200	-	-	-
Total expenditures	<u>1,595,610</u>	<u>1,508,092</u>	<u>1,407,244</u>	<u>(100,848)</u>
Excess of revenues over (under) expenditures	<u>\$ (9,025)</u>	<u>\$ (54,873)</u>	55,988	<u>\$ 110,861</u>
Fund Balance				
Beginning of year			<u>210,457</u>	
End of year			<u>\$ 266,445</u>	

Independent School District No. 727
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Community Service Fund
Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Local property taxes	\$ 379,518	\$ 379,518	\$ 379,197	\$ (321)
Other local and county revenues	1,667,427	1,171,386	1,306,046	134,660
Revenue from state sources	276,399	276,522	279,591	3,069
Revenue from federal sources	-	-	49,578	49,578
Sales and other conversion of assets	12,800	10,325	10,311	(14)
Total revenues	<u>2,336,144</u>	<u>1,837,751</u>	<u>2,024,723</u>	<u>186,972</u>
Expenditures				
Current				
Community education and services	2,361,883	1,998,193	2,031,193	33,000
Capital outlay				
Community education and services	15,330	8,405	5,784	(2,621)
Total expenditures	<u>2,377,213</u>	<u>2,006,598</u>	<u>2,036,977</u>	<u>30,379</u>
Excess of revenues over (under) expenditures	<u>\$ (41,069)</u>	<u>\$ (168,847)</u>	(12,254)	<u>\$ 156,593</u>
Fund Balance				
Beginning of year			<u>408,101</u>	
End of year			<u>\$ 395,847</u>	

Independent School District No. 727
Uniform Financial Accounting and Reporting Standards
Compliance Table
Year Ended June 30, 2020

	Audit	UFARS	Audit-UFARS		Audit	UFARS	Audit-UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION FUND			
Total revenue	\$ 35,185,632	\$ 35,185,635	\$ (3)	Total revenue	\$ 62,877	\$ 62,880	\$ (3)
Total expenditures	33,722,729	33,722,725	4	Total expenditures	6,699,269	6,699,270	(1)
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
4.60 Nonspendable fund balance	118,522	118,523	(1)	4.60 Nonspendable fund balance	-	-	-
<i>Restricted/reserved:</i>				<i>Restricted/reserved:</i>			
4.01 Student Activities	10,386	10,386	-	4.07 Capital Projects Levy	-	-	-
4.02 Scholarships	16,650	16,650	-	4.09 Alternative Facility Program	-	-	-
4.03 Staff Development	92,814	92,814	-	4.67 LTFM	4,762,317	4,762,317	-
4.07 Capital Projects Levy	226,670	226,670	-	<i>Restricted:</i>			
4.08 Cooperative Programs	-	-	-	464 Restricted fund balance	75,464	75,464	-
4.09 Alternative Facility Program	-	-	-	<i>Unassigned:</i>			
4.13 Building Projects Funded by COP/LP	-	-	-	4.63 Unassigned fund balance	-	-	-
4.14 Operating Debt	-	-	-	07 DEBT SERVICE FUND			
4.16 Levy Reduction	-	-	-	Total revenue	\$ 5,442,340	\$ 5,442,341	\$ (1)
4.17 Taconite Building Maintenance	-	-	-	Total expenditures	5,478,016	5,478,016	-
4.24 Operating Capital	455,306	455,306	-	<i>Nonspendable:</i>			
4.26 \$25 Taconite	-	-	-	4.60 Nonspendable fund balance	-	-	-
4.27 Disabled Accessibility	-	-	-	<i>Restricted/reserved:</i>			
4.28 Learning and Development	-	-	-	4.25 Bond refunding	-	-	-
4.34 Area Learning Center	33,648	33,648	-	4.33 Maximum effort loan aid	-	-	-
4.35 Contracted Alternative Programs	-	-	-	4.51 QZAB payments	-	-	-
4.36 State Approved Alternative Program	-	-	-	<i>Restricted:</i>			
4.38 Gifted and Talented	-	-	-	464 Restricted fund balance	1,805,961	1,805,961	-
4.40 Teacher Development and Evaluation	-	-	-	<i>Unassigned:</i>			
4.41 Basic Skills Programs	76,094	76,094	-	4.63 Unassigned fund balance	-	-	-
4.46 First Grade Preparedness	-	-	-	08 TRUST FUND			
4.48 Achievement and Integration	-	-	-	Total revenue	\$ -	\$ -	\$ -
4.49 Safe School Crime	-	-	-	Total expenditures	-	-	-
4.51 QZAB Payments	-	-	-	<i>Unassigned:</i>			
4.52 OPEB Liabilities not Held in Trust	-	-	-	4.22 Net position	-	-	-
4.53 Unfunded Severance and Retirement Levy	-	-	-	20 INTERNAL SERVICE FUND			
4.59 Basic Skills Extended Time	-	-	-	Total revenue	\$ -	\$ -	\$ -
4.67 Long-term Facilities Maintenance	81,783	81,784	(1)	Total expenditures	-	-	-
4.72 Medical Assistance	230,996	230,996	-	<i>Unassigned:</i>			
4.75 Title VII - Impact Aid	-	-	-	4.22 Net position	-	-	-
4.76 Payments in Lieu of Taxes	-	-	-	25 OPEB REVOCABLE TRUST			
<i>Restricted:</i>				<i>Unassigned:</i>			
4.64 Restricted fund balance	-	-	-	4.22 Net position	-	-	-
<i>Committed:</i>				45 OPEB IRREVOCABLE TRUST			
4.18 Committed for separation	620,191	620,192	(1)	Total revenue	\$ 63,511	\$ 63,511	\$ -
4.61 Committed for separation	29,120	29,120	-	Total expenditures	193,683	193,683	-
<i>Assigned:</i>				<i>Unassigned:</i>			
4.62 Assigned fund balance	597,000	597,000	-	4.22 Net position	1,606,793	1,606,793	-
<i>Unassigned:</i>				47 OPEB DEBT SERVICE			
4.22 Unassigned fund balance (net position)	7,548,558	7,548,558	-	Total revenue	\$ 393,249	\$ 393,249	\$ -
02 FOOD SERVICE FUND				Total expenditures	389,831	389,831	-
Total revenue	\$ 1,463,232	\$ 1,463,234	\$ (2)	<i>Nonspendable:</i>			
Total expenditures	1,407,244	1,407,245	(1)	4.60 Nonspendable fund balance	-	-	-
<i>Nonspendable:</i>				<i>Restricted:</i>			
4.62 Nonspendable fund balance	38,923	38,923	-	4.64 Restricted fund balance	100,819	100,819	-
<i>Restricted/Reserved:</i>				<i>Unassigned:</i>			
4.52 OPEB liabilities not held in trust	-	-	-	4.63 Unassigned fund balance	-	-	-
<i>Restricted:</i>				04 COMMUNITY SERVICE FUND			
4.64 Restricted fund balance	227,522	227,523	(1)	Total revenue	\$ 2,024,723	\$ 2,024,721	\$ 2
<i>Unassigned:</i>				Total expenditures	2,036,977	2,036,978	(1)
4.63 Unassigned fund balance	-	-	-	<i>Capital lease payable</i>			
04 COMMUNITY SERVICE FUND				4.60 Nonspendable fund balance	-	-	-
Total revenue	\$ 2,024,723	\$ 2,024,721	\$ 2	<i>Restricted/reserved:</i>			
Total expenditures	2,036,977	2,036,978	(1)	4.26 \$25 Taconite	-	-	-
<i>Capital lease payable</i>				4.31 Community Education	359,366	359,363	3
4.60 Nonspendable fund balance	-	-	-	4.32 ECFE	52,390	52,390	-
<i>Restricted/reserved:</i>				4.40 Teacher Development and Evaluation	-	-	-
4.26 \$25 Taconite	-	-	-	4.44 School Readiness	(23,826)	(23,826)	-
4.31 Community Education	359,366	359,363	3	4.47 Adult Basic Education	-	-	-
4.32 ECFE	52,390	52,390	-	4.52 OPEB Liabilities not Held in Trust	-	-	-
4.40 Teacher Development and Evaluation	-	-	-	<i>Restricted:</i>			
4.44 School Readiness	(23,826)	(23,826)	-	4.64 Restricted fund balance	7,917	7,917	-
4.47 Adult Basic Education	-	-	-	<i>Unassigned:</i>			
4.52 OPEB Liabilities not Held in Trust	-	-	-	4.63 Unassigned fund balance	-	-	-
<i>Restricted:</i>				04 COMMUNITY SERVICE FUND			
4.64 Restricted fund balance	7,917	7,917	-	Total revenue	\$ 2,024,723	\$ 2,024,721	\$ 2
<i>Unassigned:</i>				Total expenditures	2,036,977	2,036,978	(1)
4.63 Unassigned fund balance	-	-	-	<i>Capital lease payable</i>			
04 COMMUNITY SERVICE FUND				4.60 Nonspendable fund balance	-	-	-
Total revenue	\$ 2,024,723	\$ 2,024,721	\$ 2	<i>Restricted/reserved:</i>			
Total expenditures	2,036,977	2,036,978	(1)	4.26 \$25 Taconite	-	-	-
<i>Capital lease payable</i>				4.31 Community Education	359,366	359,363	3
4.60 Nonspendable fund balance	-	-	-	4.32 ECFE	52,390	52,390	-
<i>Restricted/reserved:</i>				4.40 Teacher Development and Evaluation	-	-	-
4.26 \$25 Taconite	-	-	-	4.44 School Readiness	(23,826)	(23,826)	-
4.31 Community Education	359,366	359,363	3	4.47 Adult Basic Education	-	-	-
4.32 ECFE	52,390	52,390	-	4.52 OPEB Liabilities not Held in Trust	-	-	-
4.40 Teacher Development and Evaluation	-	-	-	<i>Restricted:</i>			
4.44 School Readiness	(23,826)	(23,826)	-	4.64 Restricted fund balance	7,917	7,917	-
4.47 Adult Basic Education	-	-	-	<i>Unassigned:</i>			
4.52 OPEB Liabilities not Held in Trust	-	-	-	4.63 Unassigned fund balance	-	-	-
<i>Restricted:</i>				04 COMMUNITY SERVICE FUND			
4.64 Restricted fund balance	7,917	7,917	-	Total revenue	\$ 2,024,723	\$ 2,024,721	\$ 2
<i>Unassigned:</i>				Total expenditures	2,036,977	2,036,978	(1)
4.63 Unassigned fund balance	-	-	-	<i>Capital lease payable</i>			
04 COMMUNITY SERVICE FUND				4.60 Nonspendable fund balance	-	-	-
Total revenue	\$ 2,024,723	\$ 2,024,721	\$ 2	<i>Restricted/reserved:</i>			
Total expenditures	2,036,977	2,036,978	(1)	4.26 \$25 Taconite	-	-	-
<i>Capital lease payable</i>				4.31 Community Education	359,366	359,363	3
4.60 Nonspendable fund balance	-	-	-	4.32 ECFE	52,390	52,390	-
<i>Restricted/reserved:</i>				4.40 Teacher Development and Evaluation	-	-	-
4.26 \$25 Taconite	-	-	-	4.44 School Readiness	(23,826)	(23,826)	-
4.31 Community Education	359,366	359,363	3	4.47 Adult Basic Education	-	-	-
4.32 ECFE	52,390	52,390	-	4.52 OPEB Liabilities not Held in Trust	-	-	-
4.40 Teacher Development and Evaluation	-	-	-	<i>Restricted:</i>			
4.44 School Readiness	(23,826)	(23,826)	-	4.64 Restricted fund balance	7,917	7,917	-
4.47 Adult Basic Education	-	-	-	<i>Unassigned:</i>			
4.52 OPEB Liabilities not Held in Trust	-	-	-	4.63 Unassigned fund balance	-	-	-
<i>Restricted:</i>				04 COMMUNITY SERVICE FUND			
4.64 Restricted fund balance	7,917	7,917	-	Total revenue	\$ 2,024,723	\$ 2,024,721	\$ 2
<i>Unassigned:</i>				Total expenditures	2,036,977	2,036,978	(1)
4.63 Unassigned fund balance	-	-	-	<i>Capital lease payable</i>			

Independent School District No. 727
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Agency/Pass Through Agency/Program Title	CFDA Number	Expenditures
U.S. Department of Agriculture		
Through Minnesota Department of Education		
Child Nutrition Cluster		
School Breakfast	10.553	\$ 49,638
Type A Lunch and Commodities Programs	10.555	297,157
Commodities (Noncash)	10.555	104,097
COVID-19 Summer Food Service	10.559	219,550
Summer Food Service	10.559	62,731
Total Child Nutrition Cluster and U.S. Department of Agriculture		<u>733,173</u>
U.S. Department of Education		
Through Minnesota Department of Education		
Title I, Part A	84.010	236,911
Title IV, Part A - Safe and Drug Free Schools	84.424	29,258
Title II, Part A - Teacher and Principal Training and Recruiting	84.367	71,409
Through Independent School District No. 882		
Special Education	84.027	114,905
Through Big Lake Township		
CARES Funding Received Through Other Agencies	21.019	49,578
Direct from Federal Government		
Title VI - Indian Education Formula Grants to Local Educational Agencies	84.060A	4,000
Total U.S. Department of Education		<u>506,061</u>
Total Federal Expenditures		<u>\$ 1,239,234</u>

Independent School District No. 727
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2020

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 financial statements.

NOTE 2 – PASS-THROUGH GRANT NUMBERS

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

NOTE 3 – INVENTORY

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

NOTE 4 – INDIRECT COST RATE

The District did not elect to use the 10 percent de minimis indirect cost rate.

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 727, Big Lake, Minnesota, as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 2, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control described in the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance that we consider to be a significant deficiency in internal control, Audit Finding 2020-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

District's Response to the Findings

The District's response to the finding identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

Bergan KDV Ltd .

Minneapolis, Minnesota
December 2, 2020

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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the compliance of Independent School District No. 727, Big Lake, Minnesota with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2020. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Independent School District No. 727 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

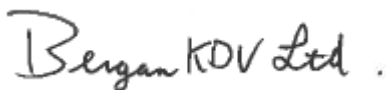
Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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



Minneapolis, Minnesota
December 2, 2020

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

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).
Internal control over financial reporting:	
<ul style="list-style-type: none"> • Material weakness(es) identified? • Significant deficiency(ies) identified 	<p>No</p> <p>Yes, Audit Finding 2020-001</p>
Noncompliance material to financial statements noted?	No

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
<ul style="list-style-type: none"> • Material weakness(es) identified? • Significant deficiency(ies) 	<p>No</p> <p>No</p>
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516?	No

Identification of Major Programs

CFDA No:	10.553, 10.555, and 10.559
Name of Federal Program or Cluster:	Child Nutrition Cluster
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low risk auditee?	Yes

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

SECTION II – FINANCIAL STATEMENT FINDINGS

Audit Finding 2020-001

Criteria or Specific Requirement:

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

Condition:

During the year ended June 30, 2020, the District had a lack of segregation of accounting duties in the cash disbursements, receipts, and payroll processes due to a limited number of office employees. Although this meets the definition of a "significant deficiency," it may not be practical to correct since the costs of obtaining desirable segregation of accounting duties may exceed benefits that could be derived.

Cash Disbursement Process

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

Cash Receipt

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

Payroll

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

Context:

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

Effect:

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

Audit Finding 2020-001 (Continued)

Cause:

There are a limited number of office employees.

Recommendation:

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

Management's Response:

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding

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

A. Cash Disbursement Process

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

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

B. Cash Receipt Process

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

Audit Finding 2020-001 (Continued)

Management's Response: (Continued)

CORRECTIVE ACTION PLAN (CAP): (CONTINUED)

1. Actions Planned in Response to Finding

C. Payroll Process

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

2. Official Responsible for Ensuring CAP

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

3. Planned Completion Date for CAP

The planned completion date is ongoing.

4. Plan to Monitor Completion of CAP

The School Board will be monitoring the corrective action plan.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

There were no federal award findings or questioned costs.

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There were no prior year findings or questioned costs.

Minnesota Legal Compliance**Independent Auditor's Report**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 727, Big Lake, Minnesota, as of and for the year ended June 30, 2020, and the related notes to financial statements, and have issued our report thereon dated December 2, 2020.

The *Minnesota Legal Compliance Audit Guide for School Districts* promulgated by the State Auditor pursuant to *Minnesota Statutes* § 6.65, contains seven categories of compliance to be tested: 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. Our audit considered all of the listed categories.

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 *Minnesota Legal Compliance Audit Guide for School Districts*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions.

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

BerganKDV Ltd.

Minneapolis, Minnesota
December 2, 2020



**DO
MORE.**

Independent School District No. 727
Big Lake, Minnesota

Audited Financial Statements

December 17, 2020

bergankov

Independent Auditor's Reports

- Unmodified opinion on financial statements
 - Best opinion an auditor can issue
- Financial statements present fairly in all material respects the financial position and change in financial position of the governmental activities, each major fund and the aggregate remaining funds.
- Report in Accordance with *Government Auditing Standards*
 - Internal Control Finding – Lack of Segregation of Accounting Duties
- Unmodified Opinion on Single Audit – Child Nutrition
- Unmodified Opinion on Minnesota Legal Compliance

General Education Aid Formula Allowance

Year	General Education Aid Formula Allowance	
	Amount	Percent Increase
2011	\$ 5,124	0.0%
2012	5,174	1.0%
2013	5,224	1.0%
2014	5,302	1.5%
2015*	5,831	1.9%
2016	5,948	2.0%
2017	6,067	2.0%
2018	6,188	2.0%
2019	6,312	2.0%
2020	6,438	2.0%
2021	6,567	2.0%

* General Education Aid - Of the \$529 increase over 2014, \$105 is for inflation at 1.9%; the remaining \$424 is a shifting of revenue to adjust for pupil weight changes, pension adjustments changes and other restructuring.

