

Regular Meeting

Thursday, November 18, 2021 6:30 PM

Middle School Student Center, 601 Minnesota Ave, Big Lake, MN 55309

I. Call to Order	Presenter: Chair, Tonya Reasoner
II. Roll Call	Presenter: Chair, Tonya Reasoner
III. New Member Oath of Office (<i>F. Expand and Strengthen Public Support</i>)	Presenter: Chair, Tonya Reasoner
IV. Approve Agenda	Presenter: Chair, Tonya Reasoner
V. Pledge of Allegiance	Presenter: Chair, Tonya Reasoner
VI. Open Forum	Presenter: Chair, Tonya Reasoner
VII. Consent Agenda	Presenter: Chair, Tonya Reasoner
A. Previous Minutes	
B. Claims and Accounts	
C. Credit Card Report	
D. Personnel	
VIII. Donations	Presenter: Chair, Tonya Reasoner
IX. 2020-2021 Audit Presentation	Presenter: Director of Business Services, Angie Manuel and BerganKDV
X. Financial Report (<i>C. Strong Financial Foundation</i>)	Presenter: Director of Business Services, Angie Manuel
XI. MSHSL Resolution for Grant	Presenter: Superintendent, Tim Truebenbach
XII. Community Education Annual Report (<i>F. Expand and Strengthen Public Support</i>)	Presenter: Director of Community Education & Communication Services, Allen Berg
XIII. Approve January 6, 2022 for the Organizational Meeting, a Special Meeting to Approve Bond Sale, and a Work Session (<i>F. Expand and Strengthen Public Support</i>)	Presenter: Chair, Tonya Reasoner
XIV. Set Joint Powers Meeting for Thursday, January 20, 2022 at 6:00 PM Big Lake City Council Chambers (<i>F. Expand and Strengthen Public Support</i>)	Presenter: Superintendent, Tim Truebenbach
XV. Student Representative Report (<i>F. Expand and Strengthen Public Support</i>)	Presenter: Student Representative, Preity Persaud
XVI. Superintendent Report (<i>F. Expand and Strengthen Public Support</i>)	Presenter: Superintendent, Tim

XVII. **Adjournment**

Truebenbach
Presenter: Chair,
Tonya Reasoner



OPEN FORUM

An open forum is scheduled during the beginning of each regular School Board meeting to allow district residents the opportunity to address the Board.

If you would like to address the Board, please fill out a slip with your name and address, and provide to the Chair prior to the meeting start time.

The guidelines for open forum are as follows:

1. Speakers must state their name and address
2. Each speaker will be provided three minutes
3. No action can be taken unless the matter addressed is formally on the agenda
4. Speaker will not make negative comments regarding any employee of the District
5. The Board Chair can end the Open Forum at any time
6. Please note that data privacy laws do not allow for any matters concerning individual employees or students to be discussed

**ISD 727 SCHOOL BOARD
PERSONNEL ACTIONS
11/18/2021**

Employee	Position	Effective Date
HIRE		
Russ, Marissa	Transfer from Noon Monitor to Educ Assistant - Liberty Elementary School	11/01/2021
Kasper, Brian	Custodian - Independence Elementary School	11/08/2021
Christian, Krystal	Office Media Specialist - High School	11/09/2021
Aleksander, Paula	Noon Monitor - Liberty Elementary School	11/01/2021
Cox, Jenessa	Office Media Specialist – Middle School	11/19/2021
Hauan, Jesse	Co Head Trap Coach - High School	03/07/2022
McMullen, Roy	Co Head Trap Coach - High School	03/07/2022
*Brock, Amanda	Noon Monitor - Liberty Elementary School	11/17/2021
*Guenther, Rebecca	Transfer from Office Media Specialist at High School to Educ Assistant at Middle School	11/15/2021
Employee	Position	Effective Date
*Folkens, Jennifer - Resignation	Program Secretary - High School	11/05/2021
*Gerdes, Robert - Resignation	Trap Coach - High School	06/04/2021

***Changes added after original form distributed**

11/17/2021 4:35

PM



MEMO

TO: Big Lake School Board

FROM: Angie Manuel, Director of Business Services

DATE: September 18, 2020

SUBJECT: Staffing Addition Request

This memo is a follow up to the mid-year staffing addition discussions at the November 2nd, 2021, finance committee meeting and November 10th, 2021, School Board work session. Based on the feedback received from the School Board, I respectfully request the addition of a 1.0 FTE Student Information System Specialist/MARSS-Ed Fi Coordinator. A job description will be developed upon School Board approval with a target completion date by the end of November 2021. The position will be posted in December 2021, with a target start date sometime during January 2022.

Please do not hesitate to contact me with any questions or concerns.

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)
Cargill, Inc.	\$210.00 cash, \$190.00 school supplies	Monetary donation for school activities, supplies for students in need at Liberty
McPete’s	21 games of bowling	To support PBIS at Independence
Anita Feuerstein	Clothing, shoes, hats, mittens	Provide extra clothing for nurses office and students in need at Independence
Minnesota Timberwolves	36 Tickets for Timberwolves games	To support PBIS at Independence
Big Lake Spud Fest	\$8,000.00	Support Community Ed’s youth scholarship fund
Big Lake Spud Fest	\$3,000.00	Help fund the pathway at the 4-plex

The vote on adoption of the Resolution was as follows:

Aye:

Nay:

Absent:

Whereupon, said Resolution was declared duly adopted on November 18, 2021.

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

Communications Letter

June 30, 2021



Independent School District No. 727
Table of Contents

Report on Matters Identified as a Result of the Audit of the Basic Financial Statements	1
Significant Deficiency	3
Required Communication	4
Financial Analysis	8
Legislative Summary	21
Emerging Issue	23

Report on Matters Identified as a Result of the Audit of the Basic Financial Statements

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

In planning and performing our audit of the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 727, Big Lake, Minnesota, as of and for the year ended June 30, 2021, 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, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 basic 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 basic 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 November 9, 2021, 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.

A handwritten signature in cursive script that reads "BergankDV Ltd." followed by a period.

Minneapolis, Minnesota
November 9, 2021

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 basic 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 basic 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, 2021. Professional standards require that we advise you of the following matters related to our audit.

Our Responsibility in Relation to the Basic 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 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 basic 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 basic 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 basic financial statements. There have been no initial selection of accounting policies and no changes to significant accounting policies or their application during 2021. 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 basic 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 basic 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 basic financial statements are:

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 basic financial statements taken as a whole and in relation to the applicable opinion units.

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 basic financial statements taken as a whole and each applicable opinion unit.

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

- Understatement of GASB 68 state contribution in the General Fund
- Understatement of intergovernmental revenue and overstatement of unearned revenue

**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 basic 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, and regulatory 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 Basic Financial Statements

We applied certain limited procedures to the RSI that supplements the 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 financial statements, and other knowledge we obtained during our audit of the 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>
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%
2022	6,728	2.5%

* 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.

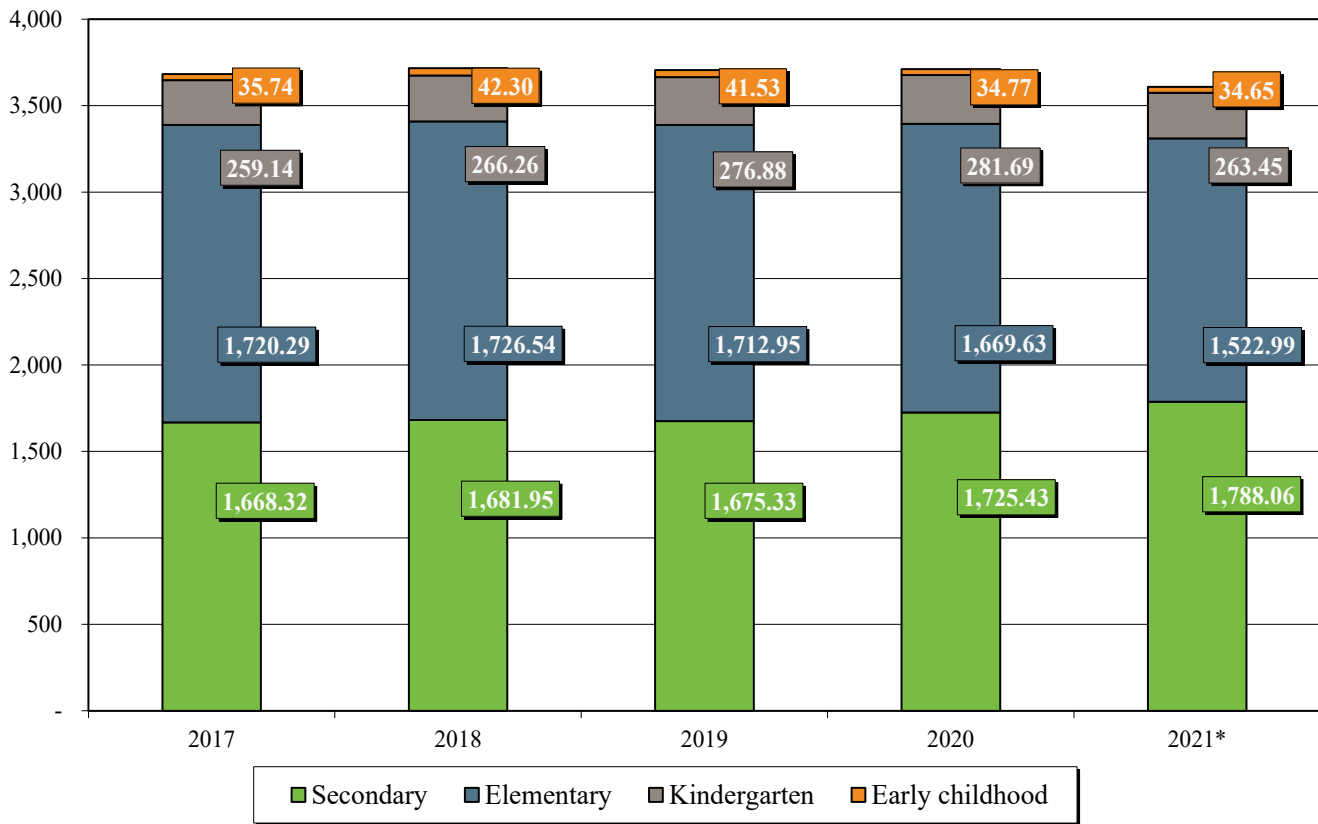
Independent School District No. 727 Financial Analysis

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	2017	2018	2019	2020	2021*
Early childhood	35.74	42.30	41.53	34.77	34.65
Kindergarten	259.14	266.26	276.88	281.69	263.45
Elementary	1,720.29	1,726.54	1,712.95	1,669.63	1,522.99
Secondary	1,668.32	1,681.95	1,675.33	1,725.43	1,788.06
Total Resident ADM	3,683.49	3,717.05	3,706.69	3,711.52	3,609.15

Students (ADM)



* Estimate

Total resident ADM decreased 2.8%, or 102.37 ADM, since 2020 and decreased 2.02%, or 74.34 ADM, over the past five years.

Independent School District No. 727 Financial Analysis

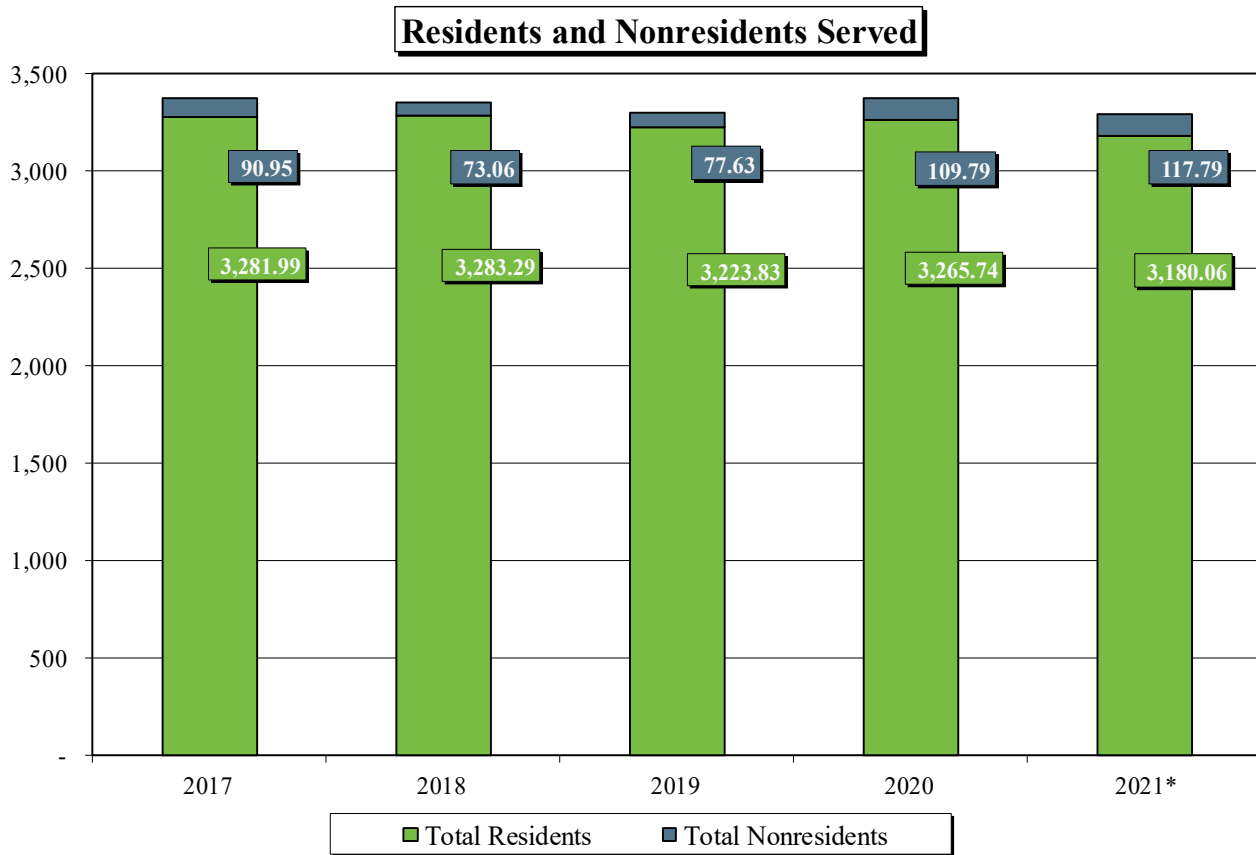
Average Daily Membership and Pupil Units (Continued)

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						
2017-2021	Kindergarten		Elementary		Elementary	
	Pre-Kindergarten	Disabled	Kindergarten	Grades 1-3	Grade 4-6	Secondary
2017-2021	1.000	1.000	1.000	1.000	1.000	1.200

The PUN served table and graph below 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.

PUN	2017	2018	2019	2020	2021*
Residents	4,017.15	4,053.03	4,041.77	4,056.60	3,966.74
Resident WADM/PUN loss	(735.16)	(769.74)	(817.94)	(790.86)	(786.68)
Nonresident WADM/PUN gain	90.95	73.06	77.63	109.79	117.79
Total PUN Served	3,372.94	3,356.35	3,301.46	3,375.53	3,297.85

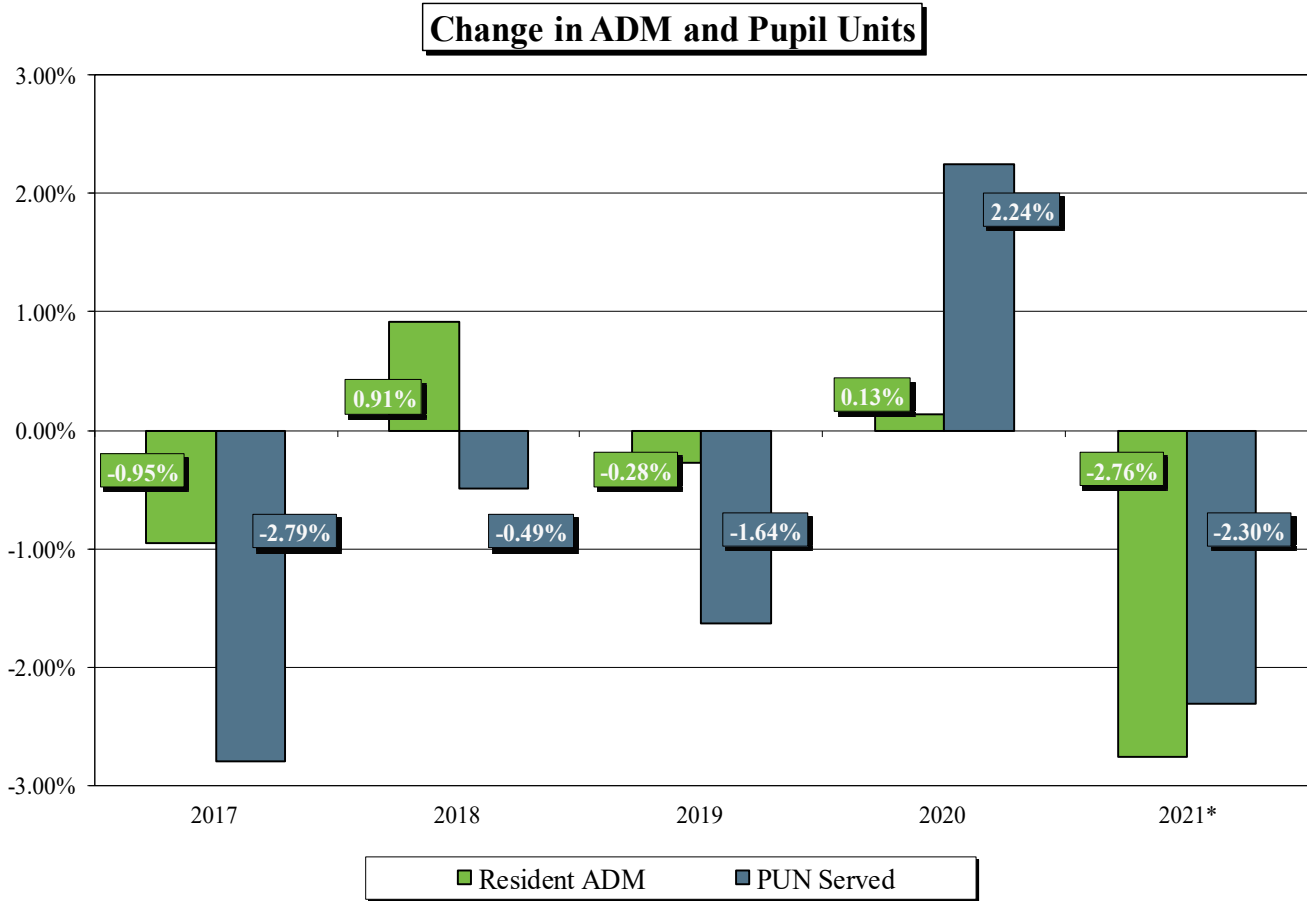


PUN served increased for the first time in the five years presented. The District continues to lose more resident WADM to open enrollment than it is gaining. In 2021, the District's PUN decreased 2.3% from 2020.

**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

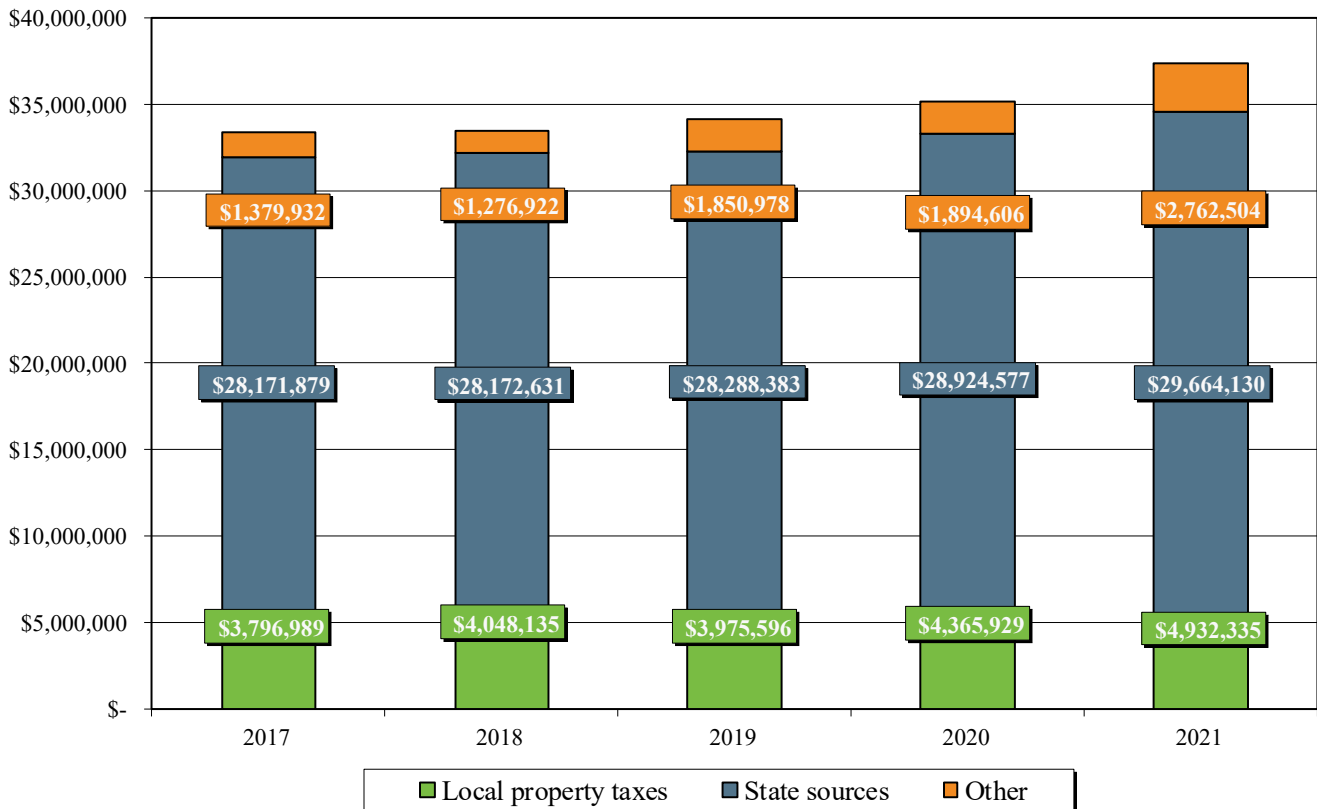
General Fund Sources of Revenue

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

	2017	2018	2019	2020	2021
Local property taxes	\$ 3,796,989	\$ 4,048,135	\$ 3,975,596	\$ 4,365,929	\$ 4,932,335
State sources	28,171,879	28,172,631	28,288,383	28,924,577	29,664,130
Other	1,379,932	1,276,922	1,850,978	1,894,606	2,762,504
Total	\$ 33,348,800	\$ 33,497,688	\$ 34,114,957	\$ 35,185,112	\$ 37,358,969

Total General Fund revenues increased \$2,173,857 or 6.2%, from 2020. The largest increase was in other revenue as a result of federal funding increasing in relation to the COVID-19 pandemic. State sources increased \$739,553 due to a combination of an increase of 2.0% in the formula allowance, a decrease in pupil units and an increase in special education entitlement. Local property taxes increased due to an increase in the levy.

