



AGENDA
REGULAR MEETING
ROYALTON BOARD OF EDUCATION
EARLY CHILDHOOD ENTRANCE FOYER, ENTER DOOR #1
120 SOUTH HAWTHORN STREET
ROYALTON, MN 56373
NOVEMBER 28, 2022
6:00 PM

1. **Call to Order**
2. **Pledge to Flag**
3. **Roll Call**
4. **Board Chair Comments**
5. **Approval of Agenda**
6. **Appreciation, Recognition and Presentations**

Jackson Psyck - Selected Defensive End for the North Team in the Minnesota High School All-Star Football Game.

Hannah Krueger - 2022 Section 6AA Volleyball All-Tournament Team.

Kari Rohling - Title I Coordinator

7. **Recognition of Citizens for Input Purposes**

8. **Reports/News**

- a. Board Committee Report
- b. Superintendent Report
- c. Business Manager Report 3
- d. Principal Report 10
- e. Athletic Director

9. **Consent Agenda Approval**

***The Board is consenting to approve items listed below as presented, at one time. At any point a Director can pull an item off the consent agenda for further discussion.**

- a. Approval of Regular Board Meeting Minutes from 10.24.22 26
- b. Approval of Special Meeting Minutes from 11.10.22 31
- c. Approval of Special Meeting Minutes from 11.15.22 34
- d. Claims, Accounts and Financial
Approve accounts payable and receivables, and employee reimbursements as attached and approve all other financial reports as presented.
- e. Approval of Resignations 36
- f. Brainstorm Conference 37

10. **Discussion/Information/Action Items**

11. Fastbridge Update 38
12. Preliminary Audit Report 51
13. Enrollment Presentation 147

14. Approve Renewal of SMS Contract

156

15. Upcoming Meeting Schedule

1. Wednesday, November 30th, 6:00-7:30 PM Strategic Planning Committee Meeting
2. Tuesday, December 13th, 6:05 PM Truth in Taxation followed by a Regular Board Meeting
3. Wednesday, December 14th, 2:00 PM Policy Meeting
4. Tuesday, December 20th, Noon Finance Meeting

16. Adjournment

November 2022 - Budget Update



A LOOK
at the
BUDGET

ENROLLMENT

- FY23 Adopted Budget: 920 ADM
- As of 10-5-2022:
 - Enrollment: 959 ADM

REVENUES

ROYALTON | October 31, 2022

REVENUE CATEGORIES	June 30, 2021	June 30, 2022	Adopted Budget	Projected End Of Year	Received YTD	Budget Remaining	October 31,	October 31,	October 31,	Current YTD vs. PYTD	October 31, 2021	October 31, 2020
							2022 % of Budget Received	2021 % of Actuals Received	2020 % of Actuals Received			
STATE	8,485,614	8,706,214	9,070,610	9,317,739	2,479,162	6,591,448	27.33%	23.68%	24.22%	417,670	2,061,491	2,055,489
FEDERAL	562,863	740,079	498,000	602,485	108,473	389,527	21.78%	0.85%	3.55%	102,173	6,300	19,992
PROPERTY TAXES	707,849	921,774	710,609	705,386	0	710,609	0.00%	0.18%	0.55%	(1,643)	1,643	3,911
LOCAL SALES, INS RECOVERY & JUDGEMENTS	16,885	41,182	38,400	70,158	48,207	(9,807)	125.54%	15.78%	3.44%	41,710	6,497	580
SALE OF BONDS & LOANS	0	0	0	0	0	0	0.00%	0.00%	0.00%	0	0	0
INCOMING TRANSFERS FROM OTH FUNDS	0	0	0	0	0	0	0.00%	0.00%	0.00%	0	0	0
LOCAL (FEES, INTEREST, ETC.)	193,806	331,672	258,010	347,964	197,029	60,981	76.36%	47.55%	32.45%	39,315	157,714	62,884
TOTALS	9,967,018	10,740,921	10,575,629	11,043,732	2,832,871	7,742,758	26.79%	20.80%	21.50%	599,225	2,233,646	2,142,856

REVENUES CONTINUED

FY23 - THROUGH THE END OF OCTOBER 2022

- REVENUES ARE TRACKING \$599,225 AHEAD OF FY22 PACE

EXPENDITURES

ROYALTON | October 31, 2022

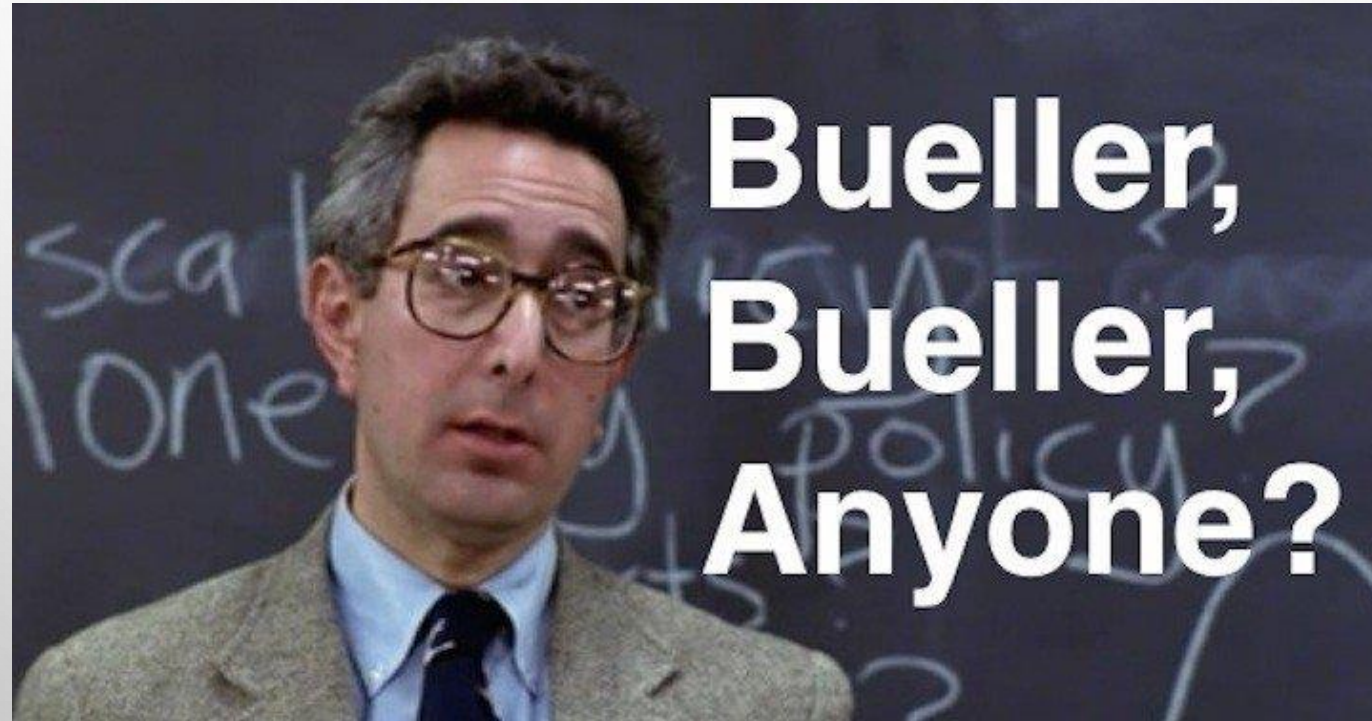
EXPENDITURES (OBJECT SERIES)	June 30, 2021	June 30, 2022	Adopted Budget	Projected End Of Year	Expended YTD	Budget Remaining	October 31, October 31, October 31,			Current YTD vs. PYTD	October 31, 2021	October 31, 2020
							2022 % of Budget Expended	2021 % of Actuals Expended	2020 % of Actuals Expended			
SALARIES & WAGES	5,756,121	6,082,205	6,159,525	6,242,852	1,279,848	4,879,677	20.78%	18.89%	19.28%	130,804	1,149,044	1,109,772
EMPLOYEE BENEFITS	1,609,710	1,683,469	1,766,055	1,780,267	381,711	1,384,344	21.61%	22.85%	19.66%	(2,915)	384,626	316,496
PURCHASED SERVICES	1,135,091	1,620,551	1,277,078	1,475,254	505,559	771,519	39.59%	26.80%	24.06%	71,176	434,383	273,115
SUPPLIES	476,459	867,155	613,108	768,605	339,066	274,042	55.30%	24.99%	25.77%	122,345	216,721	122,762
EQUIPMENT	449,049	527,519	512,700	623,141	473,425	39,275	92.34%	53.52%	75.99%	191,077	282,348	341,227
DEBT SERVICE	0	0	0	0	0	0	0.00%	0.00%	0.00%	0	0	0
OTHER EXPENDITURES	76,507	43,014	72,203	71,894	18,527	53,676	25.66%	59.40%	15.99%	(7,025)	25,551	12,233
OTHER FINANCING USES	0	0	0	0	0	0	0.00%	0.00%	0.00%	0	0	0
TOTALS	9,502,937	10,823,914	10,400,670	10,962,013	2,998,137	7,402,533	28.83%	23.03%	22.89%	505,462	2,492,674	2,175,605

EXPENSES CONTINUED

EXPENSES ARE TRACKING \$505,462 AHEAD OF FY22 PACE THROUGH THE END OF Q1 FY23.

- SUPPLIES AND CAPITAL EQUIPMENT PURCHASES USING PMA FUNDS AND ESSER FUNDING
- HVAC PROJECT

ANY QUESTIONS?





ROYALTON
PUBLIC SCHOOLS

120 Hawthorn Street, Royalton, MN 56373
Phone (320) 584-4000
royaltonpublicschools.org

Home of the Royals

RESPECT · HONESTY · INTEGRITY · LEADERSHIP · ACCOUNTABILITY · SERVICE

ROYALTON ELEMENTARY STUDENT
COUNCIL - A LOOK AT WHAT WE DO

STUDENTS INVOLVED...

Each fall 4th and 5th grade classrooms nominate two students to participate in student council.

Currently we have 12 students involved.



MEETINGS...

Student council meets one or two times each month. Students generate ways they can build community in our school and help our surrounding communities. The group works on leadership and communication skills by generating ideas, collaborating, and volunteering to write and make announcements together.

OPPORTUNITY FOR LEADERSHIP OVER THE YEARS...

Food and clothing drive for Morrison County Food Shelf in March

Pennies for Patients

Coin drives for local families we know about

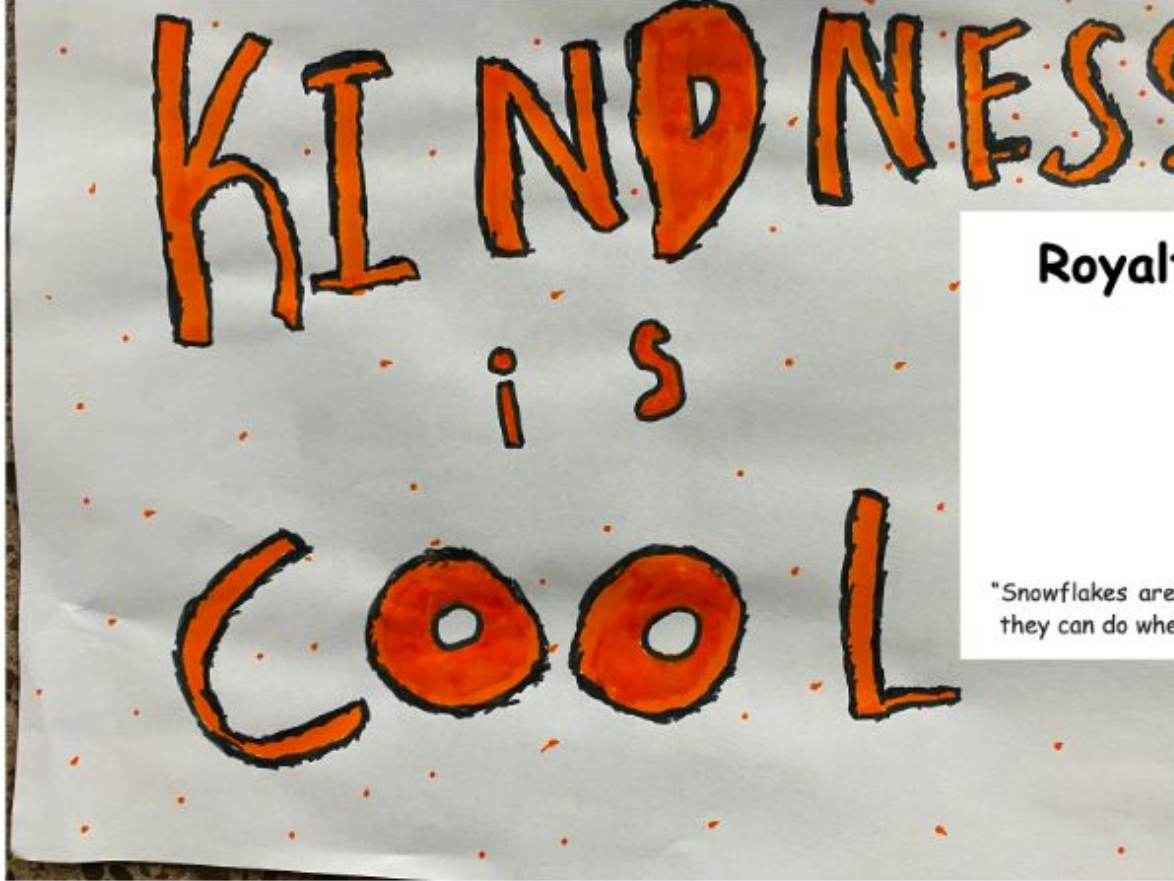
Animal shelter coin drive for Morrison County Humane Society & the Tri-County Humane Society

School spirit days

Bullying awareness month – wear orange/kindness posters

“Brighten someone’s day”

¹⁴



Royalton Elementary Coin Drive



"Snowflakes are one of nature's most fragile things, but just look at what they can do when they stick together." -Unknown



Thank you!



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Student Council Fall Activities 2022

Open House



Back to School Pep Rally



19

Homecoming



Fall Convention (Central Division)



Halloween



Fall Leadership Forum



23

Turkey Bingo



Turkey Bingo

November 22

Starting at 2:40

To claim your prize,
you must gobble your
way down to the office!

**Pocket Challenges
during down
time! Winning
classes get prizes!**

**The first 2
rounds
are free!**

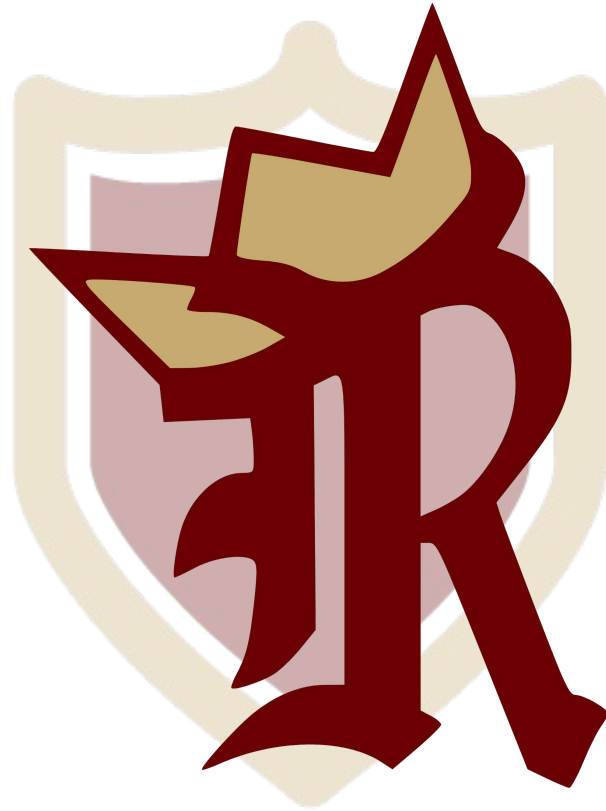
After the 2nd round:

1 Food Shelf Item=

1 Round of Bingo



***Staff check your email for the link to join the
Google Meet***



Thank you!

Regular Meeting

Monday, October 24, 2022 6:00 PM

Early Childhood Entrance Foyer, Enter Door #1, 120 South Hawthorn Street,
Royalton, MN 56373

Tyra Baumann: Present

Russ Gerads: Present

Randy Hackett: Present

Rian Hofstad: Absent

Mary Lange: Present

Angela Roering: Present

Mary Lange: Absent

Director Lange left the meeting at 8:10pm.

1. Call to Order

2. Pledge to Flag

3. Roll Call

4. Board Chair Comments

5. Approval of Agenda

Action(s):

Approval of Agenda. This motion, made by Randy Hackett and seconded by Tyra Baumann, Passed.

Voting Detail:

Tyra Baumann: Yea

Russ Gerads: Yea

Randy Hackett: Yea

Rian Hofstad: Absent

Mary Lange: Yea

Angela Roering: Yea

Voting Summary: Yea: 5, Nay: 0, Absent: 1

6. Appreciation, Recognition and Presentations

7. Recognition of Citizens for Input Purposes

8. Reports/News

8.a. Board Committee Report

8.b. Superintendent Report

8.c. Business Manager Report

8.d. Principal Report

8.e. Athletic Director

9. Consent Agenda Approval

***The Board is consenting to approve items listed below as presented, at one time. At any point a Director can pull an item off the consent agenda for further discussion.**

Action(s) :

Approval of All Items on Consent Agenda. This motion, made by Tyra Baumann and seconded by Angela Roering, Passed.

Voting Detail:

Tyra Baumann: Yea
Russ Gerads: Yea
Randy Hackett: Yea
Rian Hofstad: Absent
Mary Lange: Yea
Angela Roering: Yea

Voting Summary: Yea: 5, Nay: 0, Absent: 1

9.a. Approval of Regular Board Meeting Minutes
September 26, 2022

9.b. Claims, Accounts and Financial
Approve accounts payable and receivables, and employee reimbursements as attached and approve all other financial reports as presented.

9.c. Approval of Resignations

9.d. Approval of New Hires

10. Discussion/Information/Action Items

10.a. Building Improvements Update

10.b. Approval of the Strategic Plan including
WBWF Plan

Action(s) :

Motion to Approve Strategic Plan including WBWF Plan. This motion, made by Tyra Baumann and seconded by Mary Lange, Passed.

Voting Detail:

Tyra Baumann: Yea
Russ Gerads: Yea
Randy Hackett: Yea
Rian Hofstad: Absent
Mary Lange: Yea
Angela Roering: Yea

Voting Summary: Yea: 5, Nay: 0, Absent: 1

10.c. SMS Renewal Contract Discussion

10.d. Approval of the Prom Venue and
Transportation

Action(s) :

Motion to Approve Prom Venue at Coyote Moon and Transportation from Trobec's. This motion, made by Angela Roering and seconded by Randy Hackett, Passed.

Voting Detail:

Tyra Baumann: Yea
Russ Gerads: Yea
Randy Hackett: Yea
Rian Hofstad: Absent
Mary Lange: Yea
Angela Roering: Yea

Voting Summary: Yea: 5, Nay: 0, Absent: 1

10.e. Approval of Donations by Resolution

Action(s):

Motion to Approve Donation by Resolution. This motion, made by Randy Hackett and seconded by Angela Roering, Passed.

Voting Detail:

Tyra Baumann: Abstain (With Conflict)
Russ Gerads: Yea
Randy Hackett: Yea
Rian Hofstad: Absent
Mary Lange: Yea
Angela Roering: Yea

Voting Summary: Yea: 4, Nay: 0, Absent: 1,
Abstain (With Conflict): 1

10.f. Approval of MSHSL FORM A Resolution

Action(s):

Motion to Approve the Resolution of Governing Board Supporting FORM A Application to MN State High School League Foundation. This motion, made by Tyra Baumann and seconded by Mary Lange, Passed.

Voting Detail:

Tyra Baumann: Yea
Russ Gerads: Yea
Randy Hackett: Yea
Rian Hofstad: Absent
Mary Lange: Yea
Angela Roering: Yea

Voting Summary: Yea: 5, Nay: 0, Absent: 1

10.g. Approval of Student Council Overnight Trip to Cragun's

Action(s):

Motion to Approve Student Council State Leadership Overnight Trip to Cragun's. This motion, made by Tyra Baumann and seconded by Randy Hackett, Passed.