Average Daily Membership and Pupil Units – Resident ADM

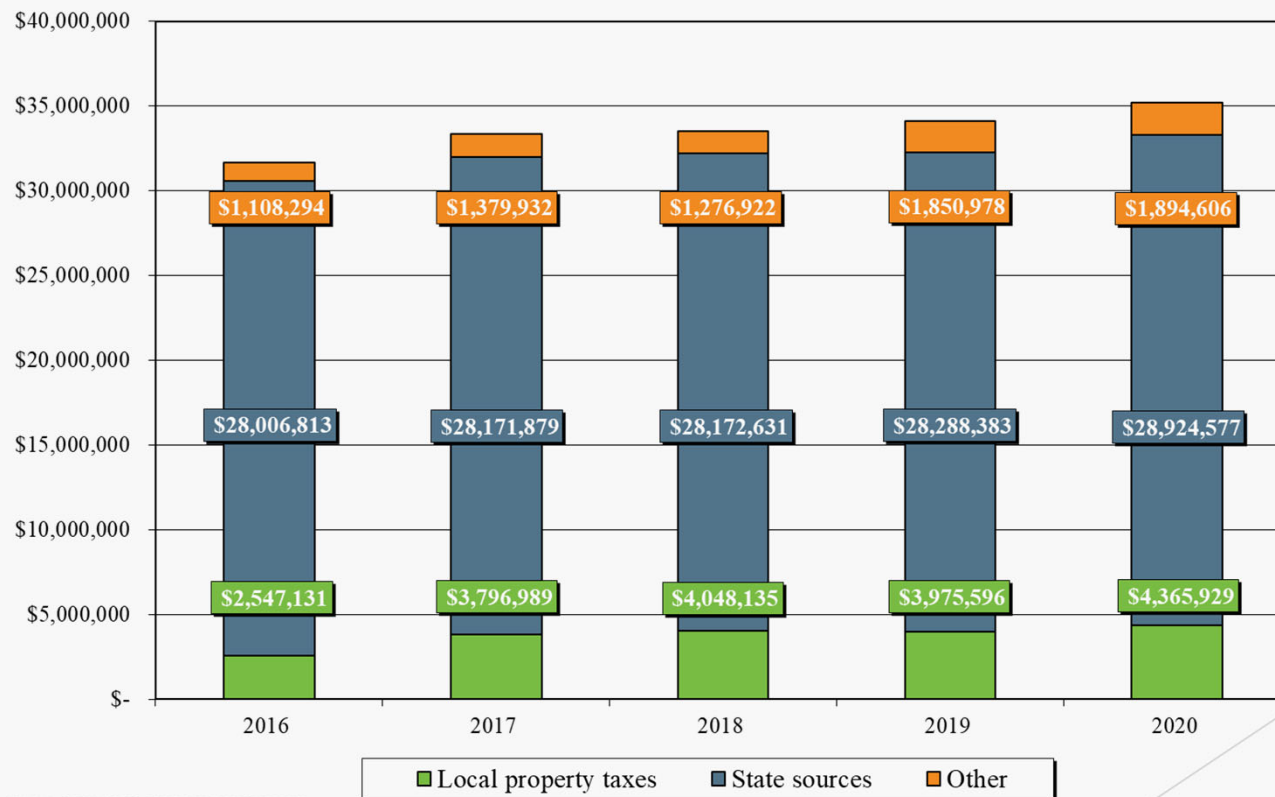
ADM	2016	2017	2018	2019	2020*
Early childhood	28.59	35.74	42.30	41.53	34.77
Kindergarten	273.66	259.14	266.26	276.88	281.69
Elementary	1,739.91	1,720.29	1,726.54	1,712.95	1,669.63
Secondary	1,638.07	1,668.32	1,681.95	1,675.33	1,725.43
Total Resident ADM	3,680.23	3,683.49	3,717.05	3,706.69	3,711.52

Average Daily Membership and Pupil Units – Weighting and WADM/PUN Served

Pupil Units Weighting						
	Pre-Kindergarten	Kindergarten Disabled	Kindergarten	Elementary Grades 1-3	Elementary Grade 4-6	Secondary
2016-2020	1.000	1.000	1.000	1.000	1.000	1.200

WADM/PUN	2016	2017	2018	2019	2020*
Residents	4,007.84	4,017.15	4,053.03	4,041.77	4,056.60
Resident WADM/PUN loss	(666.22)	(735.16)	(769.74)	(817.94)	(790.86)
Nonresident WADM/PUN gain	104.50	90.95	73.06	77.63	109.79
Total WADM/PUN Served	3,446.12	3,372.94	3,356.35	3,301.46	3,375.53

General Fund Sources of Revenue

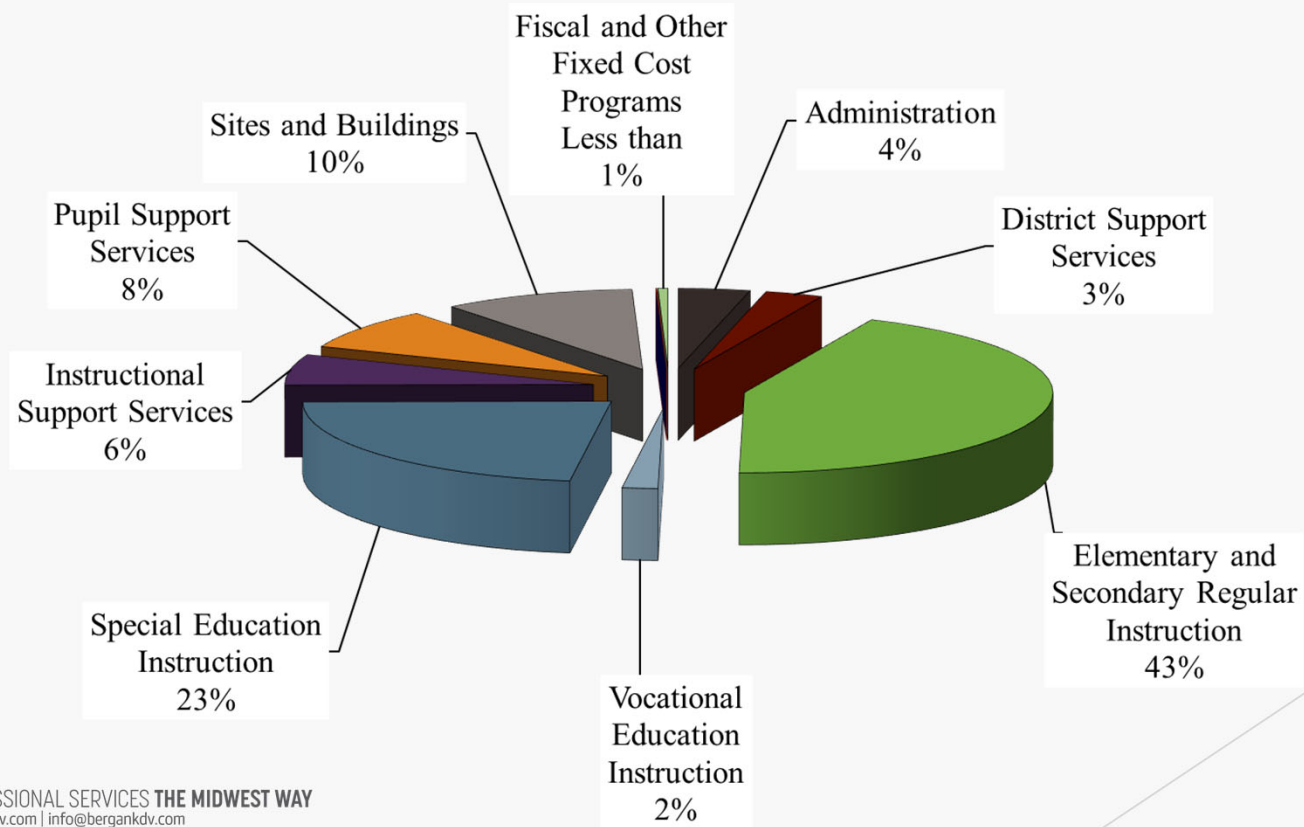


General Fund Expenditures Per ADM Served

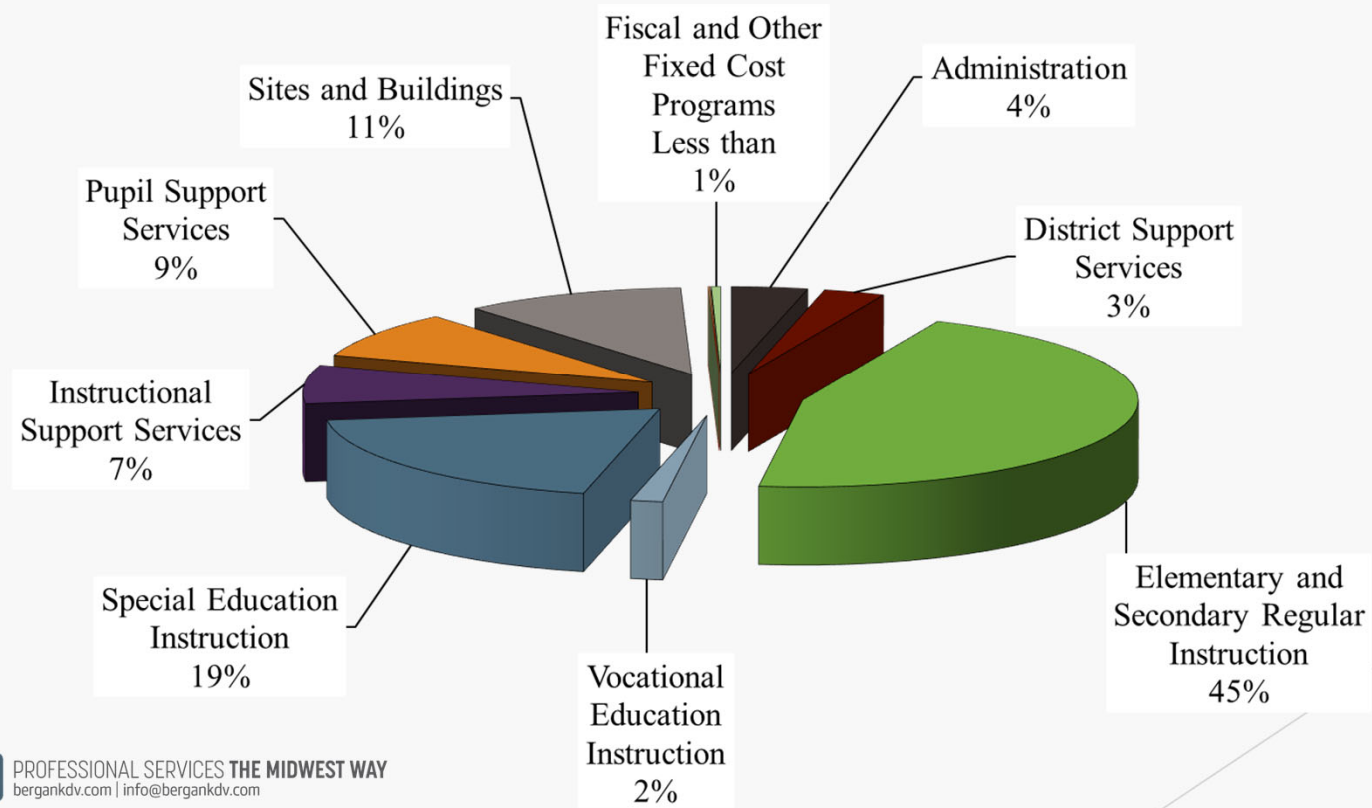
District	2016*	2017*	2018*	2019*	2020**
General Fund	\$ 9,683	\$ 10,196	\$ 10,422	\$ 11,148	\$ 10,828
Food Service	473	504	509	503	452
Community Service	589	688	757	796	654

State-Wide Average	2016*	2017*	2018*	2019*	2020
General Fund	\$ 11,956	\$ 12,249	12,596	13,025	N/A
Food Service	539	546	550	559	N/A
Community Service	550	579	606	638	N/A

General Fund 2020 Expenditures



General Fund 2019 Expenditures



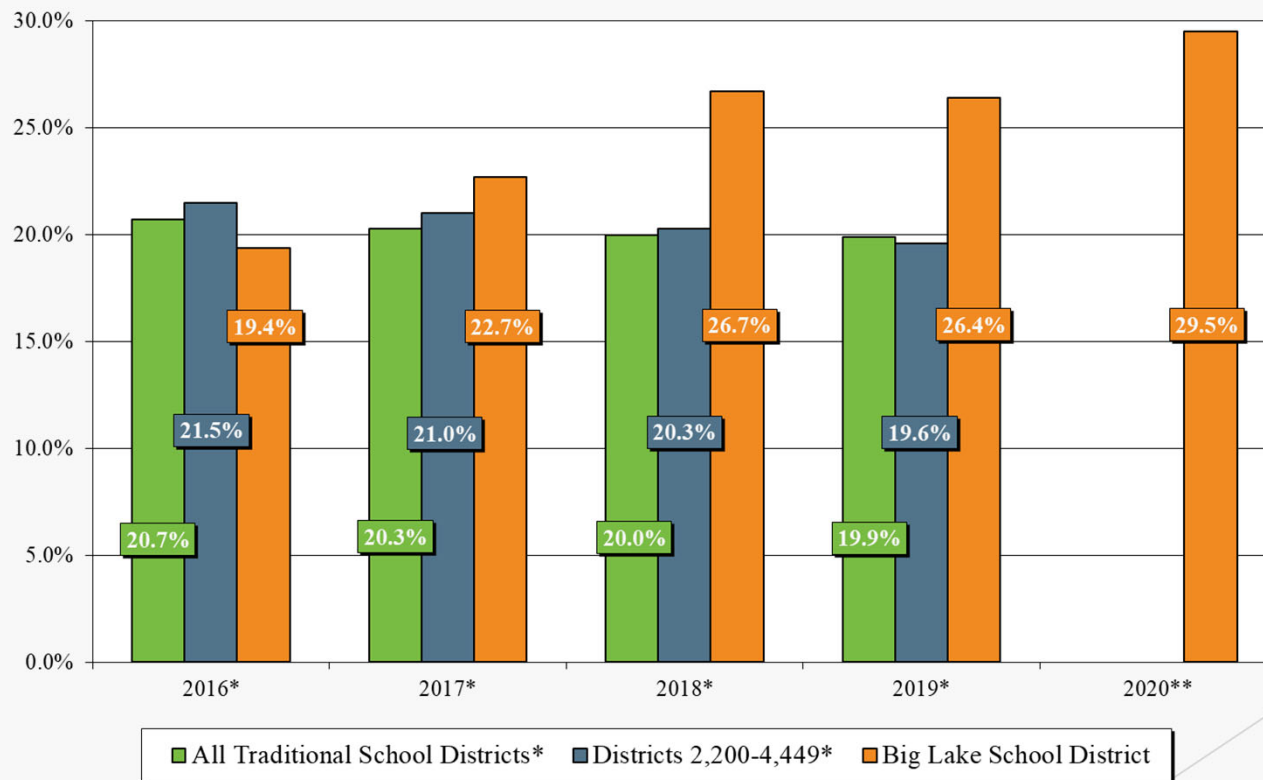
General Fund Budget and Actual

	2020			
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues				
Local property taxes	\$ 4,347,136	\$ 4,357,136	\$ 4,365,929	\$ 8,793
State sources	27,954,496	28,920,242	28,924,577	4,335
Other	1,546,851	1,843,470	1,894,606	51,136
Total revenues	<u>33,848,483</u>	<u>35,120,848</u>	<u>35,185,112</u>	<u>64,264</u>
Expenditures				
Administration	1,313,663	1,325,683	1,266,268	(59,415)
District support services	1,228,420	1,110,615	1,021,683	(88,932)
Regular instruction	15,322,612	14,983,222	14,666,757	(316,465)
Vocational education instruction	620,507	629,243	626,477	(2,766)
Special education instruction	7,328,347	7,888,020	7,667,631	(220,389)
Instructional support services	2,243,078	2,195,300	2,034,476	(160,824)
Pupil support services	3,253,533	2,891,541	2,793,158	(98,383)
Sites and buildings	3,539,339	3,561,233	3,403,411	(157,822)
Fiscal and other fixed costs	167,575	177,514	173,974	(3,540)
Community education and services	-	-	11,436	11,436
Debt service	57,457	57,457	57,458	1
Total expenditures	<u>35,074,531</u>	<u>34,819,828</u>	<u>33,722,729</u>	<u>(1,097,099)</u>
Excess of revenues over (under) expenditures	(1,226,048)	301,020	1,462,383	1,161,363
Other Financing Sources				
Insurance recoveries	-	520	520	-
Total other financing sources	-	520	520	-
Net change in fund balances	\$ (1,226,048)	\$ 301,540	\$ 1,462,903	\$ 1,161,363