General Fund Sources of Revenue



Independent School District No. 727
Financial Analysis

Expenditures Per Adm Served

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

District	2017*	2018*	2019*	2020*	2021**
General Fund	\$ 10,196	\$ 10,422	\$ 11,148	\$ 10,824	\$ 11,985
Food Service	504	509	503	452	425
Community Service	688	757	796	654	634

State-Wide Average	2017*	2018*	2019*	2020*	2021
General Fund	\$12,249	\$ 12,596	13,025	13,313	N/A
Food Service	546	550	559	554	N/A
Community Service	579	606	638	622	N/A

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

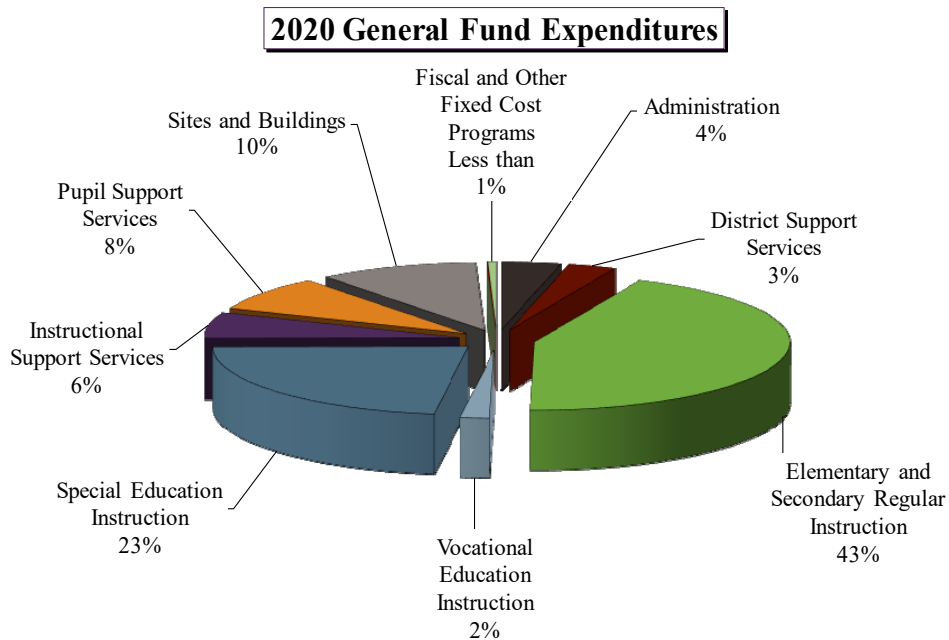
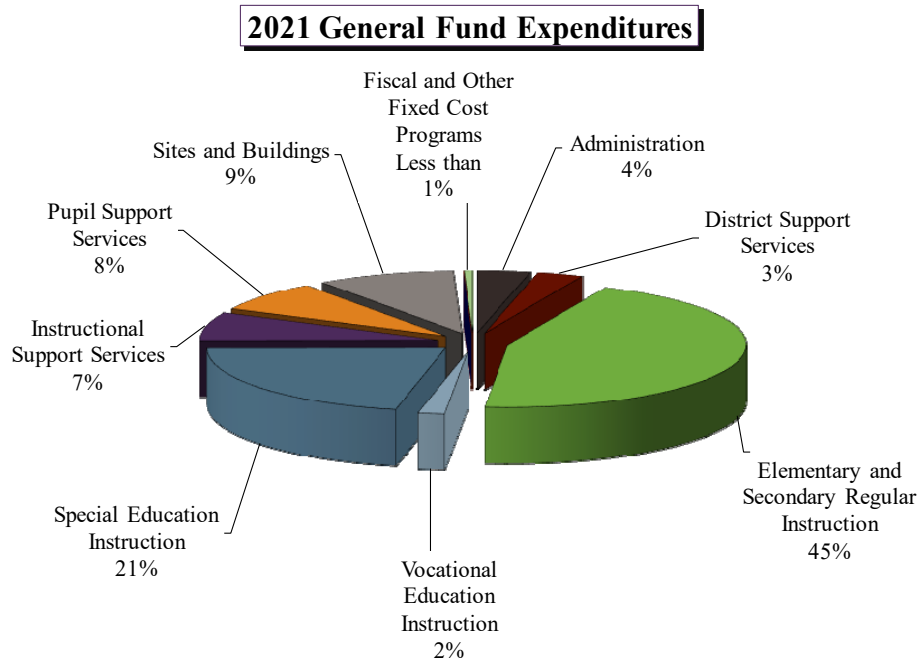
** Estimate

Expenditures per ADM served increased 10.7% in the General Fund from 2020 to 2021. Total General Fund expenditures increased 7.1% from the prior year, while ADM served decreased 3.3%. Food service expenditures decreased 9.0% from 2020 to 2021, resulting in the decrease of 5.9% in expenditures per ADM served as shown above. Community service expenditures decreased 6.2% from 2020 to 2021 resulting in a decrease of 3.0% 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 2020 and 2021 has been consistent from one year to the next. Elementary and secondary regular instruction increased to 45% of General Fund expenditures in 2021, compared to 43% in 2020.



The three instruction categories of regular, vocational, and special education comprised 68% of the total expenditures for both 2021 and 2020, 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 2021, the District approved a budget anticipating expenditures would exceed revenues by \$1,155,559. This was modified in June of 2021, increasing revenue by \$680,872, decreasing expenditures by \$352,962, and anticipated a decrease in fund balance of \$117,760. In the end, revenues and other financing sources exceeded expenditures by \$1,260,574.

Total General Fund revenue sources ended the year with a 0.8% positive variance.

Overall, expenditures were 2.9% under budget. Special education instruction expenditures were \$320,300 under budget due to lower staffing costs for substitutes and not hiring positions included in the budget. Instructional support services expenditures were \$244,531 under budget as a result of budgeting for technology purchases within this program and then allocating the actual expenditure to the appropriate program where the items are used. Sites and buildings expenditures were \$268,872 under budget with savings in personnel costs, contracted services, and delayed capital projects.

	2021			Variance with Final Budget - Over (Under)
	Original Budget	Final Budget	Actual Amounts	
Revenues				
Local property taxes	\$ 4,844,116	\$ 4,983,953	\$ 4,932,335	\$ (51,618)
State sources	29,656,528	29,245,429	29,664,130	418,701
Other	1,863,637	2,815,771	2,762,504	(53,267)
Total revenues	36,364,281	37,045,153	37,358,969	313,816
Expenditures				
Administration	1,332,911	1,308,658	1,296,301	(12,357)
District support services	1,269,686	1,234,392	1,126,490	(107,902)
Regular instruction	16,011,938	16,193,987	16,187,949	(6,038)
Vocational education instruction	670,287	669,029	647,075	(21,954)
Special education instruction	8,485,575	8,108,717	7,788,417	(320,300)
Instructional support services	2,697,651	2,817,784	2,573,253	(244,531)
Pupil support services	3,133,067	2,928,708	2,832,174	(96,534)
Sites and buildings	3,655,268	3,652,482	3,383,610	(268,872)
Fiscal and other fixed costs	206,000	195,664	209,634	13,970
Debt service	57,457	57,457	57,457	-
Total expenditures	37,519,840	37,166,878	36,102,360	(1,064,518)
Excess of revenues over (under) expenditures	(1,155,559)	(121,725)	1,256,609	1,378,334
Other Financing Sources				
Proceeds from sale of capital assets	-	3,965	3,965	-
Net change in fund balances	\$ (1,155,559)	\$ (117,760)	\$ 1,260,574	\$ 1,378,334

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:

	2017	2018	2019	2020	2021
Revenues	\$ 33,348,800	\$ 33,497,688	34,114,957	35,185,112	37,358,969
Expenditures	32,004,832	32,585,535	34,054,607	33,722,729	36,102,360
Excess of revenues over (under) expenditures	1,343,968	912,153	60,350	1,462,383	1,256,609
Transfers/other financing Sources	-	222,520	247,007	520	3,965
Fund balance, July 1	5,873,187	7,217,155	8,351,828	8,659,185	10,137,738
Change in accounting principle	-	-	-	15,650	-
Fund Balance, June 30	\$ 7,217,155	\$ 8,351,828	\$ 8,659,185	\$ 10,137,738	\$ 11,398,312
Components					
Unassigned	\$ 5,102,332	\$ 6,122,852	\$ 6,748,712	\$ 7,548,558	\$ 7,833,335
Assigned for					
Athletics and activities	123,671	128,558	104,071	179,525	219,067
Student activities	111,317	107,940	118,135	-	-
Building level activities	-	-	-	122,937	126,474
Q Comp	270,498	230,761	129,791	138,190	124,927
STEM program	-	-	27,500	6,588	3,280
Copier replacement	-	-	35,000	30,000	65,721
Curriculum materials	-	-	50,000	79,806	81,888
Technology repairs and replacement	-	-	-	-	42,467
Middle school sound system	-	-	-	-	308,786
Moving costs	11,438	-	-	-	-
Gymnastics floor replacement	-	-	-	28,500	-
Special education vehicles	-	-	-	11,454	22,907
Committed for					
Separation/retirement	535,627	573,511	596,778	620,191	895,674
Liberty shelter	-	-	6,702	29,120	29,120
TIES withdrawal fee	-	136,400	-	-	-
Ball field lights at four-plex	14,116	6,664	-	-	-
Restricted for					
Student activities	-	-	-	10,386	16,002
Scholarships	-	-	-	16,650	15,150
Basic skills	61,755	80,381	112,332	76,094	-
Long-term facilities maintenance	4,286	21,180	44,809	81,783	118,029
Capital projects levy	52,145	77,153	108,221	226,670	369,164
Medical assistance	140,219	118,218	92,243	230,996	262,782
Staff development	94,777	101,957	98,744	92,814	115,432
ALC	11,985	9,521	7,837	33,648	19,077
Health and safety	(5,496)	-	-	-	-
Operating capital	477,187	285,573	221,461	455,306	570,269
Safe schools - crime levy	-	-	-	-	2,165
Nonspendable for					
Prepaid items	211,298	351,159	156,849	118,522	156,596
Total	\$ 7,217,155	\$ 8,351,828	\$ 8,659,185	\$ 10,137,738	\$ 11,398,312

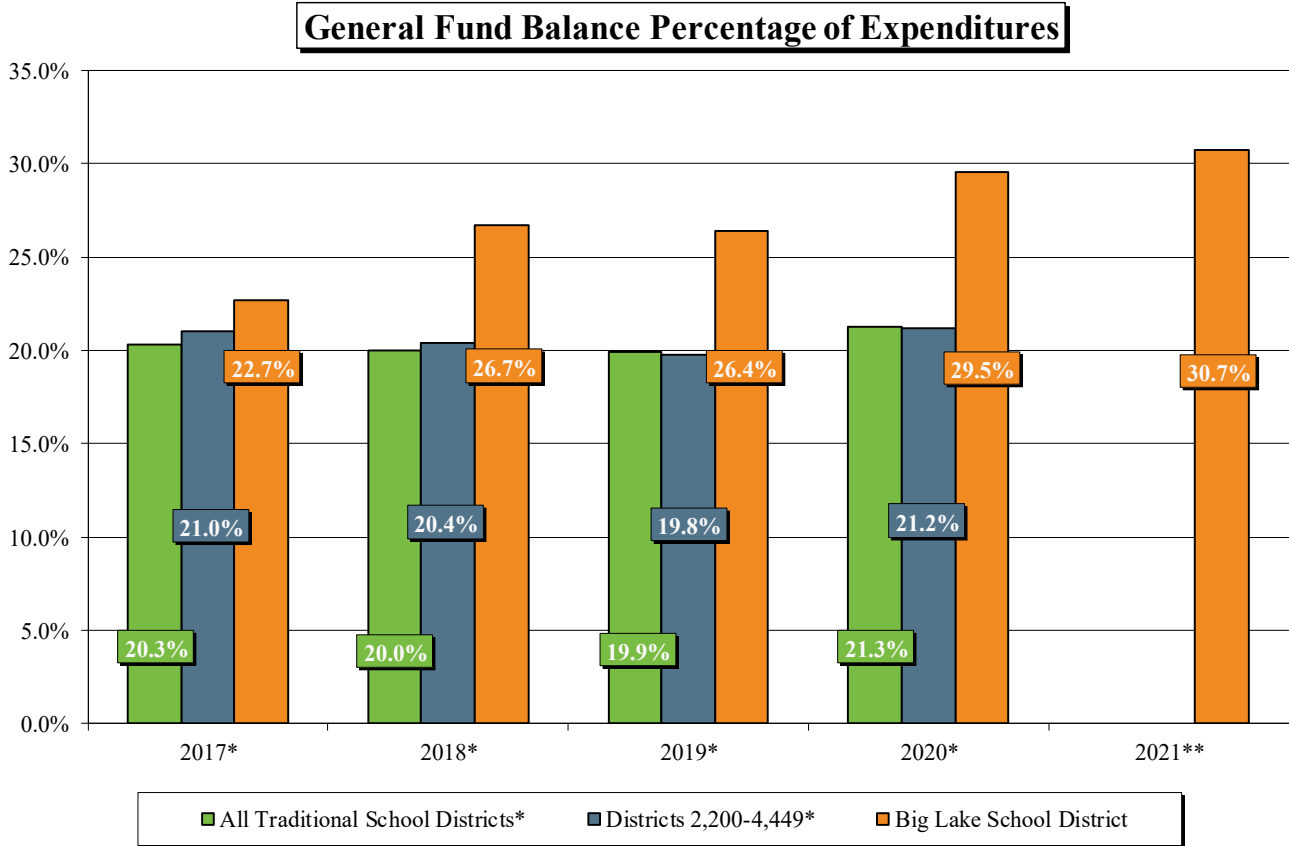
Total revenues for the General Fund increased \$2,173,857 from 2020 as previously discussed. Total expenditures increased \$2,379,631 from 2020. The largest variance was in elementary and secondary regular instruction, which increased \$1,521,192 due to contract settlements, hiring additional building substitutes, and shifting positions to support distance learning. Instructional support services increased due to purchasing technology equipment.

Overall, fund balance increased by \$1,260,574 from 2020, including an increase of \$284,777 in the unassigned fund balance.

Independent School District No. 727 Financial Analysis

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 2017-2020 General Fund Unreserved Balance*. Fiscal year 2021 information is not available.

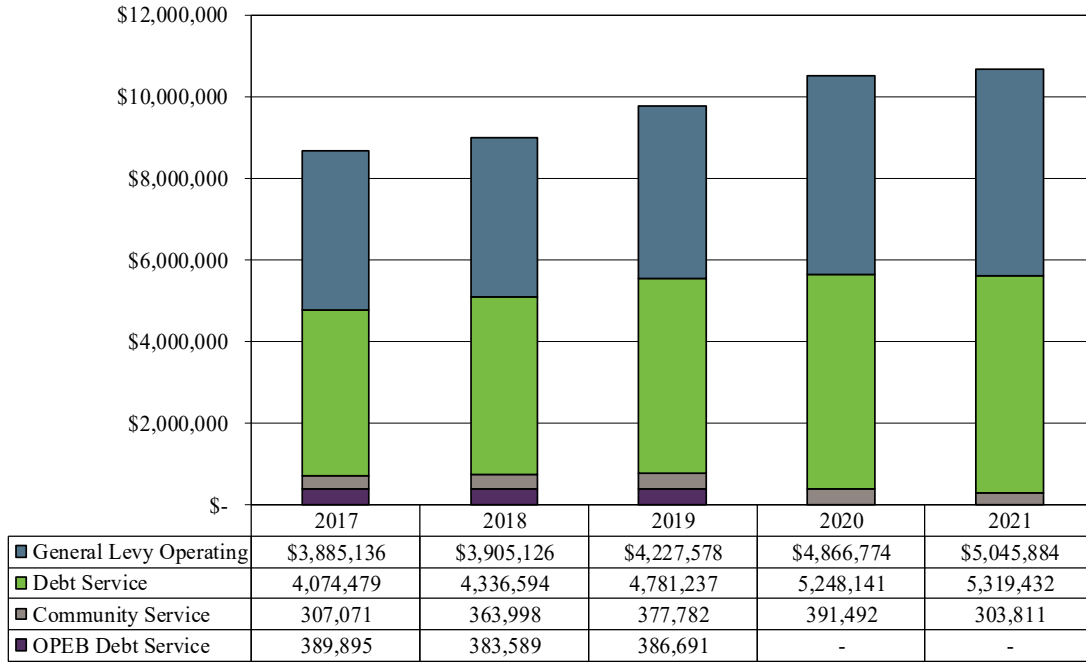
** Obtained from MDE Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Report

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 for 2017 and beyond exceeded the state-wide average.

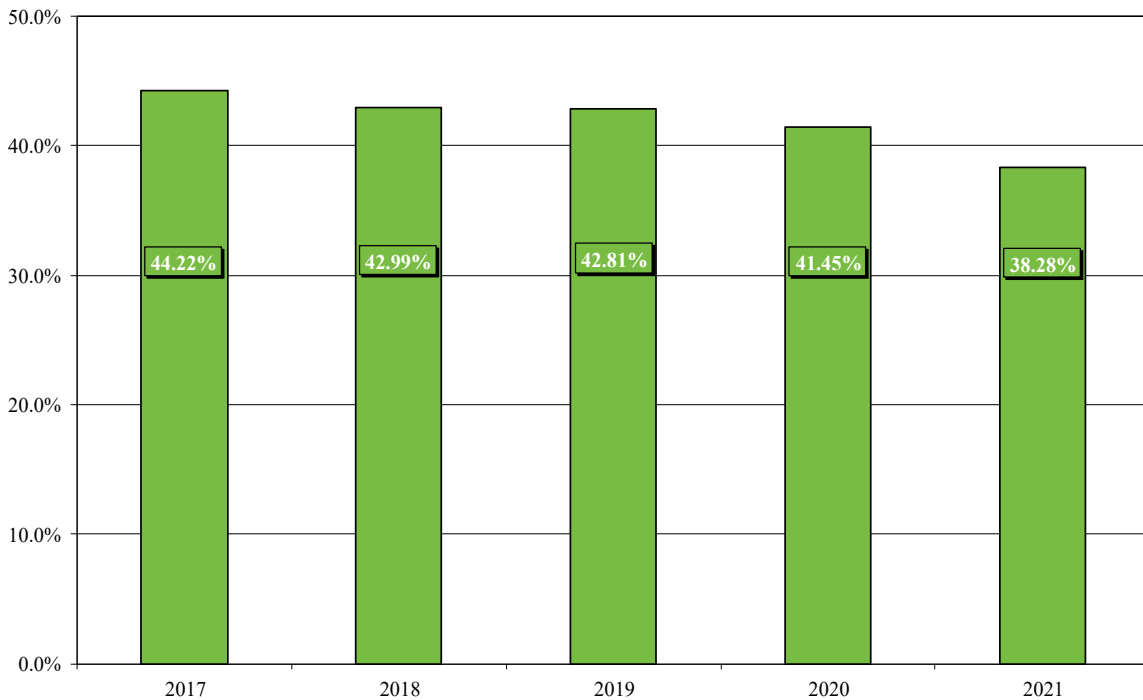
Independent School District No. 727 Financial Analysis

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,	2017	2018	2019	2020	2021
Revenues	\$ 1,617,064	\$ 1,563,782	\$ 1,559,039	\$ 1,463,232	\$ 1,216,240
Expenditures	1,576,373	1,580,541	1,536,519	1,407,244	1,281,051
Excess of revenues over (under) expenditures	40,691	(16,759)	22,520	55,988	(64,811)
Fund balance, July 1	164,005	204,696	187,937	210,457	266,445
Fund Balance, June 30	\$ 204,696	\$ 187,937	\$ 210,457	\$ 266,445	\$ 201,634

In 2021, the Food Service Fund's expenditures exceeded revenues, resulting in a decrease in fund balance of \$64,811. Food service revenues decreased \$246,992 from 2020, while expenditures decreased \$126,193. The decrease in activity is due to less meal counts from hybrid and distance learning as a result of the COVID-19 pandemic.

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,	2017	2018	2019	2020	2021
Revenues	\$ 2,174,196	\$ 2,243,337	\$ 2,374,813	\$ 2,024,723	\$ 2,150,604
Expenditures	2,154,588	2,351,505	2,431,749	2,036,977	1,910,575
Excess of revenues over (under) expenditures	19,608	(108,168)	(56,936)	(12,254)	240,029
Fund balance, July 1	553,597	573,205	465,037	408,101	395,847
Fund Balance, June 30	\$ 573,205	\$ 465,037	\$ 408,101	\$ 395,847	\$ 635,876
Components					
Nonspendable	\$ 1,000	\$ -	\$ -	\$ -	\$ -
Restricted/reserved for					
Community Education	373,609	312,718	345,321	359,366	575,841
ECFE	115,960	101,217	59,867	52,390	82,302
School Readiness	82,405	50,080	1,489	(23,826)	(29,881)
Fund purpose	231	1,022	1,424	7,917	7,614
Total	\$ 573,205	\$ 465,037	\$ 408,101	\$ 395,847	\$ 635,876

In 2021, revenues exceeded expenditures by \$240,029, resulting in an increase in fund balance. Revenues increased \$125,881 or 6.2%, from the prior year, while expenditures decreased \$126,402 or 6.2%. The increase in revenues was due to an increase in federal funds received related to the COVID-19 pandemic. The decrease in expenditures was due a decrease in staffing costs due to change in personnel and reduced school participation.

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 2021 General Education Aid was increased \$129 (2%) to \$6,567. For 2022, the formula allowance is set at \$6,728, and for 2023, the formula allowance is set at \$6,863.

Special Education

One-time additional special education cross subsidy aid of \$10.425 million was approved for 2022 to be allocated based on district's 2021 cross subsidy.

The special education hold harmless guarantee was limited to the sum of 85% in 2021, and will be limited to 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%.

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. ESSER and GEER funds are eligible for spending through September 30, 2022.

Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act

The CRRSA Act was signed into law on December 27, 2020, and provided an additional \$2.75 billion for the Emergency Assistance for Nonpublic School Fund (EANS Fund) of which \$41,697,717 was awarded to Minnesota. Funds are eligible for spending through September 30, 2023.

American Rescue Plan (ARP) Act

The ARP Act was signed into law on March 11, 2021, and focuses on returning to, and maintaining, safe in-person learning for all students.

The ARP includes \$1.3 billion for E-12 education in ESSER funds for Minnesota to help schools returning to, and maintaining, safe in-person learning for all students. Per the federal law, 90% of these funds have been allocated to eligible districts and charter schools. 9.5% of these funds are for flexible use by each state education agency to create a plan to meet the needs of students. Funds are eligible for spending through September 30, 2024.

Independent School District No. 727 Legislative Summary

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.

Voluntary Prekindergarten (VPK)/School Readiness Plus

For 2022 and 2023 only, the 4,000 seats currently expiring after 2021 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

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 basic financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' basic 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 basic 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 basic 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**

Basic Financial Statements

June 30, 2021



Independent School District No. 727
Table of Contents

Board of Education and Administration	1
Independent Auditor's Report	2
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	22
Statement of Activities	23
Fund Financial Statements	
Balance Sheet – Governmental Funds	24
Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Funds	25
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	26
Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances to the Statement of Activities – Governmental Funds	27
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	28
Statement of Fiduciary Net Position	29
Statement of Changes in Fiduciary Net Position	29
Notes to Basic Financial Statements	31
Required Supplementary Information	
Schedule of Changes in Net OPEB Liability and Related Ratios	72
Schedule of Employer Contributions – OPEB	73
Schedule of Investment Returns	74
Schedule of District's and Non-Employer Proportionate Share of Net Pension Liability General Employees Plan Retirement Fund	75
Schedule of District's and Non-Employer Proportionate Share of Net Pension Liability TRA Retirement Fund	75
Schedule of District Contributions General Employees Plan Retirement Fund	76
Schedule of District Contributions TRA Retirement Fund	76
Notes to Required Supplementary Information	77
Supplementary Information	
Combining Balance Sheet – Nonmajor Governmental Funds	86
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	87
Detailed Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	88
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Food Service Fund	91

Independent School District No. 727
Table of Contents

Supplementary Information (Continued)

Statement of Revenues, Expenditures, and Changes in Fund Balance	
– Budget and Actual – Community Service Fund	92
Uniform Financial Accounting and Reporting Standards Compliance Table	93
Schedule of Expenditures of Federal Awards	94
Notes to the Schedule of Expenditures of Federal Awards	95
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	97
Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	99
Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance	101
Minnesota Legal Compliance	105

**Independent School District No. 727
Board of Education and Administration
June 30, 2021**

<u>Board of Education</u>	<u>Position</u>	<u>Term Expires</u>
Tonya Reasoner	Chairperson	December 31, 2022
Amber Sixberry	Treasurer	December 31, 2024
Tony Scales	Clerk	December 31, 2024
Lenette Brown	Director	December 31, 2022
Dan Nygaard	Director	December 31, 2022
Lori Kampa	Director	December 31, 2024
<u>Administration</u>		
Tim Truebenbach	Superintendent	
Angie Manuel	Director of Business Services	
Robert Dockendorf	High School Principal	
Mark Ernst	Middle School Principal	
Caryl Gordy	Liberty Elementary Principal	
Jona Deveal	Independence Elementary Principal	

Independent Auditor's Report

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

Report on the 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, 2021, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Basic Financial Statements

The management of Independent School District No. 727 is responsible for the preparation and fair presentation of these basic 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 basic 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 basic 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 basic 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, 2021, 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.

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 the Government Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


Other Information

Our audit was conducted for the purpose of forming opinions on the basic 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.

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 November 9, 2021, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "BergankDV Ltd." followed by a period.

Minneapolis, Minnesota
November 9, 2021

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, 2021. 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 (2020-2021) and the prior year (2019-2020) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2020-2021 fiscal year include the following:

- Net Position increased from \$(4,025,609) to \$(1,448,340), an increase of \$2,577,269, due to improvement in the general fund balance as well as decreases in severance and pension liabilities.
- General Fund revenues were \$37,358,969 as compared to expenditures of \$36,102,360 for revenues over expenditures of \$1,256,609.
- Total General Fund balance increased \$1,260,574. Unassigned General Fund Balance increased by \$284,777, due to larger than expected special education aid and underspending of general fund operational expenses. Restricted and Committed/Assigned Fund balances increased by \$937,723 because of delays in budgeted projects and initiatives due to COVID-19 pandemic as well as set aside of funds for severance obligations. Nonspendable Fund balance increased by \$38,074.
- The District increased its long-term liabilities by \$3,313,837 as a result of issuing general obligation facilities maintenance bonds to finance the second phase of 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.