Voting Detail:

Tyra Baumann: Yea
Russ Gerads: Yea
Randy Hackett: Yea
Rian Hofstad: Absent
Mary Lange: Yea

Angela Roering: Yea

Voting Summary: Yea: 5, Nay: 0, Absent: 1

10.h. Approval of the Purchase of a Wheelchair Accessible Van

Action(s):

Motion to Approve the Purchase of a Wheel Chair Accessible Van. This motion, made by Randy Hackett and seconded by Angela Roering, Passed.

Voting Detail:

Tyra Baumann: Yea
Russ Gerads: Yea
Randy Hackett: Yea
Rian Hofstad: Absent
Mary Lange: Yea
Angela Roering: Yea

Voting Summary: Yea: 5, Nay: 0, Absent: 1

10.i. Approval of the Change of Health Benefits Broker

Action(s):

Motion to Approve the change of Health Benefits Broker and move to MDL Corporate Benefits. This motion, made by Randy Hackett and seconded by Tyra Baumann, Passed.

Voting Detail:

Tyra Baumann: Yea
Russ Gerads: Yea
Randy Hackett: Yea
Rian Hofstad: Absent
Mary Lange: Yea
Angela Roering: Yea

Voting Summary: Yea: 5, Nay: 0, Absent: 1

10.j. Approval of an Update to Teacher Sub Pay Rates

Action(s):

Motion to Approve the Updated Teacher Sub Pay Rates. This motion, made by Randy Hackett and seconded by Tyra Baumann, Passed.

Voting Detail:

Tyra Baumann: Yea
Russ Gerads: Yea
Randy Hackett: Yea
Rian Hofstad: Absent
Mary Lange: Yea
Angela Roering: Yea

Voting Summary: Yea: 5, Nay: 0, Absent: 1

10.k. Policy Reading

10.k.1. First Policy Reading

10.k.2. Approval of Third Policy Reading

Action(s):

Approval of the Third Policy Reading for Policies 419 - Tobacco-Free Environment; Possession and Use of Tobacco, Tobacco-Related Devices, and Electronic Delivery Devices, 520 - Student Surveys and Form, 603 - Curriculum Development, 609 - Religion, 709 - Student Transportation Safety Policy and Form. This motion, made by Randy Hackett and seconded by Tyra Baumann, Passed.

Voting Detail:

Tyra Baumann: Yea
Russ Gerads: Yea
Randy Hackett: Yea
Rian Hofstad: Absent
Mary Lange: Absent
Angela Roering: Yea

Voting Summary: Yea: 4, Nay: 0, Absent: 2

11. Upcoming Meeting Schedule

12. Adjournment

Action(s):

The meeting was adjourned at 8:13pm. This motion, made by Tyra Baumann and seconded by Randy Hackett, Passed.

Voting Detail:

Tyra Baumann: Yea
Russ Gerads: Yea
Randy Hackett: Yea
Rian Hofstad: Absent
Mary Lange: Absent
Angela Roering: Yea

Voting Summary: Yea: 4, Nay: 0, Absent: 2

Board Secretary

Special Meeting

Thursday, November 10, 2022 5:00 PM

Early Childhood Entrance Foyer, Enter Door #1, 120 South Hawthorn Street,
Royalton, MN 56373

Tyra Baumann: Present
Russ Gerads: Present
Randy Hackett: Present
Rian Hofstad: Present
Mary Lange: Present
Angela Roering: Present
Mary Lange: Absent
Mary Lange left the meeting at 5:56pm.

1. Call to Order

2. Pledge of Allegiance

3. Roll Call

4. Approval of Agenda

Motion to Approve the Agenda. This motion,
made by Mary Lange and seconded by Tyra
Baumann, Passed.

Tyra
Baumann: Yea
Russ
Gerads: Yea
Randy
Hackett: Yea
Rian
Hofstad: Yea
Mary Lange: Yea

Angela
Roering: Yea
Yea: 6, Nay: 0

5. Closed session pursuant to Minnesota Statutes
section 13D.05, subdivision
3(b).

Motion to close the special meeting at 5:04pm.
This motion, made by Mary Lange and seconded
by Rian Hofstad, Passed.

Tyra
Baumann: Yea
Russ
Gerads: Yea
Randy
Hackett: Yea
Rian
Hofstad: Yea
Mary Lange: Yea

Angela
Roering: Yea

Yea: 6, Nay: 0

Motion to open the closed meeting at 5:08pm.
This motion, made by Mary Lange and seconded
by Rian Hofstad, Passed.

Tyra
Baumann: Yea

Russ
Gerads: Yea

Randy
Hackett: Yea

Rian
Hofstad: Yea

Mary Lange: Yea

Angela
Roering: Yea

Yea: 6, Nay: 0

Motion to close the closed meeting at 5:55pm.
This motion, made by Tyra Baumann and seconded
by Randy Hackett, Passed.

Tyra
Baumann: Yea

Russ
Gerads: Yea

Randy
Hackett: Yea

Rian
Hofstad: Yea

Mary Lange: Yea

Angela
Roering: Yea

Yea: 6, Nay: 0

Motion to open the special meeting at 5:58pm.
This motion, made by Randy Hackett and
seconded by Tyra Baumann, Passed.

Tyra
Baumann: Yea

Russ
Gerads: Yea

Randy
Hackett: Yea

Rian
Hofstad: Yea

Mary Lange: Absent

Angela
Roering: Yea

Yea: 5, Nay: 0, Absent: 1

6. Official action following closed session, if any.

7. Adjournment

Motion to Adjourn the meeting at 5:59pm. This motion, made by Tyra Baumann and seconded by Rian Hofstad, Passed.

Tyra
Baumann: Yea

Russ
Gerads: Yea

Randy
Hackett: Yea

Rian
Hofstad: Yea

Mary Lange: Absent

Angela
Roering: Yea

Yea: 5, Nay: 0, Absent: 1

Board Secretary

Special Meeting - Canvas Election Results

Tuesday, November 15, 2022 6:00 PM

Early Childhood Entrance Foyer, Enter Door #1, 120 South Hawthorn Street,
Royalton, MN 56373

Tyra Baumann: Present
Russ Gerads: Present
Randy Hackett: Present
Rian Hofstad: Present
Mary Lange: Absent
Angela Roering: Present

1. Call to Order

2. Pledge to Flag

3. Roll Call

4. Approval of Agenda

Motion to Amend the Agenda. Add the Resolution Authorizing Issuance of Certificates of Election and Directing School District Clerk to Perform other Election Related Duties to 5b. This motion, made by Rian Hofstad and seconded by Randy Hackett, Passed.

Tyra Baumann: Yea
Russ Gerads: Yea
Randy Hackett: Yea
Rian Hofstad: Yea
Mary Lange: Absent
Angela Roering: Yea

Yea: 5, Nay: 0, Absent: 1

5. Discussion/Information/Action Items

5.a. Canvass Votes

Roll Call vote was taken by Director Baumann, Director Gerads, Director Hackett, Director Hofstad and Director Roering.

5.b. Resolution Authorizing Issuance of Certificates of Election and Directing School District Clerk to Perform other Election Related Duties

Roll Call vote was taken by Director Baumann, Director Gerads, Director Hackett, Director Hofstad and Director Roering.

6. Adjournment

Motion to Adjourn at 6:09pm. This motion, made by Randy Hackett and seconded by Tyra Baumann, Passed.

Tyra Baumann: Yea
Russ Gerads: Yea

Randy Hackett: Yea
Rian Hofstad: Yea
Mary Lange: Absent
Angela Roering: Yea
Yea: 5, Nay: 0, Absent: 1

Board Secretary

Resignation 11.28.22

Sarah Soltis - C Squad GBB Coach
Ingrid Popp - Preschool Para

Brainstorm Conference
Wisconsin Dells, WI

Date: Sunday, March 12, 2022 - March 14

Description: The BrainStorm Conference is for techs to network with other Technology Coordinators from all over the Midwest. In addition, techs will connect with technology vendors who tailor their products for the education community. The focus is on infrastructure, servers, storage, security, networking, hardware selection, system management and other related technical areas.

Benefits:

By attending this conference I will be able to talk with other K-12 techs on what they are doing in their schools to get ideas for Royalton. Monday and Tuesday are days filled with breakout sessions and roundtable discussions that are presented by other technology directors. In years past, I have attended this conference and have always come back with something that could be implemented at Royalton. For instance I attended a Google Admin training that went through in great detail everything available for managing users and devices in the Google Admin Console. I also brought back information on starting up helpdesk software. This has been implemented and helps the technology department with organizing and prioritizing help desk requests.

Costs:

Conference Registration: \$345 (early bird price if registered before February 11) breakfast and lunch included

Hotel: approximately \$450 (Saturday, Sunday & Monday night)

Meals: \$90

Mileage: 620 miles = approximately \$350



ROYALTON

PUBLIC SCHOOLS

Creating a Collaborative and Caring Community

FastBridge Information and Royalton School District Implementation

FastBridge: Background Information

Development began in 2005 by researchers from the University of Minnesota.

Evidence-based formative assessment system

- Academic (Reading and Math)
- Social-Emotional and Behavioral (SEB)



Inform Tier 1 program evaluation and pinpoint areas of effective and ineffective core practices



Pinpoint academic and SEB skill gaps for more targeted interventions that expedite growth



Know whether interventions are working in half the time to make necessary adjustments faster



Ensure that growth is happening equitably for all students

Royalton School District Implementation

Elementary School (K-5)--2013

Middle School (6-8)--2022

- Students are assessed 3x each year
- Teachers analyze data to make informed instructional decisions within Tier 1, 2, and 3 settings
- FastBridge benchmark screening information is used as the dyslexia screening tool for the Read Well by Third Grade report

RES 2022-2023 FastBridge Screening Assessments

Grade Level	Assessment	Testing Window
Kindergarten	earlyReading aReading aMath	FWS FWS FWS
Grade 1	aReading earlyReading CBM-R aMath	FWS F WS FWS
Grade 2-5	aReading AutoReading CBM-R aMath	FWS FWS FWS FWS

Explanation of Assessments

aReading	aReading is a simple and efficient procedure for screening K-12 students' broad reading abilities appropriate for each grade level. The assessment is based on research and each question is aligned with the National Common Core State Standards (2010).
earlyReading	The earlyReading English assessment is used to screen and monitor a student's progress in developing reading skills. Teachers work with a student individually to complete four assessment. These measures are designed for students in the early primary grades and are typically used in kindergarten and first grade. earlyReading English performance is an indicator of student reading development. It is designed to assess reading skills that predict successful reading of connected text.
CBM-R	Curriculum Based Measurement for Reading (CBMreading) is an efficient and effective way to screen and monitor student reading progress. A teacher listens to a student read aloud from a grade-level passage for 1 minute while recording student errors. Passages are available for grades 1-8.
AUTOreading	AUTOreading is an assessment of a student's automaticity with select reading skills, including recognizing letter names and sounds, decoding words, identifying the correct spelling of words, word synonyms, and detecting differences in word meanings. AUTOreading is a computer-based test and can be used with students in grades K-12.
aMath	aMath is a simple and efficient procedure for screening students' broad math abilities. The assessment is based on expert recommendations and questions are aligned with the National Common Core State Standards (2010). aMath is a computer-adaptive test

FastBridge Scores: Benchmark and Norms

Benchmark Scores

- Cut Scores or Ranges of scores used to identify risk categories—these indicate how likely students within the different risk categories will fall at the end of the school year
- Based on the national FastBridge norms
 - concurrent and predictive validity data

Norms

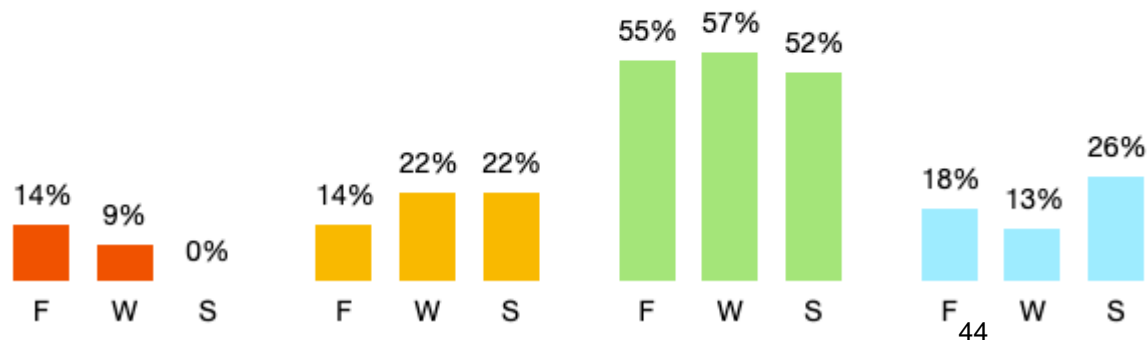
- Norms indicate how the student performs (or ranks) relative to grade level peers nationally or locally
- Rankings based off scores collected from last school year

Benchmark Scores	Norms Percentile
High Risk (!!) Below the 15th percentile	0-19.99th percentile
Some Risk (!) 15th-39th percentile	20-29.99th percentile
Low Risk 40th-70th percentile	30-84.99th percentile
College Pathway 71st-99th percentile	85th percentile and above

Reports: Grade Level and Classroom data

Teachers have the ability to use classroom reports from FastBridge to help with making informed instructional decisions on grade level standards, determine if grade level or classwide interventions are necessary, aid in grouping students based on like needs, and decide which areas of instruction students would benefit from more support within a Tier I setting.

Scores Of Students In Group By Normative Categories: ?

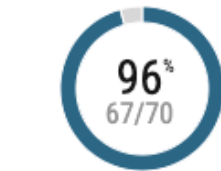


	Fall Score	Winter Score	Spring Score
	506	☆ 524	523
☆	551	☆ 552	☆ 554
	504	519	516
	506	! 496	517
	515	☆ 524	519
	509	514	! 511
!	492	! 506	! 510
☆	518	521	525

Report: Screening to Intervention

Grade Level report:

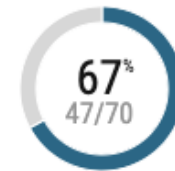
Students On Track: Met Low Risk Benchmark



earlyReading English -
Word Segmenting *
PHONEMIC AWARENESS



AUTOREading
PHONICS & FLUENCY



aReading
GENERAL READING

Classroom report:

Students On Track: Met Low Risk Benchmark



earlyReading English -
Word Segmenting *
PHONEMIC AWARENESS



AUTOREading
PHONICS & FLUENCY



aReading
GENERAL READING

Grade-Wide Recommendation



On Track

Continue current whole-group
instruction

[Go to plan](#)

Whole Group Recommendation



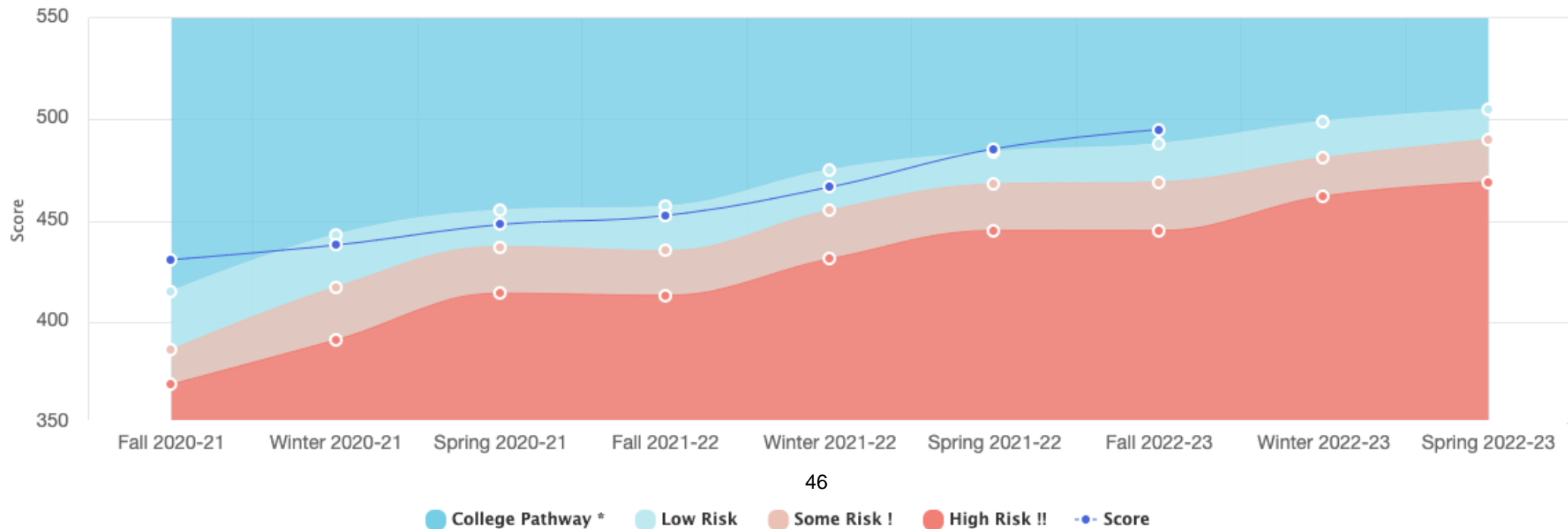
3.2: Phonics & Fluency

Build skills identified in this plan
during whole group instruction

[Go to plan](#)

Reports: Individual Student data

Teachers interpret and use FastBridge data to make instructional decisions regarding individual students; including decisions regarding Tier 2 and Tier 3 instruction. The reports are used to make decisions on interventions and targeted academic (or SEB) skills to progress monitor. Overtime, the data collected can show trends and longitudinal data.



Individual benchmark scores = MCA predictor

Reading
62nd %tile

Math
72nd %tile

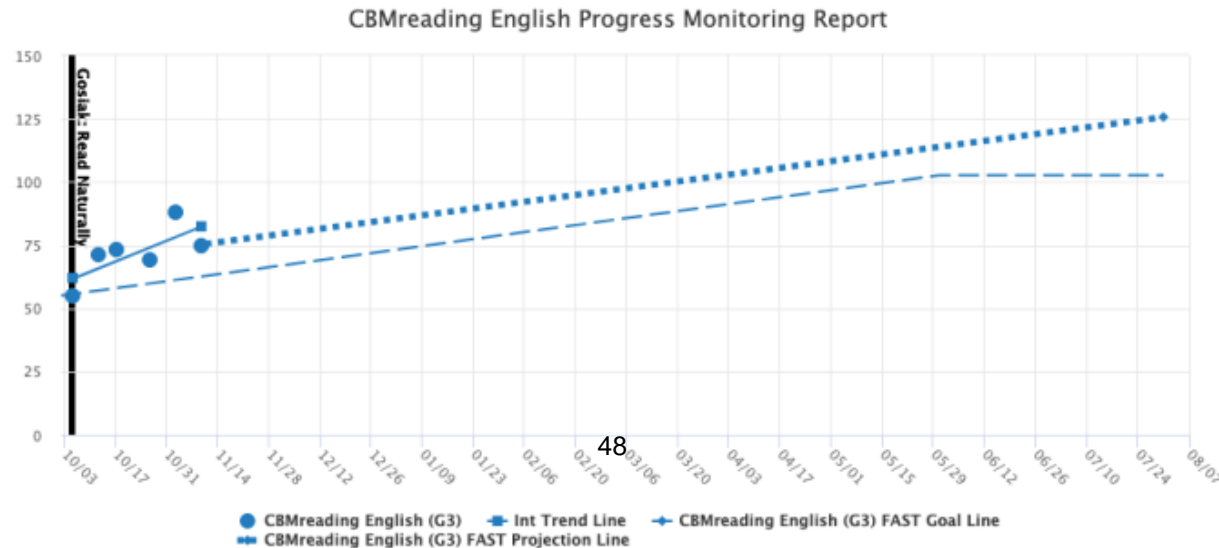
Risk Level	MCA Predictor
High (!!)	25% probability of passing the MCAs
Some (!)	Approximately 50% probability of passing the MCAs
Low	60-70% probability of passing the MCAs
College Pathway	High probability (90% chance) of passing the MCAs

Individual Student data + Progress Monitoring

Screen-to-Intervention report:

Phonemic Awareness *	Phonics & Fluency	General Reading	Read. Program LEXILE®	Plan
>=32	! 508	!! 487	350L	1.2: Phonics & Fluency
>=32	! 510	529	1005L	5: Phonics & Fluency
>=32	520	533	1070L	On Track
! <32	!! 485	!! 462	BR40L	1.1: Phonemic Awareness & Phonics INTENSE

Progress Monitoring Graph:



Questions?