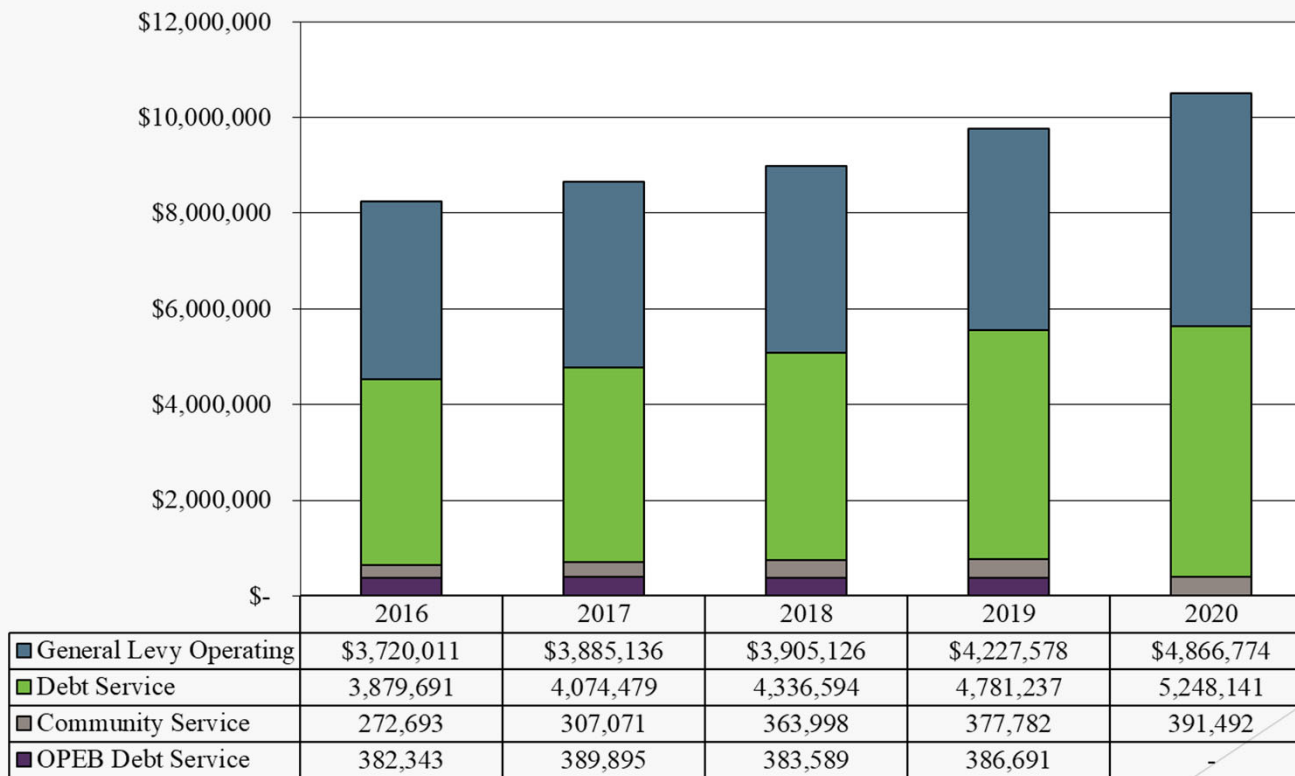
General Fund Operating Results

	2016	2017	2018	2019	2020
Revenues	\$ 31,662,238	\$ 33,348,800	33,497,688	34,114,957	35,185,112
Expenditures	31,082,765	32,004,832	32,585,535	34,054,607	33,722,729
Excess of revenues over (under) expenditures	579,473	1,343,968	912,153	60,350	1,462,383
Transfers/other financing Sources	-	-	222,520	247,007	520
Fund balance, July 1	5,293,714	5,873,187	7,217,155	8,351,828	8,659,185
Change in accounting principle	-	-	-	-	15,650
Fund Balance, June 30	\$ 5,873,187	\$ 7,217,155	\$ 8,351,828	\$ 8,659,185	\$ 10,137,738
Components					
Unassigned	\$ 3,889,033	\$ 5,102,332	\$ 6,122,852	\$ 6,748,712	\$ 7,548,558
Assigned for					
Athletics and activities	134,658	123,671	128,558	104,071	179,525
Targeted services	17,750	-	-	-	-
Student activities	113,262	111,317	107,940	118,135	-
Building level activities	-	-	-	-	122,937
Q Comp	245,130	270,498	230,761	129,791	138,190
STEM program	-	-	-	27,500	6,588
Copier replacement	-	-	-	35,000	30,000
Curriculum materials	-	-	-	50,000	79,806
Third party medical assistance	115,770	-	-	-	-
Moving costs	-	11,438	-	-	-
Gymnastics floor replacement	-	-	-	-	28,500
Special education transportation	-	-	-	-	11,454
Committed for					
Separation/retirement	509,720	535,627	573,511	596,778	620,191
Liberty shelter	-	-	-	6,702	29,120
TIES withdrawal fee	-	-	136,400	-	-
Ball field lights at four-plex	15,000	14,116	6,664	-	-
Restricted for					
Student activities	-	-	-	-	10,386
Scholarships	-	-	-	-	16,650
Basic skills	44,544	61,755	80,381	112,332	76,094
Long-term facilities maintenance	-	4,286	21,180	44,809	81,783
Capital projects levy	-	52,145	77,153	108,221	226,670
Medical assistance	-	140,219	118,218	92,243	230,996
Staff development	113,874	94,777	101,957	98,744	92,814
ALC	2,358	11,985	9,521	7,837	33,648
Health and safety	(62,173)	(5,496)	-	-	-
Operating capital	509,359	477,187	285,573	221,461	455,306
Nonspendable for					
Prepaid items	224,902	211,298	351,159	156,849	118,522
Total	\$ 5,873,187	\$ 7,217,155	\$ 8,351,828	\$ 8,659,185	\$ 10,137,738

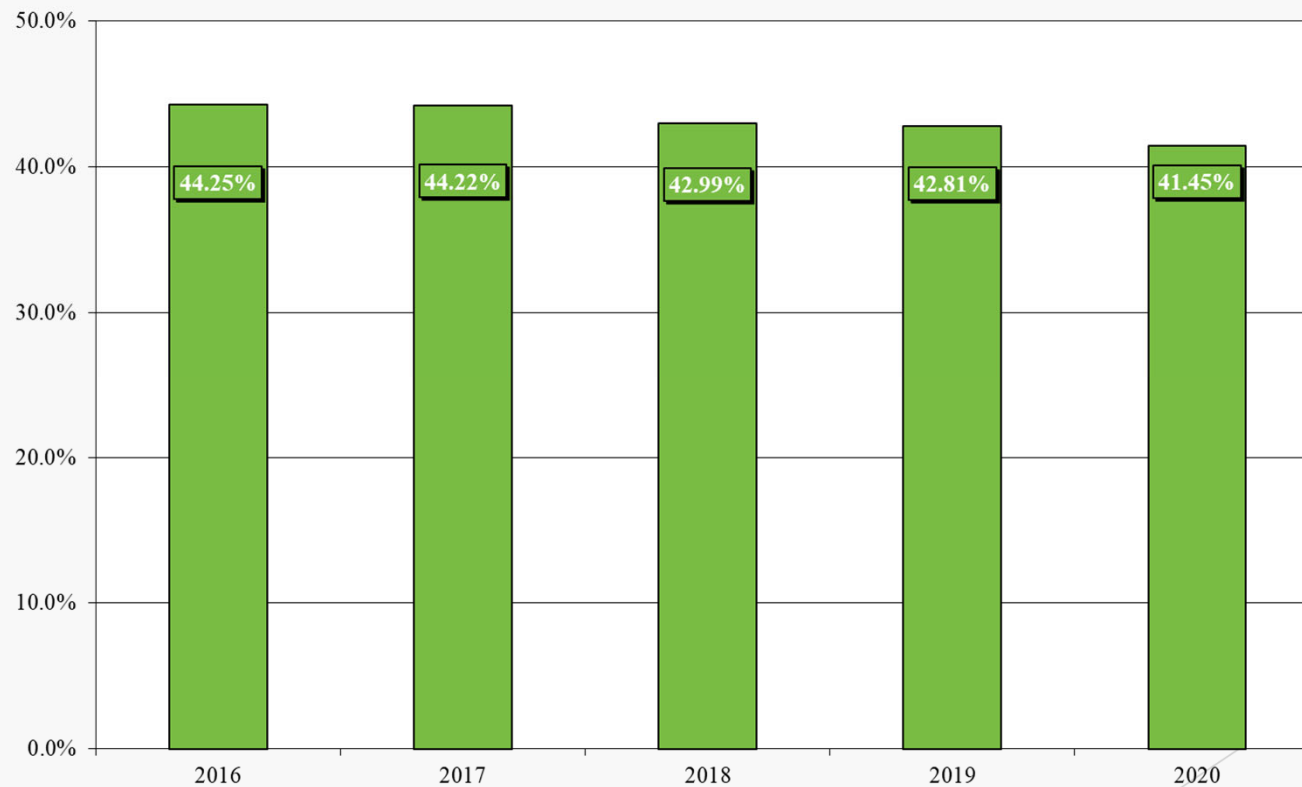
General Fund Percentage of Expenditures



General Fund Operations – Computed Tax Levy



General Fund Operations – Computed Tax Rates



Food Service Fund

For the Year Ended June 30,	2016	2017	2018	2019	2020
Revenues	\$ 1,543,430	\$ 1,617,064	\$ 1,563,782	\$ 1,559,039	\$ 1,463,232
Expenditures	1,519,873	1,576,373	1,580,541	1,536,519	1,407,244
Excess of revenues over (under) expenditures	23,557	40,691	(16,759)	22,520	55,988
Fund balance, July 1	140,448	164,005	204,696	187,937	210,457
Fund Balance, June 30	\$ 164,005	\$ 204,696	\$ 187,937	\$ 210,457	\$ 266,445

Community Service Fund

For the Year Ended June 30,	2016	2017	2018	2019	2020
Revenues	\$ 2,103,645	\$ 2,174,196	\$ 2,243,337	\$ 2,374,813	\$ 2,024,723
Expenditures	1,892,031	2,154,588	2,351,505	2,431,749	2,036,977
Excess of revenues over (under) expenditures	211,614	19,608	(108,168)	(56,936)	(12,254)
Fund balance, July 1	341,983	553,597	573,205	465,037	408,101
Fund Balance, June 30	\$ 553,597	\$ 573,205	\$ 465,037	\$ 408,101	\$ 395,847

Components					
Nonspendable	\$ 1,298	\$ 1,000	\$ -	\$ -	\$ -
Restricted/reserved for					
Community Education	424,446	373,609	312,718	345,321	359,366
ECFE	77,984	115,960	101,217	59,867	52,390
School Readiness	47,844	82,405	50,080	1,489	(23,826)
Fund purpose	2,025	231	1,022	1,424	7,917
Total	\$ 553,597	\$ 573,205	\$ 465,037	\$ 408,101	\$ 395,847

QUESTIONS?

Caroline Stutsman

320-650-0228

Caroline.Stutsman@berganKDV.com

A photograph of a modern home office desk. A large computer monitor is the central focus, displaying the text "DO MORE." in white, bold, sans-serif font against a dark background. The monitor sits on a wooden desk. To the right of the monitor is a black metal shelving unit with a potted plant on top. On the desk, there is a white keyboard, a mouse, a glass of water, and a small black device. The background shows a window with blinds and a white wall.

DO
MORE.



LET'S DO MORE, TOGETHER.

THANK YOU

BerganKDV is a leading professional services firm with a contagious culture; where growth is fostered and making a difference means something. Our values drive our decisions, and our passion is empowering people and creating a wow experience for our clients.

We are powered by people who do business the Midwest way delivering comprehensive business, financial and technology solutions including business planning and consulting, tax, assurance and accounting, technology, wealth management and turnaround management services. From tax reform to technology, we go beyond so you can...

DO MORE.



berganKDV
bergankdv.com | #starthere



MEMO

TO: Big Lake School Board

FROM: Angie Manuel, Director of Business Services

DATE: December 10, 2020

SUBJECT: Agenda Item: "Approve OPEB Debt Service Fund Balance Transfer"

In fiscal year 2019-2020, the last bond payment was made for the 2009A General Obligation OPEB (Other Post Employment Benefit) Bonds. Once the bond is paid off, there is no longer a necessity to have a separate OPEB Debt Service fund (UFARS Fund 47). Any remaining balance is required to be transferred to the Debt Service fund (UFARS Fund 7). The remaining balance in Fund 47, as well as future collections of delinquent property taxes, will eventually be returned to the District's taxpayers through the Debt Service Excess Fund Balance calculations prepared by the Minnesota Department of Education during the property tax levy certification process. As a reminder, an excess debt service fund balance occurs because school districts are required to levy 105% of the following year's principal and interest payments due.

It is my recommendation the School Board approve a transfer of \$100,819 from the OPEB Debt Service Fund (Fund 47) to the District's Debt Service Fund (Fund 7). \$100,819 represents the 2019-2020 ending fund balance of the OPEB Debt Service Fund and will close the fund in fiscal year 2020-2021.

Contact me if you have questions.

SUMMARY OF YTD 20-21 BUDGET ADJUSTMENTS

**Denotes Specific School Board Approval*

GENERAL FUND:

REVENUE:

	AMOUNT	DATE
Original Budget	\$36,364,281 *	Jun-20
-Adjust gen ed aid for decrease in enrollment	(\$724,625)	
-Establish budget for CRF federal funds	\$766,916	
-Revenue rec'd from Big Lake Township and Sherburne County for COVID relief	\$300,569	

NET CURRENT REVENUE BUDGET

\$36,707,141

GENERAL FUND:

EXPENSE:

	AMOUNT	DATE
Original Budget	\$37,519,840 *	Jun-20
-Establish budget for CRF COVID related expenses	\$766,916	
-Edgenuity costs (Big Lake Online)	\$139,000	

NET CURRENT EXPENSE BUDGET

\$38,425,756

SUMMARY OF YTD 20-21 BUDGET ADJUSTMENTS

**Denotes Specific School Board Approval*

	AMOUNT	DATE
FOOD SERVICE FUND:		
REVENUE:		
Original Budget	\$1,655,850 *	Jun-20
NET CURRENT REVENUE BUDGET	<u>\$1,655,850</u>	
EXPENSE:		
Original Budget	\$1,655,850 *	Jun-20
NET CURRENT EXPENSE BUDGET	<u>\$1,655,850</u>	
COMMUNITY SERVICE FUND:		
REVENUE:		
Original Budget	\$1,940,459 *	Jun-20
-Revenue rec'd from Big Lake Township and Sherburne County for COVID relief	\$107,761	
NET CURRENT REVENUE BUDGET	<u>\$2,048,220</u>	
EXPENSE:		
Original Budget	\$2,173,632 *	Jun-20
NET CURRENT EXPENSE BUDGET	<u>\$2,173,632</u>	
BUILDING CONSTRUCTION FUND		
REVENUE:		
Original Budget	\$9,950 *	Jun-20
NET CURRENT REVENUE BUDGET	<u>\$9,950</u>	
EXPENSE:		
Original Budget	\$6,881,788 *	Jun-20
NET CURRENT EXPENSE BUDGET	<u>\$6,881,788</u>	

SUMMARY OF YTD 20-21 BUDGET ADJUSTMENTS

**Denotes Specific School Board Approval*

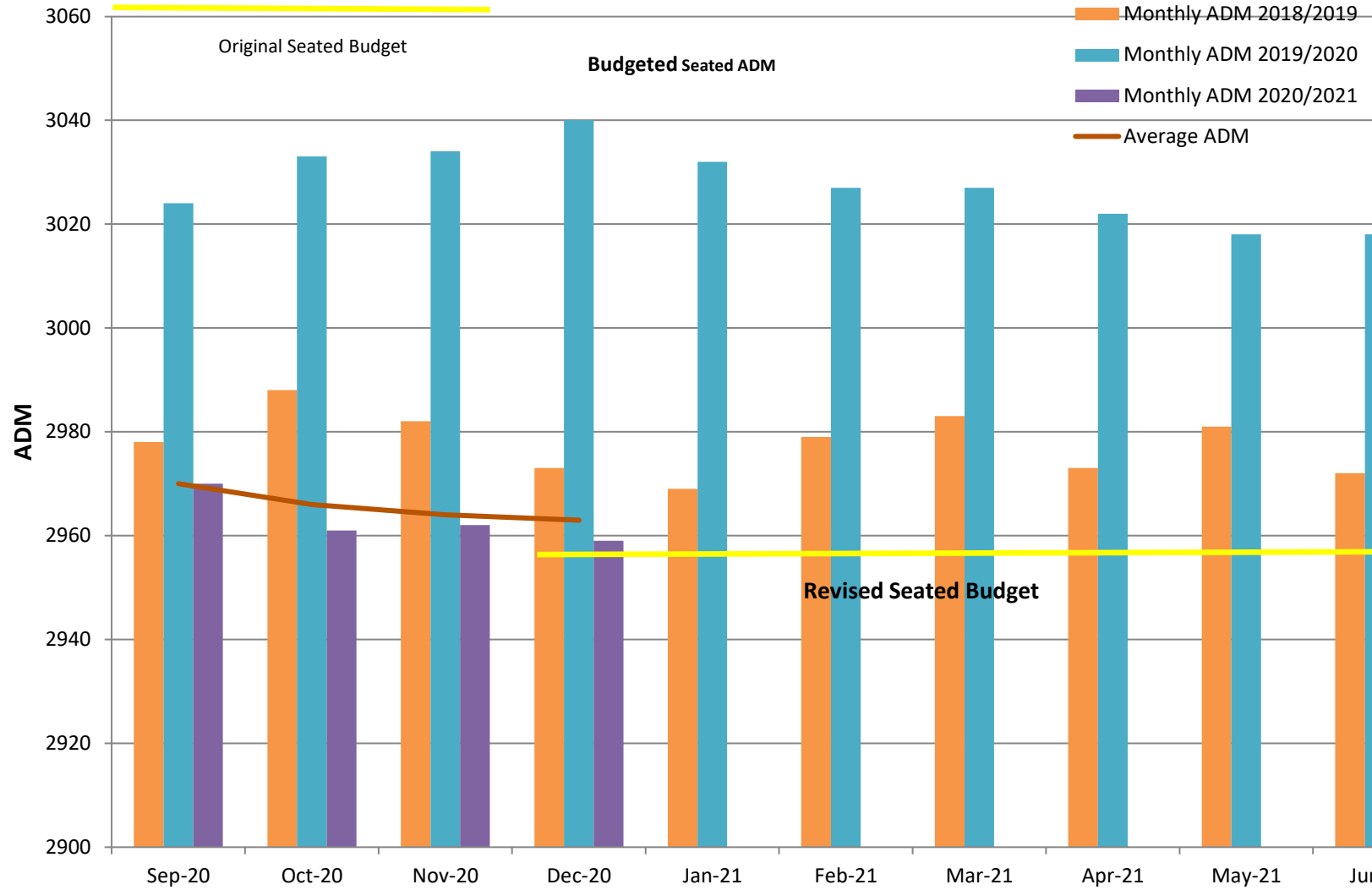
	AMOUNT	DATE
DEBT SERVICE FUND		
REVENUE:		
Original Budget	\$5,516,400	* Jun-20
NET CURRENT REVENUE BUDGET	<u>\$5,516,400</u>	
EXPENSE:		
Original Budget	\$5,807,280	* Jun-20
NET CURRENT EXPENSE BUDGET	<u>\$5,807,280</u>	
	AMOUNT	DATE
OPEB Irrevocable Trust Fund		
REVENUE:		
Original Budget	45,000	* Jun-20
NET CURRENT REVENUE BUDGET	<u>45,000</u>	
EXPENSE:		
Original Budget	\$248,355	* Jun-20
NET CURRENT EXPENSE BUDGET	<u>\$248,355</u>	