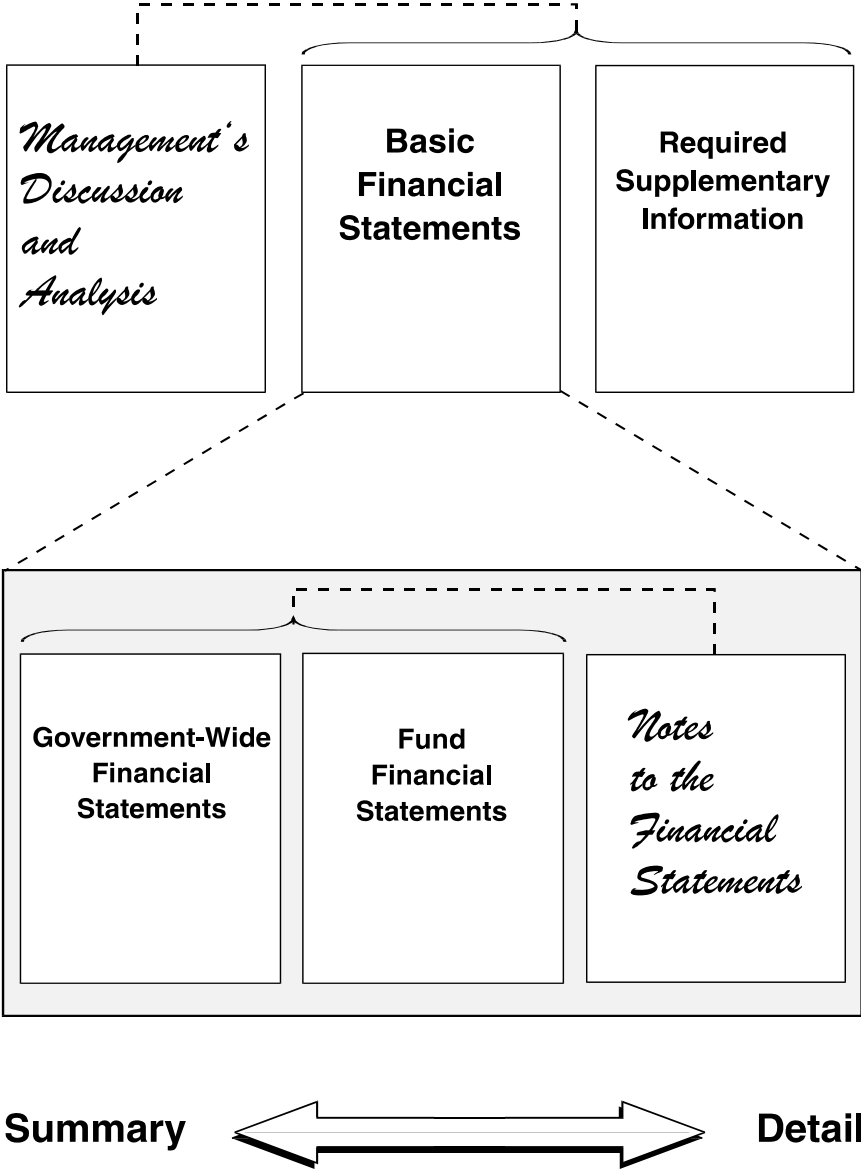
**Independent School District No. 727
Management's Discussion and Analysis**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

**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 District's Component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses	Instances in which the district is the trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> ◆ 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 (\$1,448,340) on June 30, 2021, an increase of \$2,577,269. (See Table A-1) This increase is mainly the result of an increase in the total general fund balance and increase in investment of capital assets. 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
	2021	2020	
Current and other assets	\$ 36,734,170	\$ 33,150,748	10.81%
Capital and noncurrent assets	63,376,978	57,991,690	9.29%
Total assets	100,111,148	91,142,438	9.84%
Deferred outflows of resources	9,819,235	16,254,178	-39.59%
Current liabilities	12,507,128	10,181,776	22.84%
Long-term liabilities	69,940,903	65,286,717	7.13%
Total liabilities	82,448,031	75,468,493	9.25%
Deferred inflows of resources	28,930,692	35,953,732	-19.53%
Net position			
Invested in capital assets, net of related debt	17,986,139	16,027,753	12.22%
Restricted	4,105,451	3,549,047	15.68%
Unrestricted	(23,539,930)	(23,602,409)	0.26%
Net position	\$ (1,448,340)	\$ (4,025,609)	64.02%

Changes in Net Position

The District's total revenues were \$46,432,605 for the year ended June 30, 2021. Property taxes, unrestricted state formula aid, and other revenue accounted for 73% of total revenue for the year (See Figure A-3). The remaining 27% came from other program revenues (charges for services, operating and capital grants, and contributions). The decline in charges for services is due to limited activities, athletic, and community education programming due to the COVID-19 pandemic. Investment earnings decreased because of declining interest rates. Operating grants increased due to the receipt of COVID relief grants from the federal government.

**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
	2021	2020	
Revenues			
Program revenues			
Charges for services	\$ 2,165,760	\$ 2,895,528	-25.20%
Operating grants and contributions	9,650,100	7,058,959	36.71%
Capital grants and contributions	1,048,197	1,098,584	-4.59%
General revenues			
Property taxes	10,544,723	9,901,243	6.50%
Unrestricted state aid	22,898,122	23,284,116	-1.66%
Investment earnings	75,754	301,278	-74.86%
Other	49,949	42,619	17.20%
Total revenues	<u>46,432,605</u>	<u>44,582,327</u>	<u>4.15%</u>
Expenses			
Administration	1,382,632	1,370,328	0.90%
District support services	1,082,117	1,043,134	3.74%
Regular instruction	18,115,859	16,821,807	7.69%
Vocational education instruction	675,998	654,377	3.30%
Special education instruction	7,939,332	8,107,966	-2.08%
Instructional support services	2,816,760	2,323,077	21.25%
Pupil support services	2,868,407	2,853,430	0.52%
Sites and buildings	4,482,422	4,778,379	-6.19%
Fiscal and other fixed cost programs	209,634	173,974	20.50%
Food service	1,401,260	1,527,738	-8.28%
Community service	1,788,402	2,119,054	-15.60%
Interest and fiscal charges on			
Long-term liabilities	1,092,513	1,097,096	-0.42%
Total expenses	<u>43,855,336</u>	<u>42,870,360</u>	<u>2.30%</u>
Increase (decrease) in net position	<u>2,577,269</u>	<u>1,711,967</u>	<u>50.54%</u>
Beginning net position	<u>(4,025,609)</u>	<u>(5,753,226)</u>	
Change in accounting principle	<u>-</u>	<u>15,650</u>	
Ending net position	<u>\$ (1,448,340)</u>	<u>\$ (4,025,609)</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 2021

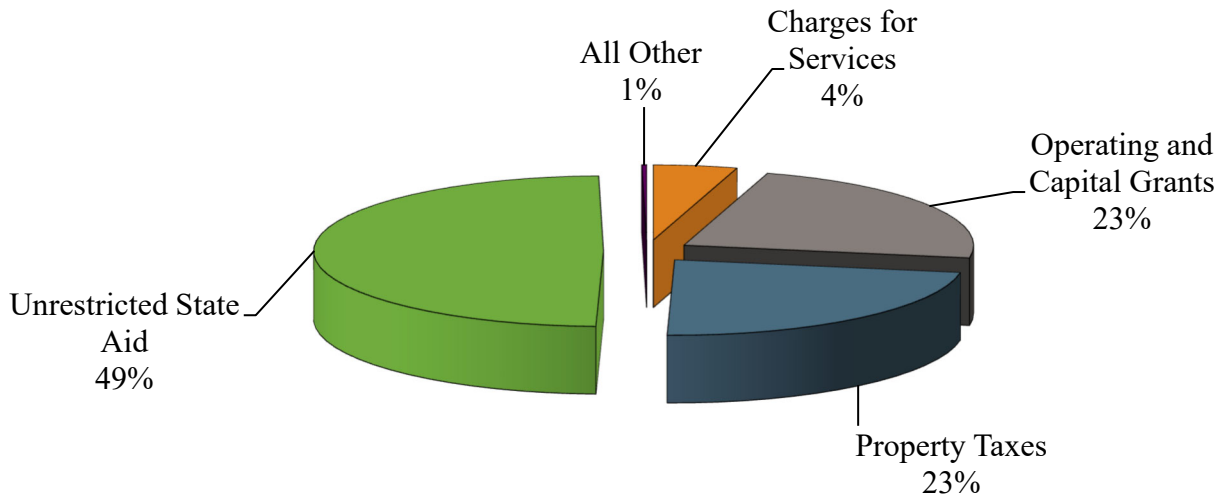
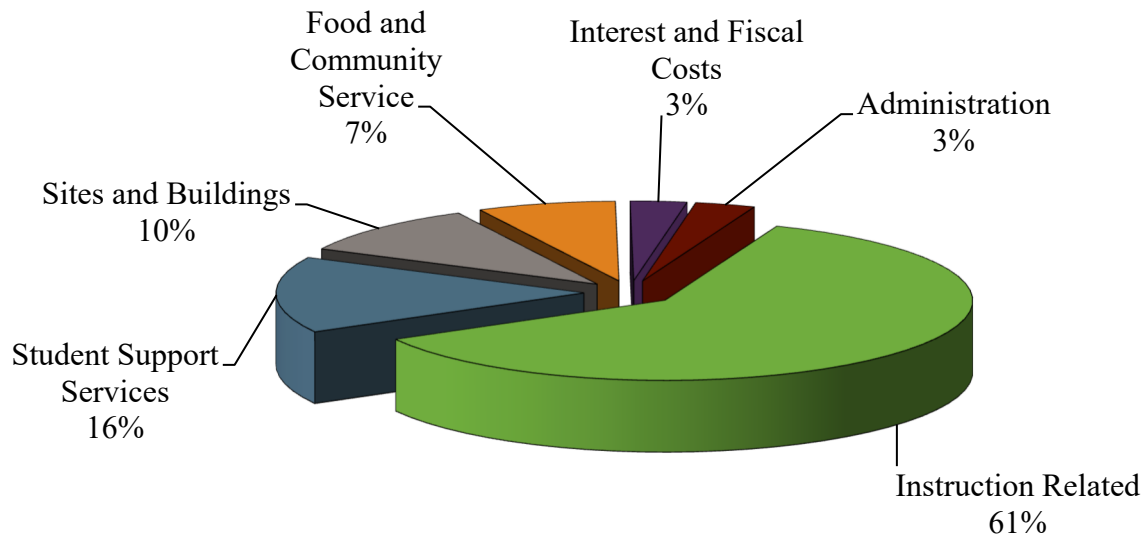


Figure A-4 District Expenses for Fiscal 2021



The total cost of all programs and services was \$43,855,336 for fiscal year 2021. The District's expenses are predominately related to educating and caring for students (77%). (See Figure A-4). Another 3% of expenses are related to interest and fiscal costs for the District's bonds. Another 10% supports the facilities maintenance needs of the entire District. Only 3% of costs are for administration. Finally, 7% 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 \$43,855,336.

- Some of the cost was paid by the users of the District's programs (\$2,165,760).
- The federal and state governments subsidized certain programs with grants and contributions (\$10,698,297).
- Most of the District's costs (\$32,442,845); 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 77% 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		%
	2021	2020		2021	2020	
Administration	\$ 1,382,632	\$ 1,370,328	0.90%	\$ 1,382,632	\$ 1,370,828	0.86%
District support services	1,082,117	1,043,134	3.74%	1,071,437	1,043,125	2.71%
Regular instruction	18,115,859	16,821,807	7.69%	14,419,419	13,486,282	6.92%
Vocational education instruction	675,998	654,377	3.30%	623,853	599,374	4.08%
Special education instruction	7,939,332	8,107,966	-2.08%	3,703,492	4,623,054	-19.89%
Instructional support services	2,816,760	2,323,077	21.25%	1,728,450	1,861,303	-7.14%
Pupil support services	2,868,407	2,853,430	0.52%	2,744,643	2,802,028	-2.05%
Sites and buildings	4,482,422	4,778,379	-6.19%	3,797,065	4,207,906	-9.76%
Fiscal and other fixed cost programs	209,634	173,974	20.50%	209,634	173,974	20.50%
Food service	1,401,260	1,527,738	-8.28%	186,050	68,684	170.88%
Community service	1,788,402	2,119,054	-15.60%	32,091	484,135	-93.37%
Interest and fiscal charges on long-term liabilities	1,092,513	1,097,096	-0.42%	1,092,513	1,097,096	-0.42%
Total	\$43,855,336	\$42,870,360	2.30%	\$30,991,279	\$31,817,789	-2.60%

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 \$18,948,640. Revenues for the District's governmental funds were \$46,368,262 while total expenditures were \$53,117,798, for a decrease of \$6,749,536. After other financing sources of \$8,153,585, the combined fund balance increased \$1,404,049. This increase is the result of a \$1.26 million surplus in the General Fund as well as the issuance of the District's 2021A General Obligation Facilities Maintenance Bonds to fund costs of the second phase 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 2021 was \$6,567 per adjusted marginal cost per pupil unit (AMCPU). Other factors that influence the general education aid formula include operating referendum allowance, age of school buildings, transportation sparsity index, percent of eligible free and reduced students, number of English Learner (EL) students, number of Gifted and Talented students, and number of open enrolled students in and out of the District. Total general education aid was \$25,328,735 which represents 68% of total General Fund revenue. The other major General Fund revenue is state special education aid. Total special education aid in 2021 was \$3,728,656, 10% of total General Fund revenue. Other state formulas then determine what portion of the general fund revenue will be provided by property taxes. Property taxes totaled \$4,932,335, 13% 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 most of the General Fund revenue being determined by student counts. The chart on the next page indicates that enrollment decreased after increasing in 19-20. The 2.75% decrease in 20-21 enrollment was a direct result of the COVID-19 pandemic. The District experienced a large increase in home school students and students leaving to attend online schools. Fortunately, the decrease in enrollment was only temporary as the 21-22 enrollment is back to pre-pandemic levels. More discussion on enrollment is outlined in the section titled "Factors Bearing on the District's Future".

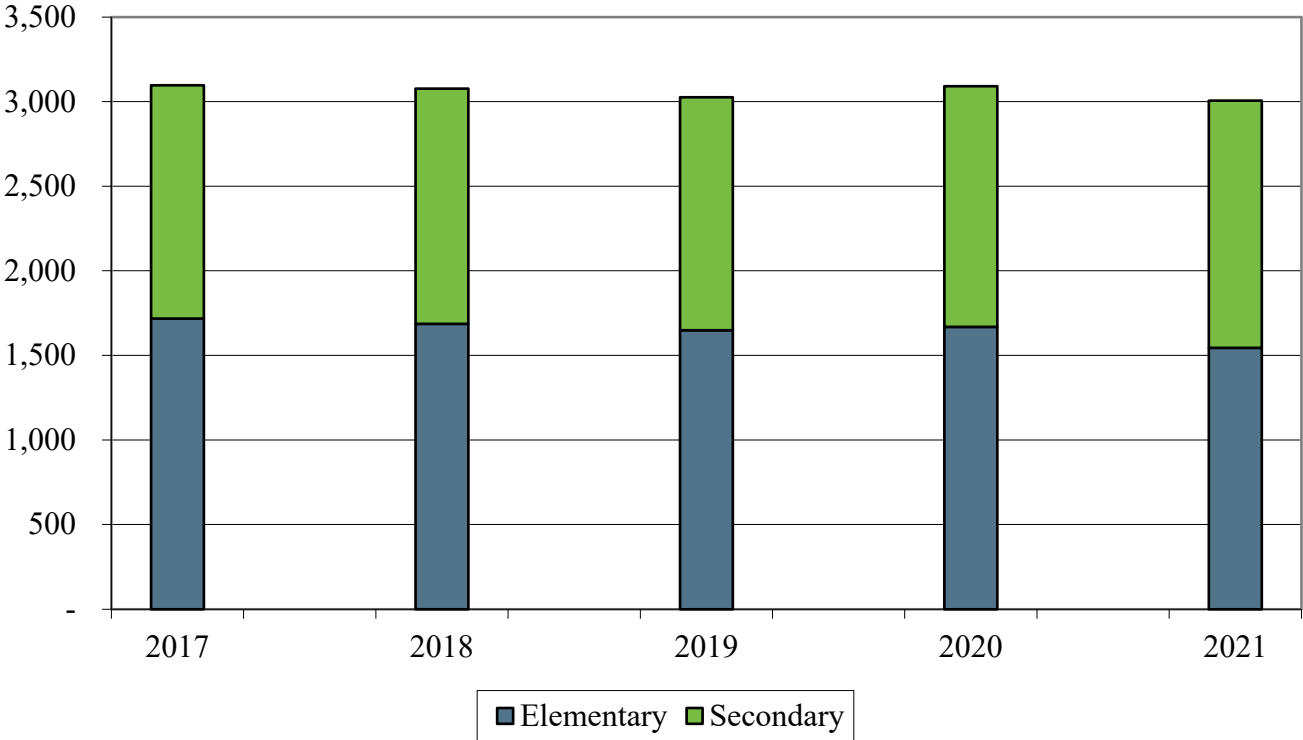
**Independent School District No. 727
Management's Discussion and Analysis**

GENERAL FUND – ENROLLMENT (CONTINUED)

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

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Elementary	1,718	1,686	1,649	1,668	1,545
Secondary	<u>1,379</u>	<u>1,391</u>	<u>1,377</u>	<u>1,423</u>	<u>1,461</u>
Total	<u>3,097</u>	<u>3,077</u>	<u>3,026</u>	<u>3,091</u>	<u>3,006</u>
		-0.65%	-1.66%	2.15%	-2.75%

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



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

GENERAL FUND – REVENUES/EXPENDITURES

The table below presents a summary of General Fund Revenues:

**Table A-5
General Fund Revenues**

Fund	Year Ended		Change	
	June 30,		Increase	Percent
	2021	2020	(Decrease)	
Local sources				
Property taxes	\$ 4,932,335	\$ 4,365,929	\$ 566,406	12.97%
Investment earnings	44,126	169,371	(125,245)	-73.95%
Other	1,060,318	1,268,753	(208,435)	-16.43%
State sources	29,664,130	28,924,577	739,553	2.56%
Federal sources	1,658,060	456,482	1,201,578	263.23%
 Total	 <u>\$ 37,358,969</u>	 <u>\$ 35,185,112</u>	 <u>\$ 2,173,857</u>	 <u>6.18%</u>

Revenues from the General Fund totaled \$37,358,969, an increase of 6.18% 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 decline in interest rates because of the economic impact of the COVID-19 pandemic. Other sources decreased 16.43% due to less charges for services and other fees because of cancellation or delays of programs and activities due to the COVID-19 pandemic. The most significant increase in revenue was COVID relief grants from the federal government. The District received \$1,306,511 in general fund COVID related funding.

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

GENERAL FUND – REVENUES/EXPENDITURES (Continued)

The following schedule presents a summary of General Fund Expenditures:

**Table A-6
General Fund Expenditures**

	Year Ended		Change	
	June 30,		Increase	Percent
	2021	2020	(Decrease)	
Salaries	\$ 21,106,016	\$ 19,847,256	\$ 1,258,760	6.34%
Employee benefits	8,046,695	7,469,920	576,775	7.72%
Purchased services	4,392,038	4,766,820	(374,782)	-7.86%
Supplies and materials	2,006,431	965,230	1,041,201	107.87%
Capital expenditures	401,414	524,204	(122,790)	-23.42%
Debt service	57,457	57,458	(1)	N/A
Other expenditures	92,309	91,841	468	0.51%
Total	<u>\$ 36,102,360</u>	<u>\$ 33,722,729</u>	<u>\$ 2,379,631</u>	<u>7.06%</u>

Total General Fund expenditures increased 7.06% from the prior year. Salaries and benefits increased because of contract increases as well as the addition of long-term building subs to assist with coverage of classrooms due to COVID-19 quarantines. The purchased services decrease is a result of paying 85% of the District's transportation contract during distance learning and savings in utilities during times of distance learning. The large increase in supplies and materials is due to the District implementing a 1:1 technology device initiative as a result of the COVID-19 pandemic. Capital expenditures decreased due to equipment purchases that were made in 19-20 that were not paid in 20-21.

Total General Fund balance increased \$1,260,574. Unassigned General Fund Balance increased by \$284,777, due to larger than expected special education aid and underspending of general fund operational expenses. Restricted and Committed/Assigned Fund balances increased by \$937,723 because of delays in budgeted projects and initiatives due to COVID-19 pandemic as well as set aside of funds for severance obligations. Nonspendable Fund balance increased by \$38,074. The Unassigned Fund Balance, or fund balance available for operations, is 21.7% of total General Fund expenditures.

Fund balance is the single best measure of overall financial health. It is the goal of the Big Lake Board of Education to maintain an unassigned fund balance of 8% of general fund operating expenditures. For the fiscal year ended June 30, 2021, the Big Lake School District is in compliance with that fund balance goal.

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

GENERAL FUND – BUDGETARY HIGHLIGHTS

Actual revenues were \$313,816 over the final budget, a .8% variance. The variance is due to larger than expected special education aid. Actual expenditures were \$1,064,518 under budget, a 2.9% variance. The expenditure variance is mainly the result of delay of certain projects due to the COVID-19 pandemic and less than expected salaries and benefits.

The General Fund budget is adjusted several times throughout the year for changes in enrollment, changes in special education funding assumptions, changes in other state aids, and expenditure changes such as staffing costs, transportation, utilities and capital expenditures. In fiscal year 2021, revenue was adjusted for decreased enrollment, changes in special education funding, and receipt of federal COVID relief grants. 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 costs, and increased costs for COVID related expenses.

DEBT SERVICE FUND

The Debt Service Fund revenues exceeded expenditures and other financing sources by \$100,062 in 2020-2021. \$180,140 in capitalized interest from the 2021A General Obligation Facilities Maintenance bond proceeds were required to be deposited to the debt service fund, per bond covenants. Without the deposit of this capitalized interest, the Debt Service Fund would have decreased by \$80,078. 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 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 was expected to be completed over two years and \$7,975,000 in General Obligation Facilities Maintenance Bonds were issued in 2020-2021 for Phase II of the Middle School HVAC project. The project is expected to be substantially completed in 2021-2022.

OTHER NON-MAJOR FUNDS

The Food Service Fund balance decreased \$64,811 for an ending fund balance of \$201,634. The deficit is the result of reduced meal counts due to the COVID-19 pandemic and increased labor costs to support pick up and meal delivery to students in distance learning. The ending fund balance represents slightly over one and a half months of expenditures.

The Community Service Fund experienced challenges at the beginning of 2020-2021 fiscal year with mandated shutdowns because of the COVID-19 pandemic. School age care and preschool programs were operational but most of the community and recreational programs could not be held. Fortunately, federal COVID relief funds from Big Lake Township and Sherburne County offset the extra costs required to run the school age care and preschool programs. Towards the end of 2020-2021, the

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

OTHER NON-MAJOR FUNDS (Continued)

economy started opening up and regular community education programming was allowed. As a result, the Community Service Fund experienced a \$240,029 increase in fund balance. The ending fund balance represents approximately 33% of expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of 2021, the District had invested approximately \$104 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 4 to the financial statements.) Total depreciation expense for the year was \$2.6 million.

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

	2021	2020	Percentage Change
Land	\$ 784,389	\$ 784,389	0.00%
Construction on progress	10,414,004	5,389,338	93.23%
Land improvements	6,757,833	4,658,459	45.07%
Buildings and improvements	43,037,929	44,543,980	-3.38%
Equipment	2,382,823	2,615,524	-8.90%
Total	\$ 63,376,978	\$ 57,991,690	9.29%

Each year, departments review their machinery and equipment capital inventories. Disposals are then accounted for accordingly as items are sold or deemed obsolete. The overall increase in capital assets is a result of the addition of Construction in Progress from the Middle School heating, ventilation, and air conditioning project.

Construction – Next Five Years

On November 2nd, 2021, the Big Lake School District successfully passed a \$30 million bond referendum to restore and renew school facilities for future generations. Over the next 3-4 years the District will be repairing and replacing roofs at all buildings, improving air quality and adding air conditioning at Independence Elementary, updating career and technical education spaces, redesigning and improving media centers and special education spaces across the district, and redesign of Liberty elementary parking lot.

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

LONG-TERM LIABILITIES

At year-end, the District had \$50,333,806 in total long-term debt, an increase of 7.05% from last year, as shown in Table A-8. Included in this total, the District has \$306,308 in severance liabilities. More detailed information about long-term liabilities can be found in Note 5 to the financial statements.

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

	Total Cost of Services		Percentage Change
	2021	2020	
General obligation bonds	\$ 48,135,000	\$ 44,460,000	8.27%
Premium	1,620,309	1,854,965	-12.65%
Capital lease	56,386	111,721	-49.53%
Severance payable	306,308	381,806	-19.77%
Compensated absences payable	215,803	211,477	2.05%
 Total	 \$ 50,333,806	 \$ 47,019,969	 7.05%

General obligation bonds increased 8% due to the issuance of the 2021A General Obligation Facilities Maintenance Bonds. The capital lease is a technology lease with a term of four years; therefore, the total amount decreased 49% from 19-20 to 20-21. Severance payable decreased 20% due to retirement of qualified employees from a closed retirement plan.

FACTORS BEARING ON THE DISTRICT'S FUTURE

Despite the challenges brought on by COVID-19 pandemic, which included a large decrease in enrollment, the District realized significant improvement in its financial condition in fiscal year 20-21. This improvement was due, in part, to the receipt of federal COVID relief grants. Subsequent to June 30th, 2021, the District has qualified for several more federal COVID relief funding streams for pandemic related costs as well as to address the significant learning loss experienced by students during times of distance learning in school year 20-21. COVID related federal grants to address learning loss will be available in fiscal years 2022 and beyond.

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

FACTORS BEARING ON THE DISTRICT'S FUTURE (Continued)

The most positive news after June 30th, 2021, has been the District's increase in enrollment at the start of school year 21-22. The District has returned to pre pandemic enrollment levels and expects a positive gain in enrollment of 2.5%-3% in the next fiscal year. At the time of this writing, the District has 275 students enrolled in kindergarten. This is the largest kindergarten class in over 10 years. In addition, the District was approved by the Minnesota Department of Education to provide an online learning program for the 21-22 school year. In its inaugural year, Big Lake Online has enrolled over 200 students, both full time and part-time students. Big Lake Online has provided a learning choice for parents that may still be uncomfortable with their student returning to in person learning. In addition, high school students have the opportunity to enroll part-time in Big Lake Online, with the rest of the day spent working at various businesses that have partnered with Big Lake Schools in providing an apprenticeship program for its high school students. This apprenticeship program has proven to be very popular with high school students and families.