Thank you!



**DO
MORE.**

Independent School District No. 485
Royalton, Minnesota

Audit Presentation
June 30, 2022

Independent Auditor's Report

- Unmodified opinion on the District's Basic Financial Statements, which comprise the District's governmental activities, each major fund, the aggregate remaining fund information, and the budget to actual statement for the General Fund.
- 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.

Other Communications

- Report related to *Government Auditing Standards*
 - Two internal control findings
 - No compliance findings
- Report on Compliance and Internal Control over Compliance for Each Major Federal Program
 - One internal control finding
 - No compliance findings
- Report on the results of testing on *Minnesota Legal Compliance*
 - No findings
- Financial Analysis

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%

* Of the \$529 increase over 2014, \$105 is for inflation at 1.9% the remaining \$424 is a shifting (rather than an increase) of revenue to adjust for pupil weight changes, pension adjustments changes and other restructuring.

Average Daily Membership and Pupil Units – Resident ADM

ADM	2018	2019	2020	2021	2022*
Kindergarten and other	62.98	43.28	50.94	46.76	52.14
Elementary	346.76	337.09	325.59	305.02	323.43
Secondary	362.19	388.98	431.01	425.62	423.92
Total resident ADM	771.93	769.35	807.54	777.40	799.49

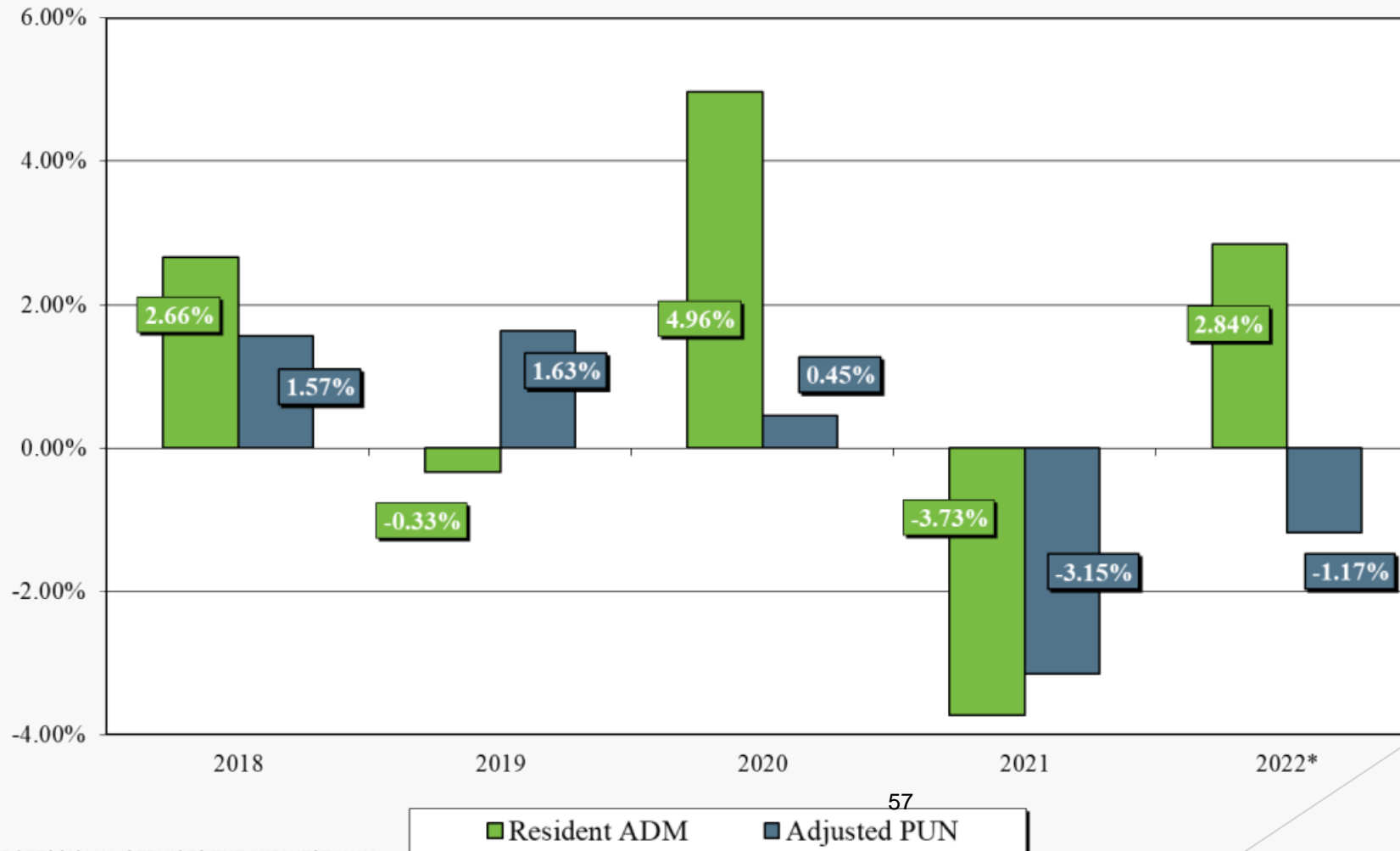
Average Daily Membership and Pupil Units – Adjusted PUN

	Prekindergarten	Handicapped Kindergarten	Kindergarten	Elementary Grades 1-3	Elementary Grades 4-6	Secondary
2018-2022	1.000	1.000	1.000	1.000	1.000	1.200

PUN	2018	2019	2020	2021	2022*
Residents	844.36	847.14	893.75	862.52	884.27
Resident PUN going elsewhere	(126.53)	(143.56)	(157.34)	(150.83)	(137.24)
Total residents served	717.83	703.58	736.41	711.69	747.03
Total nonresidents served	303.80	334.69	306.51	298.39	251.21
Total Adjusted PUN	1,021.63	1,038.27	1,042.92	1,010.08	998.24

Average Daily Membership

Change in ADM and Adjusted PUN



57

General Fund

Sources of Revenue

	2018	2019	2020	2021	2022
Local property taxes	\$ 662,503	\$ 497,991	\$ 572,195	\$ 707,849	\$ 727,612
State sources	8,190,290	8,548,279	8,931,668	8,485,614	8,651,374
Other	492,574	409,353	523,269	773,553	1,102,933
Total	\$ 9,345,367	\$ 9,455,623	\$ 10,027,132	\$ 9,967,016	\$ 10,481,919

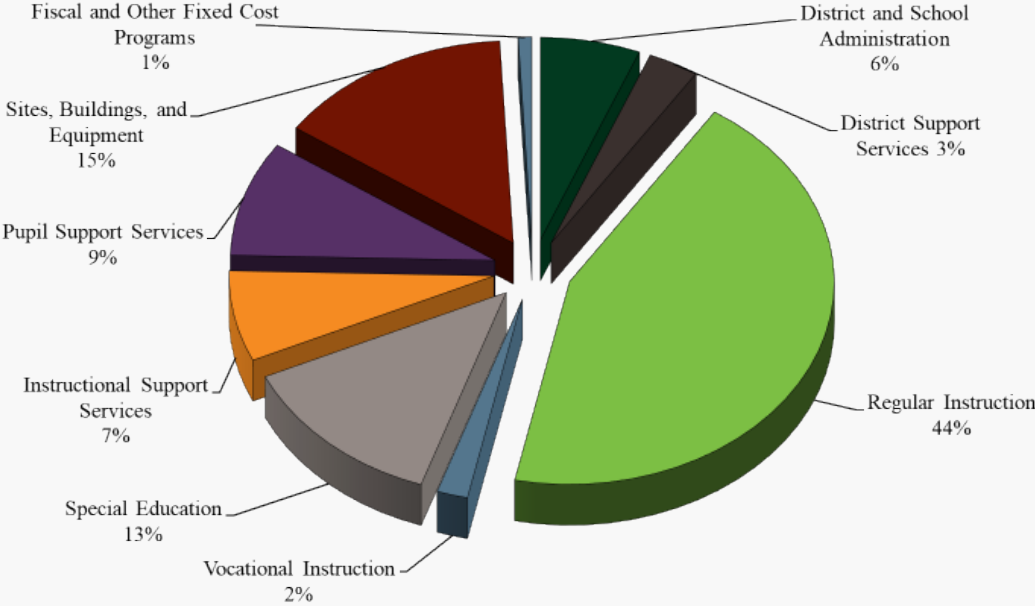
General Fund

Budget and Actual Results

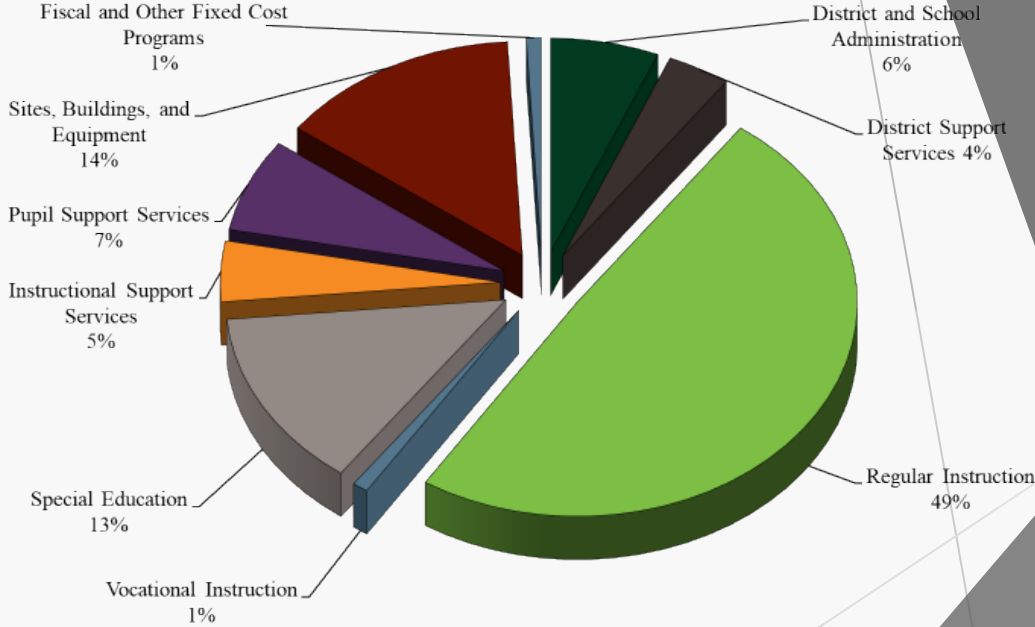
	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Over (under)
	Original	Final		
Revenues				
Local property taxes	\$ 676,668	\$ 684,800	\$ 727,612	\$ 42,812
Other local revenues	156,848	296,079	331,671	35,592
Revenue from state sources	8,487,665	8,785,179	8,651,374	(133,805)
Revenue from federal sources	564,138	1,041,984	730,079	(311,905)
Sales and other conversions of assets	-	40,400	41,183	783
Total revenues	<u>9,885,319</u>	<u>10,848,442</u>	<u>10,481,919</u>	<u>(366,523)</u>
Expenditures				
Administration	586,266	638,446	661,687	23,241
District support services	341,481	474,780	338,655	(136,125)
Regular instruction	4,897,997	5,140,586	4,780,699	(359,887)
Vocational instruction	137,808	161,357	204,455	43,098
Special education instruction	1,373,977	1,401,924	1,406,198	4,274
Instructional support services	370,870	454,885	783,733	328,848
Pupil support services	899,951	1,078,293	1,000,871	(77,422)
Sites and buildings	1,253,406	1,715,602	1,576,341	(139,261)
Fiscal and other fixed cost programs	204,131	73,718	89,566	15,848
Total expenditures	<u>10,065,887</u>	<u>11,139,591</u>	<u>10,842,205</u>	<u>(297,386)</u>
Excess of revenues under expenditures	<u>\$ (180,568)</u>	<u>\$ (291,149)</u>	<u>\$ (360,286)</u>	<u>\$ (69,137)</u>

General Fund Expenditures

2022 General Fund Expenditures
\$10,842,205



2021 General Fund Expenditures
\$9,502,936



General Fund

Revenues Per Student

	2018	2019	2020	2021	2022**
General fund	\$ 9,931	\$ 9,940	\$ 10,526	\$ 10,782	\$ 11,488
State-wide averages	12,691	13,148	13,628	14,612	N/A

General Fund

Expenditures Per Student

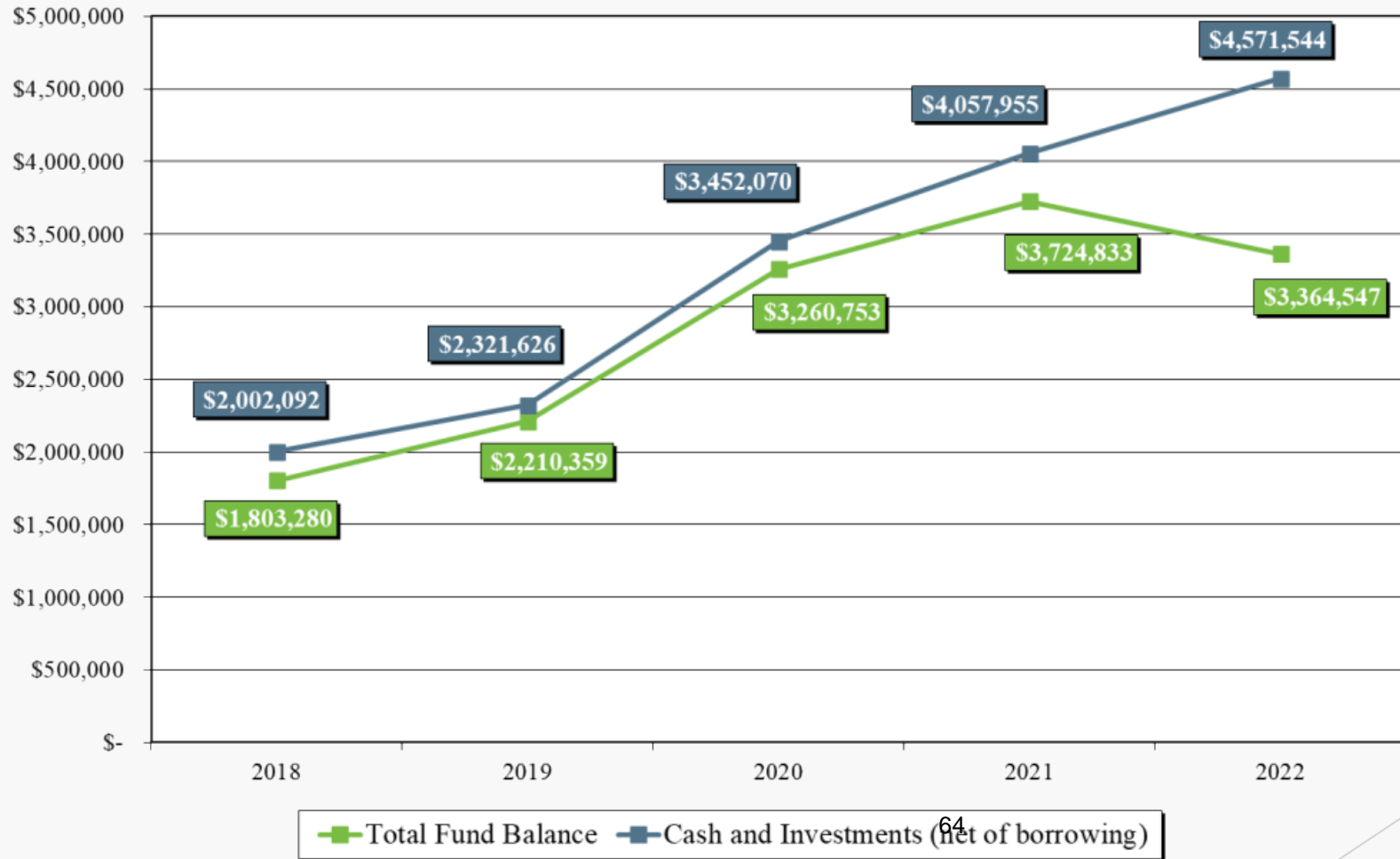
	2018	2019	2020	2021	2022**
General fund	\$ 9,827	\$ 9,511	\$ 9,637	\$ 10,278	\$ 11,882
State-wide averages	12,596	13,025	13,313	14,167	N/A

General Fund Operations

For the Year Ended June 30,	2018	2019	2020	2021	2022
Revenues	\$ 9,345,367	\$ 9,455,623	\$ 10,027,132	\$ 9,967,016	\$ 10,481,919
Expenditures	9,247,415	9,048,544	9,183,052	9,502,936	10,842,205
Excess of revenues over (under) expenditures	97,952	407,079	844,080	464,080	(360,286)
Fund balance, July 1	1,705,328	1,803,280	2,210,359	3,260,753	3,724,833
Change in accounting principle	-	-	206,314	-	-
Fund Balance, June 30	\$ 1,803,280	\$ 2,210,359	\$ 3,260,753	\$ 3,724,833	\$ 3,364,547

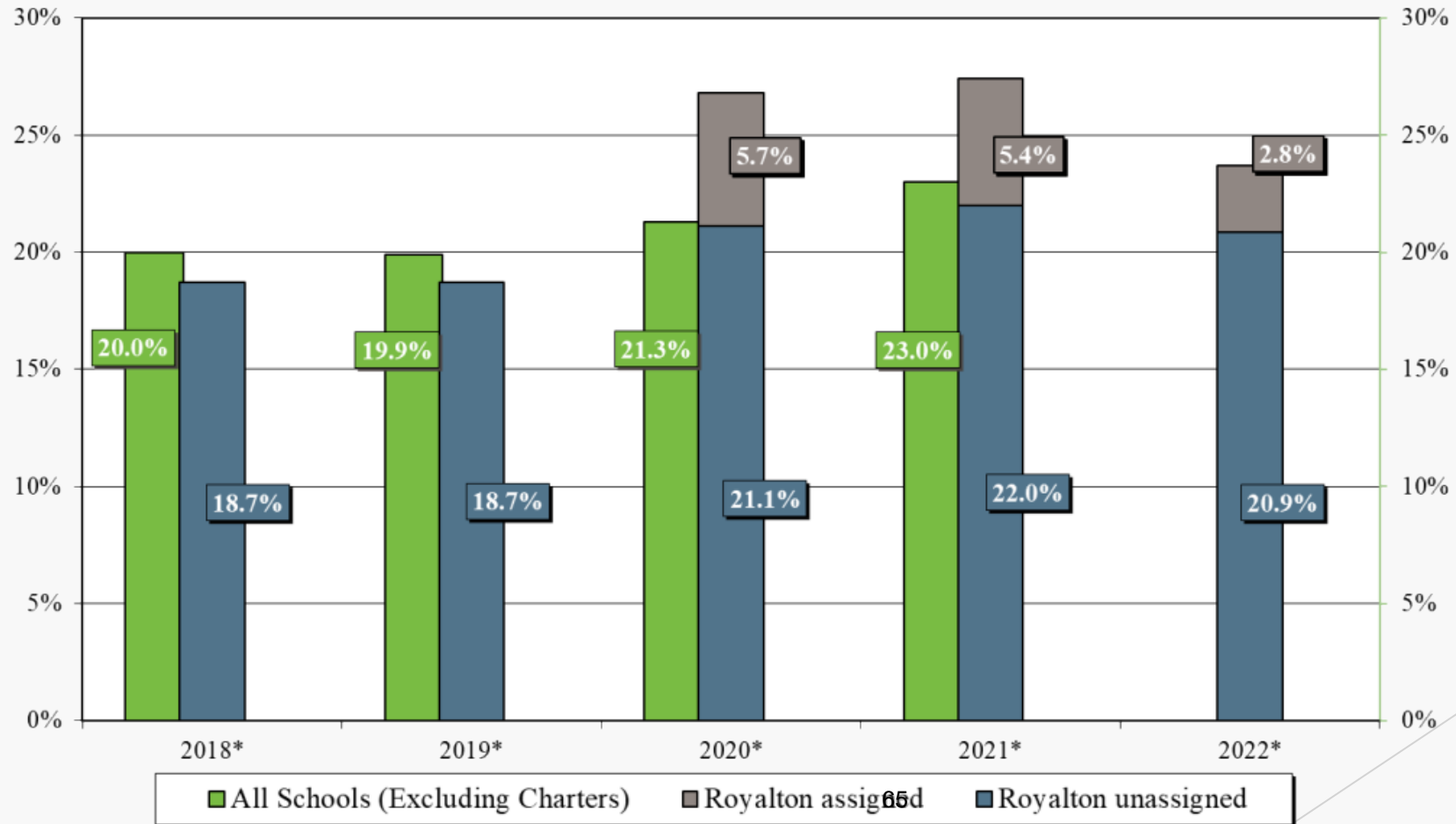
Components of Fund Balance					
Nonspendable	\$ 5,860	\$ 22,493	\$ 37,619	\$ 5,986	\$ 83,000
Restricted					
Student activities	-	-	184,454	177,256	194,638
Scholarships			31,532	28,303	33,053
Operating capital	71,108	289,024	354,260	474,358	472,767
Staff development	80,012	92,497	178,850	266,271	121,768
Gifted and talented	-	6,931	13,186	22,074	20,413
Safe schools levy	18,920	54,133	79,212	80,817	74,831
Long-term facilities maintenance	77,977	119,458	115,122	160,961	67,509
Medical assistance	46,317	61,073	72,404	97,525	108,568
Basic skills - extended time	2,858	9,206	16,134	16,134	16,134
Assigned	-	-	470,000	470,000	270,000
Unassigned					
General purposes	1,500,228	1,555,544	1,707,980	1,925,148	1,901,866
Total	\$ 1,803,280	\$ 2,210,359	\$ 3,260,753	\$ 3,724,833	\$ 3,364,547