ISD #727 2020-2021 Revised Budget

December 17th, 2020

	Audited Fund Balance June 30,2020	Revenue Budget 20-21	Expenditure Budget 20-21	Projected Net Change Incr(Decr) in Fund Balance	Transfers	Budgeted Fund Balance June 30,2021
General:						
Restricted -						
Long Term Facilities Maintenance	\$ 81,783	\$ 452,080	\$ 346,564	\$ 105,516	\$ -	\$ 187,299
Operating Capital	\$ 455,306	\$ 720,022	\$ 1,054,830	\$ (334,808)	\$ -	\$ 120,498
Capital Projects Levy	\$ 226,670	\$ 519,531	\$ 538,392	\$ (18,861)	\$ -	\$ 207,809
Basic Skills Programs	\$ 76,094	\$ 612,211	\$ 669,068	\$ (56,857)	\$ -	\$ 19,237
Staff Development	\$ 92,814	\$ 434,814	\$ 434,525	\$ 289	\$ -	\$ 93,103
Third Party/Medical Assistance	\$ 230,996	\$ 100,000	\$ 170,354	\$ (70,354)	\$ -	\$ 160,642
Area Learning Center (ALC)	\$ 33,648	\$ 329,525	\$ 362,054	\$ (32,529)	\$ -	\$ 1,119
Scholarships	\$ 16,650					
Student Activities	\$ 10,386					
Committed for Severance	\$ 620,191	\$ -	\$ 107,420	\$ (107,420)	\$ -	\$ 512,771
Committed for Liberty Shelter	\$ 29,121	\$ -	\$ 29,121	\$ (29,121)	\$ -	\$ -
Assigned for Q Comp	\$ 138,190	\$ 801,115	\$ 808,860	\$ (7,745)	\$ -	\$ 130,445
Assigned for Athletics and Activities	\$ 179,525	\$ 987,725	\$ 1,006,286	\$ (18,561)	\$ -	\$ 160,964
Assigned for Building Level Activities	\$ 122,937					
Other Assigned Fund Balances	\$ 156,348	\$ 25,100	\$ 24,246	\$ 854	\$ -	\$ 157,202
Nonspendable for Prepaid Items	\$ 118,522	\$ -	\$ -	\$ -	\$ -	\$ 118,522
Unassigned	\$ 7,548,558	\$ 31,725,018	\$ 32,874,036	\$ (1,149,018)	\$ -	\$ 6,399,540
Subtotal	\$ 10,137,739	\$ 36,707,141	\$ 38,425,756	\$ (1,718,615)	\$ -	\$ 8,269,151
Food Service:						
Restricted						
Restricted	\$ 38,923	\$ 1,655,850	\$ 1,655,850	\$ -	\$ -	\$ 38,923
Nonspendable for Inventory	\$ 227,522	\$ -	\$ -	\$ -	\$ -	\$ 227,522
Subtotal	\$ 266,445	\$ 1,655,850	\$ 1,655,850	\$ -	\$ -	\$ 266,445
Community Service:						
Restricted -						
Community Education	\$ 359,366	\$ 1,436,983	\$ 1,500,663	\$ (63,680)	\$ -	\$ 295,686
ECFE	\$ 52,390	\$ 243,857	\$ 264,668	\$ (20,811)	\$ -	\$ 31,579
School Readiness	\$ (23,826)	\$ 351,485	\$ 392,406	\$ (40,921)	\$ -	\$ (64,747)
Preschool Screening	\$ 7,917	\$ 15,895	\$ 15,895	\$ -	\$ -	\$ 7,917
Subtotal	\$ 395,847	\$ 2,048,220	\$ 2,173,632	\$ (125,412)	\$ -	\$ 270,435
Building Construction Fund						
Restricted -						
Long-Term Facilities Maintenance	\$ 4,762,317	\$ 9,900	\$ 6,819,823	\$ (6,809,923)	\$ -	\$ (2,047,606)
Referendum Projects	\$ 75,464	\$ 50	\$ 61,965	\$ (61,915)	\$ -	\$ 13,549
	\$ 4,837,781	\$ 9,950	\$ 6,881,788	\$ (6,871,838)	\$ -	\$ (2,034,057)
Debt Service - Restricted	\$ 1,805,961	\$ 5,516,400	\$ 5,807,280	\$ (290,880)	\$ 100,819	\$ 1,615,900
OPEB Irrevocable Trust Fund	\$ 1,606,793	\$ 45,000	\$ 248,355	\$ (203,355)	\$ -	\$ 1,403,438
OPEB Bonds Debt Service Fund	\$ 100,819	\$ -	\$ -	\$ -	\$ (100,819)	\$ -
Total	\$ 19,151,385	\$ 45,982,561	\$ 55,192,661	\$ (9,210,100)	\$ -	\$ 9,791,312

19-20 Monthly, Average, and Budgeted Daily Membership



School Board Financial Report

December 17th, 2020

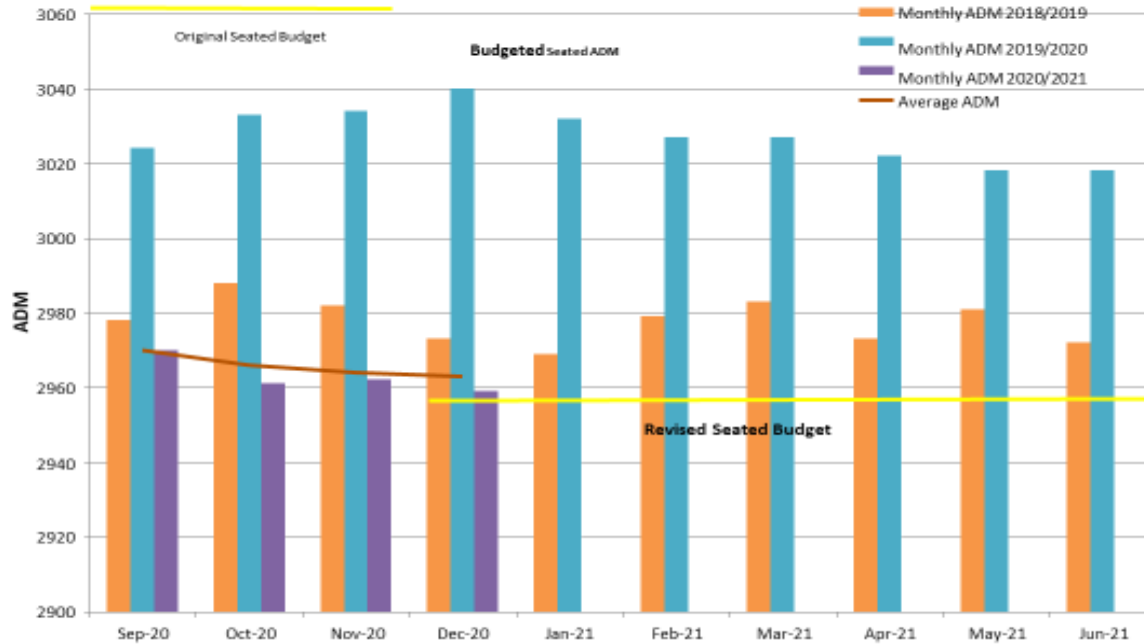
Presented by Angie Manuel, CPA, Director of Business Services

Enrollment

- December 1st Seated Enrollment (ADM): 2,959
 - Lost 2 ADM's from October 1st
 - Lost 11 ADM's from 1st day of school
 - Students leaving district have been offset by students coming into the District

- New Budgeted Enrollment: 2,959 (seated) + 58 (tuition) = 3,017
 - Down 103 from original budgeted enrollment (3,120)
 - Budget implications discussed in next slides

19-20 Monthly, Average, and Budgeted Daily Membership



Financial Update

- Budget Revisions to be Approved

Revenues:

- Decreased general education revenue by \$724,625 (General Fund)
- Increased federal revenue:
 - CRF Funds: \$766,916 (General Fund)
 - Big Lake Township COVID Relief Funds: \$148,454
 - Additional COVID relief funds from Sherburne County: \$259,876
 - Local COVID Relief Funds benefited General and Community Service funds

Expenditures:

- Added CRF Fund expenses (COVID related costs): \$766,916
- Added budget for Edgenuity platform (Big Lake Online): \$139,000
 - Funded by Big Lake Township and Sherburne County Relief Funds

Financial Update

- Budget Revisions:
 - Other revenue and expenditure accounts currently being reviewed
- General Fund Unassigned Fund Balance: \$6,399,540
 - Original budget approved in June: \$6,080,663
 - Positive 19-20 results offset 20-21 enrollment decline

ISD #27 2020-2021 Revised Budget

December 17th, 2020

	Audited Fund Balance June 30,2020	Revenue Budget 20-21	Expenditure Budget 20-21	Projected Net Change Incr(Decr) in Fund Balance	Transfers	Budgeted Fund Balance June 30,2021
General:						
Restricted -						
Long Term Facilities Maintenance	\$ 81,783	\$ 452,080	\$ 346,564	\$ 105,516	\$ -	\$ 187,299
Operating Capital	\$ 455,306	\$ 720,022	\$ 1,054,830	\$ (334,808)	\$ -	\$ 120,498
Capital Projects Levy	\$ 226,670	\$ 519,531	\$ 538,392	\$ (18,861)	\$ -	\$ 207,809
Basic Skills Programs	\$ 76,094	\$ 612,211	\$ 669,068	\$ (56,857)	\$ -	\$ 19,237
Staff Development	\$ 92,814	\$ 434,814	\$ 434,525	\$ 289	\$ -	\$ 93,103
Third Party/Medical Assistance	\$ 230,996	\$ 100,000	\$ 170,354	\$ (70,354)	\$ -	\$ 160,642
Area Learning Center (ALC)	\$ 33,648	\$ 329,525	\$ 362,054	\$ (32,529)	\$ -	\$ 1,119
Scholarships	\$ 16,650					
Student Activities	\$ 10,386					
Committed for Severance	\$ 620,191	\$ -	\$ 107,420	\$ (107,420)	\$ -	\$ 512,771
Committed for Liberty Shelter	\$ 29,121	\$ -	\$ 29,121	\$ (29,121)	\$ -	\$ -
Assigned for Q Comp	\$ 138,190	\$ 801,115	\$ 808,860	\$ (7,745)	\$ -	\$ 130,445
Assigned for Athletics and Activities	\$ 179,525	\$ 987,725	\$ 1,006,286	\$ (18,561)	\$ -	\$ 160,964
Assigned for Building Level Activities	\$ 122,937					
Other Assigned Fund Balances	\$ 156,348	\$ 25,100	\$ 24,246	\$ 854	\$ -	\$ 157,202
Nonspendable for Prepaid Items	\$ 118,522	\$ -	\$ -	\$ -	\$ -	\$ 118,522
Unassigned	\$ 7,548,558	\$ 31,725,018	\$ 32,874,036	\$ (1,149,018)	\$ -	\$ 6,399,540
Subtotal	\$ 10,137,739	\$ 36,707,141	\$ 38,425,756	\$ (1,718,615)	\$ -	\$ 8,269,151
Food Service:						
Restricted	\$ 38,923	\$ 1,655,850	\$ 1,655,850	\$ -	\$ -	\$ 38,923
Nonspendable for Inventory	\$ 227,522	\$ -	\$ -	\$ -	\$ -	\$ 227,522
Subtotal	\$ 266,445	\$ 1,655,850	\$ 1,655,850	\$ -	\$ -	\$ 266,445
Community Service:						
Restricted -						
Community Education	\$ 359,366	\$ 1,436,983	\$ 1,500,663	\$ (63,680)	\$ -	\$ 295,686
ECFE	\$ 52,390	\$ 243,857	\$ 264,668	\$ (20,811)	\$ -	\$ 31,579
School Readiness	\$ (23,826)	\$ 351,485	\$ 392,406	\$ (40,921)	\$ -	\$ (64,747)
Preschool Screening	\$ 7,917	\$ 15,895	\$ 15,895	\$ -	\$ -	\$ 7,917
Subtotal	\$ 395,847	\$ 2,048,220	\$ 2,173,632	\$ (125,412)	\$ -	\$ 270,435
Building Construction Fund						
Restricted -						
Long-Term Facilities Maintenance	\$ 4,762,317	\$ 9,900	\$ 6,819,823	\$ (6,809,923)	\$ -	\$ (2,047,606)
Referendum Projects	\$ 75,464	\$ 50	\$ 61,965	\$ (61,915)	\$ -	\$ 13,549
	\$ 4,837,781	\$ 9,950	\$ 6,881,788	\$ (6,871,838)	\$ -	\$ (2,034,057)
Debt Service - Restricted	\$ 1,805,961	\$ 5,516,400	\$ 5,807,280	\$ (290,880)	\$ 100,819	\$ 1,615,900
OPEB Irrevocable Trust Fund	\$ 1,606,793	\$ 45,000	\$ 248,355	\$ (203,355)	\$ -	\$ 1,403,438
OPEB Bonds Debt Service Fund	\$ 100,819	\$ -	\$ 165 -	\$ -	\$ (100,819)	\$ -
Total	\$ 19,151,385	\$ 45,982,561	\$ 55,192,661	\$ (9,210,100)	\$ -	\$ 9,791,312

Update on Compensatory Revenue Funding

**Deadline to complete Application for Meal Benefits extended
to January 4th, 2021**

Current percentage 18.1%, Last year 25%
Loss of revenue for 21-22: \$280,000

Personal phone calls to families began today

School Board Action

Approve budget revisions and financial report

CASH REPORT FOR SCHOOL BOARD

BIG LAKE PUBLIC SCHOOLS

Independent School District # 727

for month: November 2020

101 - CASH ACCOUNTS					
	Beg Balance	Receipts	Checks	Adjustments	End Balance
General Fund	4,419,435	3,814,299	(3,330,204)		\$4,903,530
Food Service	(\$689,197)	2,600	(123,492)		(\$810,089)
Community Service	(\$934,925)	416,745	(171,727)		(\$689,907)
Building Fund	\$0	-	-		\$0
Debt Service	(\$2,188,197)	-	-		(\$2,188,197)
Parking Lot Construction (Fund 14)	\$0	-	-		\$0
Project fund- HVAC (Fund 15)	\$0	544,232	(544,232)		\$0
Custodial Fund (Fund 18)	\$1,496	-	-		\$1,496
OPEB Trust Fund	(\$210,662)	-	(376)		(\$211,038)
OPEB Debt Service Fund	(\$49,181)	-	-		(\$49,181)
TOTAL PER BOOKS	348,769	4,777,876.00	(\$4,170,031)	\$0	956,614
				General Checking Account	\$956,614
				TOTAL PER BANK	\$956,614

102 - PETTY CASH ACCOUNT					
	Beg Balance	Receipts	Checks	Adjustments	End Balance
General Fund	\$1,866	-	(\$274)	-	\$1,592
				Petty Cash Checking Account	\$1,592
				TOTAL PER BANK	\$1,592

104 - INVESTMENT ACCOUNTS					
	Beg Balance	Deposits	Withdrawals	Adjustments	End Balance
General Fund	(\$3,881,836)	\$4,229,171	(\$5,100,000)		(\$4,752,665)
General Fd Operating Investments	\$11,446,018	\$2,000,100	(\$2,245,362)		\$11,200,756
Food Service	\$815,123	\$207,636	\$0		\$1,022,759
Community Service	\$1,450,485	\$98,221	\$0		\$1,548,706
Debt Service	\$6,873,015	\$1,283,465	\$0		\$8,156,480
Facilities Investments 2017A	\$61,985	\$2	\$0		\$61,987
Facilities Investments 2019A (Fd 06)	\$469,023	\$11	\$0		\$469,034
Tax Abatement Invest. 2019A (Fd 14)	\$39,682	\$1	\$0		\$39,683
Facility Maintenance Invest. 2020A (Fc)	\$452,500	\$0	\$0		\$452,500
Facility Maintenance Invest. 2020A (Fc)	\$293,009	\$6	(\$91,338)		\$201,677
OPEB Trust Fund	\$1,323,799	\$45	(\$12)		\$1,323,832
OPEB Trust Equities	\$504,863	\$40,080	\$0		\$544,943
OPEB Debt Service	\$150,000	\$0	\$0		\$150,000
TOTAL PER BOOKS	\$19,997,666	\$7,858,738	(\$7,436,712)	\$0	\$20,419,692
				MN Trust	\$6,125,278
				Operating Investments	\$11,200,756
				Building Fund Investments	\$1,224,883
				OPEB Trust	\$1,868,775
				TOTAL PER BANK	\$20,419,692

CASH AND INVESTMENT BALANCE SUMMARY BY FUND					
	Beg Balance	Deposits	Withdrawals	Adjustments	End Balance
General Fund	\$11,985,483.00	10,043,570	(10,675,840)	-	\$11,353,213
Food Service	\$125,926	210,236	(123,492)	-	\$212,670
Community Service	\$515,560	514,966	(171,727)	-	\$858,799
Debt Service	\$5,137,318	\$1,283,465	\$0	-	\$6,420,783
Parking Lot Construction (Fund 14)	\$39,682	1	\$0	-	\$39,683
Project Fund HVAC- Fund 15	\$293,009	\$544,238	(\$635,570)	-	\$201,677
Custodial Fund (Fund 18)	\$1,496	\$0	\$0	-	\$1,496
Bond Account Investments (fund 06)	\$531,008	\$13	\$0	-	\$531,021
OPEB Trust Fund	\$1,113,137	45	(388)	-	\$1,112,794
OPEB Trust Equities	\$504,863	40,080	-	-	\$544,943
OPEB Debt Service	\$100,819	-	-	-	\$100,819
TOTAL PER BOOKS	20,348,301	\$12,636,614	(\$11,607,017)	\$0	21,377,898
				Cash	\$956,614
				Petty Cash	\$1,592
				Investments	\$20,419,692
				TOTAL PER BANK	\$21,377,898

CASH REPORT FOR SCHOOL BOARD
BIG LAKE PUBLIC SCHOOLS
Independent School District # 727
for month: October 2020

101 - CASH ACCOUNTS					
	Beg Balance	Receipts	Checks	Adjustments	End Balance
General Fund	4,151,838	4,096,505	(3,828,908)		\$4,419,435
Food Service	(\$573,648)	9,021	(124,570)		(\$689,197)
Community Service	(\$871,563)	132,541	(195,903)		(\$934,925)
Building Fund	\$0	-	-		\$0
Debt Service	(\$2,188,197)	-	-		(\$2,188,197)
Parking Lot Construction (Fund 14)	\$0	-	-		\$0
Project fund- HVAC (Fund 15)	\$0	544,232	(544,232)		\$0
Custodial Fund (Fund 18)	\$1,496	-	-		\$1,496
OPEB Trust Fund	(\$44,299)	-	(166,363)		(\$210,662)
OPEB Debt Service Fund	(\$49,181)	-	-		(\$49,181)
TOTAL PER BOOKS	426,446	4,782,299.00	(\$4,859,976)	\$0	348,769
				General Checking Account	\$348,769
				TOTAL PER BANK	\$348,769

102 - PETTY CASH ACCOUNT					
	Beg Balance	Receipts	Checks	Adjustments	End Balance
General Fund	\$2,194	1,231	(\$1,559)	-	\$1,866
				Petty Cash Checking Account	\$1,866
				TOTAL PER BANK	\$1,866

104 - INVESTMENT ACCOUNTS					
	Beg Balance	Deposits	Withdrawals	Adjustments	End Balance
General Fund	(\$3,287,851)	\$4,306,015	(\$4,900,000)		(\$3,881,836)
General Fd Operating Investments	\$10,692,418	\$2,000,000	(\$1,246,400)		\$11,446,018
Food Service	\$815,123	\$0	\$0		\$815,123
Community Service	\$1,248,963	\$201,522	\$0		\$1,450,485
Debt Service	\$5,570,038	\$1,302,977	\$0		\$6,873,015
Facilities Investments 2017A	\$61,983	\$2	\$0		\$61,985
Facilities Investments 2019A (Fd 06)	\$469,011	\$12	\$0		\$469,023
Tax Abatement Invest. 2019A (Fd 14)	\$39,681	\$1	\$0		\$39,682
Facility Maintenance Invest. 2020A (Fd)	\$452,500	\$0	\$0		\$452,500
Facility Maintenance Invest. 2020A (Fd)	\$834,723	\$2,518	(\$544,232)		\$293,009
OPEB Trust Fund	\$1,321,914	\$1,930	(\$45)		\$1,323,799
OPEB Trust Equities	\$508,720	\$0	(\$3,857)		\$504,863
OPEB Debt Service	\$150,000	\$0	\$0		\$150,000
TOTAL PER BOOKS	\$18,877,223	\$7,814,977	(\$6,694,534)	\$0	\$19,997,666
				MN Trust	\$5,406,785
				Operating Investments	\$11,446,018
				Building Fund Investments	\$1,316,201
				OPEB Trust	\$1,828,662
				TOTAL PER BANK	\$19,997,666