Also subsequent to June 30th, 2021, the District learned a major business has decided to move its headquarters and manufacturing operations to the City of Big Lake. The addition of this key business to the community will bring hundreds of jobs to the City of Big Lake and almost certainly will result in growth of single family homes and students to the Big Lake School District. In addition, the business has expressed an interest in partnering with the Big Lake High School in its apprenticeship program. This news has brought excitement to the Big Lake community and should bring positive enrollment gains to the school district.

And last, on November 2nd, 2021, the District successfully passed a building bond referendum to restore and renew school facilities for future generations. Construction projects over the next three to four years will complete important outstanding deferred maintenance items that could not be done with the remaining long term facilities maintenance funding. In addition to the deferred maintenance needs, the District will be expanding and improving career and technical education spaces, improving and updating special education spaces, and remodeling media centers for 21st century learning. It is an exciting time for the students of Big Lake!

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

Independent School District No. 727
Statement of Net Position
June 30, 2021

	<u>Governmental Activities</u>
Assets	
Cash and investments including cash equivalents)	\$ 28,278,873
Current property taxes receivable	5,111,373
Delinquent property taxes receivable	173,072
Accounts receivable	230,563
Interest receivable	16,291
Due from Department of Education	2,013,927
Due from Federal Government through Department of Education	247,697
Due from other Minnesota school districts	403,234
Due from other governmental units	66,457
Inventory	36,087
Prepaid items	156,596
Capital assets, not being depreciated	
Land	784,389
Construction in progress	10,414,004
Capital assets, net of accumulated depreciation	
Land improvements	6,757,833
Buildings	43,037,929
Machinery and equipment	2,382,823
Total assets	<u>100,111,148</u>
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	9,708,922
Deferred outflows of resources related to OPEB	110,313
Total deferred outflows of resources	<u>9,819,235</u>
 Total assets and deferred outflows of resources	 <u>\$ 109,930,383</u>
Liabilities	
Accounts and contracts payable	\$ 2,608,626
Salaries and benefits payable	3,913,666
Interest payable	615,604
Due to other Minnesota school districts	175,194
Due to other governmental units	282,392
Unearned revenue	278,934
Equity interest in joint venture	18,072
Bond principal payable	
Payable within one year	4,550,000
Payable after one year	45,205,309
Capital lease payable	
Payable within one year	56,386
Compensated absences payable	
Payable after one year	215,803
Severance payable	
Payable within one year	8,254
Payable after one year	298,054
Net other post employment benefits (OPEB) liability	597,620
Net pension liability	23,624,117
Total liabilities	<u>82,448,031</u>
Deferred Inflows of Resources	
Deferred inflows of resources related to pensions	17,451,871
Deferred inflows of resources related to OPEB	1,133,429
Property taxes levied for subsequent year's expenditures	10,345,392
Total deferred inflows of resources	<u>28,930,692</u>
Net Position	
Net investment in capital assets	17,986,139
Restricted for	
Debt service	1,380,304
Capital projects	385,939
Other purposes	2,339,208
Unrestricted	(23,539,930)
Total net position	<u>(1,448,340)</u>
 Total liabilities, deferred inflows of resources, and net position	 <u>\$ 109,930,383</u>

Independent School District No. 727
Statement of Activities
Year Ended June 30, 2021

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	\$ 1,382,632	\$ -	\$ -	\$ -	\$ (1,382,632)
District support services	1,082,117	-	10,680	-	(1,071,437)
Elementary and secondary regular instruction	18,115,859	244,740	2,892,484	559,216	(14,419,419)
Vocational education instruction	675,998	-	52,145	-	(623,853)
Special education instruction	7,939,332	483,701	3,752,139	-	(3,703,492)
Instructional support services	2,816,760	43,720	1,044,590	-	(1,728,450)
Pupil support services	2,868,407	6,324	117,440	-	(2,744,643)
Sites and buildings	4,482,422	14,674	181,702	488,981	(3,797,065)
Fiscal and other fixed cost programs	209,634	-	-	-	(209,634)
Food service	1,401,260	77,459	1,137,751	-	(186,050)
Community education and services	1,788,402	1,295,142	461,169	-	(32,091)
Interest and fiscal charges on long-term debt	1,092,513	-	-	-	(1,092,513)
Total governmental activities	\$ 43,855,336	\$ 2,165,760	\$ 9,650,100	\$ 1,048,197	(30,991,279)
General revenues					
Taxes					
Property taxes, levied for general purposes					4,940,651
Property taxes, levied for community service					391,890
Property taxes, levied for debt service					5,212,182
State aid-formula grants					22,898,122
Other general revenues					45,984
Investment income					75,754
Gain of sale of assets					3,965
Total general revenues					<u>33,568,548</u>
Change in net position					2,577,269
Net position - beginning					<u>(4,025,609)</u>
Net position - ending					<u>\$ (1,448,340)</u>

Independent School District No. 727
Balance Sheet - Governmental Funds
June 30, 2021

	General	Capital Projects	Debt Service	Other Nonmajor Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 15,483,887	\$ 6,885,863	\$ 4,608,659	\$ 1,300,464	\$ 28,278,873
Current property taxes receivable	2,411,680	-	2,555,141	144,552	5,111,373
Delinquent property taxes receivable	76,742	-	89,885	6,445	173,072
Accounts receivable	196,016	-	-	34,547	230,563
Interest receivable	7,705	8,586	-	-	16,291
Due from Department of Education	1,945,764	-	39,542	28,621	2,013,927
Due from Federal Government through Department of Education	182,200	-	-	65,497	247,697
Due from other Minnesota school districts	397,068	-	-	6,166	403,234
Due from other governmental units	35,657	-	22,113	8,687	66,457
Inventory	-	-	-	36,087	36,087
Prepaid items	156,596	-	-	-	156,596
	<u>\$ 20,893,315</u>	<u>\$ 6,894,449</u>	<u>\$ 7,315,340</u>	<u>\$ 1,631,066</u>	<u>\$ 36,734,170</u>
Liabilities					
Accounts and contracts payable	\$ 434,744	\$ 2,087,654	\$ -	\$ 86,228	\$ 2,608,626
Salaries and benefits payable	3,811,633	-	-	102,033	3,913,666
Due to other Minnesota school districts	175,146	-	-	48	175,194
Due to other governmental units	74,456	-	-	207,936	282,392
Unearned revenue	191,879	-	-	87,055	278,934
Severance payable	8,254	-	-	-	8,254
Total liabilities	<u>4,696,112</u>	<u>2,087,654</u>	<u>-</u>	<u>483,300</u>	<u>7,267,066</u>
Deferred Inflows of Resources					
Unavailable revenue - delinquent property taxes	76,742	-	89,885	6,445	173,072
Property taxes levied for subsequent year's expenditures	4,722,149	-	5,319,432	303,811	10,345,392
Total deferred inflows of resources	<u>4,798,891</u>	<u>-</u>	<u>5,409,317</u>	<u>310,256</u>	<u>10,518,464</u>
Fund Balances					
Nonspendable	156,596	-	-	36,087	192,683
Restricted	1,488,070	4,806,795	1,906,023	831,304	9,032,192
Committed	924,794	-	-	-	924,794
Assigned	995,517	-	-	-	995,517
Unassigned	7,833,335	-	-	(29,881)	7,803,454
Total fund balances	<u>11,398,312</u>	<u>4,806,795</u>	<u>1,906,023</u>	<u>837,510</u>	<u>18,948,640</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 20,893,315</u>	<u>\$ 6,894,449</u>	<u>\$ 7,315,340</u>	<u>\$ 1,631,066</u>	<u>\$ 36,734,170</u>

Independent School District No. 727
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2021

Total fund balances - governmental funds	\$ 18,948,640
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	104,607,892
Less accumulated depreciation	(41,230,914)
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)	(49,755,309)
Capital lease payable	(56,386)
Compensated absences payable	(215,803)
Severance payable	(298,054)
Net pension liability	(23,624,117)
OPEB obligation	(597,620)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.	
Deferred outflows of resources related to pensions	9,708,922
Deferred inflows of resources related to pensions	(17,451,871)
Deferred outflows of resources related to OPEB	110,313
Deferred inflows of resources related to OPEB	(1,133,429)
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.	
	173,072
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	(18,072)
Governmental funds do not report a liability for accrued interest on bonds until due and payable.	
	<u>(615,604)</u>
Total net position - governmental activities	<u><u>\$ (1,448,340)</u></u>

Independent School District No. 727
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2021

	General	Capital Projects	Debt Service	Other Nonmajor Funds	Total Governmental Funds
Revenues					
Local property taxes	\$ 4,932,335	\$ -	\$ 5,206,596	\$ 391,393	\$ 10,530,324
Other local and county revenues	1,085,439	16,427	11,851	1,329,439	2,443,156
Revenue from state sources	29,664,130	-	407,575	302,518	30,374,223
Revenue from federal sources	1,658,060	-	-	1,254,879	2,912,939
Sales and other conversion of assets	19,005	-	-	88,615	107,620
Total revenues	<u>37,358,969</u>	<u>16,427</u>	<u>5,626,022</u>	<u>3,366,844</u>	<u>46,368,262</u>
Expenditures					
Current					
Administration	1,296,301	-	-	-	1,296,301
District support services	1,126,490	-	-	-	1,126,490
Elementary and secondary regular instruction	16,063,398	-	-	-	16,063,398
Vocational education instruction	645,875	-	-	-	645,875
Special education instruction	7,737,616	-	-	-	7,737,616
Instructional support services	2,505,470	-	-	-	2,505,470
Pupil support services	2,831,593	-	-	-	2,831,593
Sites and buildings	3,227,113	433,509	-	-	3,660,622
Fiscal and other fixed cost programs	209,634	-	-	-	209,634
Food service	-	-	-	1,281,051	1,281,051
Community education and services	-	-	-	1,892,810	1,892,810
Capital outlay					
Elementary and secondary regular instruction	124,551	-	-	-	124,551
Vocational education instruction	1,200	-	-	-	1,200
Special education instruction	50,801	-	-	-	50,801
Instructional support services	67,783	-	-	-	67,783
Pupil support services	581	-	-	-	581
Sites and buildings	156,497	7,583,384	-	-	7,739,881
Community education and services	-	-	-	17,765	17,765
Debt service					
Principal	55,335	-	4,300,000	-	4,355,335
Interest and fiscal charges	2,122	-	1,506,919	-	1,509,041
Total expenditures	<u>36,102,360</u>	<u>8,016,893</u>	<u>5,806,919</u>	<u>3,191,626</u>	<u>53,117,798</u>
Excess of revenues over (under) expenditures	1,256,609	(8,000,466)	(180,897)	175,218	(6,749,536)
Other Financing Sources					
Proceeds from sale of capital assets	3,965	-	-	-	3,965
Bond issuance	-	7,794,860	180,140	-	7,975,000
Bond premium	-	174,620	-	-	174,620
Transfers in	-	-	100,819	-	100,819
Transfers out	-	-	-	(100,819)	(100,819)
Total other financing sources	<u>3,965</u>	<u>7,969,480</u>	<u>280,959</u>	<u>(100,819)</u>	<u>8,153,585</u>
Net change in fund balances	1,260,574	(30,986)	100,062	74,399	1,404,049
Fund Balances					
Beginning 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>
End of year	<u>\$ 11,398,312</u>	<u>\$ 4,806,795</u>	<u>\$ 1,906,023</u>	<u>\$ 837,510</u>	<u>\$ 18,948,640</u>

See notes to basic financial statements.

**Independent School District No. 727
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances to the
Statement of Activities - Governmental Funds
Year Ended June 30, 2021**

Net change in fund balances - total governmental funds \$ 1,404,049

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	8,051,634
Depreciation expense	(2,573,157)
Loss on disposal	(93,189)

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

(4,326)

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

75,699

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	(1,014,310)
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Principal payments on long-term debt are recognized as expenditures in the governmental funds but have no effect on net position in the Statement of Activities.

4,355,335

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

96,086

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.

7,252

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.

(7,975,000)

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	234,656
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Net loss from the equity interest in joint venture does not provide current financial resources and is not reported as revenue in the funds.

(1,859)

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.

14,399

Change in net position - governmental activities

\$ 2,577,269

Independent School District No. 727
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Local property taxes	\$ 4,844,116	\$ 4,983,953	\$ 4,932,335	\$ (51,618)
Other local and county revenues	1,064,200	1,040,691	1,085,439	44,748
Revenue from state sources	29,656,528	29,245,429	29,664,130	418,701
Revenue from federal sources	715,112	1,748,986	1,658,060	(90,926)
Sales and other conversion of assets	84,325	26,094	19,005	(7,089)
Total revenues	<u>36,364,281</u>	<u>37,045,153</u>	<u>37,358,969</u>	<u>313,816</u>
Expenditures				
Current				
Administration	1,331,711	1,308,658	1,296,301	(12,357)
District support services	1,240,357	1,234,392	1,126,490	(107,902)
Elementary and secondary regular instruction	15,715,030	16,005,679	16,063,398	57,719
Vocational education instruction	669,087	667,829	645,875	(21,954)
Special education instruction	8,432,575	8,057,916	7,737,616	(320,300)
Instructional support services	2,403,892	2,749,949	2,505,470	(244,479)
Pupil support services	3,133,067	2,928,708	2,831,593	(97,115)
Sites and buildings	3,524,743	3,396,457	3,227,113	(169,344)
Fiscal and other fixed cost programs	206,000	195,664	209,634	13,970
Capital outlay				
Administration	1,200	-	-	-
District support services	29,329	-	-	-
Elementary and secondary regular instruction	296,908	188,308	124,551	(63,757)
Vocational education instruction	1,200	1,200	1,200	-
Special education instruction	53,000	50,801	50,801	-
Instructional support services	293,759	67,835	67,783	(52)
Pupil support services	-	-	581	581
Sites and buildings	130,525	256,025	156,497	(99,528)
Debt service				
Principal	55,335	55,335	55,335	-
Interest and fiscal charges	2,122	2,122	2,122	-
Total expenditures	<u>37,519,840</u>	<u>37,166,878</u>	<u>36,102,360</u>	<u>(1,064,518)</u>
Excess of revenues over (under) expenditures	(1,155,559)	(121,725)	1,256,609	1,378,334
Other Financing Sources				
Proceeds from sale of capital assets	-	3,965	3,965	-
Net change in fund balances	<u>\$ (1,155,559)</u>	<u>\$ (117,760)</u>	1,260,574	<u>\$ 1,378,334</u>
Fund Balance				
Beginning of year			10,137,738	
End of year			<u>\$ 11,398,312</u>	

Independent School District No. 727
Statement of Fiduciary Net Position
Year Ended June 30, 2021

	Custodial Fund	Other Post Employment Benefits Irrevocable Trust Fund
Assets		
Current		
Deposits	\$ 1,443	\$ 646,100
Investments		
Goldman sachs government money market	-	1,732
Vanguard total stock market ETF	-	351,833
Vanguard total bond market ETF	-	256,811
MN Trust limited term duration	-	483,472
MN Trust investment shares portfolio	-	220
Total investments	-	1,094,068
Interest receivable	-	7,900
Total assets	\$ 1,443	\$ 1,748,068
Liabilities		
Accounts payable	\$ 1,443	85,772
Benefits payable	-	43,954
Total liabilities	\$ 1,443	\$ 129,726
Net Position		
Held in trust for OPEB		\$ 1,618,342

Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2021

	Other Post Employment Benefits Irrevocable Trust Fund
Additions	
Investment income	\$ 141,323
Total additions	141,323
Deductions	
Benefit payments	125,709
Miscellaneous expense	4,065
Total deductions	129,774
Change in net position	11,549
Net Position	
Beginning of year	1,606,793
End of year	\$ 1,618,342

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Independent School District No. 727
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

The student activity accounts of the District are under the School Board's control and are not reported separately.

B. Basic Financial Statement Information

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

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

Independent School District No. 727
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statement Information (Continued)

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

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

The 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 Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Description of Funds:

Major Funds:

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

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

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

Nonmajor Funds:

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

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

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 Basic 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, 2021, were comprised of deposits, 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.

OPEB Trust Fund

These funds represent investments administered by the District's OPEB Trust Fund investment managers. As of June 30, 2021, 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.

Independent School District No. 727
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deposits and Investments (Continued)

OPEB Trust Fund (Continued)

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

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

E. Property Tax Receivable

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

F. Property Taxes Levied for Subsequent Year's Expenditures

Property taxes levied for subsequent year's expenditures consist principally of property taxes levied in the current year which will be collected and recognized as revenue in the District's following year to properly match those revenues with the budgeted expenditures for which they were levied. This amount is equal to the amount levied by the School Board in December 2020, 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 2021. The remaining portion of the levy will be recognized when measurable and available.

G. Inventories

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

H. Prepaid Items

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

Independent School District No. 727
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Property Taxes

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

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

J. Capital Assets

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

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

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

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

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

K. Deferred Outflows/Inflows of Resources

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

Independent School District No. 727
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Deferred Outflows/Inflows of Resources (Continued)

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

L. Long-Term Obligations

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

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

M. Compensated Absences

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

The District maintains various sick leave plans for its employee groups. All District employees are entitled to sick leave at various rates. Sick leave may be accumulated to a maximum of 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.

Independent School District No. 727
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Severance Benefits

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

O. Post Employment Health Benefits

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

P. Pensions

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

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

Q. Postemployment Benefits Other Than Pensions (OPEB)

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

R. Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and injuries to employees for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in the District's insurance coverage during the year ending June 30, 2021.

Independent School District No. 727
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Fund Equity

1. Classification

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

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

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

2. Minimum Fund Balance Policy

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

T. Net Position

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

Independent School District No. 727
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. Use of Estimates

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

V. Budgetary Information

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

District Funds Other than OPEB Trust Fund

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

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

Checking	\$ 865,131
Certificates of deposit	4,494,400
	<hr/>
Total deposits	<u>\$ 5,359,531</u>

Independent School District No. 727
Notes to Basic Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits (Continued)

Bond Proceeds

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

Certificates of deposit	<u>\$ 1,859,700</u>
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OPEB Trust Fund

As of June 30, 2021, the District's OPEB Trust Fund has the following non pooled deposits:

Certificates of deposit	<u>\$ 646,100</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, 2021, the District's investments were rated in the table on following page.

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

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

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

Independent School District No. 727
Notes to Basic Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

As of June 30, 2021, 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	\$ 5,000,000	\$ 5,000,000	\$ -	AAA
MN Trust Limited Term Duration	4,065,194	4,065,194	-	AAA
MN Trust Investment Shares Portfolio	6,420,868	6,420,868	-	AAA
Total pooled investments	<u>15,486,062</u>	<u>15,486,062</u>	<u>-</u>	
Non Pooled				
Bond Proceeds Investments				
MN Trust Investment Shares Portfolio	3,568,303	3,568,303	-	AAA
MN Trust Term Series	2,000,000	2,000,000	-	AAA
Total 2015A, 2015B and 2017B Bonds	<u>5,568,303</u>	<u>5,568,303</u>	<u>-</u>	
OPEB Investments				
Goldman Sachs Government Money Market	1,732	1,732	-	NR
Vanguard Total Stock Market ETF	351,833	351,833	-	NR
Vanguard Total Bond Market ETF	256,811	256,811	-	NR
MN Trust Limited Term Duration	483,472	483,472	-	AAA
MN Trust Investment Shares Portfolio	220	220	-	AAA
Total OPEB Investments	<u>1,094,068</u>	<u>1,094,068</u>	<u>-</u>	
Total non-pooled investments	<u>6,662,371</u>	<u>6,662,371</u>	<u>-</u>	
Total investments	<u>\$ 22,148,433</u>	<u>\$ 22,148,433</u>	<u>\$ -</u>	

The District has the following recurring fair value measurements as of June 30, 2021:

- \$608,644 of investments are valued using quoted market prices (Level 1 inputs)
- \$1,732 of investments are valued using a significant other observable (Level 2 inputs)

C. Deposits and Investments

The following is a summary of total deposits and investments:

District Governmental Funds and Private Purpose Trust Fund	
Deposits - pooled (Note 2A)	\$ 5,359,531
Deposits - non pooled (Note 2A)	1,859,700
Deposits - non pooled (Note 2A)	646,100
Petty cash	6,720
Investments - pooled	15,486,062
Investments - non pooled	5,568,303
Investments - non pooled	<u>1,094,068</u>
Total deposits and investments	<u>\$ 30,020,484</u>

Independent School District No. 727
Notes to Basic Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Deposits and Investments (Continued)

Statement of Net Position	
Cash and investments	\$ 28,278,873
Statement of Fiduciary Net Position	
Cash - Agency Fund	1,443
Irrevocable Trust Fund	<u>1,740,168</u>
Total	<u><u>\$ 30,020,484</u></u>

NOTE 3 – INTERFUND TRANSFERS

The Other Post Employment Benefits Debt Service Fund transferred \$100,819 to the Debt Service Fund to close the Other Post Employment Benefits Debt Service Fund.

Independent School District No. 727
Notes to Basic Financial Statements

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021, 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	5,389,338	7,469,809	2,445,143	10,414,004
Total capital assets not being depreciated	<u>6,173,727</u>	<u>7,469,809</u>	<u>2,445,143</u>	<u>11,198,393</u>
Capital assets being depreciated				
Land improvements	6,244,760	2,445,143	-	8,689,903
Buildings	79,564,843	348,247	52,270	79,860,820
Machinery and equipment	4,998,197	233,578	372,999	4,858,776
Total capital assets being depreciated	<u>90,807,800</u>	<u>3,026,968</u>	<u>425,269</u>	<u>93,409,499</u>
Less accumulated depreciation for				
Land improvements	1,586,301	345,769	-	1,932,070
Buildings	35,020,863	1,826,264	24,236	36,822,891
Machinery and equipment	2,382,673	401,124	307,844	2,475,953
Total accumulated depreciation	<u>38,989,837</u>	<u>2,573,157</u>	<u>332,080</u>	<u>41,230,914</u>
Total capital assets being depreciated, net	<u>51,817,963</u>	<u>453,811</u>	<u>93,189</u>	<u>52,178,585</u>
Governmental activities, capital assets, net	<u>\$ 57,991,690</u>	<u>\$ 7,923,620</u>	<u>\$ 2,538,332</u>	<u>\$ 63,376,978</u>

Depreciation expense of for the year ended June 30, 2021, was charged to the following governmental functions:

Administration	\$ 22,565
District support services	731
Elementary and secondary regular instruction	1,125,692
Vocational instruction	234
Special education instruction	29,722
Instructional support services	205,652
Pupil support services	13,252
Sites and buildings	1,033,602
Food service	121,316
Community service	20,391
	<u>20,391</u>
Total depreciation expense	<u>\$ 2,573,157</u>

Independent School District No. 727
Notes to Basic Financial Statements

NOTE 5 – 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						
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	3,955,000	3,955,000
G.O. Facilities Maintenance Bonds, Series 2016A	02/18/16	3.00%-5.00%	5,120,000	02/01/31	3,820,000	330,000
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	3,600,000	135,000
G.O. Tax Abatement and Facilities Maintenance Bonds Series 2019A	02/14/19	3.00%-4.00%	3,750,000	02/01/35	3,625,000	130,000
G.O. Facilities Maintenance Bonds, Series 2020A	02/13/20	2.00%-4.00%	7,350,000	02/01/36	7,350,000	-
G.O. Facilities Maintenance Bonds, Series 2021A	02/18/21	1.00%-2.00%	7,975,000	02/01/39	<u>7,975,000</u>	<u>-</u>
Total G.O. bonds					<u>48,135,000</u>	<u>4,550,000</u>
Plus net bond premium					<u>1,620,309</u>	<u>-</u>
Net bonds payable					<u>49,755,309</u>	<u>4,550,000</u>
Capital leases			222,520	7/15/2021	56,386	56,386
Severance payable					306,308	8,254
Compensated absences payable					<u>215,803</u>	<u>-</u>
Total all long-term liabilities					<u>\$ 50,333,806</u>	<u>\$ 4,614,640</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
2022	\$ 4,550,000	\$ 1,482,503	\$ 6,032,503
2023	3,650,000	1,267,874	4,917,874
2024	3,695,000	1,093,626	4,788,626
2025	4,030,000	917,474	4,947,474
2026	2,695,000	733,475	3,428,475
2027-2031	14,195,000	2,582,776	16,777,776
2032-2036	13,125,000	868,624	13,993,624
2037-2039	<u>2,195,000</u>	<u>66,150</u>	<u>2,261,150</u>
Total	<u>\$ 48,135,000</u>	<u>\$ 9,012,502</u>	<u>\$ 57,147,502</u>

Independent School District No. 727
Notes to Basic Financial Statements

NOTE 5 – LONG TERM DEBT (CONTINUED)

C. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance
Long-term liabilities				
G.O. bonds	\$ 44,460,000	\$ 7,975,000	\$ 4,300,000	\$ 48,135,000
Premium	1,854,965	174,620	409,276	1,620,309
Capital lease	111,721	-	55,335	56,386
Severance payable	381,806	26,206	101,704	306,308
Compensated absences payable	211,477	57,767	53,441	215,803
	<u>47,019,969</u>	<u>8,233,593</u>	<u>4,919,756</u>	<u>50,333,806</u>
Total long-term liabilities	<u>\$ 47,019,969</u>	<u>\$ 8,233,593</u>	<u>\$ 4,919,756</u>	<u>\$ 50,333,806</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,	
2022	\$ 57,457
Total minimum lease payments	<u>57,457</u>
Less amount representing interest	<u>(1,071)</u>
	<u>56,386</u>
Present value of minimum lease payments	<u>\$ 56,386</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 6 – FUND BALANCES/NET POSITION

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

A. Fund Balances

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

Independent School District No. 727
Notes to Basic Financial Statements

NOTE 6 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balances (Continued)

	General Fund	Capital Projects Fund	Debt Service Fund	Other Nonmajor Funds	Total
Nonspendable for					
Inventory	\$ -	\$ -	\$ -	\$ 36,087	\$ 36,087
Prepaid items	156,596	-	-	-	156,596
Total nonspendable	<u>156,596</u>	-	-	36,087	192,683
Restricted/reserved for					
Student Activities	16,002	-	-	-	16,002
Scholarships	15,150	-	-	-	15,150
Staff Development	115,432	-	-	-	115,432
Long-Term Facilities Maintenance	118,029	4,790,158	-	-	4,908,187
Area Learning Center	19,077	-	-	-	19,077
Operating Capital	570,269	-	-	-	570,269
Safe Schools - Crime Levy	2,165	-	-	-	2,165
Capital Projects Levy	369,164	-	-	-	369,164
Medical Assistance	262,782	-	-	-	262,782
Community Education	-	-	-	575,841	575,841
Early Childhood and Family Education	-	-	-	82,302	82,302
Community Service	-	-	-	7,614	7,614
Debt Service	-	-	1,906,023	-	1,906,023
Capital Projects	-	16,637	-	-	16,637
Food Service	-	-	-	165,547	165,547
Total restricted/reserved	<u>1,488,070</u>	<u>4,806,795</u>	<u>1,906,023</u>	<u>831,304</u>	<u>9,032,192</u>
Committed for					
Separation/retirement	895,674	-	-	-	895,674
Liberty shelter	29,120	-	-	-	29,120
Total committed	<u>924,794</u>	-	-	-	<u>924,794</u>
Assigned for					
Q Comp	124,927	-	-	-	124,927
STEM	3,280	-	-	-	3,280
Copier replacement	65,721	-	-	-	65,721
Curriculum materials	81,888	-	-	-	81,888
Special education vehicles	22,907	-	-	-	22,907
Athletics and activities	219,067	-	-	-	219,067
Technology repairs and replacement	42,467	-	-	-	42,467
Middle school sound system	308,786	-	-	-	308,786
Building level activities	126,474	-	-	-	126,474
Total assigned	<u>995,517</u>	-	-	-	<u>995,517</u>
Unassigned for					
General purposes	7,833,335	-	-	-	7,833,335
School Readiness	-	-	-	(29,881)	(29,881)
Total unassigned	<u>7,833,335</u>	-	-	<u>(29,881)</u>	<u>7,803,454</u>
Total fund balances	<u>\$ 11,398,312</u>	<u>\$ 4,806,795</u>	<u>\$ 1,906,023</u>	<u>\$ 837,510</u>	<u>\$ 18,948,640</u>

Independent School District No. 727
Notes to Basic Financial Statements

NOTE 6 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balances (Continued)

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

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

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

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

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

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

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

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

Restricted/Reserved for Safe Schools Levy – The unspent resources available from the Safe Schools Levy must be restricted in this account for future use.