General Fund Financial Position



District Financial Health

Percentage of Unrestricted Expenditures



Food Service Fund

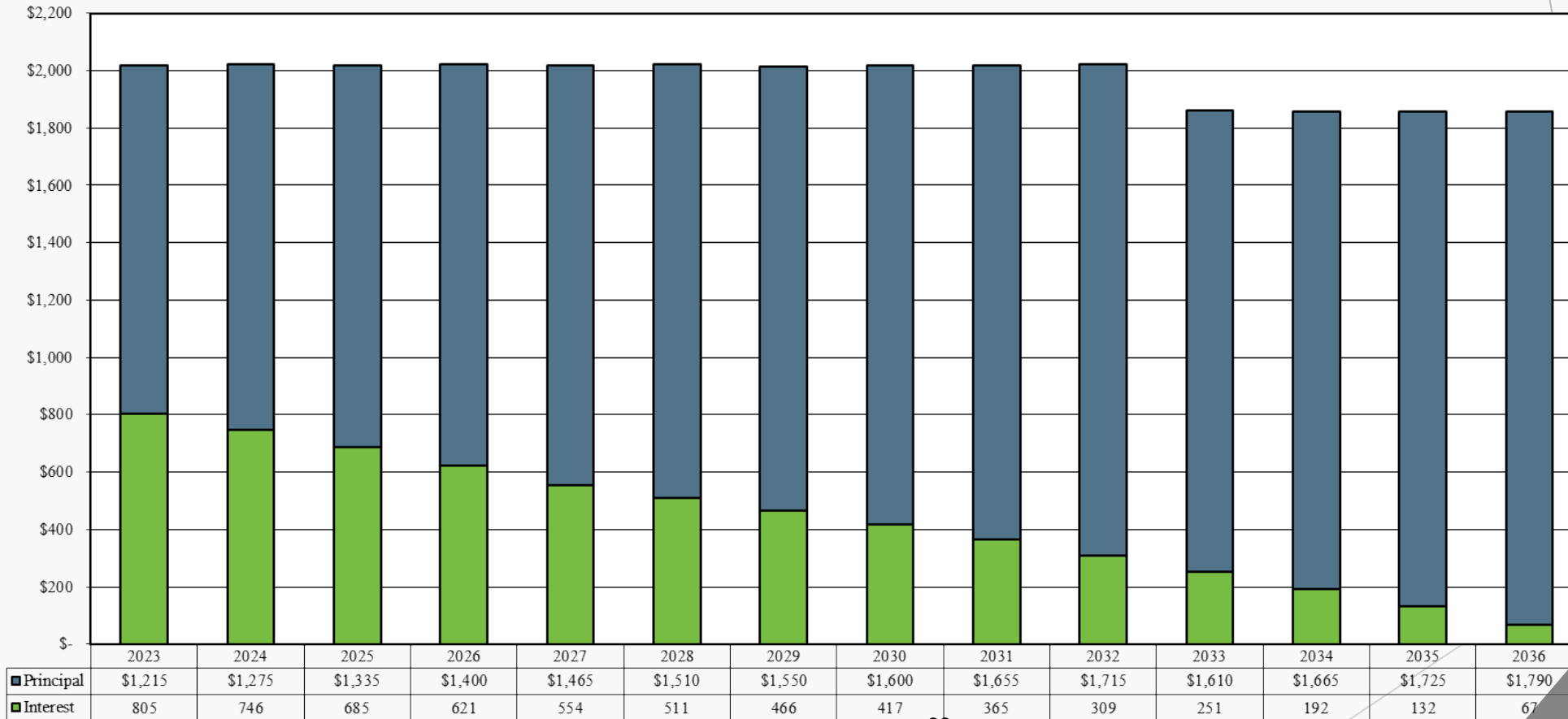
For the Year Ended June 30,	2018	2019	2020	2021	2022
Revenues	\$ 559,447	\$ 528,791	\$ 498,300	\$ 428,282	\$ 740,389
Expenditures	589,852	512,245	517,296	416,623	628,948
Excess of revenues over (under) expenditures	(30,405)	16,546	(18,996)	11,659	111,441
Fund balance, July 1	84,237	53,832	70,378	51,382	63,041
Fund Balance, June 30	\$ 53,832	\$ 70,378	\$ 51,382	\$ 63,041	\$ 174,482

Community Service Fund

For the Year Ended June 30,	2018	2019	2020	2021	2022
Revenues	\$ 276,356	\$ 378,192	\$ 320,351	\$ 273,184	\$ 442,905
Expenditures	306,061	327,703	258,332	229,673	370,910
Excess of revenues over (under) expenditures	(29,705)	50,489	62,019	43,511	71,995
Fund balance, July 1	142,746	113,041	163,530	225,549	269,060
Fund Balance, June 30	\$ 113,041	\$ 163,530	\$ 225,549	\$ 269,060	\$ 341,055

Debt Service

Bonds Debt Service Requirements



Questions?

Jackie Knowles

Jackie.Knowles@bergankdv.com



DO
MORE.

**Independent School District No. 485
Royalton, Minnesota**

Basic Financial Statements

June 30, 2022

Draft



**Independent School District No. 485
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Draft

**Independent School District No. 485
Board of Education and Administration
June 30, 2022**

<u>Board of Education</u>	<u>Position</u>	<u>Term Expires</u>
Randy Hackett	Board Chairperson	December 31, 2023
Russ Gerads	Vice Chairperson	December 31, 2023
Mary Lange	Clerk	December 31, 2023
Tyra Baumann	Treasurer	December 31, 2024
Angela Roering	Director	December 31, 2024
Rian Hofstad	Director	December 31, 2024
<hr/>		
<u>Administration</u>		
Dr. Kristine Wehrkamp Herman	Superintendent	

Independent Auditor's Report

To the School Board
Independent School District No. 485
Royalton, Minnesota

Report on the Audit of the Financial Statements

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 485, Royalton, Minnesota, as of and for the year ended June 30, 2022, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 485, as of June 30, 2022, and the respective changes in financial position, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Independent School District No. 485 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Implementation of GASB 87

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

Responsibilities of Management for the Financial Statements

The management of Independent School District No. 485 is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and Required Supplementary information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

November 28

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2022, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

St. Cloud, Minnesota

November 22, 2022

November 28

all report dates
throughout should be
changed from November
22 to November 28

**Independent School District No. 485
Management's Discussion and Analysis**

CLIENT PREPARED DOCUMENT

Draft

Draft

BASIC FINANCIAL STATEMENTS

Independent School District No. 485
Statement of Net Position
June 30, 2022

	Governmental Activities
Assets	
Cash and investments	\$ 6,253,778
Current property taxes receivable	1,187,170
Delinquent property taxes receivable	17,325
Accounts receivable	95
Due from Department of Education	83,378
Due from federal government through Department of Education	107,845
Lease receivable	56,110
Inventory	6,938
Prepaid items	83,000
Capital assets not being depreciated	
Land	16,471
Construction in progress	82,450
Capital assets being depreciated, net of accumulated depreciation	
Land improvements	153,938
Buildings	26,415,211
Machinery and equipment	666,559
Total assets	35,130,268
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	2,357,561
Deferred outflows of resources related to other Post Employment Benefits (OPEB)	49,818
Total deferred outflows of resources	2,407,379
Total assets and deferred outflows of resources	\$ 37,537,647
Liabilities	
Accounts and contracts payable	\$ 88,218
Salaries and benefits payable	799,269
Interest payable	331,158
Due to other Minnesota school districts	103,987
Unearned revenue	213,340
Bonds principal payable	
Payable within one year	1,215,000
Payable after one year	21,277,822
Compensated absences payable	
Payable within one year	12,236
Total OPEB liability	333,362
Net pension liability	3,859,161
Total liabilities	28,233,553
Deferred Inflows of Resources	
Deferred inflows of resources related to pensions	6,382,477
Deferred inflows of resources related to OPEB	181,501
Lease receivable	56,110
Property taxes levied for subsequent year's expenditures	2,197,331
Total deferred inflows of resources	8,817,419
Net Position	
Net investment in capital assets	4,841,807
Restricted for	
Debt Service	120,601
Community service	341,398
Food service	174,482
Other purposes	1,109,681
Unrestricted	(6,101,294)
Total net position	486,675
Total liabilities, deferred inflows of resources, and net position	\$ 37,537,647

Independent School District No. 485
Statement of Activities
Year Ended June 30, 2022

Functions/Programs	Program Revenues				Net (Expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					Governmental Activities
Administration	\$ 639,508	\$ -	\$ -	\$ -	\$ (639,508)
District support services	326,243	-	290	-	(325,953)
Elementary and secondary regular instruction	4,565,776	226,039	596,475	94,577	(3,648,685)
Vocational education instruction	194,570	-	18,993	-	(175,577)
Special education instruction	1,349,966	11,103	769,206	-	(569,657)
Instructional support services	773,481	-	245,003	100,175	(428,303)
Pupil support services	937,142	441	48,392	89,346	(798,963)
Sites and buildings	1,445,570	45,031	-	388,228	(1,012,311)
Fiscal and other fixed cost programs	89,566	-	-	-	(89,566)
Food service	626,343	21,239	718,497	-	113,393
Community education and services	353,700	323,301	76,442	-	46,043
Unallocated depreciation	896,524	-	-	-	(896,524)
Interest and fiscal charges on long-term debt	764,247	-	-	-	(764,247)
Total governmental activities	\$ 12,962,636	\$ 627,154	\$ 2,473,298	\$ 672,326	(9,189,858)
General revenues					
Taxes					
					725,196
					41,761
					1,239,462
					7,815,114
					34,303
					10,101
					<u>9,865,937</u>
					676,079
					<u>(189,404)</u>
					<u>\$ 486,675</u>

Independent School District No. 485
Balance Sheet - Governmental Funds
June 30, 2022

	General	Debt Service	Other Nonmajor Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 4,571,544	\$ 1,073,796	\$ 608,438	\$ 6,253,778
Current property taxes receivable	309,769	856,258	21,143	1,187,170
Delinquent property taxes receivable	5,198	11,784	343	17,325
Accounts receivable	95	-	-	95
Due from Department of Education	-	76,482	6,896	83,378
Due from federal government through Department of Education	107,845	-	-	107,845
Lease receivable	56,110	-	-	56,110
Inventory	-	-	6,938	6,938
Prepaid items	83,000	-	-	83,000
	<u>\$ 5,133,561</u>	<u>\$ 2,018,320</u>	<u>\$ 643,758</u>	<u>\$ 7,795,639</u>
Liabilities				
Accounts and contracts payable	\$ 82,675	\$ -	\$ 5,543	\$ 88,218
Salaries and benefits payable	768,931	-	30,338	799,269
Due to other Minnesota school districts	102,716	-	1,271	103,987
Unearned revenue	168,657	-	44,683	213,340
Total liabilities	<u>1,122,979</u>	<u>-</u>	<u>81,835</u>	<u>1,204,814</u>
Deferred Inflows of Resources				
Unavailable revenue - delinquent property taxes	5,198	11,784	343	17,325
Lease receivable	56,110	-	-	56,110
Property taxes levied for subsequent year's expenditures	584,727	1,566,561	46,043	2,197,331
Total deferred inflows of resources	<u>646,035</u>	<u>1,578,345</u>	<u>46,386</u>	<u>2,270,766</u>
Fund Balances				
Nonspendable	83,000	-	6,938	89,938
Restricted	1,109,681	439,975	508,599	2,058,255
Assigned	270,000	-	-	270,000
Unassigned	1,901,866	-	-	1,901,866
Total fund balances	<u>3,364,547</u>	<u>439,975</u>	<u>515,537</u>	<u>4,320,059</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,133,561</u>	<u>\$ 2,018,320</u>	<u>\$ 643,758</u>	<u>\$ 7,795,639</u>

Independent School District No. 485
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2022

Total fund balances - governmental funds	\$ 4,320,059
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	43,371,692
Less accumulated depreciation	(16,037,063)
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	(21,510,000)
Bond premium	(982,822)
Compensated absences payable	(12,236)
Total OPEB liability	(333,362)
Net pension liability	(3,859,161)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions and OPEB that are not recognized in the governmental funds.	
Deferred outflows of resources related to pensions	2,357,561
Deferred inflows of resources related to pensions	(6,382,477)
Deferred outflows of resources related to OPEB	49,818
Deferred inflows of resources related to OPEB	(181,501)
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.	
	17,325
Governmental funds do not report a liability for accrued interest on bonds and capital leases until due and payable.	
	<u>(331,158)</u>
Total net position - governmental activities	<u>\$ 486,675</u>

Independent School District No. 485
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2022

	General	Debt Service	Other Nonmajor Funds	Total Governmental Funds
Revenues				
Local property taxes	\$ 727,612	\$ 1,244,067	\$ 41,953	\$ 2,013,632
Other local and county revenues	331,671	4,354	332,731	668,756
Revenue from state sources	8,651,374	762,387	79,381	9,493,142
Revenue from federal sources	730,079	-	707,990	1,438,069
Sales and other conversion of assets	41,183	-	21,239	62,422
Total revenues	<u>10,481,919</u>	<u>2,010,808</u>	<u>1,183,294</u>	<u>13,676,021</u>
Expenditures				
Current				
Administration	661,687	-	-	661,687
District support services	329,279	-	-	329,279
Elementary and secondary regular instruction	4,586,000	-	-	4,586,000
Vocational education instruction	202,506	-	-	202,506
Special education instruction	1,406,198	-	-	1,406,198
Instructional support services	664,673	-	-	664,673
Pupil support services	911,525	-	-	911,525
Sites and buildings	1,479,270	-	-	1,479,270
Fiscal and other fixed cost programs	89,566	-	-	89,566
Food service	-	-	628,948	628,948
Community education and services	-	-	370,910	370,910
Capital outlay				
District support services	9,376	-	-	9,376
Elementary and secondary regular instruction	194,699	-	-	194,699
Vocational education instruction	1,949	-	-	1,949
Instructional support services	119,060	-	-	119,060
Pupil support services	89,346	-	-	89,346
Sites and buildings	97,071	-	-	97,071
Debt service				
Principal	-	1,155,000	-	1,155,000
Interest and fiscal charges	-	860,884	-	860,884
Total expenditures	<u>10,842,205</u>	<u>2,015,884</u>	<u>999,858</u>	<u>13,857,947</u>
Net change in fund balances	(360,286)	(5,076)	183,436	(181,926)
Fund Balances				
Beginning of year	<u>3,724,833</u>	<u>445,051</u>	<u>332,101</u>	<u>4,501,985</u>
End of year	<u>\$ 3,364,547</u>	<u>\$ 439,975</u>	<u>\$ 515,537</u>	<u>\$ 4,320,059</u>

**Independent School District No. 485
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances to the
Statement of Activities - Governmental Funds
Year Ended June 30, 2022**

Net change in fund balances - total governmental funds	\$ (181,926)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlay is reported in governmental funds as an expenditure. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlay	198,395
Depreciation expense	(1,036,435)
Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	660
OPEB are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	(6,008)
Principal payments on long-term debt are recognized as expenditures in the governmental funds but as an increase in the net position in the Statement of Activities.	1,155,000
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.	22,782
Bond premiums are amortized on the Statement of Activities, where as governmental funds recognized the entire premium at the time of issuance.	73,855
Governmental funds recognize pension contributions as expenditures at the time of payment in the funds whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.	456,969
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.	<u>(7,213)</u>
Change in net position - governmental activities	<u>\$ 676,079</u>

Independent School District No. 485
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Local property taxes	\$ 676,668	\$ 684,800	\$ 727,612	\$ 42,812
Other local and county revenues	156,848	296,079	331,671	35,592
Revenue from state sources	8,487,665	8,785,179	8,651,374	(133,805)
Revenue from federal sources	564,138	1,041,984	730,079	(311,905)
Sales and other conversion of assets	-	40,400	41,183	783
Total revenues	<u>9,885,319</u>	<u>10,848,442</u>	<u>10,481,919</u>	<u>(366,523)</u>
Expenditures				
Current				
Administration	586,266	638,446	661,687	23,241
District support services	332,281	452,338	329,279	(123,059)
Elementary and secondary regular instruction	4,744,697	4,991,991	4,586,000	(405,991)
Vocational education instruction	134,908	159,357	202,506	43,149
Special education instruction	1,333,977	1,401,924	1,406,198	4,274
Instructional support services	335,170	316,149	664,673	348,524
Pupil support services	788,551	805,147	911,525	106,378
Sites and buildings	1,234,806	1,341,701	1,479,270	137,569
Fiscal and other fixed cost programs	189,371	86,560	89,566	3,006
Capital outlay				
District support services	9,200	9,600	9,376	(224)
Elementary and secondary regular instruction	153,300	148,595	194,699	46,104
Vocational education instruction	2,900	2,000	1,949	(51)
Special education instruction	40,000	-	-	-
Instructional support services	35,700	138,736	119,060	(19,676)
Pupil support services	111,400	273,146	89,346	(183,800)
Sites and buildings	18,600	373,901	97,071	(276,830)
Debt service				
Principal	14,000	-	-	-
Interest and fiscal charges	760	-	-	-
Total expenditures	<u>10,065,887</u>	<u>11,139,591</u>	<u>10,842,205</u>	<u>(297,386)</u>
Net change in fund balances	<u>\$ (180,568)</u>	<u>\$ (291,149)</u>	<u>(360,286)</u>	<u>\$ (69,137)</u>
Fund Balance				
Beginning of year			<u>3,724,833</u>	
End of year			<u>\$ 3,364,547</u>	

Independent School District No. 485
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 basic financial statements present the District and its component units. The District includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the District are financially accountable and are included within the basic financial statements of the District because of the significance of their operational or financial relationships with the District.

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

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

The student activity accounts of the District are under board control and are reported in the General Fund.

B. Basic Financial Statement Information

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District.

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

Depreciation expense that can be specifically identified by function is included in the direct expenses of that function. Depreciation expense relating to assets that serve multiple functions is presented as unallocated depreciation in the Statement of Activities. 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, if any, has been removed from these statements.

**Independent School District No. 485
Notes to Basic Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statement Information (Continued)

Major individual governmental funds are reported as separate columns in the fund financial 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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner.