CASH AND INVESTMENT BALANCE SUMMARY BY FUND					
	Beg Balance	Deposits	Withdrawals	Adjustments	End Balance
General Fund	\$11,558,599.00	10,403,751	(9,976,867)	-	\$11,985,483
Food Service	\$241,475	9,021	(124,570)	-	\$125,926
Community Service	\$377,400	334,063	(195,903)	-	\$515,560
Debt Service	\$3,834,341	\$1,302,977	\$0	-	\$5,137,318
Parking Lot Construction (Fund 14)	\$39,681	1	\$0	-	\$39,682
Project Fund HVAC- Fund 15	\$834,723	\$546,750	(\$1,088,464)	-	\$293,009
Custodial Fund (Fund 18)	\$1,496	\$0	\$0	-	\$1,496
Bond Account Investments (fund 06)	\$530,994	\$14	\$0	-	\$531,008
OPEB Trust Fund	\$1,277,615	1,930	(166,408)	-	\$1,113,137
OPEB Trust Equities	\$508,720	-	(3,857)	-	\$504,863
OPEB Debt Service	\$100,819	-	-	-	\$100,819
TOTAL PER BOOKS	19,305,863	\$12,598,507	(\$11,556,069)	\$0	20,348,301
				Cash	\$348,769
				Petty Cash	\$1,866
				Investments	\$19,997,666
				TOTAL PER BANK	\$20,348,301

PETTY CASH EXPENDITURES
BIG LAKE PUBLIC SCHOOLS
Independent School District # 727
for month: November 2020

Date	Ck #	Vendor	Description	Amount
11/05/20	19635	Elizabeth Ruddock	Meals Refund	\$ 34.48
11/05/20	19636	Alexandria Harapat	Meals Refund	\$ 120.00
11/23/20	19637	Aleshia Halvorson	CE refund	\$ 46.00
11/23/20	19638	Jessica Kiffmeyer	Meals Refund	\$ 73.72

\$ 274.20

PETTY CASH EXPENDITURES
BIG LAKE PUBLIC SCHOOLS
Independent School District # 727
for month: October 2020

Date	Ck #	Vendor	Description	Amount
10/08/20	19599	Sherburne County Recorder	Notary renewal	\$ 20.00
10/08/20	19600	Joshua Sims	Lunch Money Refund	\$ 43.10
10/08/20	19601	BLFPA	Concessions	\$ 107.00
10/23/20	19602	Sarah Berg	Lunch Money Refund	\$ 156.45
10/23/20	19603	Allison Shearer	Lunch Money Refund	\$ 61.00
10/23/20	19604	BLFPA	Concessions	\$ 24.67
10/27/20	19605	Dawn Nepsund	Lunch Money Refund	\$ 53.35
10/27/20	19606	McKayla Cleveland	Lunch Money Refund	\$ 47.50
10/27/20	19607	Danielle Bauer	ACT Test Refund	\$ 34.00
10/27/20	19608	Dion Bellor	ACT Test Refund	\$ 34.00
10/27/20	19609	Tania Boe	ACT Test Refund	\$ 34.00
10/27/20	19610	Kelly Bowne	ACT Test Refund	\$ 34.00
10/27/20	19611	Sierra Bunting	ACT Test Refund	\$ 34.00
10/27/20	19612	Toni Degen	ACT Test Refund	\$ 34.00
10/27/20	19613	Heather Hanson	ACT Test Refund	\$ 34.00
10/27/20	19614	Theresa Walker	ACT Test Refund	\$ 34.00
10/27/20	19615	Ben LaClaire	ACT Test Refund	\$ 34.00
10/27/20	19616	Marnie Loftus	ACT Test Refund	\$ 34.00
10/27/20	19617	Michelle Lommel	ACT Test Refund	\$ 34.00
10/27/20	19618	Natalie McAdams	ACT Test Refund	\$ 34.00
10/27/20	19619	Kristi McAlpin	ACT Test Refund	\$ 34.00
10/27/20	19620	Brian McKenzie	ACT Test Refund	\$ 34.00
10/27/20	19621	Michelle Donner	ACT Test Refund	\$ 34.00
10/27/20	19622	Holly Merten	ACT Test Refund	\$ 34.00
10/27/20	19623	Victoria Olson	ACT Test Refund	\$ 34.00
10/27/20	19624	Barbara Peterson	ACT Test Refund	\$ 34.00
10/27/20	19625	Melanie Preston	ACT Test Refund	\$ 34.00
10/27/20	19626	Kelli Riebel	ACT Test Refund	\$ 34.00
10/27/20	19627	Tim Sartwell	ACT Test Refund	\$ 34.00
10/27/20	19628	Mark Scheeler	ACT Test Refund	\$ 27.80
10/27/20	19629	Kelly Scott	ACT Test Refund	\$ 34.00
10/27/20	19630	Andrea Tighe	ACT Test Refund	\$ 34.00
10/27/20	19631	Amy Trulock	ACT Test Refund	\$ 34.00
10/27/20	19632	Amy Visci	ACT Test Refund	\$ 68.00
10/27/20	19633	Amanda Washkuhn	ACT Test Refund	\$ 34.00
10/28/20	19634	Nicole Iglesias	Lunch Money Refund	\$ 100.00

\$ 1,558.87

WIRE TRANSFER SUMMARY
Big Lake Public Schools
Independent School District #727
November 30, 2020

DATE	FROM	TO	AMOUNT	PURPOSE
11/2/2020	Old National-Checking	Neopost	\$ 100.00	Postage Fee
11/2/2020	Old National-Checking	Heartland Pmt System	\$ 103.07	Nutri Kids Credit Card Fees
11/5/2020	Old National-Checking	Further	\$ 4,564.30	Flex Claim Pymts
11/5/2020	MN Trust-PMA	Old National-Checking	\$ 1,700,000.00	Payroll and Payroll AP
11/6/2020	Old National-Checking	Neopost	\$ 201.00	DO Postage
11/6/2020	Old National-Checking	Delta Dental	\$ 28,545.02	Dental Insurance
11/9/2020	Old National-Checking	BLEM	\$ 8,213.01	Teacher Unions Dues
11/10/2020	Old National-Checking	Transfirst/TSYS	\$ 524.77	Affinity Credit Card fees
11/10/2020	Old National-Checking	ELEYOmonthlysoft	\$ 1,250.00	ELEYO User Fees
11/10/2020	Old National-Checking	Bankcard Service	\$ 2,685.84	ELEYO Credit Card Fees
11/10/2020	Old National-Checking	EBC	\$ 62,590.46	403b & 457 contributions
11/12/2020	Old National-Checking	Further	\$ 1,295.09	Flex Claim Pymts
11/12/2020	Old National-Checking	Further	\$ 28,104.32	H.S.A Contributions
11/18/2020	Old National-Checking	Further	\$ 3,068.90	Flex Claim Pymts
11/20/2020	MN Trust-PMA BONDS	Old National-Checking	\$ 91,337.95	HVAC Draw 2020A
11/20/2020	MN Trust-PMA	Old National-Checking	\$ 1,400,000.00	Payroll and Payroll AP
11/23/2020	Old National-Checking	Neopost	\$ 402.00	DO Postage
11/23/2020	Old National-Checking	BLEM	\$ 8,213.01	Teacher Unions Dues
11/24/2020	Old National-Checking	Further	\$ 376.45	Further Fee
11/24/2020	Old National-Checking	Further	\$ 28,041.43	H.S.A Contributions
11/24/2020	Old National-Checking	EBC	\$ 61,765.65	403b & 457 contributions
11/25/2020	Old National-Checking	Further	\$ 263.12	Flex Claim Pymts
11/25/2020	Retiree Accounts	Old National-Checking	\$ 11,663.00	Auto Transfers for COBRA/Retiree Ins
11/27/2020	CC Choices ACH	Old National-Checking	\$ 3,287.28	Pathway I
11/27/2020	Old National-Checking	CIGNA	\$ 9,580.22	Life & LTD Insurance
11/27/2020	Sherburne County	Old National-Checking	\$ 174,877.35	CRF County Allocation
11/30/2020	Old National-Checking	Old National Bank	\$ 6.68	Old National Service Charge
11/30/2020	Old National-Checking	Bremer Bank	\$ 173.70	ACH Charge

WIRE TRANSFER SUMMARY
Big Lake Public Schools
Independent School District #727
October 31, 2020

DATE	FROM	TO	AMOUNT	PURPOSE
10/1/2020	Old National-Checking	Neopost	\$ 100.00	Indep Postage
10/1/2020	Old National-Checking	Heartland Pmt System	\$ 506.95	Nutri Kids Credit Card Fees
10/5/2020	Old National-Checking	Neopost	\$ 50.00	Postage Fee
10/5/2020	Old National-Checking	Neopost	\$ 201.00	DO Postage
10/6/2020	Old National-Checking	Delta Dental	\$ 25,441.46	Dental Insurance
10/7/2020	Old National-Checking	Further	\$ 1,927.48	Flex Claim Pymts
10/8/2020	Old National-Checking	ELEYOmonthlysoft	\$ 1,250.00	ELEYO User Fees
10/8/2020	Old National-Checking	Bankcard Service	\$ 2,519.23	ELEYO Credit Card Fees
10/9/2020	MN Trust-PMA	Old National-Checking	\$ 1,700,000.00	Payroll and Payroll AP
10/13/2020	Old National-Checking	Transfirst/TSYS	\$ 3,420.68	Affinity Credit Card fees
10/13/2020	Old National-Checking	BLEM	\$ 8,171.69	Teacher Unions Dues
10/14/2020	Old National-Checking	MN Dept of Rev	\$ 210.00	Sales Tax
10/14/2020	Old National-Checking	Further	\$ 423.85	Flex Claim Pymts
10/14/2020	Old National-Checking	EBC	\$ 66,061.54	403b & 457 contributions
10/15/2020	Old National-Checking	Further	\$ 27,650.71	H.S.A Contributions
10/16/2020	Old National-Checking	CIGNA	\$ 9,400.80	Life & LTD Insurance
10/21/2020	Old National-Checking	Neopost	\$ 201.00	DO Postage
10/21/2020	Old National-Checking	Further	\$ 2,157.49	Flex Claim Pymts
10/22/2020	Old National-Checking	Further	\$ 383.10	Further Fee
10/23/2020	MN Trust-PMA BONDS	Old National-Checking	\$ 544,232.13	HVAC Draw 2020A
10/23/2020	MN Trust-PMA	Old National-Checking	\$ 1,200,000.00	Payroll and Payroll AP
10/26/2020	Retiree Accounts	Old National-Checking	\$ 11,663.00	Auto Transfers for COBRA/Retiree Ins
10/27/2020	Old National-Checking	Old National-Petty Cash	\$ 1,230.57	Gen Fund Transfer to Petty Cash
10/27/2020	Old National-Checking	BLEM	\$ 8,213.01	Teacher Unions Dues
10/27/2020	Old National-Checking	EBC	\$ 63,613.59	403b & 457 contributions
10/28/2020	Old National-Checking	Neopost	\$ 201.00	DO Postage
10/28/2020	Old National-Checking	Further	\$ 1,690.12	Flex Claim Pymts
10/28/2020	PFM	Old National-Checking	\$ 13,803.62	BMO Credit Card Rebate
10/28/2020	Old National-Checking	Further	\$ 24,270.74	H.S.A Contributions
10/30/2020	Old National-Checking	Old National Bank	\$ 23.63	Old National Service Charge
10/30/2020	Old National-Checking	Bremer Bank	\$ 146.60	ACH Charge
10/30/2020	CC Choices ACH	Old National-Checking	\$ 3,287.39	Pathway I

COMPLIANCE ISSUES

- | | | |
|----|---|-------------------|
| 1) | Preliminary UFARS data loaded to MDE by September 15th, 2020 | In compliance |
| 2) | Revenue and Expenditure Budget published by earlier of one week after school board accepts final audit or November 30, 2020 | In compliance |
| 3) | Final UFARS data to MDE by November 30, 2020 | In compliance |
| 4) | The 2019/2020 audit (electronic copy) received at MDE by December 31st, 2020 | Not in compliance |
| 5) | Board members having received training in financial matters per statute | In compliance |

FISCAL HEALTH - INCOME STATEMENT PARAMETERS

- 1) Revenue/Expenditure Monitor - *Exp/Rev Summary - FD Report*

	REVENUE			<i>(Calculated)</i>	EXPENDITURES		
	Budget	Actual \$ YTD	Actual % YTD		Budget	Actual \$ YTD	Actual % YTD
General Fund (01,05,09,11 &12)	\$ 36,707,141	\$ 7,863,976	21%	\$ 38,425,756	\$ 10,832,222	28%	
Food Service (02)	\$ 1,655,850	\$ 277,424	17%	\$ 1,655,850	\$ 336,873	20%	
Community Service (04)	\$ 2,048,220	\$ 767,690	37%	\$ 2,173,632	\$ 692,329	32%	
Building Construction (06)	\$ 9,950	\$ 5,609	56%	\$ 6,881,788	\$ 4,201,810	61%	
Debt Service (07)	\$ 5,616,973	\$ 238,592	4%	\$ 5,807,280	\$ 749,611	13%	
OPEB Irrevocable Trust Fund (45)	\$ 45,000	\$ 68,188	152%	\$ 248,355	\$ 17,244	7%	
OPEB Bonds Debt Service Fund (47)	\$ -	\$ -	0%	\$ 100,573	\$ -	0%	

- 2) ADM Monitor - *Principals' monthly reporting*

	Original	Revision (1)	Revision (2)
Budgeted Seated ADM	3062	2959	
Tuition ADM	58	58	
Budgeted ADM	3120	3017	

NOTES

CERTIFICATION OF MINUTES RELATING TO
\$8,250,000 GENERAL OBLIGATION FACILITIES MAINTENANCE BONDS, SERIES
2021A

Issuer: Independent School District No. 727 (Big Lake), Minnesota

Governing Body: School Board

Kind, date, time and place of meeting: A regular meeting held on December 17, 2020 at 6:30 p.m. in the Community Room at Independence Elementary School.

Members present:

Members absent:

Documents attached:

Minutes of said meeting (including):

RESOLUTION RELATING TO \$8,250,000 GENERAL OBLIGATION FACILITIES MAINTENANCE BONDS, SERIES 2021A; STATING OFFICIAL INTENT TO PROCEED WITH AND AUTHORIZING THE ISSUANCE AND SALE THEREOF AND PROVIDING FOR CREDIT ENHANCEMENT WITH RESPECT THERETO

I, the undersigned, being the duly qualified and acting recording officer of the public corporation issuing the bonds referred to in the title of this certificate, certify that the documents attached hereto, as described above, have been carefully compared with the original records of said corporation in my legal custody, from which they have been transcribed; that said documents are a correct and complete transcript of the minutes of a meeting of the governing body of said corporation, and correct and complete copies of all resolutions and other actions taken and of all documents approved by the governing body at said meeting, so far as they relate to said bonds; and that said meeting was duly held by the governing body at the time and place and was attended throughout by the members indicated above, pursuant to call and notice of such meeting given as required by law.

WITNESS my hand officially as such recording officer this 17th day of December, 2020.

School District Clerk

Member _____ introduced the following resolution and moved its adoption, which motion was seconded by Member _____:

RESOLUTION RELATING TO \$8,250,000 GENERAL OBLIGATION FACILITIES MAINTENANCE BONDS, SERIES 2021A; STATING OFFICIAL INTENT TO PROCEED WITH AND AUTHORIZING THE ISSUANCE AND SALE THEREOF AND PROVIDING FOR CREDIT ENHANCEMENT WITH RESPECT THERETO

BE IT RESOLVED by the School Board (the Board) of Independent School District No. 727 (Big Lake), Minnesota (the District), as follows:

SECTION 1. AUTHORIZATION AND DISTRICT INDEBTEDNESS. The District is authorized, pursuant to Minnesota Statutes, Sections 123B.595 and Chapter 475, to borrow money by the issuance of its general obligation facilities maintenance bonds. This Board hereby determines that it is necessary and desirable and in the best interest of the District to issue its General Obligation Facilities Maintenance Bonds, Series 2021A in the approximate principal amount of \$8,250,000 (the Bonds) to finance indoor air quality projects and various deferred capital maintenance projects, as described in the District's revised ten-year facility plan (the Facility Plan) hereby approved by this Board. Pursuant to the provisions of Minnesota Statutes, Section 123B.595, subdivision 5 it is hereby determined that the total amount of District indebtedness as of December 1, 2020 is \$44,460,000.

SECTION 2. APPROVAL BY COMMISSIONER OF EDUCATION OF THE STATE OF MINNESOTA. The Facility Plan will be submitted to the Commissioner of the Department of Education of the State of Minnesota (the Commissioner of Education) for approval as required by Minnesota Statutes, Section 123B.595, subdivision 5 and such approval will be received prior to the date on which the Bonds are issued.

SECTION 3. NOTICE PUBLICATION. The Clerk is authorized and directed to cause notice of the intended projects, the amount of the facilities maintenance bonds to be issued, and the total amount of the District's indebtedness to be published in a legal newspaper of general circulation in the District.

SECTION 4. SALE. The District has retained Ehlers & Associates, Inc., in Roseville, Minnesota, as its independent municipal advisor in connection with the sale of the Bonds. Ehlers & Associates, Inc. is authorized to solicit proposals for the Bonds in accordance with Minnesota Statutes, Section 475.60, subdivision 2, paragraph (9). The Board shall meet at the time and place specified in the Official Statement for the Bonds to receive and consider proposals for the purchase of the Bonds.

SECTION 5. OFFICIAL STATEMENT; PROPOSALS. Ehlers & Associates, Inc. is authorized to prepare and distribute an Official Statement for the Bonds and to open, read, and tabulate the proposals for presentation to the Board.