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

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

Independent School District No. 727
Notes to Basic Financial Statements

NOTE 6 – 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 Special Education Vehicles – This balance represents resources segregated from the unassigned fund balance for the replacement of special education vans.

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

Independent School District No. 727
Notes to Basic Financial Statements

NOTE 6 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balances (Continued)

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

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

Assigned for 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 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

The District participates in various pension plans. Total pension expense for the year ended June 30, 2021, was \$2,913,805. The components of pension expense are noted in the following plan summaries.

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

Teachers' Retirement Association

A. Plan Description

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

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

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

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers’ Retirement Association (Continued)

B. Benefits Provided

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

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

Tier I Benefits

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

With these provisions:

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

Tier II Benefits

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

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

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers’ Retirement Association (Continued)

Tier II Benefits (Continued)

B. Benefits Provided (Continued)

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

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

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

C. Contribution Rate

Per *Minnesota Statutes*, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year ended June 30, 2019, June 30, 2020, and June 30, 2021, were:

	June 30, 2019		June 30, 2020		June 30, 2021	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic	11.00%	11.71%	11.00%	11.92%	11.00%	12.13%
Coordinated	7.50%	7.71%	7.50%	7.92%	7.50%	8.13%

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.

Independent School District No. 727
Notes to Basic Financial Statements

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

Tier II Benefits (Continued)

Employer contributions reported in TRA's CAFR Statement of Changes in Fiduciary Net Position	\$ 425,223
Deduct employer contributions not related to future contribution efforts	(56)
Deduct TRA's contributions not included in allocation	<u>(508)</u>
Total employer contributions	424,659
Total non-employer contributions	<u>35,587</u>
Total contributions reported in <i>Schedule of Employer and Non-Employer Pension Allocations</i>	<u><u>\$ 460,246</u></u>

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

D. Actuarial Assumptions

The total pension liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

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

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers’ Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information

Valuation date	July 1, 2020
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 2020 through January 2023, then increasing by 0.1% each year up to 1.5% annually.

Mortality Assumptions

Pre-retirement	RP 2014 white collar employee table, male rates set back 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 Basic Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers’ Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic equity	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 and methods for the July 1, 2020, valuation:

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

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 2020 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

Independent School District No. 727
Notes to Basic Financial Statements

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers’ Retirement Association (Continued)

F. Net Pension Liability

On June 30, 2021, the District reported a liability of \$18,839,742 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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 0.2550% at the end of the measurement period and 0.2630% 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	\$ 18,839,742
State's proportionate share of the net pension liability associated with the District	1,578,998

For the year ended June 30, 2021, the District recognized pension expense of \$2,859,704. Included in this amount, the District recognized \$144,647 as pension expense for the support provided by direct aid.

On June 30, 2021, 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	\$ 377,813	\$ 292,767
Net difference between projected and actual earnings on plan investment	272,717	-
Changes of assumptions	6,870,813	16,016,520
Changes in proportion	341,188	807,873
Contributions to TRA subsequent to the measurement date	1,295,191	-
Total	\$ 9,157,722	\$ 17,117,160

Independent School District No. 727
Notes to Basic Financial Statements

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers’ Retirement Association (Continued)

F. Net Pension Liability (Continued)

The \$1,295,191 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, 2022.

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
2022	\$ 240,829
2023	(5,832,576)
2024	(4,049,737)
2025	393,445
2026	(6,590)
Total	\$ (9,254,629)

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		
In Discount Rate 1% decrease (6.50%)	In Discount Rate Current (7.50%)	In Discount Rate 1% increase (8.50%)
\$ 28,843,445	\$ 18,839,742	\$ 10,597,196

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.

Independent School District No. 727
Notes to Basic Financial Statements

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association

A. Plan Description

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

General Employees Retirement Plan

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

B. Benefits Provided

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

General Employees Plan Benefits

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

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

Independent School District No. 727
Notes to Basic Financial Statements

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees’ Retirement Association (Continued)

C. Contributions

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

General Employees Plan Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2021 and the District was required to contribute 7.5% for Coordinated Plan members in fiscal year 2021. The District’s contributions to the General Employees Plan for the year ended June 30, 2021, were \$446,811. The District’s contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Plan Pension Costs

At June 30, 2021, the District reported a liability of \$4,784,375 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$147,603. The net pension liability was measured as of June 30, 2020, 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, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0798% at the end of the measurement period and 0.0806% for the beginning of the period.

School's proportionate share of net pension liability	\$ 4,784,375
State of Minnesota's proportionate share of the net pension liability associated with the School	147,603
Total	\$ 4,931,978

For the year ended June 30, 2021, the District recognized pension expense of \$446,811 for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized an additional \$12,846 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

Independent School District No. 727
Notes to Basic Financial Statements

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Pension Costs (Continued)

General Employees Plan Pension Costs (Continued)

At June 30, 2021, 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	\$ 44,139	\$ 18,102
Changes in actuarial assumptions	-	180,805
Difference between projected and actual investments earnings	60,250	-
Changes in proportion	-	135,804
District's contributions to PERA subsequent to the measurement date	446,811	-
Total	\$ 551,200	\$ 334,711

The \$446,811 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, 2022. 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
2022	\$ (353,873)
2023	(72,015)
2024	79,975
2025	115,591
Total	\$ (230,322)

Independent School District No. 727
Notes to Basic Financial Statements

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Actuarial Assumptions (Continued)

The total pension liability in the June 30, 2020, 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 the Pub-2010 General Employee Mortality table. Cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year.

Actuarial assumptions used in the June 30, 2020, valuation was based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020, actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2020:

Changes in Actuarial Assumptions

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

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

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

Changes in Actuarial Assumptions (Continued)

- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	35.5 %	5.10 %
International stocks	17.5	5.30
Bonds (fixed income)	20.0	0.75
Alternative assets (Private markets)	25.0	5.90
Cash	2.0	0.00
Total	<u>100 %</u>	

F. Discount Rates

The discount rate used to measure the total pension liability in 2020 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.

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

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

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%)	Current Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
District's proportionate share of the PERA net pension liability	\$ 7,667,693	\$ 4,784,375	\$ 2,405,869

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 8 – 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, 2021, the following were covered by the benefit terms:

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

Independent School District No. 727
Notes to Basic Financial Statements

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

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 2021, the District contributed \$0 to the plan.

E. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

Investment rate of return	3.10%, net of investment expense long-term
Salary increases	Service graded table
Inflation	2.50%
Healthcare cost trend increases	6.5% in 2020 grading to 5.00% over six years
Mortality Assumption	Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale

The actuarial assumptions used in the July 1, 2020, valuation were based on the results of an actuarial experience study for the period July 1, 2019 – June 30, 2020.

The following changes in actuarial assumptions occurred in 2021:

Changes in Actuarial Assumptions:

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

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.

Independent School District No. 727
Notes to Basic Financial Statements

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

E. Actuarial Assumptions (Continued)

Asset Class	Target	Long-Term Expected Real Rate of Return
Domestic equity	20.00 %	7.5 %
Fixed income	79.95	2.0
Cash	0.05	1.0
 Total	 <u>100 %</u>	 <u>3.1 %</u>

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, 2021, the annual money-weighted rate of return on investments, net of investments expenses, was 3.10%.

F. Discount Rate

The discount rate used to measure the total OPEB liability was 2.4%. 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.

Independent School District No. 727
Notes to Basic Financial Statements

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

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, 2020	\$ 3,017,061	\$ 1,606,793	\$ 1,410,268
Changes for the year			
Service cost	168,800	-	168,800
Interest	77,064	-	77,064
Assumption changes	(87,357)	-	(87,357)
Employer contributions	-	82,172	(82,172)
Projected investment income	-	49,811	(49,811)
Differences between expected and actual economic experience	(751,726)	87,696	(839,422)
Benefit payments	(207,881)	(207,881)	-
Administrative expense	-	(250)	250
Net changes	(801,100)	11,548	(812,648)
Balances at June 30, 2021	\$ 2,215,961	\$ 1,618,341	\$ 597,620

Plan fiduciary net position as a percentage of the total OPEB liability 73.03%

H. Other Post Employment Benefit Liability Sensitivity

The following presents the District's net OPEB liability calculated using the discount rate of 2.4% as well as the liability measured using 1 percent lower and 1 percent higher than the current discount rate.

	1% decrease Decrease in Discount Rate (1.4%)	Current Decrease in Discount Rate (2.4%)	1% increase Decrease in Discount Rate (3.4%)
Net OPEB Liability	\$ 711,521	\$ 597,620	\$ 484,867

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.

Independent School District No. 727
Notes to Basic Financial Statements

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

H. Other Post Employment Benefit Liability Sensitivity (Continued)

	1% decrease (5.25% decreasing to 4.0%) <hr style="width: 100%;"/>	Current (6.25% decreasing to 5.0%) <hr style="width: 100%;"/>	1% increase (7.25% decreasing to 6.0%) <hr style="width: 100%;"/>
Net OPEB Liability	\$ 410,634	\$ 597,620	\$ 817,227

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, 2021, the District recognized OPEB expense of \$13,914. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources <hr style="width: 100%;"/>	Deferred Inflows of Resources <hr style="width: 100%;"/>
Liability gains	\$ -	\$ 942,230
Assumption changes	110,313	114,844
Investment gains	-	76,355
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
Total	<u>\$ 110,313</u>	<u>\$ 1,133,429</u>

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

NOTE 8 – 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
2022	\$ (202,880)
2023	(203,213)
2024	(203,359)
2025	(187,759)
2026	(106,042)
Thereafter	(119,863)
Total	\$ (1,023,116)

J. Payable from the OPEB Plan

At June 30, 2021, the OPEB plan reported a payable of \$85,772 to the District. The amount is reported as a payable on the OPEB Trust Fund Statement of Fiduciary Net Position.

NOTE 9 – JOINT POWERS AGREEMENT

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

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

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

Independent School District No. 727
Notes to Basic Financial Statements

NOTE 10 – COMMITMENTS

Description	Contract Amount	Expended through June 30, 2018	Remaining Commitment
Middle School HVAC project	\$ 12,681,604	\$ 9,518,380	\$ 3,163,224
Independence boiler replacement and Middle School HVAC project engineering	<u>48,000</u>	<u>18,931</u>	<u>29,069</u>
Total	<u><u>\$ 12,729,604</u></u>	<u><u>\$ 9,537,311</u></u>	<u><u>\$ 3,192,293</u></u>

NOTE 11 - SUBSEQUENT EVENT

In November 2021, the District issued \$8,020,000 General Obligation Refunding Bonds, Series 2021B to current refund the General Obligation Refunding Bonds, Series 2012B.

NOTE 12 – 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.

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REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Total OPEB Liability					
Service cost	\$ 168,800	\$ 197,753	\$ 172,521	\$ 180,473	\$ 192,545
Interest	77,064	93,513	113,540	94,654	93,888
Changes of assumptions	(87,357)	96,832	72,013	(93,263)	-
Differenced between expected and actual experience	(751,726)	-	(521,316)	-	-
Benefit payments	(207,881)	(189,650)	(177,734)	(209,937)	(285,466)
Net change in total OPEB liability	<u>(801,100)</u>	<u>198,448</u>	<u>(340,976)</u>	<u>(28,073)</u>	<u>967</u>
Beginning of year	<u>3,017,061</u>	<u>2,818,613</u>	<u>3,159,589</u>	<u>3,187,662</u>	<u>3,186,695</u>
End of year	<u>\$ 2,215,961</u>	<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	\$ 82,172	\$ -	\$ 89,079	\$ 112,897	\$ 152,807
Projected investment income	49,811	52,109	59,286	64,821	43,551
Differences between expected and actual experience	87,696	11,402	-	(1,668)	36,699
Benefit payments	(207,881)	(189,650)	(177,734)	(209,937)	(285,466)
Administrative expense	(250)	(4,033)	(250)	(250)	(250)
Net change in plan fiduciary net position	<u>11,548</u>	<u>(130,172)</u>	<u>(29,619)</u>	<u>(34,137)</u>	<u>(52,659)</u>
Beginning of year	<u>1,606,793</u>	<u>1,736,965</u>	<u>1,766,584</u>	<u>1,800,721</u>	<u>1,853,380</u>
End of year	<u>\$ 1,618,341</u>	<u>\$ 1,606,793</u>	<u>\$ 1,736,965</u>	<u>\$ 1,766,584</u>	<u>\$ 1,800,721</u>
Net OPEB liability	<u>\$ 597,620</u>	<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	73.03%	53.26%	61.62%	55.91%	56.49%
Covered-employee payroll	\$ 20,994,271	\$ 20,561,896	\$ 19,963,006	\$ 19,228,177	\$ 18,668,133
Net OPEB liability as a percentage of covered-employee pay	2.85%	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, 2021</u>	<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>-</u>	<u>89,079</u>	<u>112,897</u>	<u>152,807</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	<u>\$ 20,994,271</u>	<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%	0.00%	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, 2021</u>	<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	3.10%	3.00%	3.40%	3.50%	4.30%

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

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

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

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

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

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

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

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

For Fiscal Year Ended June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	\$ 361,505	\$ 361,505	\$ -	\$ 4,986,276	7.25%
2015	409,437	409,437	-	5,459,160	7.50%
2016	413,529	413,529	-	5,513,720	7.50%
2017	407,405	407,405	-	5,432,067	7.50%
2018	425,031	425,031	-	5,667,080	7.50%
2019	427,892	427,892	-	5,705,227	7.50%
2020	426,874	426,874	-	5,691,653	7.50%
2021	446,811	446,811	-	5,957,480	7.50%

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

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

For Fiscal Year Ended June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	\$ 957,435	\$ 957,435	\$ -	\$ 13,677,649	7.00%
2015	1,029,698	1,029,698	-	13,729,307	7.50%
2016	1,011,081	1,011,081	-	13,481,080	7.50%
2017	1,052,333	1,052,333	-	14,031,107	7.50%
2018	1,067,944	1,067,944	-	14,239,253	7.50%
2019	1,151,233	1,151,233	-	14,931,686	7.71%
2020	1,173,551	1,173,551	-	14,817,563	7.92%
2021	1,295,191	1,295,191	-	15,931,009	8.13%

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

2020 Changes

Changes in Actuarial Assumptions

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

2019 Changes

Changes in Actuarial Assumptions

- None

2018 Changes

Changes in Actuarial Assumptions

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

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.

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

TRA Retirement Fund (Continued)

2017 Changes (Continued)

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

2016 Changes

Changes in Actuarial Assumptions

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

2015 Changes

Changes of Benefit Terms

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

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

TRA Retirement Fund (Continued)

2015 Changes

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

2020 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2019 Changes

Changes in Actuarial Assumptions

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

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.

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

General Employees Fund (Continued)

2018 Changes (Continued)

Changes in Plan Provisions

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

2017 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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

General Employees Fund (Continued)

2015 Changes

Changes in Plan Provisions

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

Changes in Actuarial Assumptions

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

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

Post Employment Health Care Plan

2021 Changes

Changes in Actuarial Assumptions

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

2020 Changes

Changes in Actuarial Assumptions

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

2019 Changes

Changes in Actuarial Assumptions

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

2018 Changes

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

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SUPPLEMENTRY INFORMATION

Independent School District No. 727
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2021

	<u>Special Revenue Funds</u>		
	<u>Food Service</u>	<u>Community Service</u>	<u>Total Nonmajor Funds</u>
Assets			
Cash and investments (including cash equivalents)	\$ 438,177	\$ 862,287	\$ 1,300,464
Current property taxes receivable	-	144,552	144,552
Delinquent property taxes receivable	-	6,445	6,445
Accounts receivable	489	34,058	34,547
Due from Department of Education	338	28,283	28,621
Due from Federal Government through Department of Education	61,560	3,937	65,497
Due from other Minnesota school districts	-	6,166	6,166
Due from other governmental units	-	8,687	8,687
Inventory	36,087	-	36,087
	<u>36,087</u>	<u>-</u>	<u>36,087</u>
Total assets	<u>\$ 536,651</u>	<u>\$ 1,094,415</u>	<u>\$ 1,631,066</u>
Liabilities			
Accounts payable	\$ 69,269	\$ 16,959	\$ 86,228
Salaries and benefits payable	632	101,401	102,033
Due to other Minnesota districts	-	48	48
Due to other governmental units	207,636	300	207,936
Unearned revenue	57,480	29,575	87,055
Total liabilities	<u>335,017</u>	<u>148,283</u>	<u>483,300</u>
Deferred Inflows of Resources			
Unavailable revenue - delinquent property taxes	-	6,445	6,445
Property taxes levied for subsequent year's expenditures	-	303,811	303,811
Total deferred inflows of resources	<u>-</u>	<u>310,256</u>	<u>310,256</u>
Fund Balances			
Nonspendable	36,087	-	36,087
Restricted	165,547	665,757	831,304
Unassigned	-	(29,881)	(29,881)
Total fund balances	<u>201,634</u>	<u>635,876</u>	<u>837,510</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 536,651</u>	<u>\$ 1,094,415</u>	<u>\$ 1,631,066</u>

Independent School District No. 727
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended June 30, 2021

	<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	\$ -	\$ 391,393	\$ -	\$ 391,393
Other local and county revenues	5,030	1,324,409	-	1,329,439
Revenue from state sources	7,183	295,335	-	302,518
Revenue from federal sources	1,126,568	128,311	-	1,254,879
Sales and other conversion of assets	77,459	11,156	-	88,615
Total revenues	<u>1,216,240</u>	<u>2,150,604</u>	<u>-</u>	<u>3,366,844</u>
Expenditures				
Current				
Food service	1,281,051	-	-	1,281,051
Community education and services	-	1,892,810	-	1,892,810
Capital outlay	-	17,765	-	17,765
Total expenditures	<u>1,281,051</u>	<u>1,910,575</u>	<u>-</u>	<u>3,191,626</u>
Excess of revenues over (under) expenditures	(64,811)	240,029	-	175,218
OTHER FINANCING USES				
Transfers Out	<u>-</u>	<u>-</u>	<u>(100,819)</u>	<u>(100,819)</u>
Net Change in Fund Balances	(64,811)	240,029	(100,819)	74,399
Fund Balances				
Beginning of year	<u>266,445</u>	<u>395,847</u>	<u>100,819</u>	<u>763,111</u>
End of year	<u>\$ 201,634</u>	<u>\$ 635,876</u>	<u>\$ -</u>	<u>\$ 837,510</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, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Local property taxes	\$ 4,844,116	\$ 4,983,953	\$ 4,932,335	\$ (51,618)
Other local and county revenues	1,064,200	1,040,691	1,085,439	44,748
Revenue from state sources	29,656,528	29,245,429	29,664,130	418,701
Revenue from federal sources	715,112	1,748,986	1,658,060	(90,926)
Sales and other conversion of assets	84,325	26,094	19,005	(7,089)
Total revenues	<u>36,364,281</u>	<u>37,045,153</u>	<u>37,358,969</u>	<u>313,816</u>
Expenditures				
Current				
Administration				
Salaries	931,092	931,092	933,868	2,776
Employee benefits	316,440	326,117	317,957	(8,160)
Purchased services	21,962	22,845	16,951	(5,894)
Supplies and materials	4,500	4,272	3,659	(613)
Capital expenditures	1,200	-	-	-
Other expenditures	57,717	24,332	23,866	(466)
Total administration	<u>1,332,911</u>	<u>1,308,658</u>	<u>1,296,301</u>	<u>(12,357)</u>
District support services				
Salaries	697,296	726,543	695,723	(30,820)
Employee benefits	285,009	266,769	229,613	(37,156)
Purchased services	199,242	229,270	193,091	(36,179)
Supplies and materials	8,700	13,050	10,833	(2,217)
Capital expenditures	29,329	-	-	-
Other expenditures	50,110	(1,240)	(2,770)	(1,530)
Total district support services	<u>1,269,686</u>	<u>1,234,392</u>	<u>1,126,490</u>	<u>(107,902)</u>
Elementary and secondary				
Regular instruction				
Salaries	10,580,125	10,733,110	10,663,128	(69,982)
Employee benefits	3,835,984	3,887,769	3,862,131	(25,638)
Purchased services	749,089	625,801	602,944	(22,857)
Supplies and materials	514,234	726,342	905,741	179,399
Capital expenditures	296,908	188,308	124,551	(63,757)
Other expenditures	35,598	32,657	29,454	(3,203)
Total elementary and secondary regular instruction	<u>16,011,938</u>	<u>16,193,987</u>	<u>16,187,949</u>	<u>(6,038)</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, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Expenditures				
Current (continued)				
Vocational education instruction				
Salaries	\$ 315,532	\$ 318,581	\$ 305,215	\$ (13,366)
Employee benefits	144,786	145,763	137,658	(8,105)
Purchased services	173,969	174,416	174,183	(233)
Supplies and materials	34,800	29,069	28,819	(250)
Capital expenditures	1,200	1,200	1,200	-
Total vocational education instruction	<u>670,287</u>	<u>669,029</u>	<u>647,075</u>	<u>(21,954)</u>
Special education instruction				
Salaries	5,697,307	5,434,939	5,222,547	(212,392)
Employee benefits	2,442,855	2,329,677	2,254,492	(75,185)
Purchased services	253,138	244,514	240,453	(4,061)
Supplies and materials	39,275	48,786	20,124	(28,662)
Capital expenditures	53,000	50,801	50,801	-
Total special education instruction	<u>8,485,575</u>	<u>8,108,717</u>	<u>7,788,417</u>	<u>(320,300)</u>
Instructional support services				
Salaries	1,304,124	1,286,023	1,281,694	(4,329)
Employee benefits	414,095	405,572	406,989	1,417
Purchased services	91,541	103,538	61,399	(42,139)
Supplies and materials	588,112	950,591	750,599	(199,992)
Capital expenditures	293,759	67,835	67,783	(52)
Other expenditures	6,020	4,225	4,789	564
Total instructional support services	<u>2,697,651</u>	<u>2,817,784</u>	<u>2,573,253</u>	<u>(244,531)</u>
Pupil support services				
Salaries	830,171	878,384	877,265	(1,119)
Employee benefits	293,035	335,814	310,052	(25,762)
Purchased services	1,927,357	1,646,399	1,580,037	(66,362)
Supplies and materials	67,214	52,821	50,879	(1,942)
Capital expenditures	-	-	581	581
Other expenditures	15,290	15,290	13,360	(1,930)
Total pupil support services	<u>3,133,067</u>	<u>2,928,708</u>	<u>2,832,174</u>	<u>(96,534)</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, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Expenditures				
Current (continued)				
Sites and buildings				
Salaries	\$ 1,170,788	\$ 1,164,147	\$ 1,126,584	\$ (37,563)
Employee benefits	519,353	541,263	527,822	(13,441)
Purchased services	1,643,502	1,450,140	1,331,752	(118,388)
Supplies and materials	184,800	235,672	235,749	77
Capital expenditures	130,525	256,025	156,497	(99,528)
Other expenditures	6,300	5,235	5,206	(29)
Total sites and buildings	<u>3,655,268</u>	<u>3,652,482</u>	<u>3,383,610</u>	<u>(268,872)</u>
Fiscal and other fixed cost programs				
Purchased services	194,000	183,664	191,234	7,570
Other expenditures	12,000	12,000	18,400	6,400
Total fiscal and other fixed Cost programs	<u>206,000</u>	<u>195,664</u>	<u>209,634</u>	<u>13,970</u>
Debt Service				
Principal	55,335	55,335	55,335	-
Interest and fiscal charges	2,122	2,122	2,122	-
Total debt service	<u>57,457</u>	<u>57,457</u>	<u>57,457</u>	<u>-</u>
Total expenditures	<u>37,519,840</u>	<u>37,166,878</u>	<u>36,102,360</u>	<u>(1,064,518)</u>
Excess of revenues over (under) expenditures	(1,155,559)	(121,725)	1,256,609	1,378,334
Other Financing Sources				
Proceeds from sale of capital assets	-	3,965	3,965	-
Net change in fund balances	<u>\$ (1,155,559)</u>	<u>\$ (117,760)</u>	1,260,574	<u>\$ 1,378,334</u>
Fund Balance				
Beginning of year			10,137,738	
End of year			<u>\$ 11,398,312</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, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Other local and county revenues	\$ 1,520	\$ 1,045	\$ 5,030	\$ 3,985
Revenue from state sources	98,000	6,845	7,183	338
Revenue from federal sources	644,350	1,075,134	1,126,568	51,434
Sales and other conversion of assets	911,980	81,287	77,459	(3,828)
Total revenues	<u>1,655,850</u>	<u>1,164,311</u>	<u>1,216,240</u>	<u>51,929</u>
Expenditures				
Current				
Food service	1,655,850	1,256,241	1,281,051	24,810
Total expenditures	<u>1,655,850</u>	<u>1,256,241</u>	<u>1,281,051</u>	<u>24,810</u>
Excess of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (91,930)</u>	(64,811)	<u>\$ 27,119</u>
Fund Balance				
Beginning of year			<u>266,445</u>	
End of year			<u>\$ 201,634</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, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Local property taxes	\$ 390,144	\$ 391,781	\$ 391,393	\$ (388)
Other local and county revenues	1,247,202	1,163,445	1,324,409	160,964
Revenue from state sources	290,313	290,313	295,335	5,022
Revenue from federal sources	-	124,392	128,311	3,919
Sales and other conversion of assets	12,800	11,300	11,156	(144)
Total revenues	<u>1,940,459</u>	<u>1,981,231</u>	<u>2,150,604</u>	<u>169,373</u>
Expenditures				
Current				
Community education and services	2,164,052	1,886,927	1,892,810	5,883
Capital outlay				
Community education and services	9,580	22,491	17,765	(4,726)
Total expenditures	<u>2,173,632</u>	<u>1,909,418</u>	<u>1,910,575</u>	<u>1,157</u>
Excess of revenues over (under) expenditures	<u>\$ (233,173)</u>	<u>\$ 71,813</u>	240,029	<u>\$ 168,216</u>
Fund Balance				
Beginning of year			<u>395,847</u>	
End of year			<u>\$ 635,876</u>	