1. Revenue Recognition

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

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

Description of Funds

Major Funds:

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

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

Nonmajor Funds:

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

**Independent School District No. 485
Notes to Basic Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Description of Funds (Continued)

Nonmajor Funds: (Continued)

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

D. Deposits and Investments

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances.

Cash and investments at June 30, 2022, were comprised of deposits and shares in the Minnesota School District Liquid Asset Fund (MSDLAF). In accordance with GASB Statement No. 79, MSDLAF securities are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the MSDLAF Liquid Class. Investments in the MSDLAF MAX must be deposited for a minimum of 14 calendar days with the exception of direct investments of funds distributed by the State of Minnesota. Withdrawals prior to the 14-day restriction period may be subject to a penalty and there is a 24 hour hold on all requests for redemptions.

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

Minnesota Statutes authorizes the District to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase, and reverse repurchase agreements and commercial paper of the highest quality with a maturity of no longer than 270 days.

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. These 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.

**Independent School District No. 485
Notes to Basic Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Property Taxes Levied for Subsequent Year's Expenditures

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

G. 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.

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. The Counties of Benton, Stearns, and Morrison are the collecting agencies for the levy and remit 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 just on October 15. Delinquent collections for November and December are received the following January.

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

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 \$2,000. Such assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at acquisition value at the date of donation.

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

**Independent School District No. 485
Notes to Basic Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets (Continued)

Capital assets are depreciated using the straight-line half year convention method over the estimated useful life of the asset. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purpose. Useful lives vary from 5 to 25 years for land improvements, 10 to 50 years for buildings, and 5 to 20 years for machinery and equipment.

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

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

Independent School District No. 485
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

M. Compensated Absences and Severance

The Superintendent earns 25 days of vacation a year. The Superintendent is also entitled to payment for 30% of unused sick leave days earned and accrued.

Royalton Educated Support Professionals (RESP) who have completed 20 years of continuous service and have attained the minimum age of 55 shall be eligible to receive 25% of their accumulated and unused sick leave hours as severance pay. Employees hired after July 1, 2012, are no longer eligible for this benefit.

After 3 years of service a principal shall receive 25% of the principal's daily rate of pay for accumulated and unused sick leave days when leaving employment, unless discharged for cause. After 6 years of service they shall receive 30% and after 20 years they shall receive 50%.

Teachers hired before July 1, 1994, and who have completed 15 years of service and who have attained the minimum age of 55 years shall be eligible to receive a maximum of 83 days times \$300 per day as severance pay.

Non-union employees who have completed 20 years of continuous service with the District and who have attained the minimum age of 55 or any employee who has completed 25 years of service with the District will receive one-third of their accumulated sick leave hours as severance pay upon leaving the District. Any employee who has completed 30 years of continuous service with the District will receive one-half of their accumulated sick leave hours as severance pay upon leaving the District.

N. Post Employment Severance and Health Benefits

Employees retiring before they are eligible for Medicare may remain on the District's health care plan until they are eligible. Employees must pay their own health insurance premiums.

Independent School District No. 485
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. 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.

P. Risk Management

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

Q. Fund Equity

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

- Nonspendable fund balances include amounts that are comprised of funds that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. They include items that are inherently unspendable, such as, but not limited to, inventories, prepaid items, long-term receivables, non-financial assets held for resale, or the permanent principal of endowment funds.
- Restricted fund balances include amounts that are comprised of funds that have legally enforceable constraints placed on their use that either are externally imposed by resource providers or creditors (such as through debt covenants), grantors, contributors, voters, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.
- Committed fund balances include amounts that are comprised of unrestricted funds used for specific purposes pursuant to constraints imposed by formal action of the school board and that remain binding unless removed by the school board by subsequent formal action. The formal action to commit a fund balance must occur prior to year-end; however, the specific amounts actually committed can be determined in the subsequent year.

**Independent School District No. 485
Notes to Basic Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Fund Equity (Continued)

- Assigned fund balances include amounts that are comprised of unrestricted funds constrained by the school district's intent that they be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. In funds other than the general fund, the assigned fund balance represents the remaining amount that is not restricted or committed. The assigned fund balance category will cover the portion of a fund balance that reflects the school district's intended use of those resources. The action to assign a fund balance may be taken after the end of the year. An assigned fund balance cannot be a negative number. Assignments are made by the School Board by majority vote.
- Unassigned fund balances are the residual amounts in the General Fund not reported in any other classification. Unassigned amounts in the General Fund are technically available for expenditure for any purpose. The General Fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.

The District's policy is to strive to maintain a minimum unassigned General Fund balance of 14%-20% of the annual expenditure budget.

R. 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.

S. Use of Estimates

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

T. Budgetary Information

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

1. Prior to July 1, the School Superintendent 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.

**Independent School District No. 485
Notes to Basic Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Budgetary Information (Continued)

2. The Superintendent 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, Debt Service, and Special Revenue Funds.
4. Budgets for the General, Debt Service, and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Budgets are as originally adopted or as amended by the School Board. Budgeted expenditure appropriations lapse at year-end.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

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

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to it. According to the District's deposit and investment policy, deposit type securities shall be collateralized as required by *Minnesota Statutes* 118A.03 for any amount exceeding FDIC, SAIF, BIF, FCUA, or other federal deposit coverage.

Minnesota Statutes 118A require all deposits be protected by federal depository insurance, corporate surety bonds, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds.

At year-end, the District's bank balance was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name.

Checking	\$ 1,102,466
Certificates of deposit	<u>18,700</u>
Total deposits	<u><u>\$ 1,121,166</u></u>

**Independent School District No. 485
Notes to Basic Financial Statements**

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

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

Investment	Maturities	Fair Value	S&P/ Moody's Rating
MSDLAF Liquid Class	Various	\$ 555,674	AAAm
MSDLAF MAX Class	Various	4,576,938	AAAm
Total		<u>\$ 5,132,612</u>	

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Statutes limit investments in the top two ratings issued by nationally recognized statistical rating organizations. The District's investment policy indicates the District may invest in those instruments specified in *Minnesota Statutes* 118A.04 and 118A.05. As of June 30, 2022, the District's investments were rated by Standard and Poor's (S&P) as noted in the table above.

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

Interest Rate Risk: This is the risk that market values of a security in a portfolio would decrease due to changes in market interest rates. The District's investment policy states its investments maturities shall be scheduled to coincide with projected District cash flow needs, including meeting immediate payment requirements including payroll, accounts payable, and debt service.

Custodial Credit Risk – Investments: For an investment, this is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy states all investment securities purchased by the District shall be held in third party safekeeping by an institution authorized under the laws of the United States or any state to exercise corporate trust powers, a primary reporting dealer in the United States or government securities to the Federal Reserve Bank of New York designed as a custodial agent. The custodial agent may be any Federal Reserve Bank, and bank of a securities broker-dealer defined in *Minnesota Statutes* 118A.06. The institution or dealer shall issue a safekeeping receipt to the District listing the specific instruments, the name of the issuer, the name in which the security is held, the rate, the maturity, serial number, other distinguishing marks, and other pertinent information.

Independent School District No. 485
Notes to Basic Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS

B. Investments (Continued)

Summary of cash, deposits, and investments as of June 30, 2022:

Deposits (Note 2.A.)	\$ 1,121,166
Investments (Note 2.B.)	<u>5,132,612</u>
Total	<u>\$ 6,253,778</u>

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

Statement of Net Position	
Cash and Investments	<u>\$ 6,253,778</u>

NOTE 3 – LEASE RECEIVABLE

As of June 30, 2022, the District had a lease receivable and deferred inflows of resources of \$56,110 related to the lease of space on District property to Cellco Partnership dba Verizon Wireless. The lease terminates on May 31, 2026. Revenues for the year-ended June 30, 2022, amounted to \$45,031 including a \$30,000 one-time payment.

Independent School District No. 485
Notes to Basic Financial Statements

NOTE 4 – CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 16,471	\$ -	\$ -	\$ 16,471
Construction in progress	-	82,450	-	82,450
Total capital assets being depreciated	<u>16,471</u>	<u>82,450</u>	<u>-</u>	<u>98,921</u>
Capital assets being depreciated				
Land improvements	867,111	-	-	867,111
Buildings	39,042,627	-	-	39,042,627
Machinery and equipment	3,247,088	115,945	-	3,363,033
Total capital assets being depreciated	<u>43,156,826</u>	<u>115,945</u>	<u>-</u>	<u>43,272,771</u>
Less accumulated depreciation for				
Land improvements	696,800	16,373	-	713,173
Buildings	11,753,802	873,614	-	12,627,416
Machinery and equipment	2,550,026	146,448	-	2,696,474
Total accumulated depreciation	<u>15,000,628</u>	<u>1,036,435</u>	<u>-</u>	<u>16,037,063</u>
Total capital assets being depreciated, net	<u>28,156,198</u>	<u>(920,490)</u>	<u>-</u>	<u>27,235,708</u>
Governmental activities, capital assets, net	<u>\$ 28,172,669</u>	<u>\$ (838,040)</u>	<u>\$ -</u>	<u>\$ 27,334,629</u>

**Independent School District No. 485
Notes to Basic Financial Statements**

NOTE 4 – CAPITAL ASSETS (CONTINUED)

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

Administration	\$ 259
District support services	1,628
Elementary and secondary regular instruction	24,519
Vocational education instruction	1,129
Special education instruction	3,382
Instructional support services	12,556
Pupil support services	66,570
Sites and buildings	13,559
Food service	16,309
Unallocated	<u>896,524</u>
Total depreciation expense	<u><u>\$ 1,036,435</u></u>

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						
2015A G.O. School Building Bonds	6/24/15	3.00-5.00%	\$ 25,260,000	2/1/36	\$ 20,085,000	\$ 1,090,000
2016A G.O. Facilities Maintenance Bonds	7/27/16	2.00-3.00%	2,000,000	2/1/32	1,425,000	125,000
Premium on bonds					982,822	-
Compensated absences					<u>12,236</u>	<u>12,236</u>
Total all long-term liabilities					<u><u>\$ 22,505,058</u></u>	<u><u>\$ 1,227,236</u></u>

The long-term bonds listed above were issued to finance the acquisition and construction of capital facilities and are paid from the Debt Service Fund. Other long-term liabilities are typically paid from the General Fund.

Independent School District No. 485
Notes to Basic Financial Statements

NOTE 5 – LONG-TERM DEBT (CONTINUED)

B. Minimum Debt Payments for Bonds and Loans

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

Year Ending June 30,	G.O. Bonds		Total
	Principal	Interest	
2023	\$ 1,215,000	\$ 804,558	\$ 2,019,558
2024	1,275,000	746,307	2,021,307
2025	1,335,000	685,158	2,020,158
2026	1,400,000	621,107	2,021,107
2027	1,465,000	553,907	2,018,907
2028-2032	8,030,000	2,067,755	10,097,755
2032-2036	6,790,000	641,638	7,431,638
Total	<u>\$ 21,510,000</u>	<u>\$ 6,120,430</u>	<u>\$ 27,630,430</u>

C. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending
Long-term liabilities				
G.O. Bonds	\$ 22,665,000	\$ -	\$ 1,155,000	\$ 21,510,000
Premium on bonds	1,056,677	-	73,855	982,822
Compensated absences	12,896	21,523	22,183	12,236
Total long-term liabilities	<u>\$ 23,734,573</u>	<u>\$ 21,523</u>	<u>\$ 1,251,038</u>	<u>\$ 22,505,058</u>

NOTE 6 – FUND BALANCES

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.

Fund Equity

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

**Independent School District No. 485
Notes to Basic Financial Statements**

NOTE 6 – FUND BALANCES (CONTINUED)

	General Fund	Debt Service	Other Nonmajor Funds	Total
Nonspendable				
Inventory	\$ -	\$ -	\$ 6,938	\$ 6,938
Prepaid Items	83,000	-	-	83,000
Total nonspendable fund balance	<u>83,000</u>	<u>-</u>	<u>6,938</u>	<u>89,938</u>
Restricted/reserved for				
Student Activities	194,638	-	-	194,638
Scholarships	33,053	-	-	33,053
Staff Development	121,768	-	-	121,768
Operating Capital	472,767	-	-	472,767
Basic Skills Extended Time	16,134	-	-	16,134
Gifted and Talented	20,413	-	-	20,413
Safe Schools Levy	74,831	-	-	74,831
Long-term Facilities Maintenance	67,509	-	-	67,509
Medical Assistance	108,568	-	-	108,568
Debt Service	-	439,975	-	439,975
Food Service	-	-	167,544	167,544
Community Education	-	-	208,436	208,436
School Readiness	-	-	59,290	59,290
Community Service	-	-	31,121	31,121
Early Childhood and Family Education	-	-	42,208	42,208
Total restricted fund balance	<u>1,109,681</u>	<u>439,975</u>	<u>508,599</u>	<u>2,058,255</u>
Assigned	270,000	-	-	270,000
Unassigned	<u>1,901,866</u>	<u>-</u>	<u>-</u>	<u>1,901,866</u>
Total fund balance	<u>\$ 3,364,547</u>	<u>\$ 439,975</u>	<u>\$ 515,537</u>	<u>\$ 4,320,059</u>

Nonspendable for Inventory and Prepaid Items – These balances represent amounts of fund balance already spent on inventory and 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 revenues that were restricted/reserved for staff development related to Finance Code 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, subdivision 1).

**Independent School District No. 485
Notes to Basic Financial Statements**

NOTE 6 – FUND BALANCES (CONTINUED)

Fund Equity (Continued)

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

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

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

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

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

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

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

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

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

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

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

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.

Assigned Fund Balance – This balance presents the amount assigned by the School Board, by majority vote, for a reading program and any unforeseen district needs.

**Independent School District No. 485
Notes to Basic Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

The District participates in various pension plans, total pension expense for the year ended June 30, 2022, was \$37,576. The components of pension expense are noted in the following plan summaries.

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

Teachers' Retirement Association

A. Plan Description

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

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

B. Benefits Provided

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

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

**Independent School District No. 485
Notes to Basic Financial Statements**

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

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

Tier I Benefits (Continued)

With these provisions:

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

Tier II Benefits

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

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

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.

**Independent School District No. 485
Notes to Basic Financial Statements**

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

Teachers' Retirement Association (Continued)

C. Contribution Rate

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

<u>June 30, 2020</u>		<u>June 30, 2021</u>		<u>June 30, 2022</u>	
<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>
11.0%	11.92%	11.0%	12.13%	11.0%	12.34%
7.5%	7.92%	7.5%	8.13%	7.5%	8.34%

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

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

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

**Independent School District No. 485
Notes to Basic Financial Statements**

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

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information

Valuation date	July 1, 2021
Measurement date	June 30, 2021
Experience study	June 5, 2019 (demographic assumptions) November 6, 2017 (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	7.00%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028, and 3.25% thereafter 3.25% to 9.25% thereafter
Projected salary increase	2.85% to 8.85% before July 1, 2028 and 3.25 to 9.25 thereafter.
Cost of living adjustment	1.0% for January 2020 through January 2023, then increasing by 0.1% each year up to 1.5% annually.

Mortality Assumptions

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

**Independent School District No. 485
Notes to Basic Financial Statements**

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

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

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

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

The TRA actuary has determined the average of the expected remaining services lives of all members for fiscal year 2022 is six years. The "Difference Between Expected and Actual Experience," "Changes of Assumptions," and "Changes in Proportion" use the amortization period of 6 years in the schedule presented. The amortization period for "Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments" is over a period of five years as required by GASB 68.

Changes in actuarial assumptions since the 2020 valuation:

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

E. Discount Rate

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

**Independent School District No. 485
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, 2022, the District reported a liability of \$2,770,197 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. District proportionate share was 0.0633% at the end of the measurement period and 0.0662% 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	\$ 2,770,197
State's proportionate share of the net pension liability associated with the District	233,504

For the year ended June 30, 2022, the District recognized pension expense of \$55,266. Included in this amount, the District recognized (\$2,615) as pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 78,467	\$ 81,597
Net difference between projected and actual earnings on plan investments	-	2,314,632
Changes of assumptions	1,015,302	2,684,352
Changes in proportion	92,148	263,534
Contributions to TRA subsequent to the measurement date	335,552	-
Total	\$ 1,521,469	\$ 5,344,115

The \$335,552 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

**Independent School District No. 485
Notes to Basic Financial Statements**

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

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)

Other amounts reported as deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2023	\$ (1,948,863)
2024	(1,507,104)
2025	(385,781)
2026	(476,280)
2027	159,830
Total	\$ (4,158,198)

G. Pension Liability Sensitivity

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.0% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percent lower (6.0%) and 1 percent higher (8.0%) than the current rate.

District proportionate share of NPL		
1% Decrease in Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
\$ 5,595,933	\$ 2,770,197	\$ 452,868

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. 485
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 plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan

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

B. Benefits Provided

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

General Employees Plan Benefits

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

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

**Independent School District No. 485
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 Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2022 and the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2022, were \$158,923. The District's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At June 30, 2022, the District reported a liability of \$1,088,964 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 \$33,282. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0255% at the end of the measurement period and 0.0259% for the beginning of the period.

District's proportionate share of net pension liability	\$ 1,088,964
State's proportionate share of the net pension liability associated with the District	33,282
	33,282
Total	\$ 1,122,246

For the year ended June 30, 2022, the District recognized pension expense of \$(17,690) for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized an additional \$2,685 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. 485
Notes to Basic Financial Statements**

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

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 6,742	\$ 33,386
Changes in actuarial assumptions	664,899	24,405
Difference between projected and actual investments earnings	-	943,169
Change in proportion	5,528	37,402
Contributions paid to PERA subsequent to the measurement date	158,923	-
Total	\$ 836,092	\$ 1,038,362

The \$158,923 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense
2023	\$ (70,916)
2024	(19,146)
2025	(13,899)
2026	(257,232)
Total	\$ (361,193)

**Independent School District No. 485
Notes to Basic Financial Statements**

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

Public Employees' Retirement Association (Continued)

E. Long-Term Expected Return on Investment

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

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

F. Actuarial Methods and Assumptions

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

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

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

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020, actuarial valuation.

**Independent School District No. 485
Notes to Basic Financial Statements**

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

Public Employees' Retirement Association (Continued)

F. Actuarial Methods and Assumptions (Continued)

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

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the previous valuation.

G. Discount Rate

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

H. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (5.5%)	Current Discount Rate (6.5%)	1% Increase in Discount Rate (7.5%)
District's proportionate share of the PERA net pension liability	\$ 2,220,931	\$ 1,088,964	\$ 160,116

I. Pension Plan Fiduciary Net Position

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

**Independent School District No. 485
Notes to Basic Financial Statements**

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

The District's defined benefit OPEB plan provides a single-employer defined benefit health care plan to eligible retirees. The plan offers medical coverage. It is the District's policy to periodically review its medical coverage and to obtain requests for proposals in order to provide the most favorable benefits and premiums for District employees and retirees. No assets are acclimated in a trust.

B. Benefits Paid

Teachers who apply for early retirement shall be eligible to remain on the District's health insurance plan until the teacher becomes Medicare eligible. First access eligibility occurs upon attaining 55 years of age. The General Fund, Food Service Fund and Community Service Fund typically liquidate the Liability related to OPEB.

C. Members

As of the July 1, 2021, valuation date, the following were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Active employees	142
	144
Total	144

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. The required contributions are based on projected pay-as-you-go financing requirements. For the year 2022, the District contributed \$25,866 to the plan.

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2021, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

Discount rate	2.10%
Salary increases	Service grade table
Inflation	2.00%
Healthcare cost trend increases	6.50% initially, decreasing to 5.0% over six years and then 4.0% over the next 48 years
Mortality Assumption	Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables with MP-2020 Generational Improvement Scale

Independent School District No. 485
Notes to Basic Financial Statements

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

E. Actuarial Assumptions (Continued)

The discount rate used to measure the total OPEB liability was 2.1% based on the 20-year Municipal Bond Yield. This is a decrease from the prior discount rate of 3.1%. The healthcare trend rates were changed to better anticipate short-term and long-term medical increases. The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables with MP-2020 Generational Improvement Scale. The salary increase rates were changed from a flat 3.0% per year for all employees to rate which vary by service and contract group.