SECTION 6. STATE CREDIT ENHANCEMENT PROGRAM. (a) The District hereby covenants and obligates itself to notify the Commissioner of Education of a potential default in the payment of principal and interest on the Bonds and to use the provisions of Minnesota Statutes, Section 126C.55 to guarantee payment of the principal and interest on the Bonds when due. The District further covenants to deposit with the Registrar or any successor paying agent three (3) days prior to the date on which a payment is due an amount sufficient to make that payment or to notify the Commissioner of Education that it will be unable to make all or a portion of that payment. The Registrar for the Bonds is authorized and directed to notify the Commissioner of Education if it becomes aware of a potential default in the payment of principal or interest on the Bonds or if, on the day two (2) business days prior to the date a payment is due on the Bonds, there are insufficient funds to make that payment on deposit with the Registrar. The District understands that as a result of its covenant to be bound by the provision of Minnesota Statutes, Section 126C.55, the provisions of that section shall be binding as long as any Bonds of this issue remain outstanding.

(b) The District further covenants to comply with all procedures now and hereafter established by the Departments of Management and Budget and Education of the State of Minnesota pursuant to Minnesota Statutes, Section 126C.55, subdivision 2(c) and otherwise to take such actions as necessary to comply with that section. The chair, clerk, superintendent or business manager is authorized to execute any applicable Minnesota Department of Education forms.

Upon vote being taken thereon, the following voted in favor thereof:

and the following voted against the same:

whereupon the resolution was declared duly passed and adopted.

December 17, 2020

Pre-Sale Report for

Independent School District No. 727 (Big Lake), Minnesota

\$7,740,000 General Obligation Facilities
Maintenance Bonds, Series 2021A



Prepared by:

Ehlers
3060 Centre Pointe Drive
Roseville, MN 55113

Advisors:

Jodie Zesbaugh, Senior Municipal Advisor
Matthew Hammer, Municipal Advisor

BUILDING COMMUNITIES. IT'S WHAT WE DO.

EXECUTIVE SUMMARY OF PROPOSED DEBT

Proposed Issue:

\$7,740,000 General Obligation Facilities Maintenance Bonds, Series 2021A. The School Board will authorize the issuance of up to \$8,250,000 in bonds, in total. \$7,740,000 is our current estimate of the bond amount necessary to finance the proposed projects, based on the expected premium pricing structure explained in more detail on Page 3.

Purposes:

The proposed issue will finance health and safety (indoor air quality) and deferred maintenance projects at school district facilities included in the district's ten-year facility plan to be approved by the Commissioner of Education.

Authority:

The Bonds are being issued pursuant to Minnesota Statutes, Section 123B.595 and Chapter 475. The Bonds will be general obligations of the District for which its full faith, credit and taxing powers are pledged. Debt service for the health and safety (indoor air quality) portion of the bond issue will be paid from bond proceeds and additional property tax levies. Debt service for the deferred maintenance portion of the bond issue will be paid from bond proceeds and annual property tax levies and state aid received as part of the Long-Term Facilities Maintenance program.

Term/Call Feature:

The Bonds are being issued for a term of 18 years. Principal on the Bonds will be due on February 1 of 2025 through 2039. Interest will be due every six months beginning August 1, 2021. The Bond maturing on and after February 1, 2030 will be subject to prepayment at the discretion of the District on February 1, 2029 or any day thereafter.

Bank Qualification:

Because the District expects to issue more than \$10,000,000 in tax-exempt obligations during the calendar year, the District will be not able to designate the Bonds as "bank qualified" obligations.

State Credit Enhancement:

By resolution the District will covenant and obligate itself to be bound by the provisions of Minnesota Statutes, Section 126C.55, which provides for payment by the State of Minnesota in the event of a potential default of a school district obligation. To qualify for the credit enhancement, the District must submit an application to the State. Ehlers will coordinate the application process to the State on your behalf.

Rating:

Under current bond ratings, the state credit enhancement would bring a Moody's "Aa2" rating. The District's most recent bond issues were rated "Aa2" (credit enhanced rating) and "A1" (underlying rating) by Moody's Investors Service. The District will request a new rating for the Bonds. If the winning bidder on the Bonds elects to purchase bond insurance, the rating for the issue may be higher than the District's bond rating in the event that the bond rating of the insurer is higher than that of the District.

Basis for Recommendation:

Based on your objectives and characteristics of various municipal financing options, you have chosen the issuance of General Obligation Facilities Maintenance Bonds as a suitable option to finance the planned projects.

- General Obligation Bonds will result in lower interest rates than some other financing options.
- Unlike with some other financing options, the District will be able to finance the payments with an additional debt service levy for the health and safety (indoor air quality) projects.
- The District will be able to finance payments on the Bonds from their annual Long-Term Facilities Maintenance Revenue for the deferred maintenance projects, without requiring an additional tax levy.
- The District will qualify for Long-Term Facilities Maintenance Aid to finance a portion of the payments on the Bonds for the deferred maintenance projects.

Method of Sale/Placement:

We will solicit competitive bids for the purchase of the Bonds from underwriters and banks. We will include an allowance for discount bidding in the terms of the issue. The discount is treated as an interest item and provides the underwriter with all or a portion of their compensation in the transaction. If the Bonds are purchased at a price greater than the minimum bid amount (maximum discount), the unused allowance may be used to reduce your borrowing amount.

Premium Pricing:

In many cases, investors in municipal bonds prefer "premium" pricing structures. A premium is achieved when the coupon for any maturity (the interest rate paid by the issuer) exceeds the yield to the investor, resulting in a price paid that is greater than the face value of the bonds. The sum of the amounts paid in excess of face value is considered "reoffering premium." The underwriter of the bonds will retain a portion of this reoffering premium as their compensation (or "discount") but will pay the remainder of the premium to the District. Any net premium received may be used to reduce the principal amount of the Bonds, increase the net proceeds for the project, or fund a portion of the interest on the Bonds.

Review of Existing Debt:

We have reviewed all outstanding indebtedness for the District and have been monitoring one existing bond issue (Series 2012B) and discussing options related to the opportunity to refund the issue in the near future. The Series 2012B bonds have a call date of February 1, 2022, so we will likely recommend proceeding with a refunding of the bond issue no later than the fall of 2021.

We will continue to monitor the market and the call dates for the District's outstanding debt and will alert you to any future refunding opportunities.

Continuing Disclosure:

The District will be agreeing to provide certain updated Annual Financial Information and its Audited Financial Statement annually, as well as providing notices of the occurrence of certain reportable events to the Municipal Securities Rulemaking Board (the "MSRB"), as required by rules of the Securities and Exchange Commission (SEC). The District is already obligated to provide such reports for its existing bonds, and has contracted with Ehlers to prepare and file the reports.

Arbitrage Monitoring:

The District must ensure compliance with certain sections of the Internal Revenue Code and Treasury Regulations ("Arbitrage Rules") throughout the life of the issue to maintain the tax-exempt status of the Bonds. These Arbitrage Rules apply to amounts held in construction, escrow, reserve, debt service account(s), etc., along with related investment income on each fund/account.

IRS audits will verify compliance with rebate, yield restriction and records retention requirements within the Arbitrage Rules. The District's specific arbitrage responsibilities will be detailed in the Signature, No-Litigation, Arbitrage Certificate and Purchase Price Receipt (the "Tax Compliance Document") prepared by your Bond Attorney and provided at closing.

The Bonds may qualify for one or more exception(s) to the Arbitrage Rules by meeting 1) small issuer exception, 2) spend down requirements, 3) bona fide debt service fund limits, 4) reasonable reserve requirements, 5) expenditure within an available period limitations, 6) investments yield restrictions, 7) de minimis rules, or; 8) borrower limited requirements.

We recommend that the District review its specific responsibilities related to the Bonds with an arbitrage expert in order to utilize one or more of the exceptions listed above.

Investment of Bond Proceeds:

To maximize interest earnings, we recommend using an SEC registered investment advisor to assist with the investment of bond proceeds until they are needed to pay project costs.

Other Service Providers:

This debt issuance will require the engagement of other public finance service providers. This section identifies those other service providers, so Ehlers can coordinate their engagement on your behalf. Where you have previously used a particular firm to provide a service, we have assumed that you will continue that relationship. For services you have not previously required, we have identified a service provider. Fees charged by these service providers will be paid from proceeds of the obligation, unless you notify us that you wish to pay them from other sources. Our pre-sale bond sizing includes a good faith estimate of these fees, but the final fees may vary. If you have any questions pertaining to the identified service providers or their role, or if you would like to use a different service provider for any of the listed services please contact us.

Bond Counsel: Dorsey & Whitney LLP

Paying Agent: Bond Trust Services Corporation

Rating Agency: Moody's Investors Service, Inc.

This presale report summarizes our understanding of the District's objectives for the structure and terms of this financing as of this date. As additional facts become known or capital markets conditions change, we may need to modify the structure and/or terms of this financing to achieve results consistent with the District's objectives.

PROPOSED DEBT ISSUANCE SCHEDULE

Pre-Sale Report Presented to School Board; School Board Approves Resolution Authorizing Sale of the Bonds:	December 17, 2020
Due Diligence Call to Review Official Statement:	Week of January 11, 2021
Conference with Rating Agency:	Week of January 11, 2021
Distribute Official Statement:	January 14, 2021
Ehlers Receives and Evaluates Proposals for Purchase of Bonds:	January 28, 2021
School Board Meeting to Award Sale of Bonds:	January 28, 2021
Estimated Closing Date:	February 18, 2021

Attachments

Estimated Combined Sources and Uses of Funds

Estimated Combined Debt Service Schedule

Updated Long-Term Debt Plan, Including Existing Debt and Proposed Debt for the Health & Safety (Indoor Air Quality) Portion of the Bond Issue

Estimated Long-Term Facilities Maintenance Revenue and Proposed Debt Service Schedule for the Deferred Maintenance Portion of the Bond Issue

Resolution Authorizing Ehlers to Proceed with Bond Sale/Credit Enhancement Resolution (provided separately)

EHLERS' CONTACTS

Jodie Zesbaugh, Senior Municipal Advisor	(651) 697-8526
Matthew Hammer, Municipal Advisor	(651) 697-8592
Rose Xiong, Public Finance Analyst	(651) 697-8589
Brian Shannon, Manager, Senior Financial Analyst	(651) 697-8515

The Preliminary Official Statement for this financing will be sent to the School Board at their home or email address for review prior to the sale date.

ESTIMATES PRIOR TO BOND SALE

Big Lake School District No. 727

December 11, 2020

Estimated Sources and Uses of Funds
2021A Facilities Maintenance Bond Issue

Description	Health & Safety/IAQ	Deferred Maintenance	Total
Authorized Bond Amount	\$6,000,000	\$2,250,000	\$8,250,000
Estimated Bond Amount	\$5,565,000	\$2,175,000	\$7,740,000
Estimated Project Cost	\$5,700,000	\$2,000,000	\$7,700,000
Number of Debt Service Levies	13	15	
Term of Bond Issue	14	18	
Dated	2/18/2021	2/18/2021	2/18/2021
Sources of Funds			
Par Amount	\$5,565,000	\$2,175,000	\$7,740,000
Reoffering Premium ¹	385,401	5,256	390,657
Estimated Investment Earnings ²	2,850	1,001	3,851
Total Sources	\$5,953,251	\$2,181,257	\$8,134,507
Uses of Funds			
Allowance for Discount Bidding ³	\$55,650	\$21,750	\$77,400
Capitalized Interest ⁴	132,722	132,772	265,494
Legal and Fiscal Costs ⁵	62,147	24,289	86,436
Net Available for Project Costs	5,702,732	2,002,446	7,705,178
Total Uses	\$5,953,251	\$2,181,257	\$8,134,507
Deposit to Construction Fund	\$5,699,882	\$2,001,445	\$7,701,327

1 The underwriter of the bonds may pay a premium to purchase the bonds. The amount will be determined based on the competitive bidding process. If any premium is received, it will be used either to reduce the par amount of the bonds or to pay a portion of the first year's interest on the bonds.

2 Estimated investment earnings are based on an average interest rate of 0.1% and an average life of 6 months.

3 The allowance for discount bidding is an estimate of the compensation taken by the underwriter who provides the lowest true interest cost as part of the competitive bidding process and purchases the bonds. Ehlers provides independent municipal advisory services as part of the bond sale process and is not an underwriting firm.

4 To maintain the debt levy consistent with later years and provide flexibility for future levies, these estimates assume that the interest payments due during fiscal year 2022 and a portion of the interest payments due during fiscal years 2023 and 2024 would be made from bond proceeds.

5 Includes fees for municipal advisor, bond counsel, rating agency, paying agent and county certificate.

Independent School District No. 727 (Big Lake), MN

\$7,740,000 General Obligation Facilities Maintenance Bonds, Series 2021A

Issue Summary

Dated: February 18, 2021

Net Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Capitalized		Fiscal Total
					Interest	Net New D/S	
02/18/2021	-	-	-	-	-	-	-
08/01/2021	-	-	83,431.09	83,431.09	(83,431.09)	-	-
02/01/2022	-	-	92,132.50	92,132.50	(92,132.50)	-	-
08/01/2022	-	-	92,132.50	92,132.50	(22,482.50)	69,650.00	-
02/01/2023	-	-	92,132.50	92,132.50	(22,482.50)	69,650.00	139,300.00
08/01/2023	-	-	92,132.50	92,132.50	(22,482.50)	69,650.00	-
02/01/2024	-	-	92,132.50	92,132.50	(22,482.50)	69,650.00	139,300.00
08/01/2024	-	-	92,132.50	92,132.50	-	92,132.50	-
02/01/2025	110,000.00	4.000%	92,132.50	202,132.50	-	202,132.50	294,265.00
08/01/2025	-	-	89,932.50	89,932.50	-	89,932.50	-
02/01/2026	345,000.00	4.000%	89,932.50	434,932.50	-	434,932.50	524,865.00
08/01/2026	-	-	83,032.50	83,032.50	-	83,032.50	-
02/01/2027	315,000.00	4.000%	83,032.50	398,032.50	-	398,032.50	481,065.00
08/01/2027	-	-	76,732.50	76,732.50	-	76,732.50	-
02/01/2028	315,000.00	4.000%	76,732.50	391,732.50	-	391,732.50	468,465.00
08/01/2028	-	-	70,432.50	70,432.50	-	70,432.50	-
02/01/2029	315,000.00	4.000%	70,432.50	385,432.50	-	385,432.50	455,865.00
08/01/2029	-	-	64,132.50	64,132.50	-	64,132.50	-
02/01/2030	325,000.00	2.000%	64,132.50	389,132.50	-	389,132.50	453,265.00
08/01/2030	-	-	60,882.50	60,882.50	-	60,882.50	-
02/01/2031	330,000.00	2.000%	60,882.50	390,882.50	-	390,882.50	451,765.00
08/01/2031	-	-	57,582.50	57,582.50	-	57,582.50	-
02/01/2032	625,000.00	2.000%	57,582.50	682,582.50	-	682,582.50	740,165.00
08/01/2032	-	-	51,332.50	51,332.50	-	51,332.50	-
02/01/2033	645,000.00	2.000%	51,332.50	696,332.50	-	696,332.50	747,665.00
08/01/2033	-	-	44,882.50	44,882.50	-	44,882.50	-
02/01/2034	1,075,000.00	2.000%	44,882.50	1,119,882.50	-	1,119,882.50	1,164,765.00
08/01/2034	-	-	34,132.50	34,132.50	-	34,132.50	-
02/01/2035	1,165,000.00	2.000%	34,132.50	1,199,132.50	-	1,199,132.50	1,233,265.00
08/01/2035	-	-	22,482.50	22,482.50	-	22,482.50	-
02/01/2036	-	-	22,482.50	22,482.50	-	22,482.50	44,965.00
08/01/2036	-	-	22,482.50	22,482.50	-	22,482.50	-
02/01/2037	710,000.00	2.000%	22,482.50	732,482.50	-	732,482.50	754,965.00
08/01/2037	-	-	15,382.50	15,382.50	-	15,382.50	-
02/01/2038	730,000.00	2.100%	15,382.50	745,382.50	-	745,382.50	760,765.00
08/01/2038	-	-	7,717.50	7,717.50	-	7,717.50	-
02/01/2039	735,000.00	2.100%	7,717.50	742,717.50	-	742,717.50	750,435.00
Total	\$7,740,000.00	-	\$2,130,638.59	\$9,870,638.59	(265,493.59)	\$9,605,145.00	-

Yield Statistics

Bond Year Dollars	\$96,539.50
Average Life	12.473 Years
Average Coupon	2.2070122%
Net Interest Cost (NIC)	1.8825267%
True Interest Cost (TIC)	1.8495627%
Bond Yield for Arbitrage Purposes	1.7331899%
All Inclusive Cost (AIC)	1.9500170%

IRS Form 8038

Net Interest Cost	1.7463205%
Weighted Average Maturity	12.254 Years

ESTIMATES PRIOR TO BOND SALE

Big Lake School District No. 727
Analysis of Possible Structure for Capital and Debt Levies

\$5,565,000 FM Bond Issue in 2021
14 Year Bond Term, 13 Debt Service Levies
Wrap-Around Debt Structure

December 11, 2020

	Facilities Maintenance Bond Issue for Health & Safety/Indoor Air Quality Projects	
Principal Amount:	\$5,565,000	
Dated Date:	2/18/2021	
True Interest Cost Rate:	1.69%	