Independent School District No. 727
Uniform Financial Accounting and Reporting Standards
Compliance Table
Year Ended June 30, 2021

	Audit	UFARS	Audit- UFARS		Audit	UFARS	Audit- UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION FUND			
Total revenue	\$ 37,358,969	\$ 37,358,969	\$ -	Total revenue	\$ 16,427	\$ 16,427	\$ -
Total expenditures	36,102,360	36,102,364	(4)	Total expenditures	8,016,893	8,016,894	(1)
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
4.60 Nonspendable fund balance	156,596	156,596	-	4.60 Nonspendable fund balance	-	-	-
<i>Restricted/reserved:</i>				<i>Restricted/reserved:</i>			
4.01 Student Activities	16,002	16,002	-	4.07 Capital Projects Levy	-	-	-
4.02 Scholarships	15,150	15,150	-	4.09 Alternative Facility Program	-	-	-
4.03 Staff Development	115,432	115,432	-	4.67 LTFM	4,790,158	4,790,158	-
4.07 Capital Projects Levy	369,164	369,164	-	<i>Restricted:</i>			
4.08 Cooperative Programs	-	-	-	464 Restricted fund balance	16,637	16,637	-
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	\$ 5,626,022	\$ 5,626,022	\$ -
4.17 Taconite Building Maintenance	-	-	-	Total expenditures	5,806,919	5,806,918	1
4.24 Operating Capital	570,269	570,268	1	<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	19,077	19,077	-	4.33 Maximum effort loan aid	-	-	-
4.35 Contracted Alternative Programs	-	-	-	4.51 QZAB payments	-	-	-
4.36 State Approved Alternative Program	-	-	-	4.67 LTFM	-	-	-
4.38 Gifted and Talented	-	-	-	<i>Restricted:</i>			
4.40 Teacher Development and Evaluation	-	-	-	464 Restricted fund balance	1,906,023	1,906,024	(1)
4.41 Basic Skills Programs	-	-	-	<i>Unassigned:</i>			
4.46 First Grade Preparedness	-	-	-	4.63 Unassigned fund balance	-	-	-
4.48 Achievement and Integration	-	-	-	08 TRUST FUND			
4.49 Safe School Crime	2,165	2,165	-	Total revenue	\$ -	\$ -	\$ -
4.51 QZAB Payments	-	-	-	Total expenditures	-	-	-
4.52 OPEB Liabilities not Held in Trust	-	-	-	<i>Unassigned:</i>			
4.53 Unfunded Severance and Retirement Levy	-	-	-	4.01 Student Activities	\$ -	\$ -	\$ -
4.59 Basic Skills Extended Time	-	-	-	4.02 Scholarships	-	-	-
4.67 Long-term Facilities Maintenance	118,029	118,029	-	4.22 Net position	-	-	-
4.72 Medical Assistance	262,782	262,782	-	18 CUSTODIAL FUND			
4.75 Title VII - Impact Aid	-	-	-	Total revenue	\$ -	\$ -	\$ -
4.76 Payments in Lieu of Taxes	-	-	-	Total expenditures	-	-	-
<i>Restricted:</i>				<i>Unassigned:</i>			
4.64 Restricted fund balance	-	-	-	4.01 Student Activities	-	-	-
<i>Committed:</i>				4.02 Scholarships	-	-	-
4.18 Committed for separation	895,674	895,674	-	4.48 Achievement and Integration	-	-	-
4.61 Committed for separation	29,120	29,120	-	4.64 Restricted	-	-	-
<i>Assigned:</i>				20 INTERNAL SERVICE FUND			
4.62 Assigned fund balance	995,517	995,517	-	Total revenue	\$ -	\$ -	\$ -
<i>Unassigned:</i>				Total expenditures	-	-	-
4.22 Unassigned fund balance (net position)	7,833,335	7,833,334	1	<i>Unassigned:</i>			
02 FOOD SERVICE FUND				4.22 Net position	-	-	-
Total revenue	\$ 1,216,240	\$ 1,216,240	\$ -	25 OPEB REVOCABLE TRUST			
Total expenditures	1,281,051	1,281,054	(3)	Total revenue	\$ -	\$ -	\$ -
<i>Nonspendable:</i>				Total expenditures	-	-	-
4.62 Nonspendable fund balance	36,087	36,088	(1)	<i>Unassigned:</i>			
<i>Restricted/Reserved:</i>				4.22 Net position	-	-	-
4.52 OPEB liabilities not held in trust	-	-	-	45 OPEB IRREVOCABLE TRUST			
<i>Restricted:</i>				Total revenue	\$ 141,323	\$ 141,323	\$ -
4.64 Restricted fund balance	165,547	165,543	4	Total expenditures	129,774	129,775	(1)
<i>Unassigned:</i>				<i>Unassigned:</i>			
4.63 Unassigned fund balance	-	-	-	4.22 Net position	1,618,342	1,618,341	1
04 COMMUNITY SERVICE FUND				47 OPEB DEBT SERVICE			
Total revenue	\$ 2,150,604	\$ 2,150,608	\$ (4)	Total revenue	\$ -	\$ -	\$ -
Total expenditures	1,910,575	1,910,576	(1)	Total expenditures	-	-	-
<i>Capital lease payable</i>				<i>Nonspendable:</i>			
4.60 Nonspendable fund balance	-	-	-	4.60 Nonspendable fund balance	-	-	-
<i>Restricted/reserved:</i>				<i>Restricted:</i>			
4.26 \$25 Taconite	-	-	-	4.64 Restricted fund balance	-	-	-
4.31 Community Education	575,841	575,841	-	<i>Unassigned:</i>			
4.32 ECFE	82,302	82,302	-	4.63 Unassigned fund balance	-	-	-
4.40 Teacher Development and Evaluation	-	-	-	<i>Restricted:</i>			
4.44 School Readiness	(29,881)	(29,881)	-	4.64 Restricted fund balance	-	-	-
4.47 Adult Basic Education	-	-	-	<i>Unassigned:</i>			
4.52 OPEB Liabilities not Held in Trust	-	-	-	4.63 Unassigned fund balance	-	-	-
<i>Restricted:</i>							
4.64 Restricted fund balance	7,614	7,615	(1)				
<i>Unassigned:</i>							
4.63 Unassigned fund balance	-	-	-				

Independent School District No. 727
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Funding Source	Federal CFDA Number	Pass Through Entity	Grant Name	Expenditures
U.S. Department of Agriculture	10.553	Minnesota Department of Education	School Breakfast	\$ 44,370
U.S. Department of Agriculture	10.555	Minnesota Department of Education	Type A Lunch and Commodities Programs	196,034
U.S. Department of Agriculture	10.555	Minnesota Department of Education	Commodities (Noncash)	110,432
U.S. Department of Agriculture	10.559	Minnesota Department of Education	COVID-19 Summer Food Service	750,011
			Total Child Nutrition Cluster and	1,100,847
U.S. Department of Education	84.010	Minnesota Department of Education	Title I, Part A	244,342
U.S. Department of Education	84.424	Minnesota Department of Education	Title IV, Part A - Student Support and Academic Enrichment	15,527
U.S. Department of Education	84.367	Minnesota Department of Education	Title II, Part A - Teacher and Principal Training and Recruiting	74,853
U.S. Department of Education	84.027	Independent School District No. 882	Special Education	16,828
U.S. Department of Education	21.027	Minnesota Department of Education	American Rescue Plan and Summer Preschool	11,353
U.S. Department of Education	84.425	Minnesota Department of Education	Education Relief Fund	267,145
U.S. Department of Education	21.019	Big Lake Township	Coronavirus Relief Fund	148,454
U.S. Department of Education	21.019	Sherburne County	Coronavirus Relief Fund	259,877
U.S. Department of Human Services	21.019	Minnesota Department of Education	Coronavirus Relief Fund	6,799
U.S. Department of Education	21.019	Minnesota Department of Education	Coronavirus Relief Fund	766,912
			Total Coronavirus Relief Fund	1,182,042
		Total Federal Expenditures		\$ 2,912,937

Independent School District No. 727
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2021

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, as allowed under the Uniform Guidance.

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Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic 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, 2021, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 9, 2021.

Internal Control over Financial Reporting

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control described in the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance that we consider to be a significant deficiency in internal control, Audit Finding 2021-001.

Compliance and Other Matters

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

District's Response to the Findings

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

Purpose of this Report

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



Minneapolis, Minnesota
November 9, 2021

**Report on Compliance for Each Major Federal Program and Report on Internal
Control over Compliance in Accordance
with 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, 2021. 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, 2021.

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
November 9, 2021

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

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Basic Financial Statements

Type of auditor’s report issued:

We issued an unmodified opinion on the fair presentation of the basic financial statements of the governmental activities, each major fund and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified

No
Yes, Audit Finding 2021-001

Noncompliance material to basic financial statements noted?

No

Federal Awards

Type of auditor’s report issued on compliance for major programs:

Unmodified

Internal control over major programs:

- Material weakness(es) identified?
- Significant deficiency(ies)

No
No

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516?

No

Identification of Major Programs

CFDA No:

21.019

Name of Federal Program or Cluster:

Coronavirus Relief Fund

CFDA No:

84.425

Name of Federal Program or Cluster:

Education Relief Fund

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low risk auditee?

Yes

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

SECTION II – BASIC FINANCIAL STATEMENT FINDINGS

Audit Finding 2021-001

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, 2021, 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 – BASIC FINANCIAL STATEMENT FINDINGS (CONTINUED)

Audit Finding 2021-001 (Continued)

Cause:

There are a limited number of office employees.

Recommendation:

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

Management's Response:

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding

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

A. Cash Disbursement Process

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

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

B. Cash Receipt Process

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

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

SECTION II – BASIC FINANCIAL STATEMENT FINDINGS (CONTINUED)

Audit Finding 2021-001 (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 basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 727, Big Lake, Minnesota, as of and for the year ended June 30, 2021, and the related notes to financial statements, and have issued our report thereon dated November 9, 2021.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, charters schools, and uniform financial accounting and reporting standards for school districts sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to *Minnesota Statutes* § 6.65, insofar as they relate to accounting matters. However, our audit as not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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

Bergan KDV Ltd.

Minneapolis, Minnesota
November 9, 2021



**DO
MORE.**

**Independent School District No.
727**

Big Lake, Minnesota

Audited Financial Statements

November 18, 2021

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 – Coronavirus Relief Fund and Education Relief Fund
- Unmodified Opinion on Minnesota Legal Compliance

General Fund Budget and

	2021			
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues				
Local property taxes	\$ 4,844,116	\$ 4,983,953	\$ 4,932,335	\$ (51,618)
State sources	29,656,528	29,245,429	29,664,130	418,701
Other	1,863,637	2,815,771	2,762,504	(53,267)
Total revenues	<u>36,364,281</u>	<u>37,045,153</u>	<u>37,358,969</u>	<u>313,816</u>
Expenditures				
Administration	1,332,911	1,308,658	1,296,301	(12,357)
District support services	1,269,686	1,234,392	1,126,490	(107,902)
Regular instruction	16,011,938	16,193,987	16,187,949	(6,038)
Vocational education instruction	670,287	669,029	647,075	(21,954)
Special education instruction	8,485,575	8,108,717	7,788,417	(320,300)
Instructional support services	2,697,651	2,817,784	2,573,253	(244,531)
Pupil support services	3,133,067	2,928,708	2,832,174	(96,534)
Sites and buildings	3,655,268	3,652,482	3,383,610	(268,872)
Fiscal and other fixed costs	206,000	195,664	209,634	13,970
Debt service	57,457	57,457	57,457	-
Total expenditures	<u>37,519,840</u>	<u>37,166,878</u>	<u>36,102,360</u>	<u>(1,064,518)</u>
Excess of revenues over (under) expenditures	(1,155,559)	(121,725)	1,256,609	1,378,334
Other Financing Sources				
Proceeds from sale of capital assets	-	3,965	3,965	-
Net change in fund balances	\$ (1,155,559)	\$ (117,760)	\$ 1,260,574	\$ 1,378,334

General Education Aid

Formula Allowance

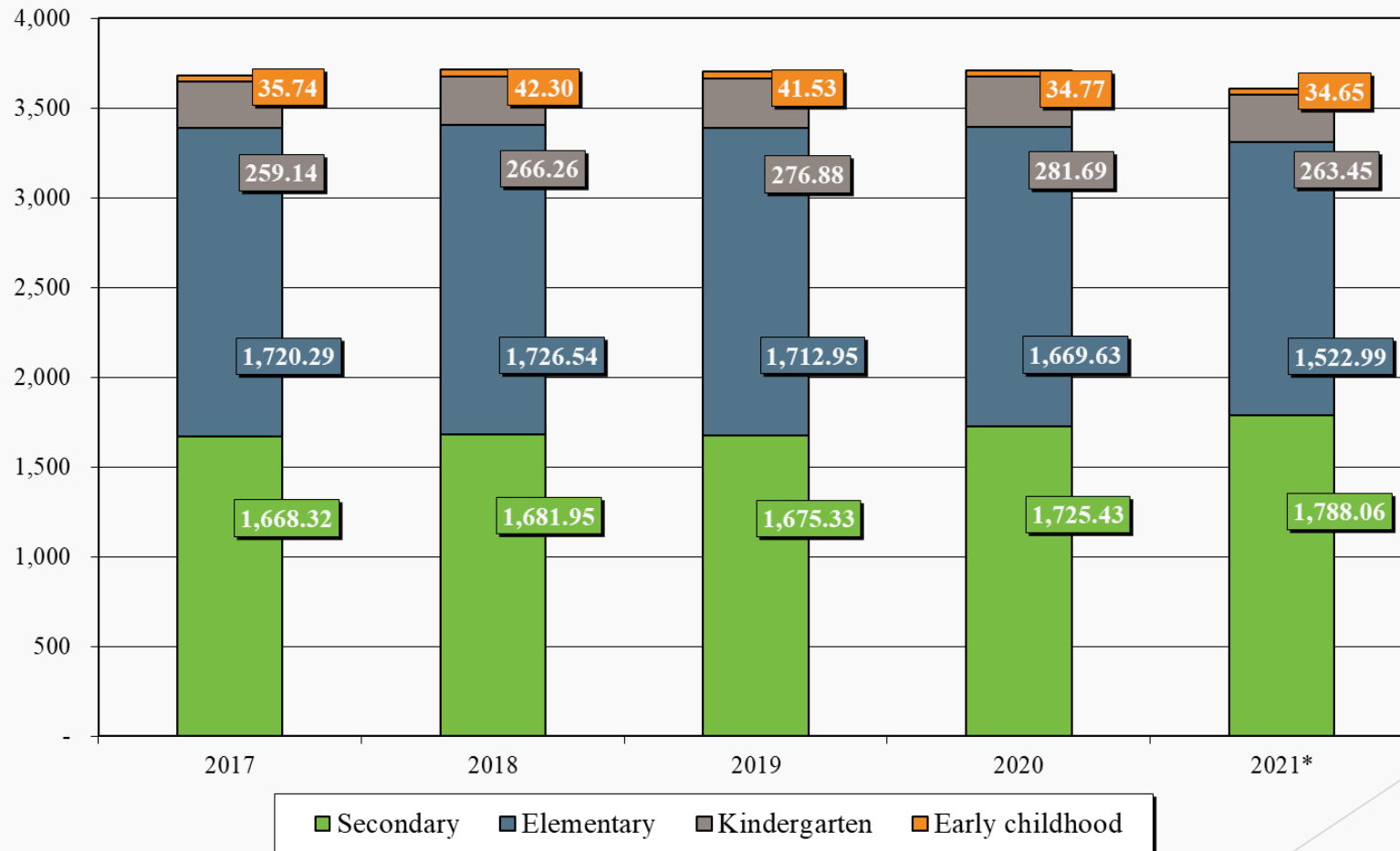
Year	General Education Aid Formula Allowance	
	Amount	Percent Increase
2012	\$ 5,174	1.0%
2013	5,224	1.0%
2014	5,302	1.5%
2015*	5,831	1.9%
2016	5,948	2.0%
2017	6,067	2.0%
2018	6,188	2.0%
2019	6,312	2.0%
2020	6,438	2.0%
2021	6,567	2.0%
2022	6,728	2.5%

* 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	2017	2018	2019	2020	2021*
Early childhood	35.74	42.30	41.53	34.77	34.65
Kindergarten	259.14	266.26	276.88	281.69	263.45
Elementary	1,720.29	1,726.54	1,712.95	1,669.63	1,522.99
Secondary	1,668.32	1,681.95	1,675.33	1,725.43	1,788.06
Total Resident ADM	3,683.49	3,717.05	3,706.69	3,711.52	3,609.15

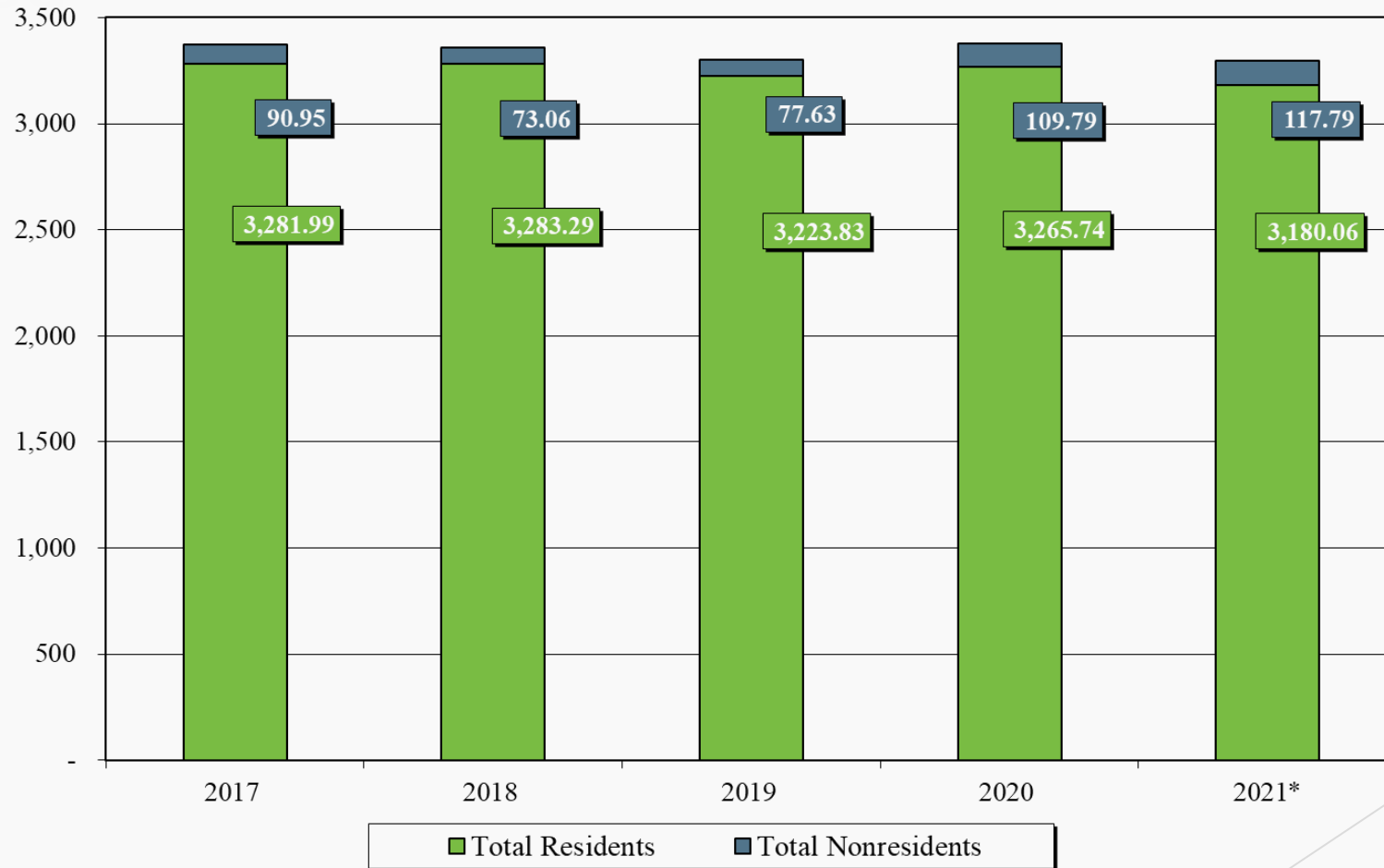
Average Daily Membership and Pupil Units – Students (ADM)