F. Total OPEB Liability

The District's total OPEB liability was measured as of July 1, 2021, and was determined by an actuarial valuation as of that date. Changes in the total OPEB liability are as follows:

	<u>Total OPEB Liability</u>
Balances at July 1, 2021	\$ 389,232
Changes for the year	
Service cost	51,311
Interest	13,248
Differences between expected and actual economic experience	(121,786)
Assumption changes	27,945
Benefit payments	<u>(26,588)</u>
Net changes	<u>(55,870)</u>
Balances at June 30, 2022	<u><u>\$ 333,362</u></u>

**Independent School District No. 485
Notes to Basic Financial Statements**

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

G. OPEB Liability Sensitivity

The following presents the District's total OPEB liability calculated using the discount rate of 2.1% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

	1% Decrease in Discount Rate (1.1%)	Current Discount Rate (2.1%)	1% Increase in Discount Rate (3.1%)
Total OPEB liability	\$ 355,713	\$ 333,362	\$ 311,656

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

	1% decrease (5.50% decreasing to 4.0%)	Current (6.50% decreasing to 5.0%)	1% increase (7.50% decreasing to 6.0%)
Total OPEB liability	\$ 292,062	\$ 333,362	\$ 382,964

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

For the year ended June 30, 2022, the District recognized OPEB expense of \$31,874. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following source:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	\$ -	\$ 172,035
Changes of assumptions	23,952	9,466
Contributions made subsequent to the measurement date	25,866	-
Total	\$ 49,818	\$ 181,501

The \$25,866 reported as deferred outflows of resources related to OPEB resulting from District contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

**Independent School District No. 485
Notes to Basic Financial Statements**

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

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

Other amounts are reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30,</u>	<u>OPEB Expense</u>
2023	\$ (32,685)
2024	(32,685)
2025	(32,685)
2026	(32,678)
2027	(13,405)
2028	<u>(13,411)</u>
Total	<u><u>\$ (157,549)</u></u>

NOTE 9 – SUBSEQUENT EVENTS

The District entered into two lease agreements after year-end for copiers and a postage machine.

NOTE 10 – GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED

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

REQUIRED SUPPLEMENTARY INFORMATION

Independent School District No. 485
Schedule of Changes in Total OPEB Liability
and Related Ratios

	<u>June 30, 2018</u>	<u>June 30, 2019</u>
Total OPEB Liability		
Service cost	\$ 47,105	\$ 48,518
Interest	15,416	15,813
Differenced between expected and actual experience	-	-
Changes of assumptions	-	-
Benefit payments	<u>(69,577)</u>	<u>(34,657)</u>
Net change in total OPEB liability	<u>(7,056)</u>	<u>29,674</u>
Beginning of year	<u>440,824</u>	<u>433,768</u>
End of year	<u>\$ 433,768</u>	<u>\$ 463,442</u>
Covered payroll	\$ 4,756,506	\$ 4,899,201
Total OPEB liability as a percentage of covered-employee payroll	9.1%	9.5%

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

<u>June 30, 2020</u>	<u>June 30, 2021</u>	<u>June 30, 2022</u>
\$ 46,687	\$ 48,088	\$ 51,311
16,749	12,121	13,248
(118,383)	-	(121,786)
(16,570)	-	27,945
<u>(35,327)</u>	<u>(27,575)</u>	<u>(26,588)</u>
<u>(106,844)</u>	<u>32,634</u>	<u>(55,870)</u>
<u>463,442</u>	<u>356,598</u>	<u>389,232</u>
<u>\$ 356,598</u>	<u>\$ 389,232</u>	<u>\$ 333,362</u>
\$ 5,406,491	\$ 5,568,686	\$ 5,795,540
6.6%	7.0%	5.8%

Independent School District No. 485
Schedule of District's and Non-Employer Proportionate Share
(if Applicable) of Net Pension Liability
Last Ten Years General Employees Retirement Funds

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's 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	0.0242%	\$ 1,136,795	\$ -	\$ 1,136,795	\$ 1,272,303	89.3%	78.8%
2015	0.0261%	1,352,637	-	1,352,637	1,506,493	89.8%	78.2%
2016	0.0256%	2,078,593	27,111	2,105,704	1,587,880	130.9%	68.9%
2017	0.0269%	1,717,278	21,572	1,738,850	1,731,267	99.2%	75.9%
2018	0.0271%	1,503,397	49,334	1,552,731	1,819,640	82.6%	79.5%
2019	0.0257%	1,420,895	44,165	1,465,060	1,817,840	78.2%	80.2%
2020	0.0259%	1,552,823	47,886	1,600,709	1,844,493	84.2%	79.1%
2021	0.0255%	1,088,964	33,282	1,122,246	1,837,627	59.3%	87.0%

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 Funds

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's 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	0.0673%	\$ 3,101,136	\$ 218,056	\$ 3,319,192	\$ 3,070,329	101.0%	81.5%
2015	0.0639%	3,952,847	484,598	4,437,445	3,245,053	121.8%	76.8%
2016	0.0664%	15,837,984	1,590,486	17,428,470	3,455,520	458.3%	44.9%
2017	0.0673%	13,434,301	1,298,551	14,732,852	3,622,347	370.9%	51.6%
2018	0.0681%	4,277,317	401,877	4,679,194	3,765,053	113.6%	78.1%
2019	0.0682%	4,347,082	384,520	4,731,602	3,871,907	112.3%	78.2%
2020	0.0662%	4,890,945	409,603	5,300,548	3,845,253	127.2%	75.5%
2021	0.0633%	2,770,197	233,504	3,003,701	3,785,338	73.2%	86.6%

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

**Independent School District No. 485
Schedule of District Contributions
General Employees Retirement Funds
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	\$ 92,242	\$ 92,242	\$ -	\$ 1,272,303	7.25%
2015	112,987	112,987	-	1,506,493	7.50%
2016	119,091	119,091	-	1,587,880	7.50%
2017	129,845	129,845	-	1,731,267	7.50%
2018	136,473	136,473	-	1,819,640	7.50%
2019	136,338	136,338	-	1,817,840	7.50%
2020	138,337	138,337	-	1,844,493	7.50%
2021	137,822	137,822	-	1,837,627	7.50%
2022	158,923	158,923	-	2,118,973	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 Funds
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	\$ 214,923	\$ 214,923	\$ -	\$ 3,070,329	7.00%
2015	243,379	243,379	-	3,245,053	7.50%
2016	259,164	259,164	-	3,455,520	7.50%
2017	271,676	271,676	-	3,622,347	7.50%
2018	282,379	282,379	-	3,765,053	7.50%
2019	298,524	298,524	-	3,871,907	7.71%
2020	304,544	304,544	-	3,845,253	7.92%
2021	307,748	307,748	-	3,785,338	8.13%
2022	335,552	335,552	-	4,023,405	8.34%

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

Independent School District No. 485
Notes to the Required Supplementary Information

TRA Retirement Fund

2021 Changes

Changes in Actuarial Assumptions

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

2020 Changes

Changes in Actuarial Assumptions

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

2019 Changes

Changes in Actuarial Assumptions

- None

2018 Changes

Changes in Actuarial Assumptions

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

Independent School District No. 485
Notes to the Required Supplementary Information

TRA Retirement Fund (Continued)

2017 Changes

Changes in Actuarial Assumptions

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

2016 Changes

Changes in Actuarial Assumptions

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

2015 Changes

Changes of Benefit Terms

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

Independent School District No. 485
Notes to the Required Supplementary Information

TRA Retirement Fund (Continued)

2015 Changes (Continued)

Changes in Actuarial Assumptions

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

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Independent School District No. 485
Notes to the Required Supplementary Information

General Employees Fund

2021 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2019 Changes

Changes in Actuarial Assumptions

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

Independent School District No. 485
Notes to the Required Supplementary Information

General Employees Fund

2019 Changes (Continued)

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

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

Independent School District No. 485
Notes to the Required Supplementary Information

General Employees Fund (Continued)

2016 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, the inflation was decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in 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. 485
Notes to the Required Supplementary Information

Other Post-Employment Benefits

2021 Changes

Assumption Changes

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale.
- The discount rate was changed from 3.1% to 2.1%.
- The inflation rate was changed from 2.5% to 2.0%.
- Withdrawal rates were updated to reflect the latest experience study.
- The salary increase rates for non-teachers were updated to reflect the latest experience study.

2020 Changes

Assumption Changes

- The discount rate was changed from 3.4% to 3.1%.
- The healthcare 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-2016 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables with MP-2018 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.0% per year for all employees to rate which vary by service and contract group.

Draft

SUPPLEMENTARY INFORMATION

Independent School District No. 485
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2022

	Special Revenue Funds		Total Nonmajor Funds
	Food Service	Community Service	
Assets			
Cash and investments	\$ 205,076	\$ 403,362	\$ 608,438
Current property taxes receivable	-	21,143	21,143
Delinquent property taxes receivable	-	343	343
Due from Department of Education	-	6,896	6,896
Inventory	6,938	-	6,938
	<u>6,938</u>	<u>-</u>	<u>6,938</u>
Total assets	<u>\$ 212,014</u>	<u>\$ 431,744</u>	<u>\$ 643,758</u>
Liabilities			
Accounts payable	\$ 2,482	\$ 3,061	\$ 5,543
Salaries and benefits payable	896	29,442	30,338
Due to other Minnesota districts	-	1,271	1,271
Unearned revenue	34,154	10,529	44,683
Total liabilities	<u>37,532</u>	<u>44,303</u>	<u>81,835</u>
Deferred Inflows of Resources			
Unavailable revenue - delinquent property taxes	-	343	343
Property taxes levied for subsequent year's expenditures	-	46,043	46,043
Total deferred inflows of resources	<u>-</u>	<u>46,386</u>	<u>46,386</u>
Fund Balances			
Nonspendable	6,938	-	6,938
Restricted	167,544	341,055	508,599
Total fund balances	<u>174,482</u>	<u>341,055</u>	<u>515,537</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 212,014</u>	<u>\$ 431,744</u>	<u>\$ 643,758</u>

Independent School District No. 485
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended June 30, 2022

	<u>Special Revenue Funds</u>		<u>Total Nonmajor Funds</u>
	<u>Food Service</u>	<u>Community Service</u>	
Revenues			
Local property taxes	\$ -	\$ 41,953	\$ 41,953
Other local and county revenues	722	332,009	332,731
Revenue from state sources	10,438	68,943	79,381
Revenue from federal sources	707,990	-	707,990
Sales and other conversion of assets	21,239	-	21,239
Total revenues	<u>740,389</u>	<u>442,905</u>	<u>1,183,294</u>
Expenditures			
Current			
Food service	628,948	-	628,948
Community education and services	-	370,910	370,910
Total expenditures	<u>628,948</u>	<u>370,910</u>	<u>999,858</u>
Net change in fund balances	111,441	71,995	183,436
Fund Balances			
Beginning of year	<u>63,041</u>	<u>269,060</u>	<u>332,101</u>
End of year	<u>\$ 174,482</u>	<u>\$ 341,055</u>	<u>\$ 515,537</u>

**Uniform Financial Accounting and Reporting Standards
Compliance Table
Year Ended June 30, 2022**

	Audit	UFARS	Audit-UFARS		Audit	UFARS	Audit-UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION FUND			
Total revenue	\$ 10,481,919	\$ 10,481,919	\$ -	Total revenue	\$ -	\$ -	\$ -
Total expenditures	10,842,205	10,842,205	-	Total expenditures	-	-	-
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
4.60 Nonspendable fund balance	83,000	83,000	-	4.60 Nonspendable fund balance	-	-	-
<i>Restricted/reserved:</i>				<i>Restricted/reserved:</i>			
4.01 Student Activities	194,638	194,638	-	4.07 Capital Projects Levy	-	-	-
4.02 Scholarships	33,053	33,053	-	4.13 Building Projects Funded By COP	-	-	-
4.03 Staff Development	121,768	121,768	-	4.67 LTFM	-	-	-
4.07 Capital Projects Levy	-	-	-	<i>Restricted:</i>			
4.08 Cooperative Programs	-	-	-	4.64 Restricted fund balance	-	-	-
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	-	-	-				
4.16 Levy Reduction	-	-	-	07 DEBT SERVICE FUND			
4.17 Taconite Building Maintenance	-	-	-	Total revenue	\$ 2,010,808	\$ 2,010,808	\$ -
4.24 Operating Capital	472,767	472,767	-	Total expenditures	2,015,884	2,015,883	1
4.26 \$25 Taconite	-	-	-	<i>Nonspendable:</i>			
4.27 Disabled Accessibility	-	-	-	4.60 Nonspendable fund balance	-	-	-
4.28 Learning and Development	-	-	-	<i>Restricted/reserved:</i>			
4.34 Area Learning Center	-	-	-	4.25 Bond refunding	-	-	-
4.35 Contracted Alternative Programs	-	-	-	4.33 Maximum effort loan aid	-	-	-
4.36 State Approved Alternative Program	-	-	-	4.51 QZAB payments	-	-	-
4.38 Gifted and Talented	20,413	20,413	-	4.67 LTFM	-	-	-
4.40 Teacher Development and Evaluation	-	-	-	<i>Restricted:</i>			
4.41 Basic Skills Programs	-	-	-	4.64 Restricted fund balance	439,975	439,975	-
4.45 Career Technical Programs	-	-	-	<i>Unassigned:</i>			
4.46 First Grade Preparedness	-	-	-	4.63 Unassigned fund balance	-	-	-
4.48 Achievement and Integration Revenue	-	-	-				
4.49 Safe School Crime Levy	74,831	74,831	-	08 TRUST FUND			
4.51 QZAB Payments	-	-	-	Total revenue	\$ -	\$ -	\$ -
4.52 OPEB Liabilities not Held in Trust	-	-	-	Total expenditures	-	-	-
4.53 Unfunded Severance and Retirement Levy	-	-	-	<i>Unassigned:</i>			
4.59 Basic Skills Extended Time	16,134	16,134	-	4.01 Student Activities	-	-	-
4.67 LTFM	67,509	67,509	-	4.02 Scholarships	-	-	-
4.72 Medical Assistance	108,568	108,568	-	4.22 Net position	-	-	-
4.75 Title VII - Impact Aid	-	-	-				
4.76 Payments in Lieu of Taxes	-	-	-	18 CUSTODIAL FUND			
<i>Restricted:</i>				Total revenue	\$ -	\$ -	\$ -
4.72 Medical Assistance	-	-	-	Total expenditures	-	-	-
4.64 Restricted fund balance	-	-	-	<i>Unassigned:</i>			
4.75 Title VII - Impact Aid	-	-	-	4.01 Student Activities	-	-	-
4.76 Payments in Lieu of Taxes	-	-	-	4.02 Scholarships	-	-	-
<i>Committed:</i>				4.48 Achievement & Integration	-	-	-
4.18 Committed for separation	-	-	-	4.64 Restricted fund balance	-	-	-
4.61 Committed	-	-	-				
<i>Assigned:</i>				20 INTERNAL SERVICE FUND			
4.62 Assigned fund balance	270,000	270,000	-	Total revenue	\$ -	\$ -	\$ -
<i>Unassigned:</i>				Total expenditures	-	-	-
4.22 Unassigned fund balance (net position)	1,901,866	1,901,870	(4)	<i>Unassigned:</i>			
				4.22 Net position	-	-	-
02 FOOD SERVICE FUND							
Total revenue	\$ 740,389	\$ 740,391	\$ (2)	25 OPEB REVOCABLE TRUST			
Total expenditures	628,948	628,949	(1)	Total revenue	\$ -	\$ -	\$ -
<i>Nonspendable:</i>				Total expenditures	-	-	-
4.60 Nonspendable fund balance	6,938	6,938	-	<i>Unassigned:</i>			
<i>Restricted/reserved:</i>				4.22 Net position	-	-	-
4.52 OPEB Liabilities not Held in Trust	-	-	-				
<i>Restricted:</i>				45 OPEB IRREVOCABLE TRUST			
4.64 Restricted fund balance	167,544	167,544	-	Total revenue	\$ -	\$ -	\$ -
<i>Unassigned:</i>				Total expenditures	-	-	-
4.63 Unassigned fund balance	-	-	-	<i>Unassigned:</i>			
				4.22 Net position	-	-	-
04 COMMUNITY SERVICE FUND							
Total revenue	\$ 442,905	\$ 442,903	\$ 2	47 OPEB DEBT SERVICE			
Total expenditures	370,910	370,907	3	Total revenue	\$ -	\$ -	\$ -
Reserved:				Total expenditures	-	-	-
<i>Nonspendable:</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	208,436	208,435	1	<i>Unassigned:</i>			
4.32 ECFE	42,208	42,208	-	4.63 Unassigned fund balance	-	-	-
4.40 Teacher Development and Evaluation	-	-	-				
4.44 School Readiness	59,290	59,290	-				
4.47 Adult Basic Education	-	-	-				
4.52 OPEB Liabilities not Held in Trust	-	-	-				
<i>Restricted:</i>							
4.64 Restricted fund balance	31,121	31,122	(1)				
<i>Unassigned:</i>							
4.63 Unassigned fund balance	-	-	-				

Independent School District No. 485
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Funding Source	Federal Assistance Listing Number	Expenditures
U.S. Department of Agriculture		
Through Minnesota Department of Education School Breakfast Program	10.553	\$ 140,469
COVID-19 - Supply Chain Assistance Funds	10.555C	22,531
Commodities Programs (noncash)	10.555	44,581
Child Nutrition Type A Lunch Total Child Nutrition Cluster	10.555	<u>500,409</u> 707,990
U.S. Department of Treasury		
Through Minnesota Department of Education COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	61,816
U.S. Federal Communications Commission		
Through Universal Service Administrative Co. Emergency Connectivity Fund Program	32.009	110,678
U.S. Department of Education		
Through Minnesota Department of Education Title I Grants to Local Education Agencies	84.010	88,817
Supporting Effective Instruction State Grants	84.367	14,414
COVID-19 - Governor's Emergency Education Relief (GEER) Fund	84.425C	12,591
COVID-19 - Elementary and Secondary School School Emergency Relief (ESSER) Fund	84.425D	288,891
COVID-19 - American Rescue Plan - ESSER Total Education Stabilization Fund	84.425U	<u>104,695</u> 406,177
Through Midstate Special Education District Career and Technical Education Basic Grants to States	84.048A	2,893
U.S. Department of Health and Human Services		
Through Minnesota Department of Education COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	<u>40,000</u>
Total Federal Expenditures		<u><u>\$ 1,432,785</u></u>

Independent School District No. 485
Notes to the Schedule of Expenditures of Federal Awards

NOTE 1 – BASIS OF PRESENTATION

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

NOTE 2 – PASS-THROUGH GRANT NUMBERS

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

NOTE 3 – INVENTORY

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

NOTE 4 – INDIRECT COST RATE

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

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

Independent Auditor's Report

To the School Board
Independent School District No. 485
Royalton, 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. 485, Royalton, Minnesota, as of and for the year ending June 30, 2022, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated **November 22, 2022**.

November 28

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify 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 material weakness, 2022-001.

Report on Compliance and Other Matters

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

District's Response to the Finding

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

Purpose of this Report

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

St. Cloud, Minnesota

November 22, 2022

November 28

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

Independent Auditor's Report

To the School Board
Independent School District No. 485
Royalton, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2022. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we identified deficiencies in internal control over compliance that we consider to be a significant deficiency.

Report on Internal Control over Compliance (Continued)

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-002, to be a significant deficiency.

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

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance finding identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

St. Cloud, Minnesota

November 22, 2022

November 28

**Independent School District No. 485
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:
 • Material weakness(es) identified? Yes, Audit Finding 2022-001
 • Significant deficiency(ies) identified? No

Noncompliance material to financial statements noted? No

Federal Awards

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

Internal control over major programs:
 • Material weakness(es) identified? No
 • Significant deficiency(ies) identified? Yes, Audit Finding 2022-002

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516? No

Identification of Major Programs

Assistance Listing No: 10.553/10.555/10.555C
 Name of Federal Program or Cluster: Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low risk auditee? No

**Independent School District No. 485
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION II – FINANCIAL STATEMENT FINDINGS

Audit Finding 2022-001

Criteria or Specific Requirement:

During the year ended June 30, 2022, the District had a lack of segregation of accounting duties due to a limited number of office employees. 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. This lack of segregation of accounting duties can be demonstrated in the following areas, which is not intended to be an all-inclusive list:

- The Business Manager prepares all journal entries without anyone reviewing them.
- The Business Manager adds and disposes assets, calculates depreciation and maintains the master listing of capital assets.
- The Payroll Specialist approves time cards, processes payroll, and completes the ACH filing.
- The District Office Assistant matches purchase orders and invoices and processes payments in the District's accounting system. The Business Manager approves invoices for payment.
- The Business Manager has access to the complete accounting system.