Levy Pay Year	Fiscal Year	Tax Capacity Value ¹		Existing Commitments								Proposed New Debt				Combined Totals					
				Building Bonds ²	FM Bonds ²	OPEB Bonds ²	Abatement Bonds ²	Est. Debt Excess ³	State Debt Aid	LTFM Aid FM Bonds	Net Levy	Tax Rate	Principal	Interest	Est. Debt Excess ³	Adjusted Debt Levy	Adjusted Debt Levy	State Aid	Net Levy	Tax Rate	
2018	2019	14,731	8.8%	4,936,658	-	407,342	-	(263,532)	(629,732)	-	-	4,450,737	30.21	-	-	-	-	5,080,468	(629,733)	4,450,736	30.21
2019	2020	16,200	10.0%	4,926,259	-	408,974	-	(259,687)	(223,811)	-	-	4,851,735	29.95	-	-	-	-	5,075,546	(223,810)	4,851,736	29.95
2020	2021	17,579	8.5%	4,933,520	-	-	218,400	(252,656)	-	-	4,899,264	27.87	-	-	-	-	4,899,264	-	4,899,264	27.87	
2021	2022	18,834	7.1%	5,047,232	-	-	218,400	(318,426)	-	-	4,947,206	26.27	-	132,722 ⁴	-	-	4,947,206	-	4,947,206	26.27	
2022	2023	19,399	3.0%	3,836,844	-	-	218,190	(311,450)	-	(66,700)	3,676,885	18.95	-	139,300	-	146,265	3,889,850	(66,700)	3,823,150	19.71	
2023	2024	19,981	3.0%	3,679,344	141,800	-	217,770	(162,201)	-	(72,270)	3,804,443	19.04	-	139,300	-	146,265	4,022,978	(72,270)	3,950,708	19.77	
2024	2025	20,581	3.0%	3,238,344	551,800	-	222,390	(161,557)	-	(55,104)	3,795,874	18.44	105,000	139,300	-	256,515	4,107,493	(55,104)	4,052,389	19.69	
2025	2026	20,581	0.0%	1,325,769	570,400	-	221,340	(160,501)	-	(38,442)	1,918,566	9.32	325,000	134,900	(10,261)	472,634	2,429,642	(38,442)	2,391,200	11.62	
2026	2027	20,581	0.0%	1,355,484	502,600	-	220,080	(84,700)	-	(23,259)	1,970,205	9.57	310,000	121,100	(18,905)	433,750	2,427,214	(23,259)	2,403,955	11.68	
2027	2028	20,581	0.0%	1,339,761	521,800	-	213,360	(83,127)	-	(7,328)	1,984,466	9.64	325,000	108,500	(17,350)	437,825	2,429,619	(7,328)	2,422,291	11.77	
2028	2029	20,581	0.0%	1,318,498	549,600	-	213,570	(82,997)	-	-	1,998,671	9.71	330,000	95,900	(17,513)	429,682	2,428,353	-	2,428,353	11.80	
2029	2030	20,581	0.0%	1,323,302	545,100	-	213,623	(83,267)	-	-	1,998,758	9.71	330,000	83,300	(17,187)	416,778	2,415,535	-	2,415,535	11.74	
2030	2031	20,581	0.0%	1,316,871	550,500	-	213,518	(83,281)	-	-	1,997,607	9.71	330,000	76,800	(16,671)	410,469	2,408,076	-	2,408,076	11.70	
2031	2032	20,581	0.0%	1,313,865	250,600	-	218,505	(83,236)	-	-	1,699,734	8.26	625,000	70,200	(16,419)	713,541	2,413,276	-	2,413,276	11.73	
2032	2033	20,581	0.0%	1,303,628	251,500	-	217,928	(71,319)	-	-	1,701,736	8.27	645,000	57,700	(28,542)	709,293	2,411,030	-	2,411,030	11.72	
2033	2034	20,581	0.0%	-	997,300	-	217,193	(70,922)	-	-	1,143,570	5.56	1,075,000	44,800	(28,372)	1,147,418	2,290,989	-	2,290,989	11.13	
2034	2035	20,581	0.0%	-	923,100	-	216,300	(48,580)	-	-	1,090,820	5.30	1,165,000	23,300	(45,897)	1,201,818	2,292,639	-	2,292,639	11.14	
2035	2036	20,581	0.0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2036	2037	20,581	0.0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Totals				41,195,380	6,356,100	816,316	3,260,565	(2,581,437)	(853,543)	(263,103)	47,930,277		5,565,000	1,367,122	(217,116)	6,922,254	55,969,177	(1,116,646)	54,852,531		

1 Tax capacity values for taxes payable in 2018, 2019 and 2020 are the actual final values. Tax capacity value for taxes payable 2021 is the preliminary value from MNDOR. Estimates for future years are based on the percentage changes as shown above.
2 Initial debt service levies (prior to subtracting debt equalization aid) are set at 105 percent of the principal and interest payments during the next fiscal year.
3 Debt excess adjustment for taxes payable in 2018, 2019, 2020, and 2021 are the actual amounts. Debt Excess adjustment for taxes payable 2022 is an estimate using the district's FY 2019-20 fund balance. Debt excess for future years is estimated at 4% of the prior year's initial debt service.
4 The district would not be eligible to make a debt service levy for the payments on the new bonds due during fiscal year 2022, estimated at \$132,722. These payments would be made from bond proceeds.



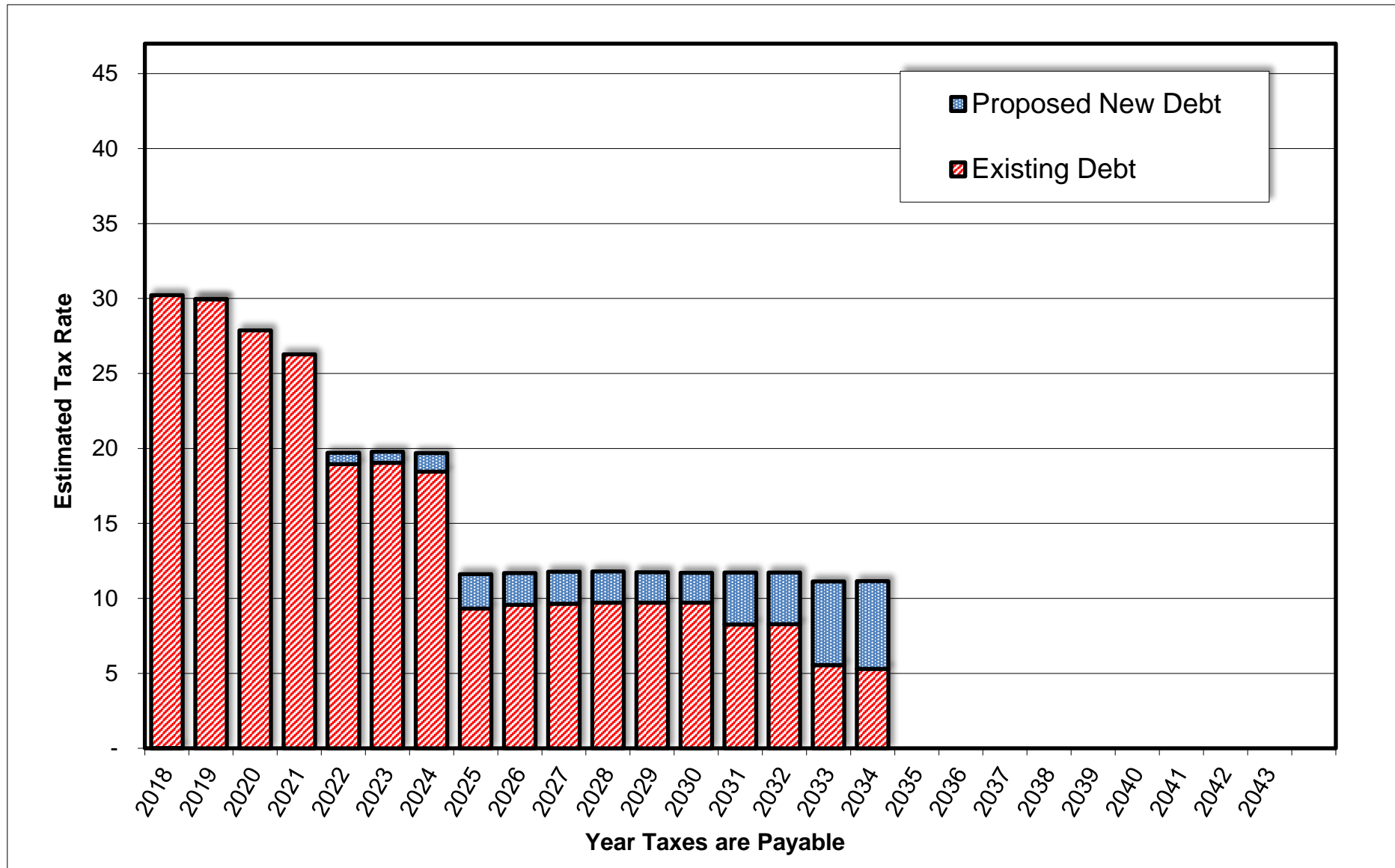
ESTIMATES PRIOR TO BOND SALE

Big Lake School District No. 727

Estimated Tax Rates for Capital and Debt Service Levies
Existing Commitments and Proposed New Debt

\$5,565,000 FM Bond Issue in 2021
14 Year Bond Term, 13 Debt Service Levies
Wrap-Around Debt Structure

Date Prepared: December 11, 2020



PRE-SALE ESTIMATES

Big Lake School District, No. 727
Facilities Maintenance Bond Schedules
Deferred Maintenance Projects
December 11, 2020

2016A, 2017B, 2019A, 2020A Bond Sale Results				
\$12,275,000 in Bond Issues 15, 15, 16, & 16 Years 75.4 % of Revenue Used After Bond Issues				
	2016A	2017B	2019A	2020A
Principal:	\$5,120,000	\$3,900,000	\$1,315,000	\$1,940,000
Dated Date:	2/18/2016	12/28/2017	2/14/2019	2/13/2020
Years:	15	15	16	16
TIC:	2.00%	2.59%	2.98%	2.02%

Year	Taxes Payable	Fiscal Year	LTFM Revenue	LTFM Levy	LTFM Aid	Principal	Interest	Total Payments	Initial Debt Service Levies (P&I at 105%)	Remaining LTFM Revenue
2018	2019		\$880,285	\$380,875	\$499,410	\$370,000	\$268,650	\$638,650	\$670,583	\$209,702
2019	2020		936,132	442,606	493,526	415,000	283,489	698,489	733,413	202,719
2020	2021		1,064,717	536,553	528,164	445,000	272,525	717,525	753,401	311,315
2021	2022		1,032,330	536,425	495,905	465,000	259,175	724,175	760,384	271,946
2022	2023		1,068,511	543,073	525,438	515,000	241,925	756,925	794,771	273,740
2023	2024		1,104,692	567,947	536,745	555,000	262,275	817,275	858,139	246,553
2024	2025		1,140,840	587,447	553,393	615,000	241,725	856,725	899,561	241,279
2025	2026		1,177,021	606,077	570,944	670,000	219,125	889,125	933,581	243,440
2026	2027		1,213,202	624,708	588,494	720,000	202,375	922,375	968,494	244,708
2027	2028		1,249,383	643,338	606,045	775,000	184,125	959,125	1,007,081	242,302
2028	2029		1,266,008	651,899	614,109	730,000	164,325	894,325	939,041	326,967
2029	2030		1,266,008	651,899	614,109	750,000	145,750	895,750	940,538	325,471
2030	2031		1,266,008	651,899	614,109	770,000	125,575	895,575	940,354	325,654
2031	2032		1,266,008	651,899	614,109	790,000	104,900	894,900	939,645	326,363
2032	2033		1,266,008	651,899	614,109	815,000	81,500	896,500	941,325	324,683
2033	2034		1,266,008	651,899	614,109	840,000	57,350	897,350	942,218	323,791
2034	2035		1,266,008	651,899	614,109	865,000	33,300	898,300	943,215	322,793
2035	2036		1,266,008	651,899	614,109	800,000	16,000	816,000	856,800	409,208
2036	2037		1,266,008	651,899	614,109					1,266,008
2037	2038		1,266,008	651,899	614,109					1,266,008
2038	2039		1,266,008	651,899	614,109					1,266,008
						\$11,905,000	\$3,164,089	\$15,069,089	\$15,822,543	

2021A Estimates				
\$2,175,000 Bond Issue 18 Years 85.7 % of Revenue Used After 2021A Issue				
Principal	Interest	Total Payments	Initial Debt Service Levies (P&I at 105%)	Remaining LTFM Revenue
\$0	\$0	\$0	\$0	\$209,702
0	0	0	0	202,719
0	0	0	0	311,315
0	42,842	0	0	271,946
0	44,965	0	0	273,740
0	44,965	0	0	246,553
0	44,965	44,965	47,213	194,065
0	44,965	44,965	47,213	196,226
0	44,965	44,965	47,213	197,495
0	44,965	44,965	47,213	195,089
0	44,965	44,965	47,213	279,754
0	44,965	44,965	47,213	278,257
0	44,965	44,965	47,213	278,441
0	44,965	44,965	47,213	279,150
0	44,965	44,965	47,213	277,470
0	44,965	44,965	47,213	276,577
0	44,965	44,965	47,213	275,580
0	44,965	44,965	47,213	361,995
710,000	44,965	754,965	792,713	473,295
730,000	30,765	760,765	798,803	467,205
735,000	15,435	750,435	787,957	478,051
\$2,175,000	\$763,517	\$2,805,745	\$2,946,032	

Assumes growth in adusted pupil units of 0% per year for future years.

Assumes no change in ANTC after payable 2021.

For 2021A bond issues, interest payments in first three years are made from bond proceeds.

CERTIFICATION OF MINUTES RELATING TO REIMBURSEMENT

Issuer: Independent School District No. 727 (Big Lake), Minnesota

Governing Body: School Board

Kind, date, time and place of meeting: A regular meeting held on December 17, 2020 at 6:30 p.m. in the Community Room at Independence Elementary School.

Members present:

Members absent:

Documents attached:

Minutes of said meeting (including):

RESOLUTION RELATING TO THE FINANCING OF A PROPOSED
PROJECT TO BE UNDERTAKEN BY THE SCHOOL DISTRICT;
ESTABLISHING COMPLIANCE WITH REIMBURSEMENT BOND
REGULATIONS UNDER THE INTERNAL REVENUE CODE

I, the undersigned, being the duly qualified and acting recording officer of the public corporation referred to in the title of this certificate, certify that the documents attached hereto, as described above, have been carefully compared with the original records of said corporation in my legal custody, from which they have been transcribed; that said documents are a correct and complete transcript of the minutes of a meeting of the governing body of said corporation, and correct and complete copies of all resolutions and other actions taken and of all documents approved by the governing body at said meeting; and that said meeting was duly held by the governing body at the time and place and was attended throughout by the members indicated above, pursuant to call and notice of such meeting given as required by law.

WITNESS my hand officially as such recording officer this 17th day of December, 2020.

School District Clerk

Member _____ introduced the following resolution and moved its adoption, which motion was seconded by Member _____:

RESOLUTION RELATING TO THE FINANCING OF A PROPOSED PROJECT TO BE UNDERTAKEN BY THE SCHOOL DISTRICT; ESTABLISHING COMPLIANCE WITH REIMBURSEMENT BOND REGULATIONS UNDER THE INTERNAL REVENUE CODE

BE IT RESOLVED by the School Board (the Board) of Independent School District No. 727 (Big Lake), Minnesota (the School District) as follows:

1. Recitals.

- (a) The Internal Revenue Service has issued Section 1.150-2 of the Income Tax Regulations (the Regulations) dealing with the issuance of tax-exempt obligations all or a portion of the proceeds of which are to be used to reimburse the School District for project expenditures made by the School District prior to the date of issuance (the Reimbursement Obligations).
- (b) The Regulations generally require that the School District make a declaration of its official intent to reimburse itself for such prior expenditures out of the proceeds of a subsequently issued series of tax-exempt obligations within 60 days after payment of the expenditures, that such obligations be issued and the reimbursement allocation be made from the proceeds of such obligations within the reimbursement period (as defined in the Regulations), and that the expenditures reimbursed be capital expenditures or costs of issuance of the obligations.
- (c) The School District desires to comply with requirements of the Regulations with respect to the project hereinafter identified.

2. Official Intent Declaration.

- (a) The School District proposes to undertake the following project and to make original expenditures with respect thereto prior to the issuance of Reimbursement Obligations, and reasonably expects to issue Reimbursement Obligations for such project in the maximum principal amounts shown below:

<u>Project</u>	<u>Maximum Amount of Obligations Expected to be Issued for Project</u>
Indoor air quality and deferred maintenance projects.	\$8,250,000

- (b) Other than (i) de minimis amounts permitted to be reimbursed pursuant to Section 1.150-2(f)(1) of the Regulations or (ii) expenditures constituting preliminary expenditures as defined in Section 1.150-2(f)(2) of the Regulations, the School District will not seek reimbursement for any original expenditures with respect to the foregoing Project paid more than 60 days prior to the date of adoption of this resolution. All original expenditures for which reimbursement is sought will be capital expenditures or costs of issuance of the Reimbursement Obligations.

3. Budgetary Matters. As of the date hereof, there are no School District funds reserved, pledged, allocated on a long term basis or otherwise set aside (or reasonably expected to be reserved, pledged, allocated on a long term basis or otherwise set aside) to provide permanent financing for the original expenditures related to the Project other than pursuant to the issuance of the Reimbursement Obligations. Consequently, it is not expected that the issuance of the Reimbursement Obligations will result in the creation of any replacement proceeds.

4. Reimbursement Allocations. The School District's financial officer shall be responsible for making the "reimbursement allocations" described in the Regulations, being generally the transfer of the appropriate amount of proceeds of the Reimbursement Obligations to reimburse the source of temporary financing used by the School District to make payment of the original expenditures relating to the Project. Each reimbursement allocation shall be made not later than (i) eighteen (18) months after the date of the original expenditure or (ii) eighteen (18) months after the date the Project is placed in service or abandoned (but in no event later than three (3) years after the original expenditure is paid) and shall be evidenced by an entry on the official books and records of the School District maintained for the Reimbursement Obligations and shall specifically identify the original expenditures being reimbursed.

Upon vote being taken thereon, the following voted in favor thereof:

and the following voted against the same:

whereupon the resolution was declared duly passed and adopted.



Terrence Zerwas
District Office
P- 763.262.5148
F- 763.262.2539
t.zerwas@biglakeschools.org

12/15/2020

Middle School HVAC Project Update

Planning is underway for the final phase of Middle School HVAC system replacements. Currently we are scheduled to begin limited construction activities in May for non student areas such as the boiler room.

Some of the updates in the final phase include:

- Removal the steam boiler plant and replacement with high efficiency condensing hot water boilers.
- Balance of remaining classrooms to receive new ventilation equipment with air conditioning.

The project to date is within the budget parameters that were initially established. Even with some unexpected items that had to be addressed we still have a healthy project contingency fund balance.

Independence Boiler Replacement Update

Contractors recently completed the finishing touches to the new boiler plant that was installed at Independence Elementary. The new boiler plant serves the west half of Independence which was originally built in 1981. There were no surprises in this project and to date we have not had to use any of our contingency budget.



LTFM 10 Year Plan Revision


With the issuance of the second set of bonds we are required to provide the state with an updated and approved 10 year facilities maintenance plan. The plan presented to you reflects the changes necessary to fund the completion of our current HVAC project along with addressing some of the high priority needs of the facilities.