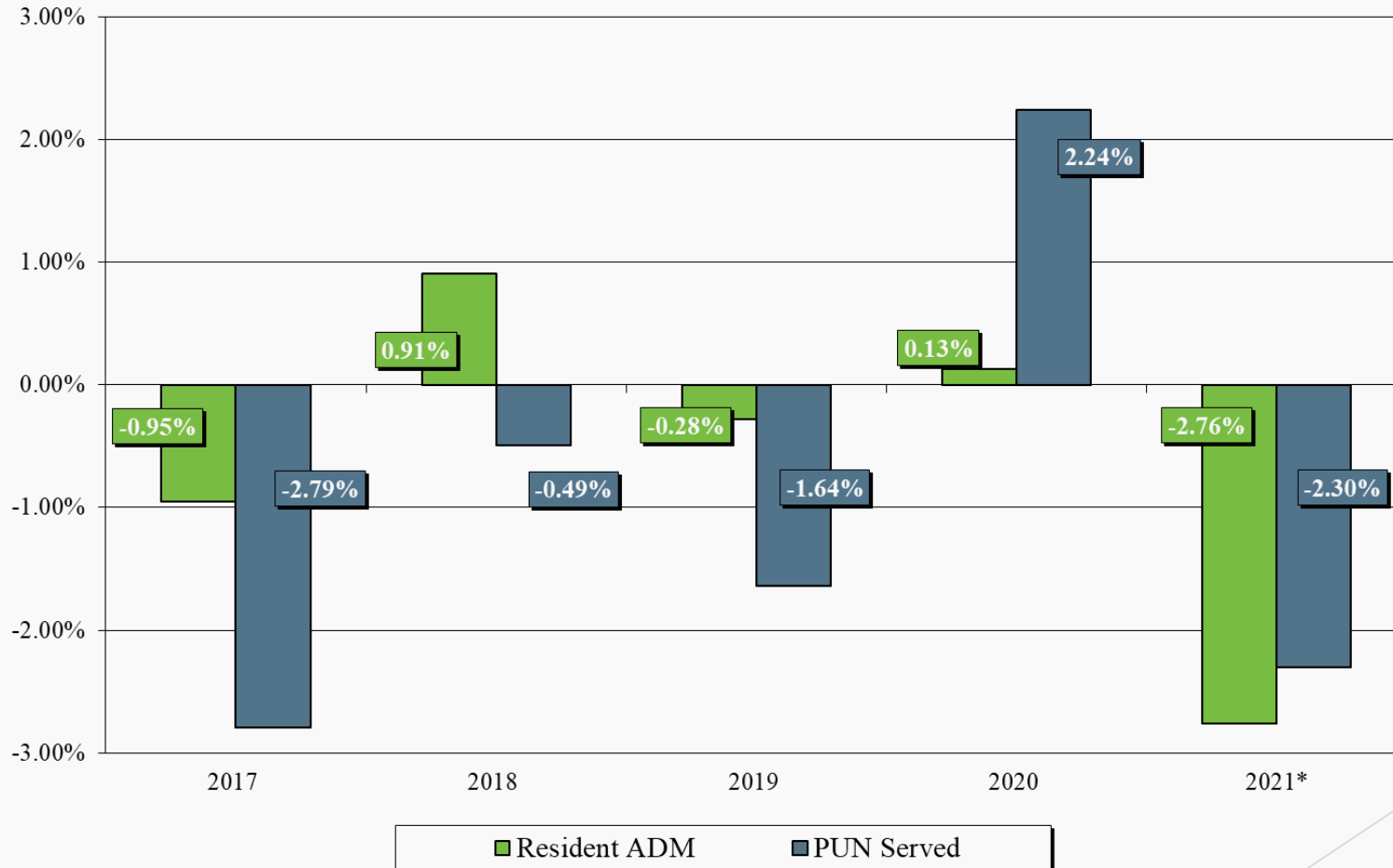
Average Daily Membership and Pupil Units – Weighting and WADM/PUN Served

Pupil Units Weighting						
	Kindergarten			Elementary	Elementary	Secondary
	Pre-Kindergarten	Disabled	Kindergarten	Grades 1-3	Grade 4-6	
2017-2021	1.000	1.000	1.000	1.000	1.000	1.200
PUN	2017	2018	2019	2020	2021*	
Residents	4,017.15	4,053.03	4,041.77	4,056.60	3,966.74	
Resident WADM/PUN loss	(735.16)	(769.74)	(817.94)	(790.86)	(786.68)	
Nonresident WADM/PUN gain	90.95	73.06	77.63	109.79	117.79	
Total PUN Served	3,372.94	3,356.35	3,301.46	3,375.53	3,297.85	

Average Daily Membership and Pupil Units – Residents and Nonresidents Served



Average Daily Membership Change in ADM and Pupil Units

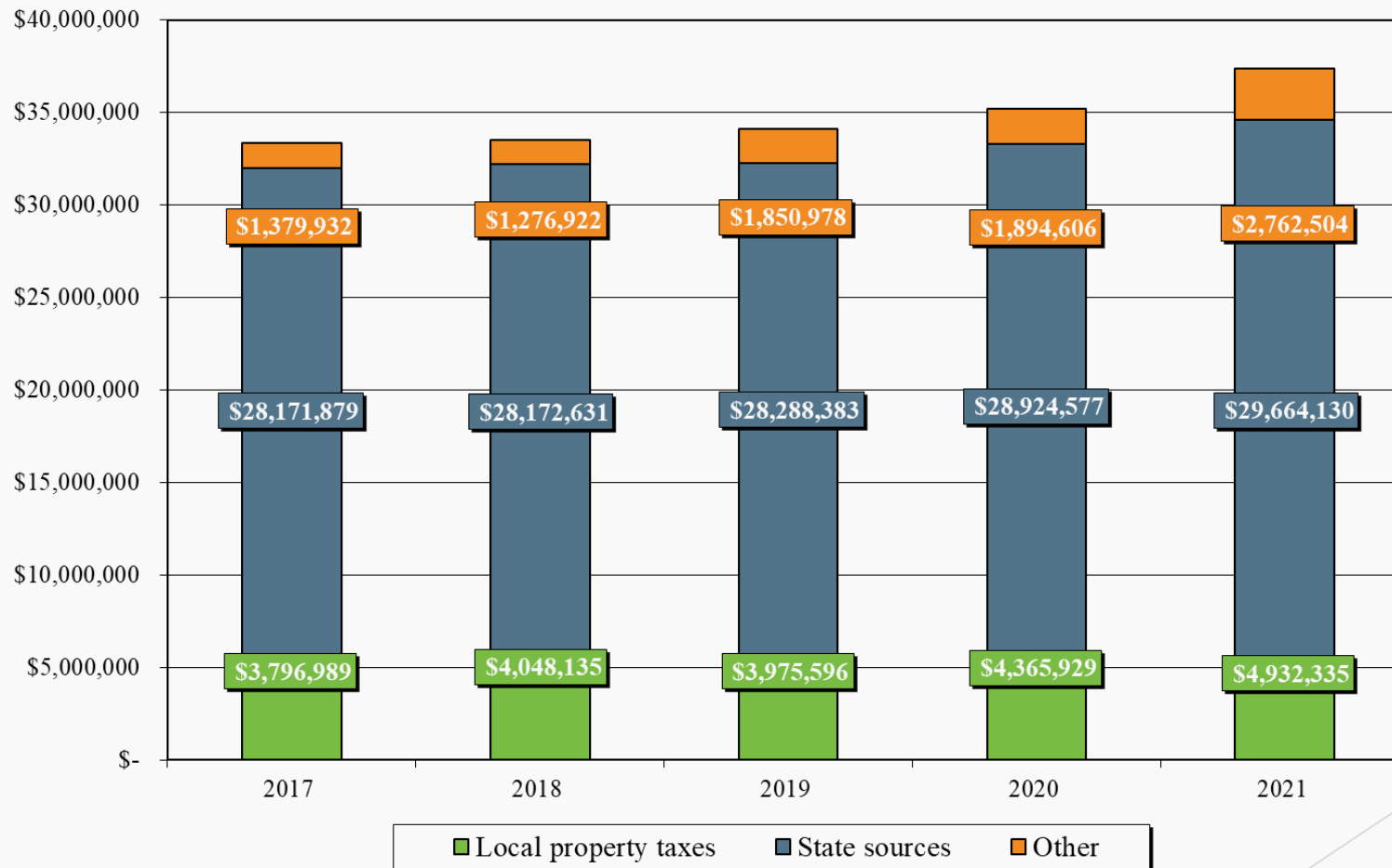


General Fund

Sources of Revenue

	2017	2018	2019	2020	2021
Local property taxes	\$ 3,796,989	\$ 4,048,135	\$ 3,975,596	\$ 4,365,929	\$ 4,932,335
State sources	28,171,879	28,172,631	28,288,383	28,924,577	29,664,130
Other	1,379,932	1,276,922	1,850,978	1,894,606	2,762,504
Total	\$ 33,348,800	\$ 33,497,688	\$ 34,114,957	\$ 35,185,112	\$ 37,358,969

General Fund Sources of Revenue



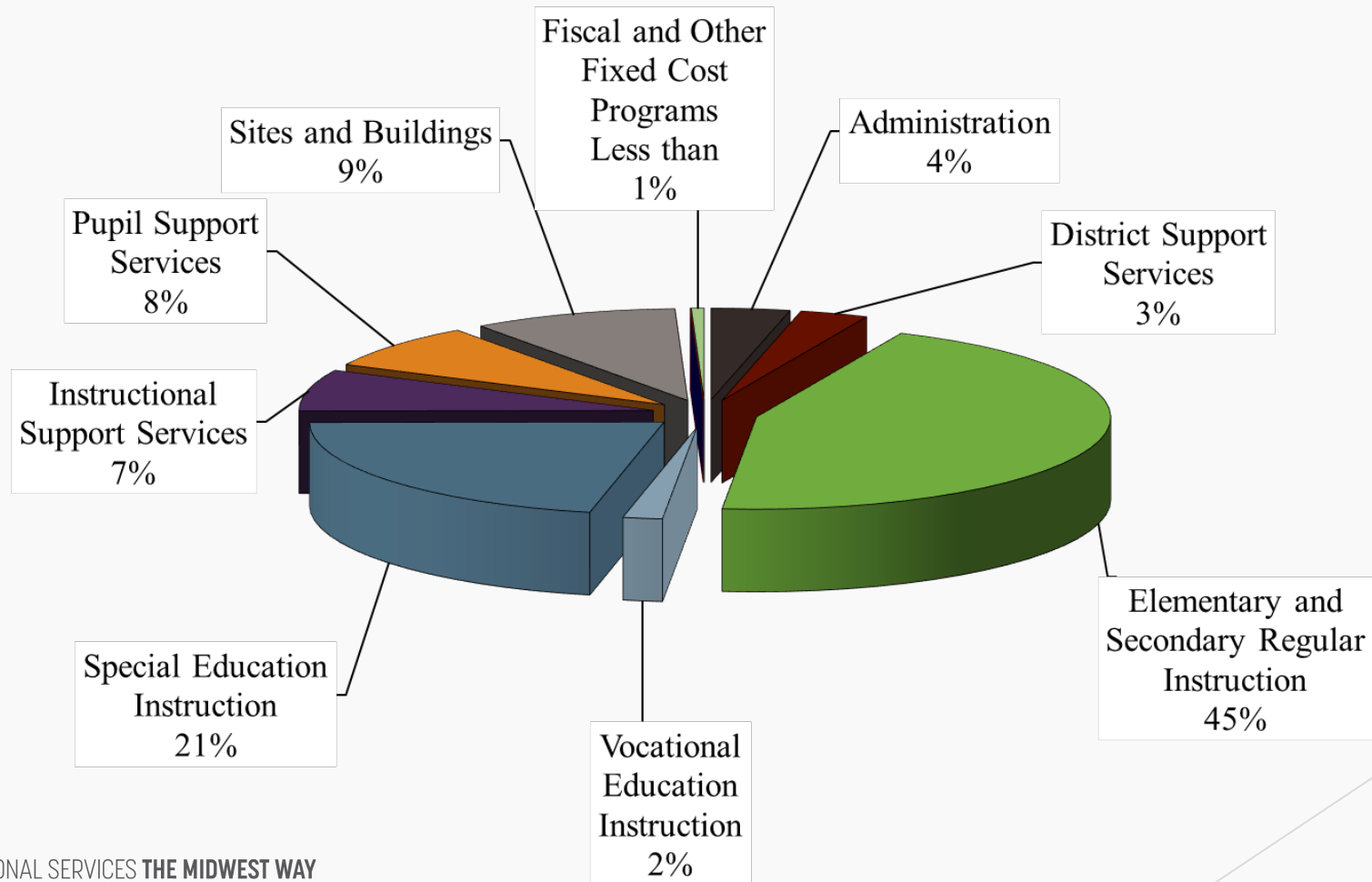
General Fund

Expenditures Per ADM Served

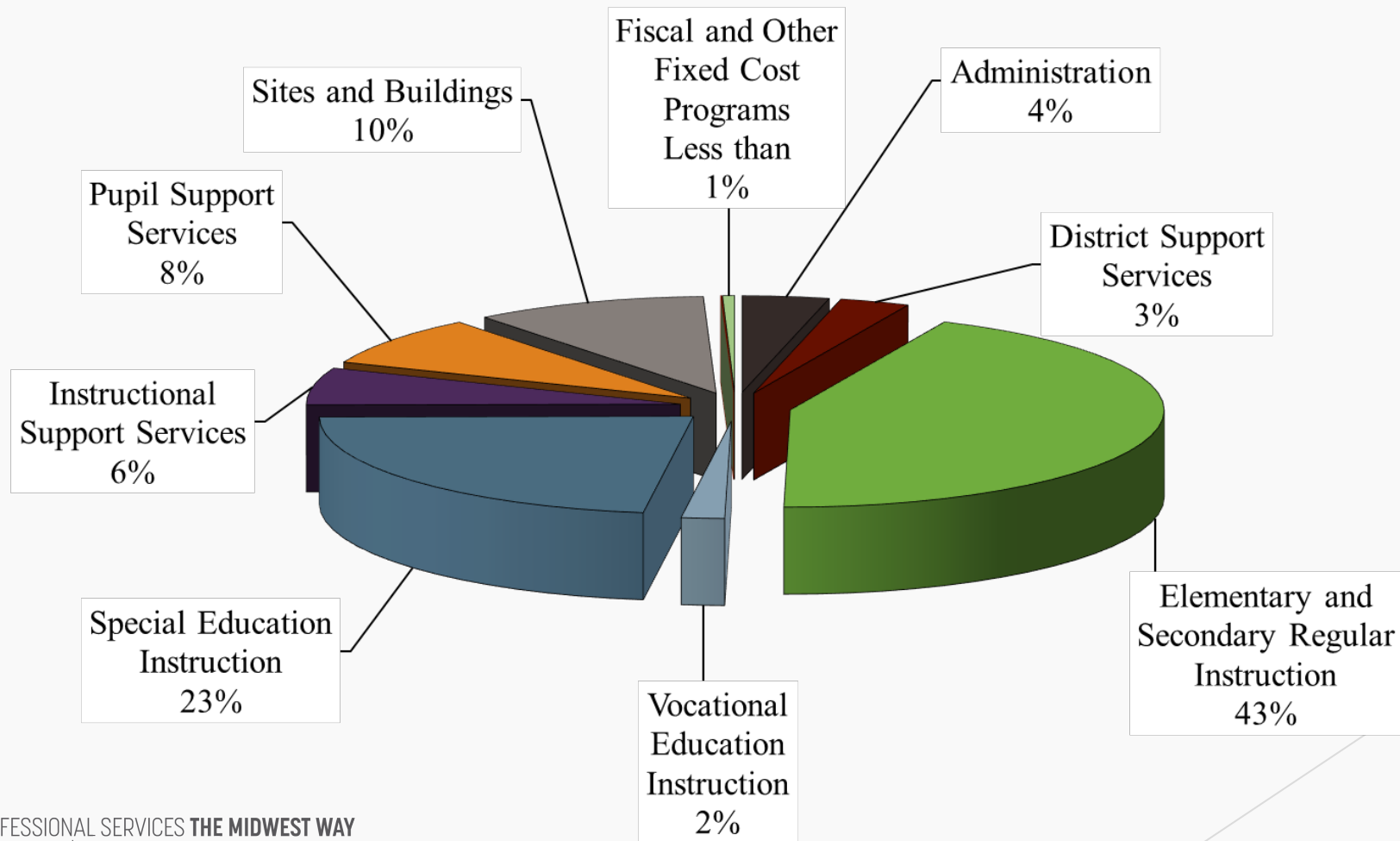
District	2017*	2018*	2019*	2020*	2021**
General Fund	\$ 10,196	\$ 10,422	\$ 11,148	\$ 10,824	\$ 11,985
Food Service	504	509	503	452	425
Community Service	688	757	796	654	634

State-Wide Average	2017*	2018*	2019*	2020*	2021
General Fund	\$12,249	\$ 12,596	13,025	13,313	N/A
Food Service	546	550	559	554	N/A
Community Service	579	606	638	622	N/A

General Fund 2021 Expenditures



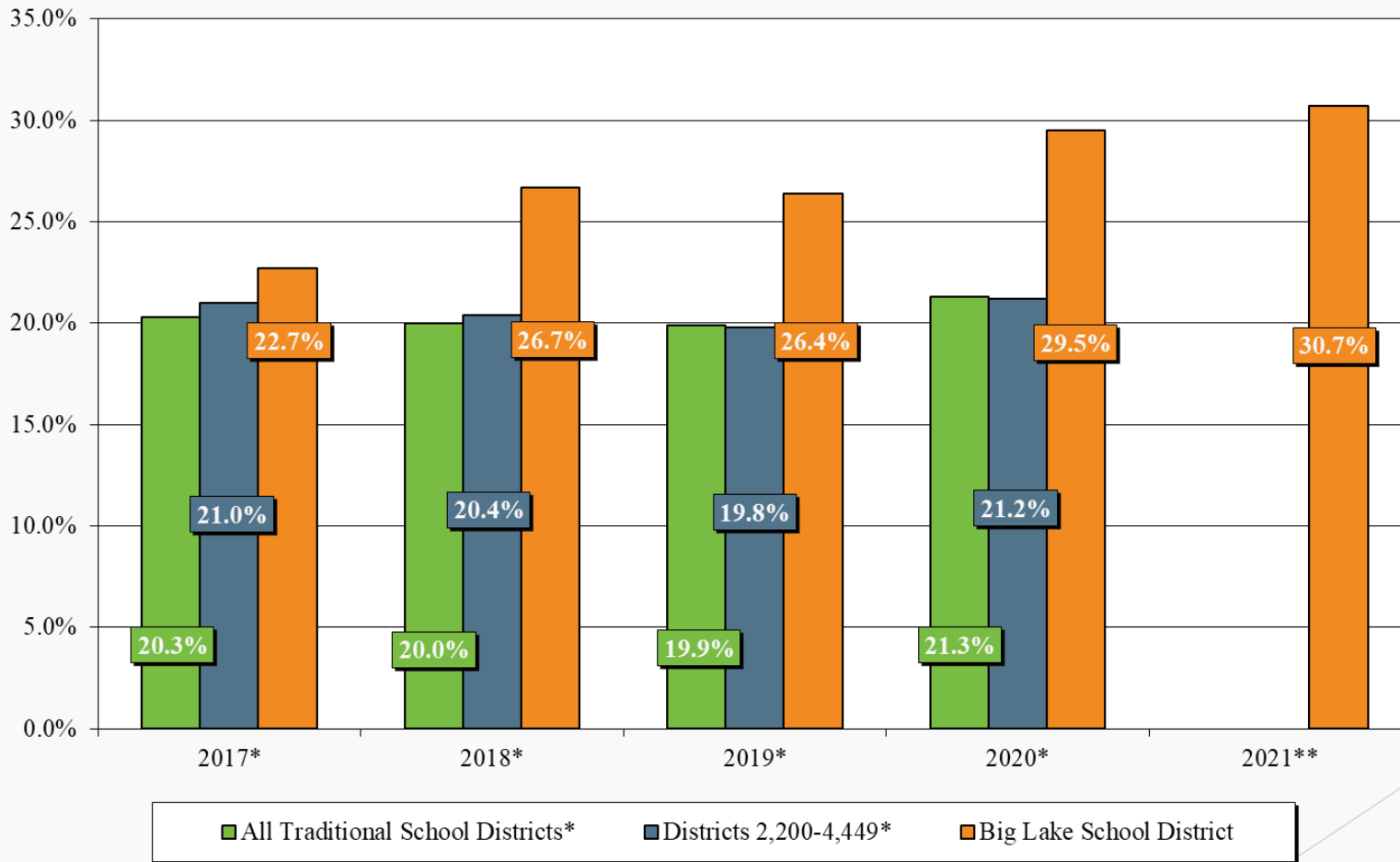
General Fund 2020 Expenditures



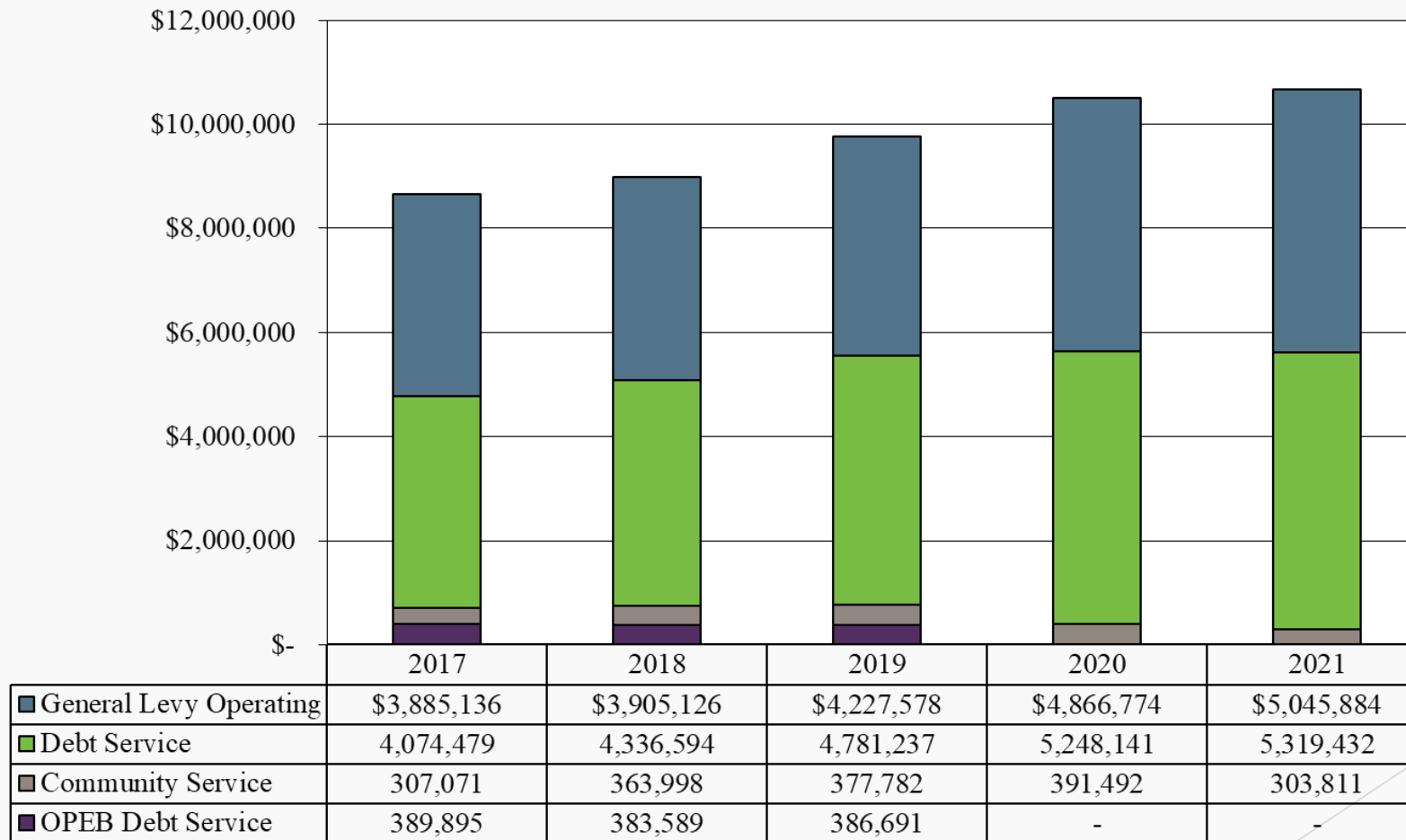
General Fund Operating Results

	2017	2018	2019	2020	2021
Revenues	\$ 33,348,800	\$ 33,497,688	34,114,957	35,185,112	37,358,969
Expenditures	32,004,832	32,585,535	34,054,607	33,722,729	36,102,360
Excess of revenues over (under) expenditures	1,343,968	912,153	60,350	1,462,383	1,256,609
Transfers/other financing Sources	-	222,520	247,007	520	3,965
Fund balance, July 1	5,873,187	7,217,155	8,351,828	8,659,185	10,137,738
Change in accounting principle	-	-	-	15,650	-
Fund Balance, June 30	\$ 7,217,155	\$ 8,351,828	\$ 8,659,185	\$ 10,137,738	\$ 11,398,312
Components					
Unassigned	\$ 5,102,332	\$ 6,122,852	\$ 6,748,712	\$ 7,548,558	\$ 7,833,335
Assigned for					
Athletics and activities	123,671	128,558	104,071	179,525	219,067
Student activities	111,317	107,940	118,135	-	-
Building level activities	-	-	-	122,937	126,474
Q Comp	270,498	230,761	129,791	138,190	124,927
STEM program	-	-	27,500	6,588	3,280
Copier replacement	-	-	35,000	30,000	65,721
Curriculum materials	-	-	50,000	79,806	81,888
Technology repairs and replacement	-	-	-	-	42,467
Middle school sound system	-	-	-	-	308,786
Moving costs	11,438	-	-	-	-
Gymnastics floor replacement	-	-	-	28,500	-
Special education vehicles	-	-	-	11,454	22,907
Committed for					
Separation/retirement	535,627	573,511	596,778	620,191	895,674
Liberty shelter	-	-	6,702	29,120	29,120
TIES withdrawal fee	-	136,400	-	-	-
Ball field lights at four-plex	14,116	6,664	-	-	-
Restricted for					
Student activities	-	-	-	10,386	16,002
Scholarships	-	-	-	16,650	15,150
Basic skills	61,755	80,381	112,332	76,094	-
Long-term facilities maintenance	4,286	21,180	44,809	81,783	118,029
Capital projects levy	52,145	77,153	108,221	226,670	369,164
Medical assistance	140,219	118,218	92,243	230,996	262,782
Staff development	94,777	101,957	98,744	92,814	115,432
ALC	11,985	9,521	7,837	33,648	19,077
Health and safety	(5,496)	-	-	-	-
Operating capital	477,187	285,573	221,461	455,306	570,269
Safe schools - crime levy	-	-	-	-	2,165
Nonspendable for					
Prepaid items	211,298	351,159	156,849	118,522	156,596
Total	\$ 7,217,155	\$ 8,351,828	\$ 8,659,185	\$ 10,137,738	\$ 11,398,312