During our audit, we tested the internal control over various District financial reporting functions. One such function is the general ledger journal entry process. We also tested specific journal entries for validity, purpose, amount, and approval. Although our testing indicated valid journal entries, we found that all entries lacked evidence of approval. Not having an adequate process in place could jeopardize the integrity of the basic financial statements.

In addition, we noted the budget in the District's accounting system did not agree to the budget approved by the board by a difference of over \$2 million. Effective budget to actual analysis cannot be completed when the budgeted used in this analysis is not correct.

Condition:

The District does not have adequate segregation of accounting duties.

Context:

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

Effect or Potential Effect:

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

Cause:

There are a limited number of office employees.

**Independent School District No. 485
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

Audit Finding 2022-001 (Continued)

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

Administration will continually review current segregation of accounting duties to determine if further segregation is possible. The District hired a district office support staff to assist in accounting functions.

3. Official Responsible for Ensuring CAP

_____ , is the official responsible for ensuring corrective action of the deficiency.

4. Planned Completion Date for CAP

The planned completion date for the CAP is ongoing.

5. Plan to Monitor Completion of CAP

_____ will be monitoring this CAP.

**Independent School District No. 485
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Audit Finding 2022-002

Criteria or Specific Requirement:

Internal controls that assure all requests for reimbursement are properly entered, reviewed, and submitted.

Condition:

We selected monthly reimbursement submissions for testing. The District could not readily provide back-up documentation for the number of meals submitted for reimbursement through the CLICS reporting system as the District purged its data in the Skyward system at year-end.

Context:

The District is not retaining data necessary to complete audit procedures.

Effect or Potential Effect:

Verification of monthly reimbursement submissions as required by the audit requirements of the Uniform Guidance may not be possible.

Cause:

The District purged its data in the Skyward system at year-end.

Recommendation:

Follow the District's record retention policy and maintain back-up documentation for required time period.

Management's Response:

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding

2. Actions Planned in Response to Finding

3. Official Responsible for Ensuring CAP

_____, is the official responsible for ensuring corrective action of the deficiency.

4. Planned Completion Date for CAP

The planned completion date for the CAP is _____.

5. Plan to Monitor Completion of CAP

_____ will be monitoring this CAP.

**Independent School District No. 485
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None

Draft

Minnesota Legal Compliance

Independent Auditor's Report

To the School Board
Independent School District No. 485
Royalton, 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. 485, Royalton, Minnesota, as of and for the year ended June 30, 2022, and the related notes to basic financial statements, and have issued our report thereon dated **November 22**, 2022.
November 28

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

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

St. Cloud, Minnesota
November 22, 2022
November 28



ROYALTON PUBLIC SCHOOLS

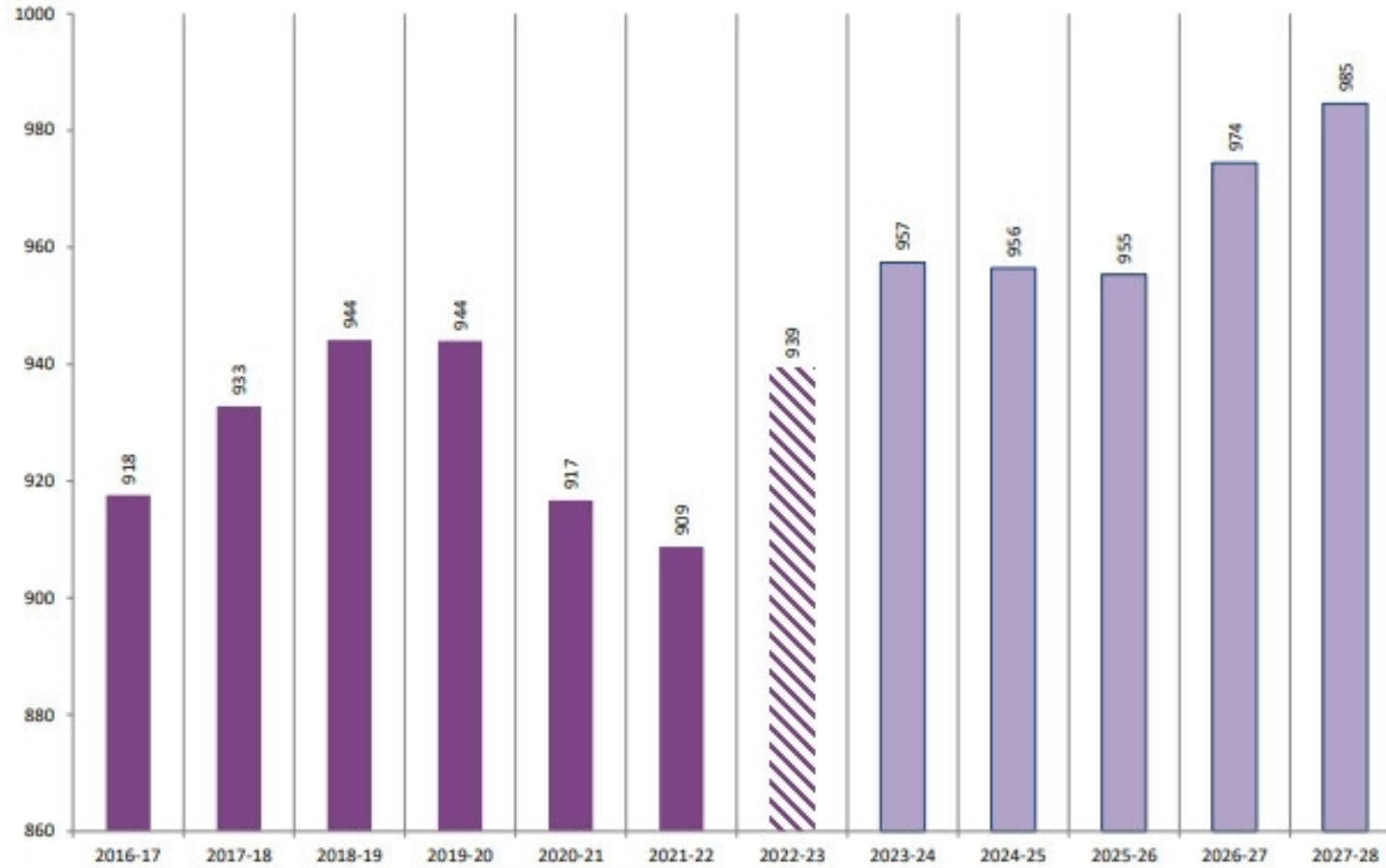
Home of the Royals

RESPECT · HONESTY · INTEGRITY · LEADERSHIP · ACCOUNTABILITY · SERVICE

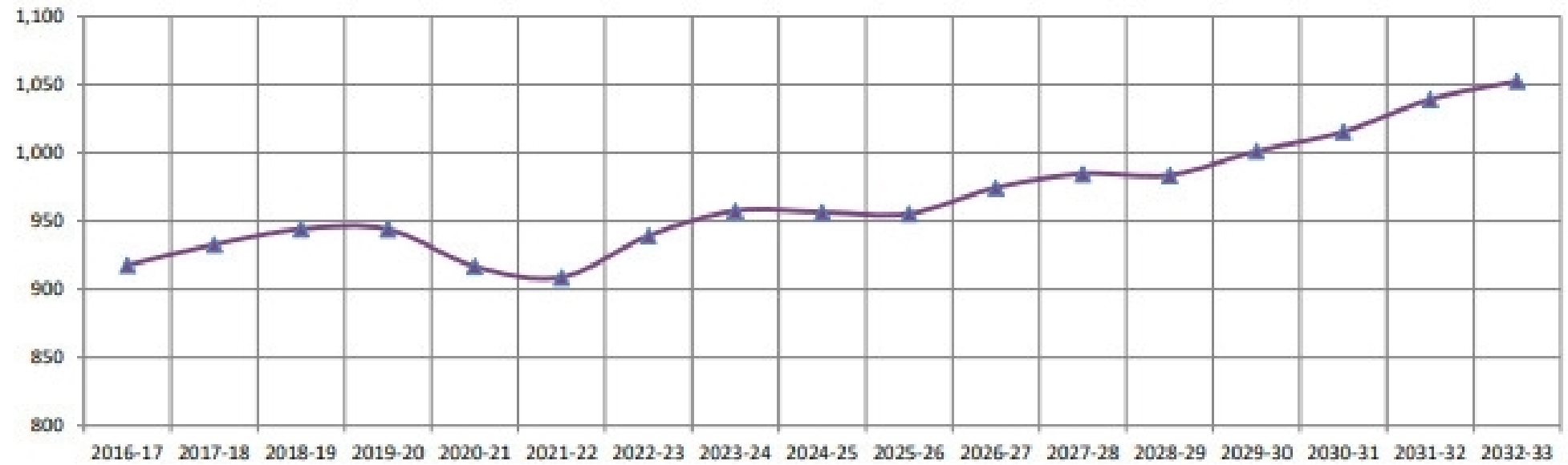
120 Hawthorn Street, Royalton, MN 56373
Phone (320) 584-4000
royaltonpublicschools.org

Royalton Public Schools Student Enrollment

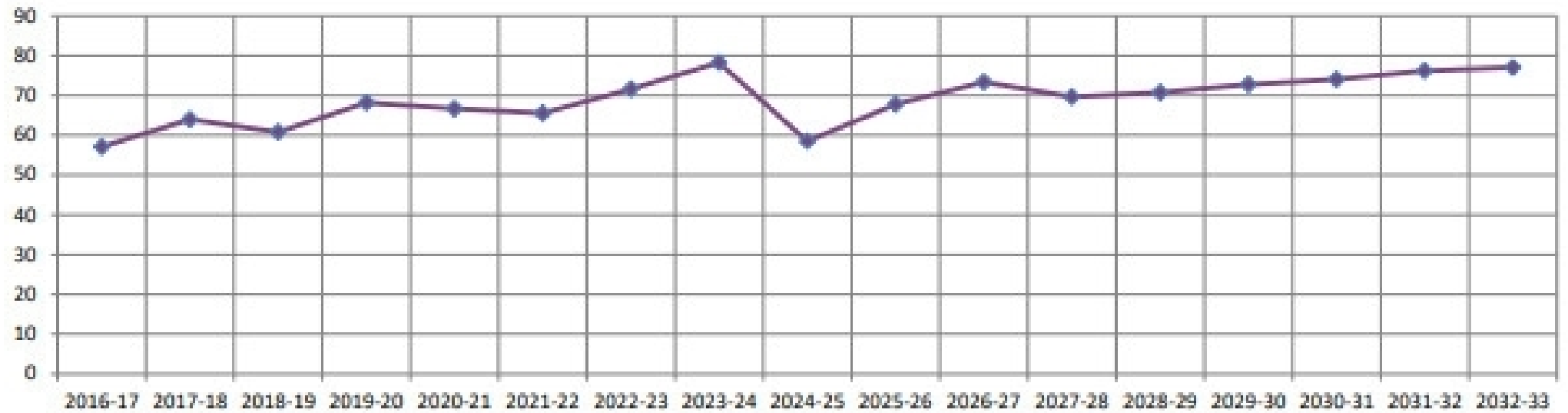
K-12 ENROLLMENT HISTORY & PROJECTED TOTAL ENROLLMENT

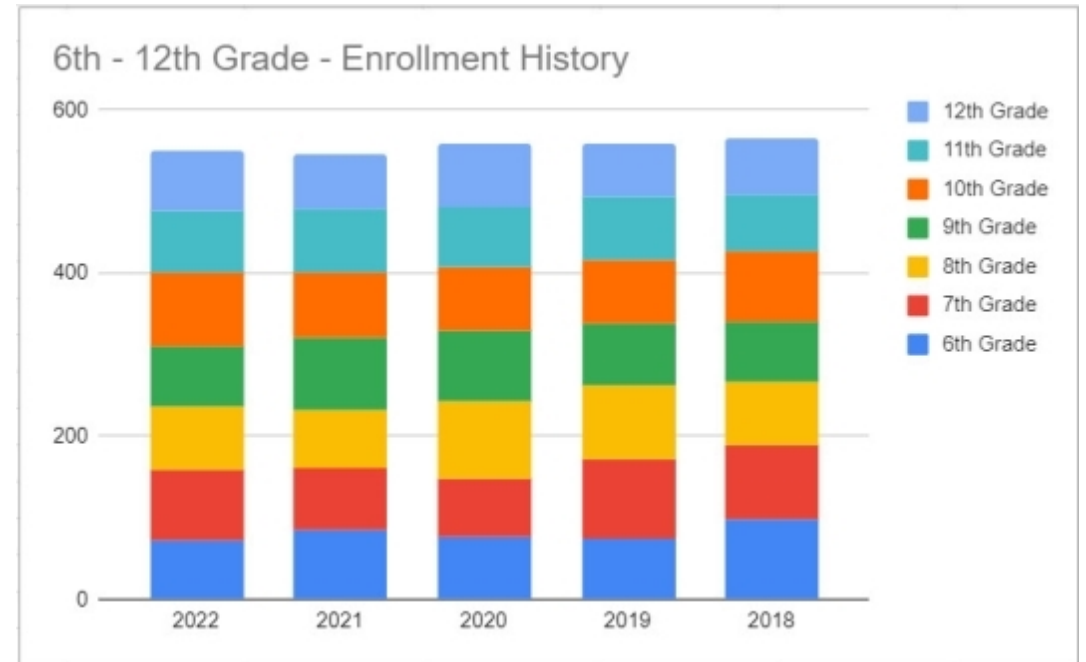
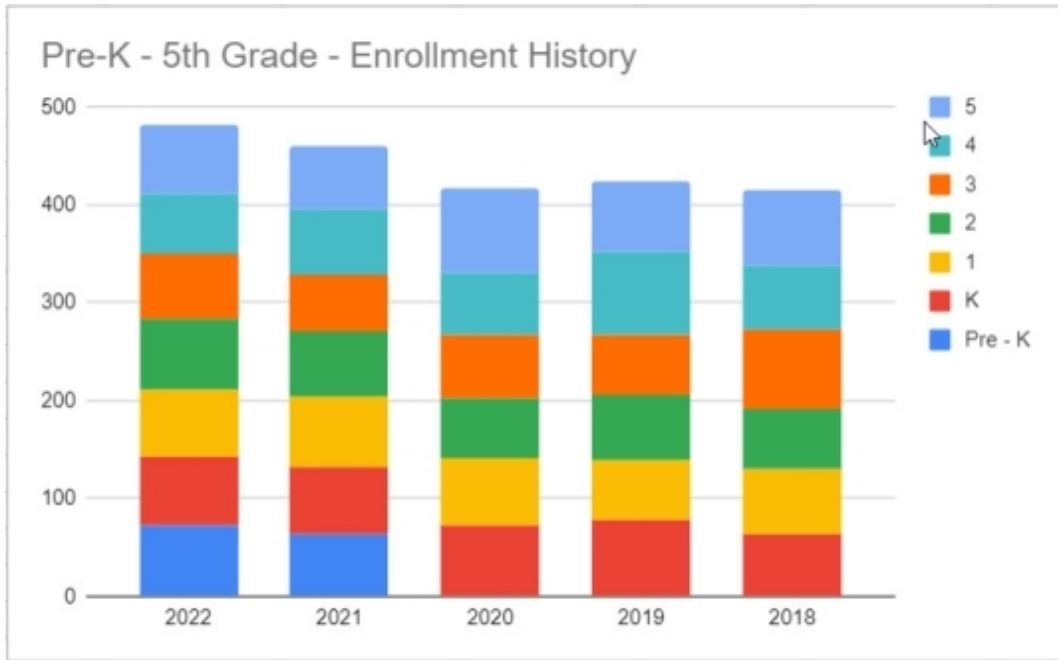


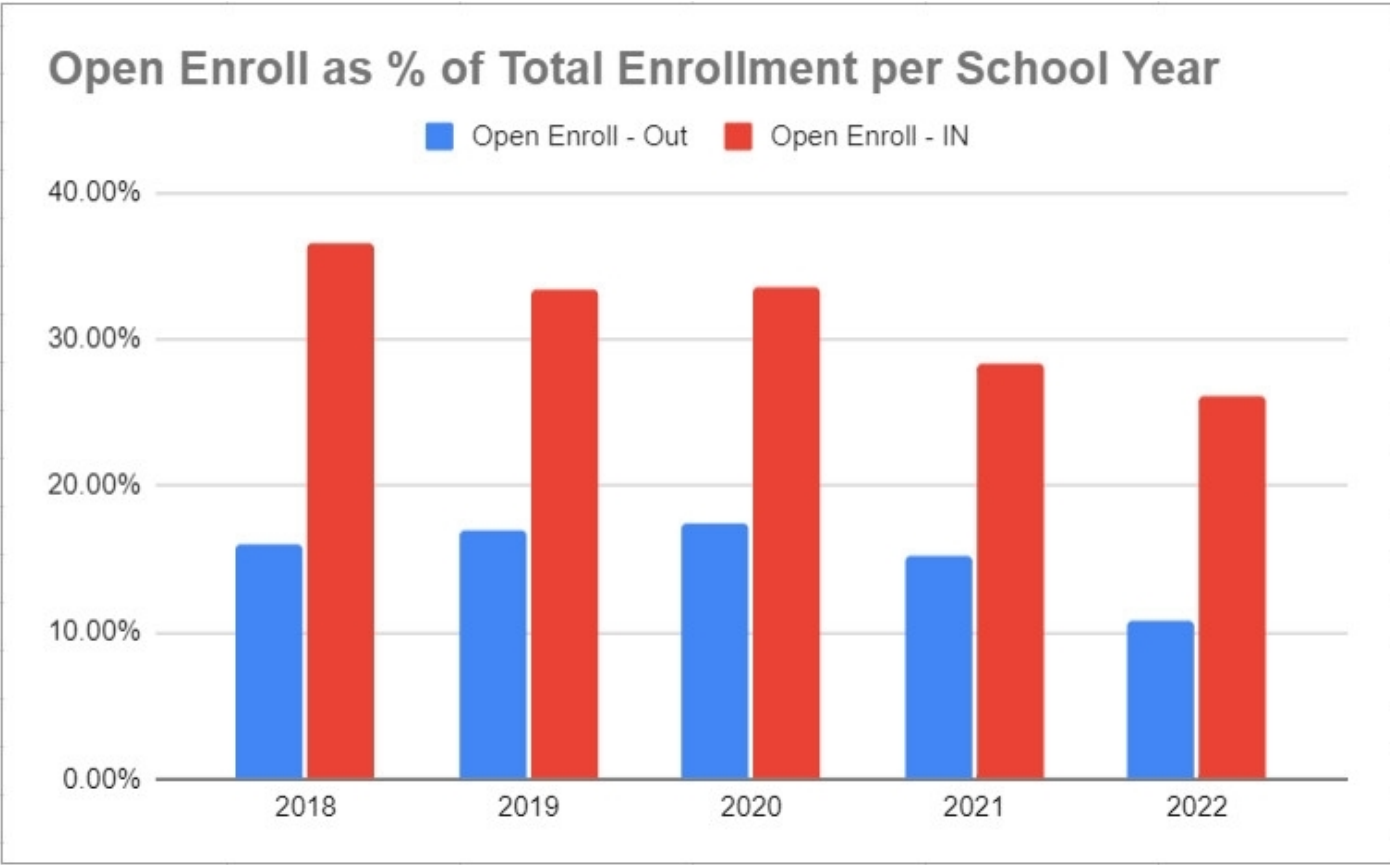
Enrollment History and Enrollment Projections