- Phase II pool area mechanical updates/replacements
- Pool area maintenance repair/replacements (bleachers, pool coating, flooring)
- Roofing repairs and replacements (1997 High School pool addition)
- Exterior door and window replacements (Independence and Middle School)
- Building controls replacements
- Flooring replacements (Independence Elementary, High School and Liberty)

Terrence Zerwas
Buildings and Grounds Manager

FY 22 Long-Term Facilities Maintenance (LTFM) Ten-Year Revenue Projection				Revised 12/17/2020												
727 <= Type in School District Number																
BIG LAKE PUBLIC SCHOOL DISTRICT				Change only												
<i>Calculations for Ten Year Projection</i>				Pay 20	if requiring levy adjustments	Payable 2020 LLC Certification	Current Estimate									
	LLC #	FY 2020	FY 2021	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030			
1		Type your district number in cell A2 (Minneapolis = 1.2)														
2		Type APU, health and safety and alternative facilities project, and bond estimates in lines 6a, 14, 16b to 18, 20, 21, 26, 27 and 50b														
3		Type debt excess, intermediate/coop district, and revenue reduction data in lines 13, 15, 23, 31, and 33														
4		Look-up data from following tabs														
5		Initial Formula Revenue														
6	57		3,328.80	3,328.80	3,328.80	3,328.80	3,328.80	3,328.80	3,328.80	3,328.80	3,328.80	3,328.80	3,328.80	3,328.80	3,328.80	3,328.80
6a		Additional Pre-K Pupil Units (line 19 of Pre-K application)														
6b		Total Adjusted Pupil Units = (6) + (6a)														
7	451		29.46	27.54	28.54	29.54	30.54	31.54	32.54	33.54	34.54	35.00	35.00			
8			\$ 380.00	\$ 380.00	\$ 380.00	\$ 380.00	\$ 380.00	\$ 380.00	\$ 380.00	\$ 380.00	\$ 380.00	\$ 380.00	\$ 380.00	\$ 380.00	\$ 380.00	\$ 380.00
9	452			0.78686	0.81543	0.84400	0.87257	0.90114	0.92971	0.95829	0.98686	1.00000	1.00000			
10	453		1,064,721	995,330	1,031,471	1,067,613	1,103,754	1,139,895	1,176,037	1,212,178	1,248,319	1,264,944	1,264,944			
11		Added revenue for Eligible H&S Projects > \$100,000 / site														
12	702			-	-	-	-	-	-	-	-	-	-	-	-	-
13	756			-	-	-	-	-	-	-	-	-	-	-	-	-
14	701			-	-	-	-	-	-	-	-	-	-	-	-	-
15	755			-	-	-	-	-	-	-	-	-	-	-	-	-
16a				-	-	-	148,890	579,390	598,920	527,730	547,890	577,080	572,355			
16b				-	-	146,265	146,265	256,515	472,634	433,750	437,825	429,682	416,778			
17	767			-	-	146,265	295,155	835,905	1,071,554	961,480	985,715	1,006,762	989,133			
18	455			-	-	-	-	-	-	-	-	-	-			
19	456			-	-	146,265	295,155	835,905	1,071,554	961,480	985,715	1,006,762	989,133			
		Added revenue for Pre-K remodeling (for VPK approvals only)														
20a	768			-	-	-	-	-	-	-	-	-	-			
20b	457			-	-	-	-	-	-	-	-	-	-			
20c				-	-	-	-	-	-	-	-	-	-			
20d	458			995,330	1,031,471	1,213,878	1,398,909	1,975,800	2,247,591	2,173,658	2,234,034	2,271,706	2,254,077			

FY 22 Long-Term Facilities Maintenance (LTFM) Ten-Year Revenue Projection				Revised 12/17/2020										
727 <= Type in School District Number														
BIG LAKE PUBLIC SCHOOL DISTRICT														
Calculations for Ten Year Projection														
	Pay 20	Change only if requiring levy adjustments	Payable 2020 LLC Certification	Current Estimate										
	LLC #	FY 2020	FY 2021	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	
Old Formula revenue														
21														
21	459		247,652	213,271	-	-	-	-	-	-	-	-	-	
22														
22	701			-	-	-	-	-	-	-	-	-	-	
23														
23				-	-	-	-	-	-	-	-	-	-	
24	765			-	-	-	-	-	-	-	-	-	-	
25	766			-	-	-	-	-	-	-	-	-	-	
26	460			-	-	-	-	-	-	-	-	-	-	
27	463			-	-	-	-	-	-	-	-	-	-	
27a	767			-	-	146,265	295,155	835,905	1,071,554	961,480	985,715	1,006,762	989,133	
27b	769			-	-	-	-	-	-	-	-	-	-	
28	466			167,635	173,722	179,808	185,895	191,982	198,069	204,156	210,243	213,043	213,043	
29	467		426,973	380,906	173,722	326,073	481,050	1,027,887	1,269,623	1,165,636	1,195,958	1,219,805	1,202,176	
30	468		1,064,721	995,330	1,031,471	1,213,878	1,398,909	1,975,800	2,247,591	2,173,658	2,234,034	2,271,706	2,254,077	
31	469			-	-	-	-	-	-	-	-	-	-	
32	470		1,064,721	995,330	1,031,471	1,213,878	1,398,909	1,975,800	2,247,591	2,173,658	2,234,034	2,271,706	2,254,077	
33	471		19,088	19,088	-	-	-	-	-	-	-	-	-	
34	472		1,083,810	1,014,418	1,031,471	1,213,878	1,398,909	1,975,800	2,247,591	2,173,658	2,234,034	2,271,706	2,254,077	
Aid and Levy Shares of Total Revenue														
35			2018	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	
35			17,828,991	17,828,991	19,234,828	20,004,221	20,804,390	21,636,566	22,502,028	23,402,110	24,338,194	25,311,722	26,324,191	
36	33		3,356.35	3,356.31	3,301.47	3,378.65	3,390.05	3,383.23	3,383.23	3,383.23	3,383.23	3,383.23	3,383.23	
37	54		5,312.02	5,312.08	5,826.14	5,920.78	6,136.90	6,395.24	6,651.05	6,917.10	7,193.78	7,481.53	7,780.79	
38	474		8,569.99	8,569.99	9,139.23	9,569.17	9,960.02	10,358.00	10,772.00	11,203.00	11,651.00	12,117.00	12,602.00	
39	475		10,541.09	10,541.09	11,241.25	11,770.08	12,250.82	12,740.34	13,249.56	13,779.69	14,330.73	14,903.91	15,500.46	
40	476		50.39%	50.39%	51.83%	50.30%	50.09%	50.20%	50.20%	50.20%	50.20%	50.20%	50.20%	
41	477		49.61%	49.61%	48.17%	49.70%	49.91%	49.80%	49.80%	49.80%	49.80%	49.80%	49.80%	
42	478		1,064,721	1,014,418	1,031,471	1,213,878	1,264,944	1,264,944	1,264,944	1,264,944	1,264,944	1,264,944	1,264,944	
43	473		528,166	503,212	496,878	603,253	631,286	629,983	629,964	629,970	629,964	629,962	629,978	
44	479		-	-	-	-	-	-	-	-	-	-	-	
45	481		-	-	-	-	-	-	-	-	-	-	-	
46	482		528,166	503,212	496,878	603,253	631,286	629,983	629,964	629,970	629,964	629,962	629,978	
47	485		555,644	511,206	534,593	610,625	767,623	1,345,817	1,617,627	1,543,688	1,604,070	1,641,744	1,624,099	
Debt Service Portion of Revenue (non-grandfather districts)														
48														
49	765+766+767+768						148,890	579,390	598,920	527,730	547,890	577,080	572,355	
50	769			753,401	760,384	794,771	858,139	899,561	933,581	968,494	1,007,081	939,041	940,538	
50b								47,213	47,213	47,213	47,213	47,213	47,213	
51	770			753,401	760,384	794,771	1,007,029	1,526,164	1,579,714	1,543,437	1,602,184	1,563,334	1,560,106	
52	486			753,401	760,384	794,771	1,007,029	1,264,944	1,264,944	1,264,944	1,264,944	1,264,944	1,264,944	
53	488			373,732	366,290	394,972	502,570	629,983	629,964	629,970	629,964	629,962	629,978	
54	489			379,669	394,093	399,799	504,459	634,961	634,980	634,974	634,980	634,982	634,966	
55	490			-	-	-	-	261,220	314,770	278,493	337,240	298,390	295,162	
General Fund Portion of Revenue (non-grandfather districts)														
56	491			261,017	271,088	419,106	391,880	449,636	667,876	630,221	631,850	708,372	693,972	
57	492			261,017	271,088	195 419,106	257,915	-	-	-	-	-	-	
58	493			129,480	130,588	208,281	128,716	-	-	-	-	-	-	
59	494			131,537	140,500	210,826	129,200	-	-	-	-	-	-	
60	495			-	-	-	133,965	449,636	667,876	630,221	631,850	708,372	693,972	
61	496			131,537	140,500	210,826	263,165	449,636	667,876	630,221	631,850	708,372	693,972	

 Division of School Finance 1500 Highway 36 West Roseville, MN 55113-4266		Long-Term Facility Maintenance Ten-Year Expenditure Application (LTFM) - Fund 01 and Fund 06 Projects Only										ED - 02478-06
Instructions: Enter estimated, allowable LTFM expenditures (Fund 01 and/or Fund 06 only) under Minnesota Statutes, section 123B.595, subdivision 10. Enter by Uniform Financial and Accounting Reporting Standards (UFARS) finance code and by fiscal year in the cells provided.												
District Info.		Enter Information		District Info.		Enter Information						
District Name:		Big Lake Schools		Date:	12/17/2020							
District Number:		727		Email:	a.manuel@biglakeschools.org							
District Contact Name:		Angie Manuel										
Contact Phone #		763-262-5185										
Expenditure Categories		Fiscal Year (FY) Ending June 30										
		2020 (base year)	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Health and Safety - this section excludes project costs in Category 2 of \$100,000 or more for which additional revenue is requested for Finance Codes 358, 363 and 366.												
Finance Code	Category (1)											
347	Physical Hazards	\$10,905	\$31,525	\$14,185	\$26,105	\$14,750	\$28,870	\$14,315	\$29,435	\$39,580	\$30,900	\$16,045
349	Other Hazardous Materials	\$3,042	\$12,600	\$34,900	\$4,500	\$10,550	\$14,400	\$12,200	\$10,750	\$3,750	\$13,250	\$12,850
352	Environmental Health and Safety Management	\$75,907	\$76,226	\$76,640	\$79,350	\$77,450	\$78,400	\$81,100	\$79,200	\$79,550	\$82,450	\$80,350
358	Asbestos Removal and Encapsulation	\$44,340	\$27,350	\$2,350	\$1,175	\$2,350	\$2,350	\$1,175	\$2,350	\$2,350	\$1,200	\$2,400
363	Fire Safety	\$72,294	\$45,570	\$45,450	\$60,900	\$31,450	\$38,100	\$27,750	\$30,200	\$46,950	\$30,800	\$31,250
366	Indoor Air Quality	\$390	\$15,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Health and Safety Capital Projects		\$206,878	\$208,271	\$173,525	\$172,030	\$136,550	\$162,120	\$136,540	\$151,935	\$172,180	\$158,600	\$142,895
Health and Safety - Projects Costing \$100,000 or more per Project/Site/Year												
Finance Code	Category (2)											
358	Asbestos Removal and Encapsulation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
363	Fire Safety	\$0	\$0	\$0	\$0	\$0	\$125,000	\$0	\$0	\$0	\$0	\$0
366	Indoor Air Quality	\$2,344,931	\$4,408,264	\$4,159,380	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Health and Safety Capital Projects \$100,000 or More		\$2,344,931	\$4,408,264	\$4,159,380	\$0	\$0	\$125,000	\$0	\$0	\$0	\$0	\$0
Remodeling for Approved Voluntary Pre-K under Minnesota Statutes, section 124D.151												
Finance Code	Category (3)											
355	Remodeling for prekindergarten (Pre-K) instruction approved by the commissioner.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Remodeling for Approved Voluntary Pre-K Projects		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Accessibility												
Finance Code	Category (4)											
367	Accessibility	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Accessibility Projects		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Deferred Capital Expenditures and Maintenance Projects												
Finance Code	Category (5)											
368	Building Envelope	\$0	\$0	\$54,620	\$250,000	\$0	\$0	\$0	\$30,000	\$0	\$0	\$0
369	Building Hardware and Equipment	\$189,689	\$67,505	\$43,500	\$5,000	\$2,500	\$6,500	\$52,500	\$0	\$0	\$0	\$50,000
370	Electrical	\$13,597	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
379	Interior Surfaces	\$396,160	\$597,171	\$643,750	\$65,000	\$30,000	\$0	\$0	\$0	\$0	\$40,000	\$25,000
380	Mechanical Systems	\$109,246	\$641,365	\$822,530	\$0	\$35,000	\$0	\$0	\$0	\$7,500	\$7,500	\$15,000
381	Plumbing	\$11,551	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
382	Professional Services and Salary	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
383	Roof Systems	\$1,833,586	\$126,500	\$147,000	\$6,500	\$6,000	\$6,500	\$7,500	\$3,500	\$5,000	\$7,000	\$5,000
384	Site Projects	\$31,972	\$31,508	\$13,000	\$36,000	\$18,500	\$15,500	\$18,500	\$9,500	\$21,000	\$53,000	\$21,000
Total Deferred Capital Expense and Maintenance		\$2,585,801	\$1,464,049	\$1,724,400	\$362,500	\$92,000	\$28,500	\$78,500	\$43,000	\$33,500	\$107,500	\$116,000
Total Annual 10-Year Plan Expenditures		\$5,137,610	\$6,080,584	\$6,057,305	\$534,530	\$228,550	\$315,620	\$215,040	\$194,935	\$205,680	\$266,100	\$258,895
Fund Balance Section												
Fund 01												
Beginning Fund Balance 01-467-XX		\$44,809	\$81,784	\$134,530	\$232,093	\$332,904	\$387,469	\$389,970	\$370,172	\$371,708	\$360,053	\$372,643
LTFM Fiscal Year Revenue - Levy		\$166,012	\$131,537	\$140,500	\$272,841	\$245,615	\$193,121	\$195,242	\$196,471	\$194,025	\$278,690	\$277,194
LTFM Fiscal Year Revenue - AID if Applicable		\$165,566	\$129,480	\$130,588	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
LTFM Fiscal Year Revenue Other		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
LTFM Transfer IN from Fund 06 if applicable (see transfer guidance tab)		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
LTFM Transfer OUT from Fund 01 if applicable (see transfer guidance tab)		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
LTFM Transfer OUT if applicable (COVID-19) by End of Fiscal Year (06-30-20)		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
LTFM Estimated Fiscal Year Expenditures		\$294,603	\$208,271	\$173,525	\$172,030	\$191,050	\$190,620	\$215,040	\$194,935	\$205,680	\$266,100	\$258,895
Ending Fiscal Year Fund Balance 01-467-XX		\$81,784	\$134,530	\$232,093	\$332,904	\$387,469	\$389,970	\$370,172	\$371,708	\$360,053	\$372,643	\$390,942
Fund 06												
Beginning Fund Balance 06-467-XX		\$2,505,068	\$4,762,317	\$6,596,331	\$714,551	\$352,551	\$315,351	\$190,351	\$190,351	\$190,351	\$190,351	\$190,351
LTFM Fiscal Year Bonded Revenue		\$7,181,028	\$7,701,327	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
LTFM Fiscal Year Revenue Other		\$54,262	\$5,000	\$2,000	\$500	\$300	\$0	\$0	\$0	\$0	\$0	\$0
LTFM Transfer IN from Fund 01 if applicable (see transfer guidance tab)		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
LTFM Transfer OUT from Fund 06 if applicable (see transfer guidance tab)		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
LTFM Transfer OUT if applicable (COVID-19) by End of Fiscal Year (06-30-20)		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
LTFM Estimated Fiscal Year Expenditures		\$4,978,041	\$5,872,313	\$5,883,780	\$362,500	\$37,500	\$125,000	\$0	\$0	\$0	\$0	\$0
Ending Fiscal Year Fund Balance 06-467-XX		\$4,762,317	\$6,596,331	\$714,551	\$352,551	\$315,351	\$190,351	\$190,351	\$190,351	\$190,351	\$190,351	\$190,351

End of worksheet

Extract of School Board Meeting Minutes
Independent School District No. 727
Big Lake, MN

Pursuant to due call and notice thereof, a School Board meeting of Independent School District No. 727, Big Lake, State of Minnesota, was held on December 17th, 2020, 6:30 p.m., for the purpose in part, of approving the District’s Revised Fiscal Year (FY) 22 Long-Term Facility Maintenance Ten-Year Plan as established in Minnesota Statutes, section 123B.595.

School Board Member _____ introduced the following resolution and moved its adoption.

Resolution Adopting Independent School District No. 727
Revised FY 22 Long-Term Facilities Maintenance Ten-Year Plan

Be it resolved that the School Board of Independent School District No. 727, Big Lake, State of Minnesota, approves the attached revised FY 22 Long-Term Facilities Maintenance Ten-Year Plan.

The motion for the adoption of the foregoing resolution was duly seconded by School Board Member _____ and, upon vote being thereon, the following voted in favor of the motion:

And the following voted against _____

Whereupon the resolution was declared duly passed and adopted the 17th day of December, 2020.

School Board Clerk Signature

RESOLUTION ESTABLISHING COMBINED POLLING PLACES FOR MULTIPLE
PRECINCTS AND DESIGNATING HOURS DURING WHICH THE POLLING
PLACES WILL REMAIN OPEN FOR VOTING FOR SCHOOL DISTRICT
ELECTIONS NOT HELD ON THE DAY OF A STATEWIDE ELECTION

BE IT RESOLVED by the School Board of Independent School District No.727, State of Minnesota, as follows:

1. Pursuant to Minnesota Statutes, Section 205A.11, the precincts and polling places for school district elections are those precincts or parts of precincts located within the boundaries of the school district which have been established by the cities or towns located in whole or in part within the school district. The board hereby confirms those precincts and polling places so established by those municipalities.

2. Pursuant to Minnesota Statutes, Section 205A.11, the board may establish a combined polling place for several precincts for school district elections not held on the day of a statewide election. The following combined polling places are established to serve the precincts specified for all school district special and general elections not held on the same day as a statewide election:

Combined Polling Place: Big Lake City Hall, 160 Lake Street N, Big Lake, MN 55309

This combined polling place serves all territory in Independent School District No.727, located in Becker Township; Orrock Township; Big Lake Township and the City of Big Lake, Sherburne County, Minnesota.

3. Pursuant to Minnesota Statutes, Section 205A.09, the polling places will remain open for voting for school district elections not held on the same day as a statewide election between the hours of 7:00 o'clock a.m. and 8:00 o'clock p.m.

4. The clerk is directed to file a certified copy of this resolution with the county auditors of each of the counties in which the school district is located, in whole or in part, within thirty (30) days after its adoption.

5. As required by Minnesota Statutes, Section 204B.16, Subdivision 1a, the clerk is hereby authorized and directed to give written notice of new polling place locations to each affected household with at least one registered voter in the school district whose school district polling place location has been changed. The notice must be a nonforwardable notice mailed at least twenty-five (25) days before the date of the first election to which it will apply. A notice that is returned as undeliverable must be forwarded immediately to the appropriate county auditor, who shall change the registrant's status to "challenged" in the statewide registration system.

School District Clerk

Date