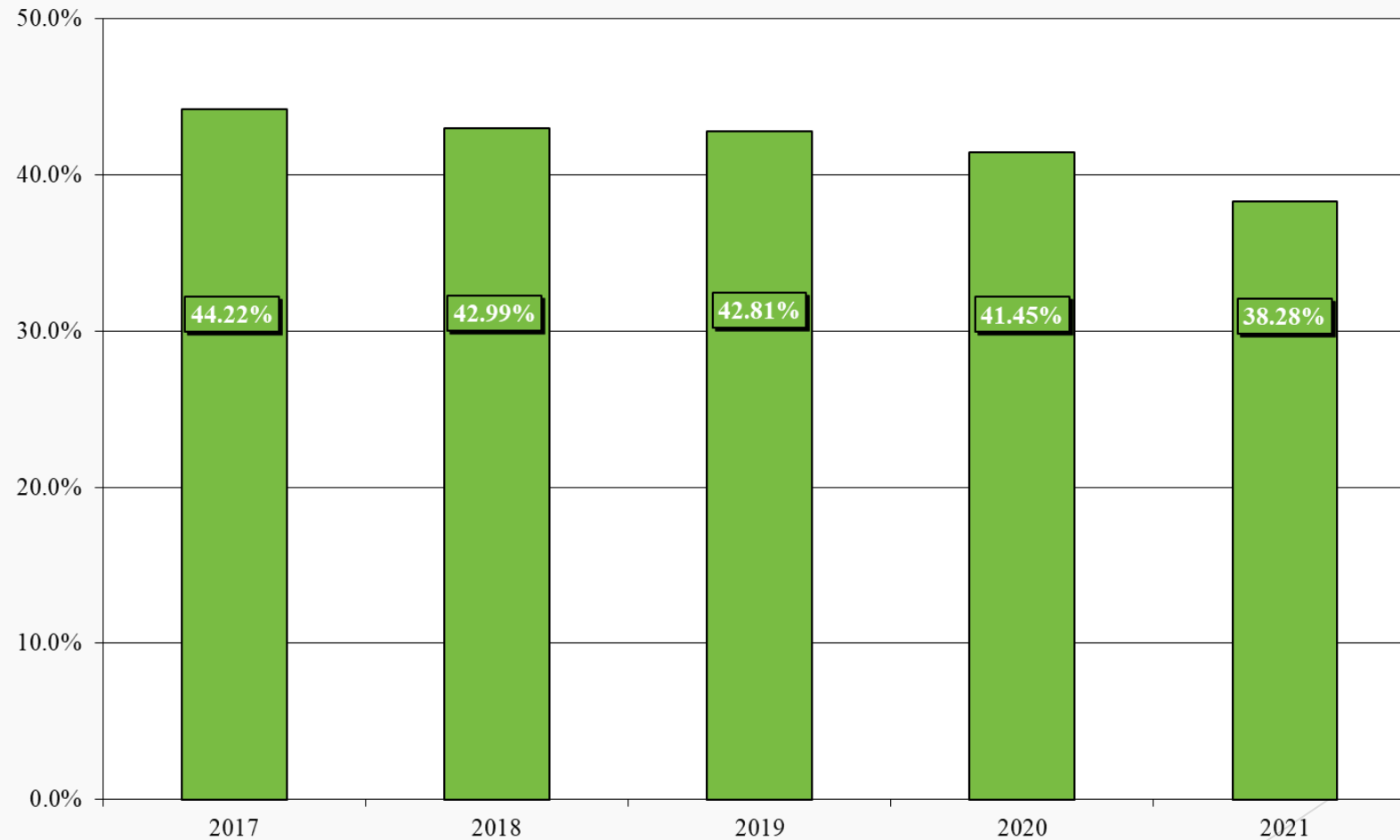
General Fund Percentage of Expenditures



General Fund Operations – Computed Tax Levy



General Fund Operations – Tax Capacity Rates



Food Service Fund

For the Year Ended June 30,	2017	2018	2019	2020	2021
Revenues	\$ 1,617,064	\$ 1,563,782	\$ 1,559,039	\$ 1,463,232	\$ 1,216,240
Expenditures	1,576,373	1,580,541	1,536,519	1,407,244	1,281,051
Excess of revenues over (under) expenditures	40,691	(16,759)	22,520	55,988	(64,811)
Fund balance, July 1	164,005	204,696	187,937	210,457	266,445
Fund Balance, June 30	\$ 204,696	\$ 187,937	\$ 210,457	\$ 266,445	\$ 201,634

Community Service Fund

For the Year Ended June 30,	2017	2018	2019	2020	2021
Revenues	\$ 2,174,196	\$ 2,243,337	\$ 2,374,813	\$ 2,024,723	\$ 2,150,604
Expenditures	2,154,588	2,351,505	2,431,749	2,036,977	1,910,575
Excess of revenues over (under) expenditures	19,608	(108,168)	(56,936)	(12,254)	240,029
Fund balance, July 1	553,597	573,205	465,037	408,101	395,847
Fund Balance, June 30	\$ 573,205	\$ 465,037	\$ 408,101	\$ 395,847	\$ 635,876

Components

Nonspendable	\$ 1,000	\$ -	\$ -	\$ -	\$ -
Restricted/reserved for					
Community Education	373,609	312,718	345,321	359,366	575,841
ECFE	115,960	101,217	59,867	52,390	82,302
School Readiness	82,405	50,080	1,489	(23,826)	(29,881)
Fund purpose	231	1,022	1,424	7,917	7,614
Total	\$ 573,205	\$ 465,037	\$ 408,101	\$ 395,847	\$ 635,876

Questions?

Matt Mayer

952.563.687.

Matt.Mayer@berganKDV.com

DO
MORE.



THANK
LET'S DO MORE, TOGETHER.
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.



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School Board Financial Report

November 18th, 2021

Presented by Angie Manuel, Director of Business Services

Enrollment

Projected Seated Average Daily Membership

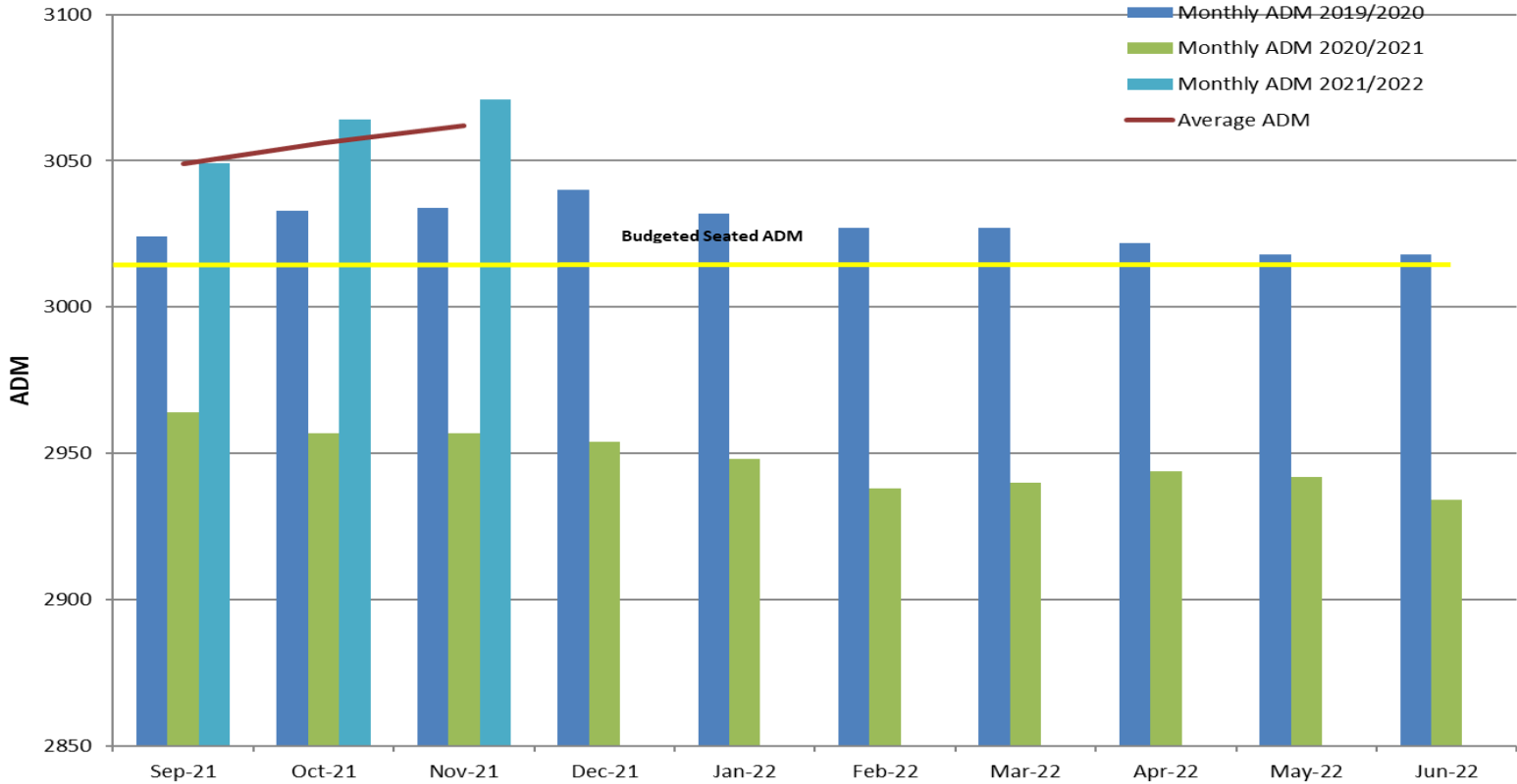
- First Day ADM: 3,049
- October 1st ADM: 3,064
- November 1st ADM: 3,071

Nov 1st Kindergarten: 273 in person + 6 online = 279 (+5 from First Day)

Overall Growth from First Day: 22 ADM's

Growth in ADM's has mainly come from Big Lake Online

Fiscal Year 21-22 Monthly, Average, and Budgeted Daily Membership



Financial Update

No budget revisions to be approved this month

21-22 budget revisions to occur over next two months

Enrollment increase

Federal grant additions

Staffing updates

Transportation

Adjust beginning fund balances for audit results

Compliance Update

- Revenue and Expenditure Budget to be published Nov. 20th
- Final 20-21 UFARS data to be submitted Nov. 19th
- Final audit to be submitted to MDE and State Auditor Nov. 19th

School Board Action

Approve financial report

PETTY CASH EXPENDITURES
BIG LAKE PUBLIC SCHOOLS
Independent School District # 727
for month: October 2021

Date	Ck #	Vendor	Description	Amount
10/01/21	20098	Nicole Puckett	CE Refund	\$ 135.00
10/01/21	20099	Liz Kampa	Food Service refund	\$ 88.50
10/19/21	20100	Kristi Niedzielski	Food Service refund	\$ 17.25

\$ 240.75

WIRE TRANSFER SUMMARY
Big Lake Public Schools
Independent School District #727
October 31, 2021

DATE	FROM	TO	AMOUNT	PURPOSE
10/1/2021	Old National-Checking	Heartland Pmt System	\$ 672.92	Nutri Kids Credit Card Fees
10/6/2021	Old National-Checking	Neopost	\$ 50.00	CE Postage
10/6/2021	Old National-Checking	Further	\$ 803.47	Flex Claim Pymts
10/6/2021	Old National-Checking	Delta Dental	\$ 27,215.70	Dental Insurance
10/7/2021	Old National-Checking	Neopost	\$ 402.00	DO Postage
10/8/2021	Old National-Checking	Bankcard Service	\$ 2,743.92	ELEYO Credit Card Fees
10/8/2021	MN Trust-PMA	Old National-Checking	\$ 1,600,000.00	Payroll and Payroll AP
10/12/2021	Old National-Checking	ELEYOmonthlysoft	\$ 1,275.00	ELEYO User Fees
10/12/2021	Old National-Checking	Transfirst/TSYS	\$ 2,249.43	Affinity Credit Card fees
10/12/2021	Old National-Checking	BLEM	\$ 8,172.77	Teacher Unions Dues
10/13/2021	Old National-Checking	EBC	\$ 71,730.92	403b & 457 contributions
10/14/2021	Old National-Checking	Old National Bank	\$ 150.00	NSF check
10/14/2021	Old National-Checking	Further	\$ 181.96	Flex Claim Pymts
10/14/2021	Old National-Checking	Neopost	\$ 201.00	DO Postage
10/14/2021	Old National-Checking	CIGNA	\$ 9,308.41	Life & LTD Insurance
10/14/2021	Old National-Checking	Further	\$ 24,460.36	H.S.A Contributions
10/15/2021	CC Choices ACH	Old National-Checking	\$ 1,961.58	Pathway I
10/15/2021	Old National-Checking	Vision Transportation	\$ 193,946.14	Transportation billing
10/18/2021	Old National-Checking	Old National Bank	\$ 51.12	Old National Service Charge
10/18/2021	Old National-Checking	MN Dept of Rev	\$ 94.00	Sales Tax
10/18/2021	Old National-Checking	Neopost	\$ 201.00	DO Postage
10/20/2021	Old National-Checking	Further	\$ 887.30	Flex Claim Pymts
10/21/2021	PMA I	Old National-Checking	\$ 14,214.52	BMO Credit Card Rebate
10/22/2021	Old National-Checking	Neopost	\$ 201.00	DO Postage
10/22/2021	Old National-Checking	Further	\$ 345.20	Further Fee
10/22/2021	MN Trust-PMA	Old National-Checking	\$ 1,400,000.00	Payroll and Payroll AP
10/25/2021	Retiree Accounts	Old National-Checking	\$ 13,946.14	Auto Transfers for COBRA/Retiree Ins
10/26/2021	Old National-Checking	EBC	\$ 70,582.77	403b & 457 contributions
10/27/2021	Old National-Checking	Further	\$ 2,828.79	Flex Claim Pymts
10/27/2021	Old National-Checking	BLEM	\$ 8,172.77	Teacher Unions Dues
10/27/2021	Old National-Checking	Further	\$ 25,128.66	H.S.A Contributions
10/29/2021	Old National-Checking	Bremer Bank	\$ 150.60	ACH Charge
10/29/2021	Old National-Checking	Neopost	\$ 201.00	DO Postage
10/29/2021	CC Choices ACH	Old National-Checking	\$ 3,520.00	Pathway I
10/29/2021	MN Trust-PMA BONDS	Old National-Checking	\$ 415,077.75	HVAC Draw 2021A

CASH REPORT FOR SCHOOL BOARD

BIG LAKE PUBLIC SCHOOLS

Independent School District # 727

for month: Oct 2021

101 - CASH ACCOUNTS					
	Beg Balance	Receipts	Checks	Adjustments	End Balance
General Fund	\$ 909,111	\$ 3,729,754	\$ (3,846,975)		\$ 791,890
Food Service	(\$123,894)	16,579	(185,521)		(\$292,836)
Community Service	(\$132,647)	170,155	(229,260)		(\$191,752)
Building Fund	\$0	-	-		\$0
Debt Service	\$63,571	-	-		\$63,571
Project fund- HVAC (Fund 15)	\$0	415,078	(415,078)		\$0
Custodial Fund (Fund 18)	\$1,385	-	(180)		\$1,205
OPEB Trust Fund	\$84,998	-	(254)		\$84,744
TOTAL PER BOOKS	802,524	4,331,566.00	(\$4,677,268)	\$0	456,822
				General Checking Account	\$456,822
				TOTAL PER BANK	\$456,822

102 - PETTY CASH ACCOUNT					
	Beg Balance	Receipts	Checks	Adjustments	End Balance
General Fund	\$2,000	-	(\$241)	-	\$1,759
				Petty Cash Checking Account	\$1,759
				TOTAL PER BANK	\$1,759

104 - INVESTMENT ACCOUNTS					
	Beg Balance	Deposits	Withdrawals	Adjustments	End Balance
General Fund	\$1,277,586	\$ 7,589,573	\$ (8,000,000)		\$867,159
General Fd Operating Investments	\$12,313,886	5,000,000	(5,003,812)		\$12,310,074
Food Service	\$524,972	175,496	-		\$700,468
Community Service	\$1,074,933	70,709	(46)		\$1,145,596
Debt Service	\$3,581,801	1,248,113	-		\$4,829,914
Facilities Investments 2017A	\$2,980	1	-		\$2,981
Facilities Investments 2019A (Fd 06)	\$19,569	-	-		\$19,569
Facility Maintenance Invest. 2020A (Fd 07)	\$271,500	-	-		\$271,500
Facility Maintenance Invest. 2020A (Fd 15)	\$28,109	1	-		\$28,110
Facility Maintenance Invest. 2021A (Fd 07)	\$180,140	-	-		\$180,140
Facility Maintenance Invest. 2021A (Fd 15)	\$2,438,960	18	(415,078)		\$2,023,900
OPEB Trust Fund	\$1,008,335	-	(475)		\$1,007,860
OPEB Trust Equities	\$611,341	21,206	-		\$632,547
TOTAL PER BOOKS	\$23,334,112	\$14,105,117	(\$13,419,411)	\$0	\$24,019,818
				MN Trust	\$7,543,137
				Operating Investments	\$12,310,074
				Building Fund Investments	\$2,526,200
				OPEB Trust	\$1,640,407
				TOTAL PER BANK	\$24,019,818

CASH AND INVESTMENT BALANCE SUMMARY BY FUND					
	Beg Balance	Deposits	Withdrawals	Adjustments	End Balance
General Fund	\$ 14,502,583	\$ 16,319,327	\$ (16,851,028)	\$ -	\$ 13,970,882
Food Service	\$401,078	192,075	(185,521)	-	\$407,632
Community Service	\$942,286	240,864	(229,306)	-	\$953,844
Debt Service	\$4,097,012	1,248,113	-	-	\$5,345,125
Project Fund HVAC- Fund 15	\$2,467,069	415,097	(830,156)	-	\$2,052,010
Custodial Fund (Fund 18)	\$1,385	-	(180)	-	\$1,205
Bond Account Investments (fund 06)	\$22,549	\$1	\$0	-	\$22,550
OPEB Trust Fund	\$1,093,333	-	(729)	-	\$1,092,604
OPEB Trust Equities	\$611,341	21,206	-	-	\$632,547
TOTAL PER BOOKS	24,138,636	\$18,436,683	(\$18,096,920)	\$0	24,478,399
				Cash	\$456,822
				Petty Cash	\$1,759
				Investments	\$24,019,818
				TOTAL PER BANK	\$24,478,399

Treasurer's Report
 Month of October, 2021/22 School Year
 Amber Sixberry, Treasurer

Big Lake School District #727
 Respectfully Submitted at the 11/17/21 Board Meeting
(Italicized, underlined phrase in parenthesis denotes the source of the data and notes)

COMPLIANCE ISSUES

- | | | |
|----|---|-------------------|
| 1) | Preliminary UFARS data loaded to MDE by September 15th, 2021 | In compliance |
| 2) | Revenue and Expenditure Budget published by earlier of one week after school board accepts final audit or November 30, 2021 | Not in compliance |
| 3) | Final UFARS data to MDE by November 30, 2021 | Not in compliance |
| 4) | The 2020/2021 audit (electronic copy) received at MDE by December 31st, 2021 | 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)	\$ 36,923,238	\$ 6,578,809	18%	\$ 39,479,921	\$ 7,723,309	20%	
Food Service (02)	\$ 1,819,935	\$ 259,433	14%	\$ 1,782,109	\$ 282,434	16%	
Community Service (04)	\$ 1,826,853	\$ 699,335	38%	\$ 1,911,445	\$ 598,674	31%	
Building Construction (06)	\$ 4,050	\$ 2	0%	\$ 5,044,369	\$ 3,209,513	64%	
Debt Service (07)	\$ 5,744,662	\$ 238,554	4%	\$ 6,040,503	\$ 741,552	12%	
OPEB Irrevocable Trust Fund (45)	\$ 60,000	\$ 22,149	37%	\$ 248,570	\$ 858	0%	

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

Budgeted Seated ADM	2994
Tuition ADM	72
Budgeted ADM	3066

NOTES

No budget revisions for this month.

FORM A

**RESOLUTION OF GOVERNING BOARD SUPPORTING
FORM A APPLICATION TO MINNESOTA
STATE HIGH SCHOOL LEAGUE FOUNDATION**

WHEREAS, the Minnesota State High School League Foundation was formed to provide support for Minnesota’s high school youth to participate in athletics and fine arts;

WHEREAS, the Governing Board of Big Lake School District #727 recognizes the value of student participation in extracurricular activities; and

WHEREAS, the MSHSL Foundation is offering grants and funding to assist schools in recognizing, promoting and funding extracurricular participation by high school students in athletic and fine arts programs.

THEREFORE, BE IT RESOLVED, that the Governing Board of Big Lake School District #727 supports the school’s application to the Minnesota State High School League Foundation for a **FORM A** grant to offset student activity fees.

11/18/2021
Date

Board Chair/Head of School

11/18/2021
Date

Board Clerk – Treasurer/ Finance Director

Learn BIG

with Big Lake

**COMMUNITY
EDUCATION**



Annual School Board Report

Presented by Allen Berg, Director of Community Education & Communication Services

Early Childhood Family Education

- 12 FULL Classes
- New: 2 day Preschool Pals Class
- Home/Daycare Visits
- ECFE at the Library
- Early Childhood Screening
- Special Events
 - ECFE in the Park: 60-70 families participate every other Wednesday in the summer
 - ECFE Roll & Stroll



Little Learners Preschool



- 12 Classes (203 students)
- Little Learners Outdoors utilizing Project Learning Tree Curriculum
- Summer Explorers
- New: Jump Start Kindergarten
- New: Assessing students through Teaching Strategies Gold
- Connect with families via Seesaw

Hive Time & Kids Club

- 3 childcare sites for preK-6th grade
 - Little Learners
 - Liberty Elementary
 - Independence Elementary
- 267 participants during the school year (189 prior)
- 234 participants during the summer (158 prior)
- Distance Learning Emergency Childcare
 - 40 Tier 1 Families Served
 - 90 Non-Tier 1 Families Served
 - Open to ALL families w/ flexible schedule options
 - CE staff before & after school, district staff working during the day



Opening Doors (Adults with Disabilities)



- Part of a five school consortium
 - Becker, Big Lake, Howard Lake-Waverly, Monticello, Buffalo
- Programming restarted last spring
 - Hosted 11 classes in Big Lake
 - Bunny Bingo, Game to Go, UNO and Orange Floats, Flip Flop Fun, Picnic Preparation, and Bird Nest Building



Adult Basic Education (ABE)



- Part of a consortium made up of 17 schools and 3 jails
- In Big Lake we offer:
 - GED, ESL, GED/Basic Skills in Reading, Writing, Math, and English, Citizenship, Driver's Permit Test Studies
- Programming was done in Distance Learning with the exception of testing
- Big Lake has 2 certified teachers, 2 volunteer tutors, and 18 students

Youth Enrichment/Recreation Programs

- Examples include:
 - Babysitting 101
 - Drivers Education
 - Art Classes
 - Swim Lessons
 - Gymnastics
 - Fencing
 - Archery
 - And much more!



Youth Enrichment/Recreation Programs Data

Fiscal Year Enrollment History

		2020-21	2019-20	2018-19	2017-18	2016-17
Total Youth Participants	Duplicated	2,870	2,099	4,691	4,123	3,728

Summer Enrollment History

		2021	2020	2019	2018	2017
Total Youth Participants	Duplicated	3,509	927	2,211	2,174	1,791

Adult Enrichment/Recreation Programs

- Examples include:
 - Crochet Class
 - 55+ Driver Improvement
 - Chunky Knit Blanket
 - Spanish
 - Dog Obedience
 - Guitar
 - DIY Furniture Painting
 - Savvy Tax Strategies
 - Social Security Class
 - Trips
 - And more!



Adult Enrichment/Recreation Programs Data

Fiscal Year Enrollment History

		2020-21	2019-20	2018-19	2017-18	2016-17
Total Adult Participants	Duplicated	68	2,503	1,968	650	457

Summer Enrollment History

		2021	2020	2019	2018	2017
Total Adult Participants	Duplicated	53	927	2,211	2,174	1,791

Facility Use History

		2020-21	2019-20	2018-19	2017-18	2016-17
Facility Use	# of Groups	28	20	35	35	34
	# of Participants	69,613	68,670	109,000	91,500	21,302



Thank You!

Registration for Winter/Spring classes begins on December 1!