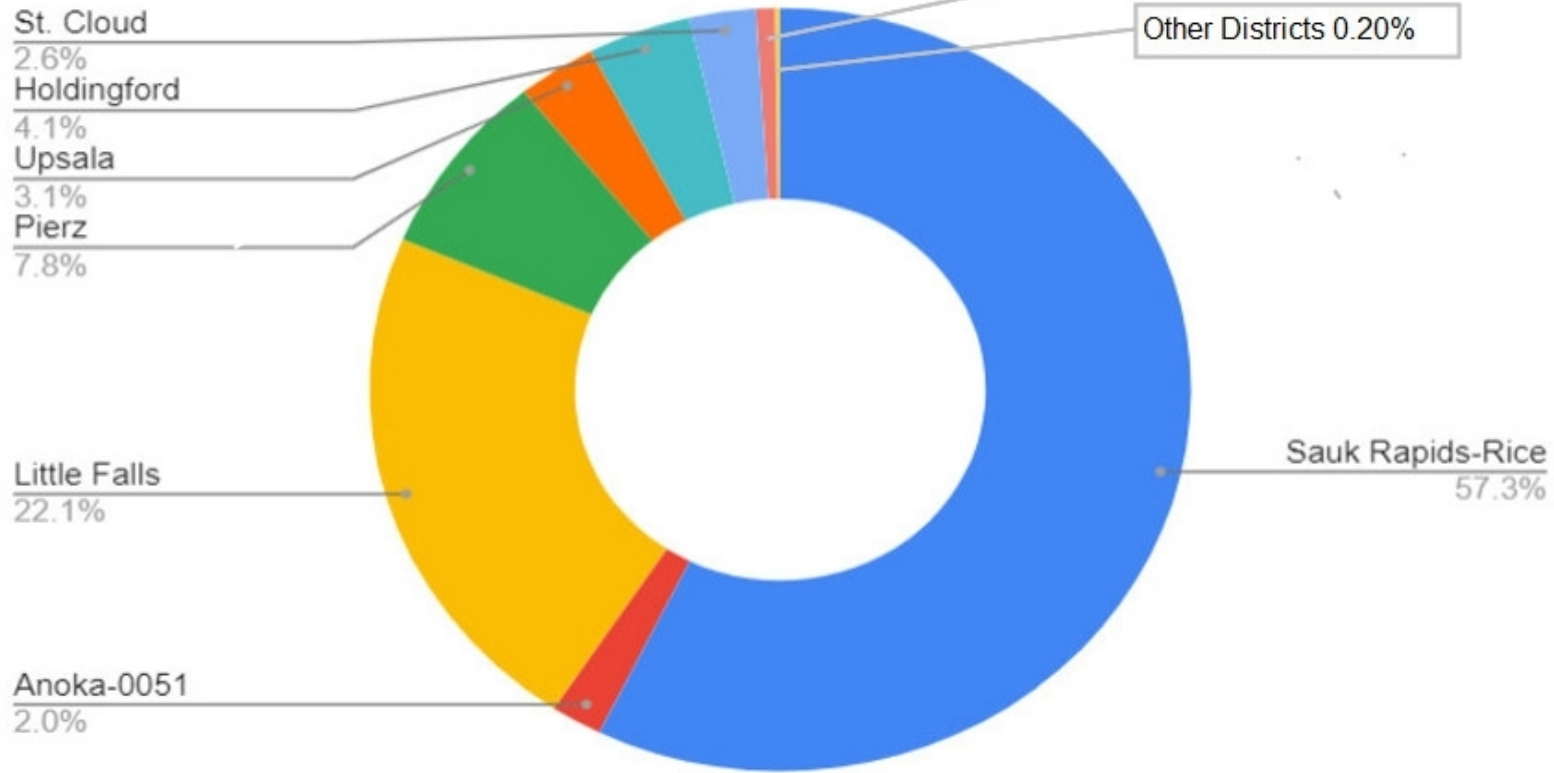
Kindergarten Enrollment Anticipated in Projection



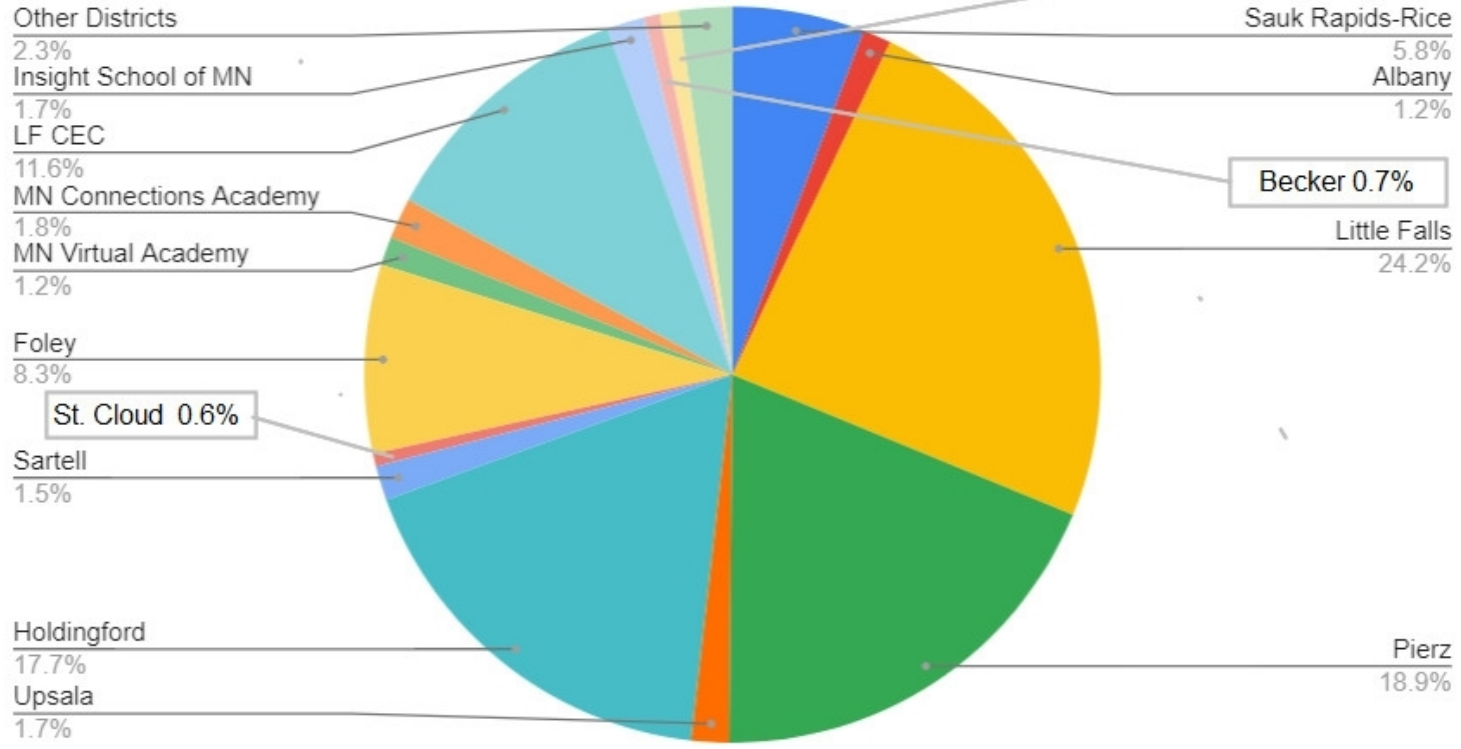




Open Enrollment - IN % (Avg last 5yrs)



Open Enrollment - OUT % (avg last 5 yrs)





Thank you!



10/18/2022

Royalton Public Schools #485
120 S Hawthorn St
Royalton, MN 56373

Dear Dr. Wehrkamp,

Thank you for this opportunity to present SMS' revised proposal for Business Management & Support services.

I look forward to continuing a partnership with your School District to provide Business Management Services that exceed your expectations.

Respectfully,

Todd R. Netzke
President

Enclosure



BUSINESS MANAGEMENT & SUPPORT SERVICES PROPOSAL

For

ROYALTON PUBLIC SCHOOLS 485

120 S Hawthorn St

Royalton, MN 56373

School Management Services, LLC (SMS), Minnesota's premier professional services provider of K12 business management solutions, is pleased to propose our services for professional business management and support services.

This recommendation and proposal includes the following sections and documents:

1. Executive Summary:
 - Goals and benefits of SMS services;
 - Scope of proposed services
 - Arrangements
2. Scope of Services and Responsibilities
3. Services Agreement and Signature Page

Executive Summary

Goals and benefits of SMS services

SMS goals and business strategy include the provision of innovative and cost-effective alternatives to public school districts' boards and superintendents for school business management and related school business functions.

SMS leadership and line management team members are keenly aware of the changing dynamics of public school management in the broader context of public school funding and management strategy, and we are committed to continuously improve and expand SMS service offerings to meet the changing needs of Minnesota's public schools.

We respectfully suggest that the following features and components of our services result in important tangible and intangible benefits for our public school district clients.

Confidence and peace of mind:

SMS client boards and superintendents are assured in that:

SMS work performed professionally, accurately and timely;
Administration and Board will make confident decisions based on solid financial data for the benefit of all stakeholders.

Cost and time savings that enable boards and administration to operate efficiently and focus on your responsibilities:

SMS client boards and superintendents are assured that having SMS on the team results in efficient operations and resource redundancy:

SMS professional team members' core competencies are school business and finance;
SMS understands the issues and can immediately and efficiently provide services;
SMS continuously trains and develops our team members and have experienced resources in reserve to cover contingencies and emergencies;
SMS employs best practices including latest technology;
SMS will recommend and assist, if desired, with process improvement and business office structure
SMS provides customized reporting at summary and detail levels to assist District Leaders in understanding the current and projected financial condition, thus allowing timely and appropriate action.

Compliance requirements are addressed efficiently and effectively:

SMS client boards and superintendents are assured that having SMS on the team results in effective, efficient and comprehensive compliance planning and execution:

SMS supports the annual audit process by providing accurate and timely data, supplementing district resources with additional SMS staff when desired, and recommends and implements ideas that can reduce future audit costs.

In summary, the SMS team comprises more than 150 years of aggregate public school management experience. On engaging SMS, your district will be supported by our growing, professional team.

Scope of Proposed Services

SMS agrees to provide to Royalton Public Schools Professional Business Management and Support Services according to the job summary listed below.

SMS provides the School full flexibility to modify the assignment of responsibilities and to make appropriate revisions to SMS’ fees and expenses arrangements at the convenience of the School in accordance with the contractual provisions of the attached Services Agreement.

On-Site Presence:

Business Manager: Services provided primarily remotely with on-site presence as needed

	SMS	District
Management		
Provide and assist with Administrative Leadership	50%	50%
School Financial Leader	X	
Develop strong working relationships with Administrators	X	
Develop strong working relationships with School Board	X	
Develop strong working relationships with Director	X	
Develop and implement effective and GASB compliant processes and procedures	X	
District Operations		
Business Management		
Maintains a good working relationship with Vendors & Businesses	X	
Maintains Cooperative relationships and appropriate communications with District schools in order to maintain effective public relations	X	
Assists with Marketing of School Programs and Services	X	
Request for Proposals for various needs	X	
Buildings & Grounds		
Operations	25%	75%
Budget Development & Monitoring	X	
Staff Management	25%	75%
Space Planning and Management	25%	75%
Technology		
Operations	25%	75%
Budget Development & Monitoring	X	

Staff Management	25%	75%
Food Service	X	
Operations	10%	90%
Reporting & Compliance	50%	50%
Budget Development & Monitoring	90%	10%
Budget Development & Communication		
Budget development & Reporting	90%	10%
Analysis	X	
Historical	X	
Comparative	X	
Communicate	X	
Budget Calendar	90%	10%
Budget Monitoring	75%	25%
Budget Communication		
Administrative Team	X	
Superintendent	X	
School Board	X	
Financial Planning		
Develop 5 Year Financial Plan	X	
Base Assumptions	50%	50%
Build Group Consensus Amongst District Leaders (Finance Committee)	50%	50%
Reduction and/or Investment Goals	50%	50%
Enrollment Projections	50%	50%
Staff Planning	50%	50%
Cash Flow Projections	X	
General Accounting		
Maintain General Ledger (In compliance with GASB)	X	
Payroll Liabilities Reconciliation	X	
Bank Reconciliation	X	
Journal Entries	X	
UFARS Compliance	X	
Grant Coordination and Administration	X	
Federal, State and Local Grants Reporting and Compliance	75%	25%
Implement Best Practices	75%	25%
Prescribe and Apply Internal Controls Whenever Possible	75%	25%
Daily Cash Management	X	
Prepare Board Budget and Treasurer Report	X	
Human Resources/Payroll		
Provide support as needed for Human Resources & Payroll	X	

Audit Planning & Coordination

Plan & Coordinate Annual Audit	X
Prepare all Asset & Liability Supporting Schedules	X
Calculate and Schedule State, Federal and Local Revenues & Receivables:	
State Aids	
Tuition	X
Federal Aids	X
Property Taxes	X
Long-Term Debt	X
Fixed Assets	X

Committee Representation

Attend Appropriate Committee's Upon Request	X
---------------------------------------------	---

School Board and Governing Meetings

Attend Board Meetings via Zoom and in person upon request	X
Prepare and Present Business Related Board Action Items	X
Recommend and Prepare Business Policies	X

Arrangements

Royalton Public Schools will receive SMS Professional Business Management & Support Services in accordance with the following arrangements.

SMS shall be paid compensation for the services proposed herein at the rate of:

Business Management Services(Commencing 12/1/2022): **\$71,750**

Semi-annually, in advance: \$35,875

Human Resource/Payroll Support(Commencing 12/1/2022): **\$20,000**

Semi-annually, in advance: \$10,000

Federal Grants Support Services: \$150/Hr as needed

Travel & Incidental fees:

- Mileage – Paid at IRS enacted rate at the time of travel
- It is highly recommended the District subscribe to Forecast5 tools to provide the tools the Business Manager will need to provide the reporting and analytical tools necessary to perform the job efficiently and effectively. The estimated cost of the tools recommended (5CAST & 5CAST+) is \$10,000.

Fee arrangements for years 2 & 3: increase at 2.5% per year.

****Note: It is understood that the District may terminate the human resource/payroll support portion of this contract upon a 60 day written notice. See Article II, Section 2 for Districts termination rights.***

1. Business Manager Services Responsibilities

It shall be the responsibility of SMS to compensate outside consultants retained or hired by SMS to fulfill obligations under this Agreement.

SMS Services Agreement

THIS AGREEMENT, is made and entered into by and between Royalton Public Schools (hereinafter referred to as the "School"), and School Management Services (hereinafter referred to as the "Contractor").

Scope of Services

The Contractor agrees to provide professional Business Management services to the School according to the proceeding scope of services summary.

Articles of Agreement & Recitals

WHEREAS, the School is authorized and empowered to secure from time to time certain professional services through contracts with qualified consultants; and

WHEREAS, the School desires to retain and compensate a qualified consultant to provide such services on the terms and conditions hereinafter set forth; and

WHEREAS, the Contractor understands and agrees that:

1. The Contractor will act as an Independent Contractor in the performance of all duties under this Agreement. Accordingly, the Contractor shall be responsible for payment of all taxes, including federal, state and local taxes and professional/business license fees arising out of the Contractor's activities;
2. The Contractor shall have no authority to bind the School for the performance of any services or to obligate the School. The Contractor is not an agent, servant, or employee of the School and shall not make any such representations or hold himself/herself out as such;
3. The Contractor shall be the exclusive accounting consultant for the School during the term of this Agreement;
4. The Contractor shall perform all professional services in a competent and professional manner, acting in the best interests of the School at all times.
5. The Contractor shall not accrue any continuing contract rights for the services performed under this contract.

NOW THEREFORE, in consideration of the mutual covenants and promises contained herein, it is agreed as follows:

ARTICLE I

LIABILITY INSURANCE

Section 1 Liability Insurance: The Contractor shall obtain professional liability insurance, at his/her expense, with coverage satisfactory to the School, in its sole discretion, which liability insurance Contractor must secure and maintain during the term of this Agreement. Contractor must provide School with proof of liability insurance coverage prior to performing services under this Agreement.

ARTICLE II

DURATION OF THE AGREEMENT

Section 1 Duration: This Agreement shall commence on upon board ratification of this agreement and will remain in effect for a period three years. This Agreement will remain in full force and effect during the term of this Agreement, but may be terminated as provided in sections 2 and 3.

Section 2 School's Termination Rights: School may terminate this Agreement upon sixty (60) days written notice in the event the School determines in its sole discretion that it is not in the School's best interests to continue using Contractor's services.

Section 3 Contractor's Termination Rights: Contractor may terminate this Agreement upon thirty (30) days written notice to School (i) in the event School does not pay Contractor compensation within fifteen (15) days after invoice is received by School. In the event of non-payment by the School, Contractor shall give School an opportunity to cure the default by giving a notice of such non-payment and an additional five (5) days to remit such payment, prior to giving a notice of termination. Contractor may terminate this Agreement upon sixty (60) days written notice in the event the Contractor determines in its sole discretion that it is not in the Contractor's best interests to continue providing services to the School District.

ARTICLE III

RENEWAL OF THE AGREEMENT

Section 1 Renewal Period: Not less than thirty (30) days prior to the expiration of this Agreement, the School may provide written notice of intent to renew this Agreement for an additional term upon terms and conditions agreed upon by both parties to the Agreement.

ARTICLE IV

INDEMNIFICATION

Section 1 Release and Indemnify: The Contractor agrees to defend, hold harmless, and indemnify the School and its board members, its administration, its employees, its officers, its attorneys, insurers, agents, consultants, and representatives from any and all damages and claims that may arise by reason of any acts or omissions on the part of the Contractor, or of the Contractor's employees or agents, in regard to the Contractor's performance under this Agreement, including, but not limited to, any and all liabilities, demands, losses, claims, damages, fines, judgments, attorneys' and witness fees.

ARTICLE V

GENERAL

Section 1 Authorized School Agent: The School's authorized agent for the purpose of administration of this Agreement is the Superintendent. Said agent shall have final authority for approval and acceptance of the Contractor's services performed under this Agreement and shall further have responsibility for administration of the terms and conditions of this Agreement. All notices under this Agreement shall be sent to the person and address indicated below on the signature lines.

Section 2 Amendments: No amendments or variations of the terms and conditions of this Agreement shall be valid unless in writing and signed by the parties.

Section 3 Assignability: The Contractor's rights and obligations under this Agreement are personal and not assignable or transferable.

Section 4 Data: Any data or materials, including, but not limited to, reports, studies, photographs, negatives, or any and all other documents prepared by the Contractor in the performance of the Contractor's obligations under this Agreement shall be the exclusive property of the School, and any such data and materials shall be remitted to the School by the Contractor upon completion, expiration, or termination of this Agreement. Further, any such data and materials shall be treated and maintained by the Contractor in accordance with applicable federal, state and local laws regarding data privacy.

Section 5 Entire Agreement: This Agreement is the entire agreement between the School and the Contractor and it supersedes all prior written or oral agreements. There are no other covenants, promises, undertakings, or understandings outside of this Agreement other than those specifically set forth. Any term, condition, prior course of dealing, course of performance, usage of trade, understanding, or agreement purporting to modify, vary, supplement, or explain any provision of this Agreement is null and void and of no effect unless in writing and signed by representatives of both parties authorized to amend this Agreement.

Section 6 Severability: All terms and covenants contained in this Agreement are severable. In the event any provision of this Agreement shall be held invalid by any court of competent jurisdiction, this Agreement shall be interpreted as if such invalid terms or covenants were not contained herein and such holding shall not invalidate or render unenforceable any other provision hereof.

Signature Page

AGREEMENT FOR THE PROVISION OF PROFESSIONAL SERVICES TO ROYALTON SCHOOL DISTRICT 485.

WHEREFORE, this Agreement was entered into on the date set forth below and the undersigned, by execution hereof, represent that they are authorized to enter into this Agreement on behalf of the respective parties and state that this Agreement has been read by them and that the undersigned understand and fully agree to each, all and every provision hereof, and hereby, acknowledge receipt of a copy hereof.

Royalton School District
120 S Hawthorn Street
Royalton, MN 56373

Name _____

Title _____

Date _____

School Management Services, LLC
3730 95th Ave SW
Byron, MN 55920

Name _____

Title _____

Date _____

EIN: 56-2545979