INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
LAMBERTON, MINNESOTA
ANNUAL FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
FISCAL YEAR ENDED JUNE 30, 2022

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RED ROCK CENTRAL
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INTRODUCTORY SECTION

INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
SCHOOL BOARD AND ADMINISTRATION
LAMBERTON, MINNESOTA

SCHOOL BOARD	POSITION	TERM ENDS
William Rogotzke	Chairperson	December 2022
Ronald Kelsey	Vice Chair	December 2022
John Hansen	Treasurer	December 2022
Chad Stavnes	Clerk	December 2024
Nate Erickson	Member	December 2024
Thomas Kuehl	Member	December 2024
Alex Pankonin	Member	December 2024

ADMINISTRATION	
Todd Lee	Superintendent
Greg Ewing	High School Principal
Kim Friesen	Elementary Principal

FINANCIAL SECTION

Kinner & Company Ltd
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Members of the School Board of the
Independent School District No. 2884

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, of the Independent School District No. 2884, Lamberton, Minnesota as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School District No. 2884, Lamberton, Minnesota's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information, of the Independent School District No. 2884, Lamberton, Minnesota as of June 30, 2022, and the respective changes in financial position and, where applicable, the respective 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Independent School District No. 2884, Lamberton, Minnesota and to meet our 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.

Responsibilities of Management for the Financial Statements

Management 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, that raise substantial doubt about the Independent School District No. 2884, Lamberton, Minnesota's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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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 generally accepted auditing standards 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 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 generally accepted auditing standards 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 Independent School District No. 2884, Lamberton, Minnesota'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, that raise substantial doubt about the Independent School District No. 2884, Lamberton, Minnesota'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.

Emphasis of Matter – Prior Period Adjustment

As described in Note 17, the District reported a prior period adjustment for the fiscal year ending 2022. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the other 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 Government Accounting Standards Board 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 Independent School District No. 2884, Lamberton, Minnesota's basic financial statements. The accompanying combining nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepared the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and the Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Table but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2022, on our consideration of the Independent School District No. 2884, Lamberton, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Independent School District No. 2884, Lamberton, Minnesota's internal control over financial reporting and compliance.

Kinner & Company Ltd

Kinner & Company Ltd.
Certified Public Accountants
Wabasso, MN

November 21, 2022

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis

INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022

This section of Independent School District No. 2884's (District) annual financial report presents management's discussion of the District's financial performance during the fiscal year ending June 30, 2022. Please read it in conjunction with the District's financial statements, which immediately follows this section. The Management's Discussion and Analysis (D&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.* Certain comparative information between the current year (FY 2022) and the prior year (FY 2021) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

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

- Net position in the Statement of Net Position decreased $603,950 from the prior year to $997,194. This decrease was the result of a variety of factors including debt service expenditures relating to the bond referendum that passed in the fall of 2021 for the construction of a new school building.

- The fund balance in the General Fund decreased $459,391 to $3,301,628. The fund balance in the Food Service Fund increased $141,020 to $384,905. The fund balance in the Community Service Fund increased $2,610 to $137,776.

- The District issued $41,000,000 General Obligation School Building Bonds, Series 2022A. The proceeds of this issue will be used to construct a new school building. Additionally, the bond was issued at a premium of $1,775,778. Repayment of the bond will begin in fiscal year 2023. Two new funds were established to account for the loan proceeds and accumulation of resources; the Debt Service Fund and the Building Construction Fund.

- The District received a significant increase in federal funding during the year as a result of the continued COVID-19 pandemic. The Department of Education provided revenue through the Elementary and Secondary School Education Relief and the Coronavirus Relief Fund. In addition to these sources of revenue, there was a significant increase in revenue through the federal food service program since all students remained eligible to review free meals through the federal food service program, regardless of family income, throughout the school year.

INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022

OVERVIEW OF THE FINANCIAL STATEMENTS

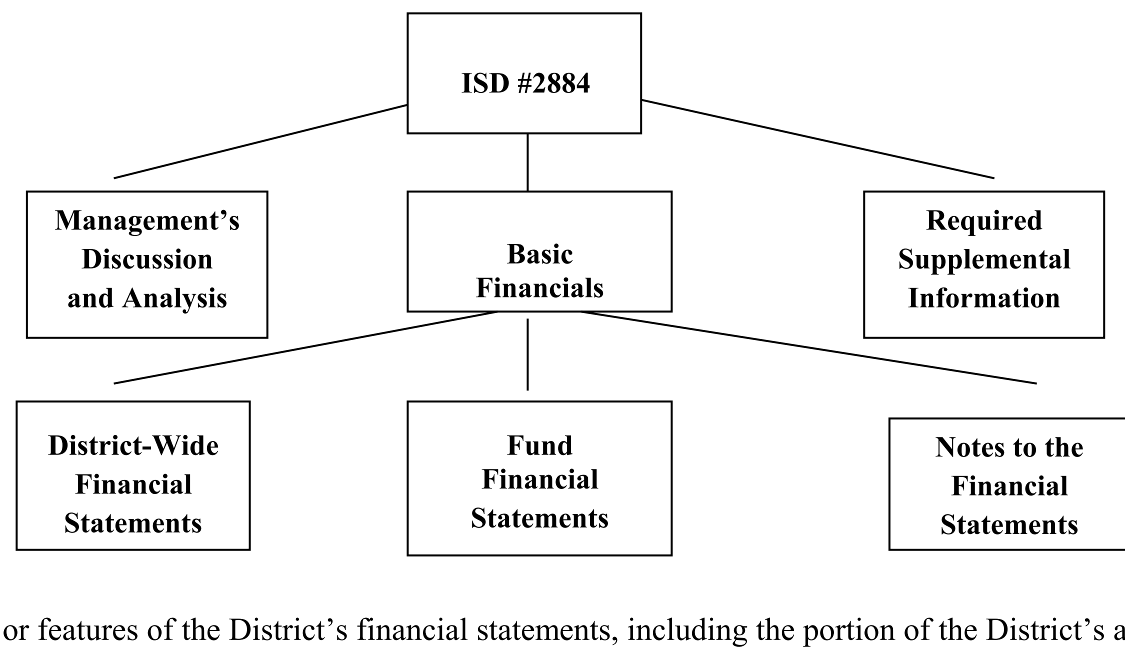
The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements and notes to the financial statements, and the other supplementary information and other required reports and information. The basic statements include two kinds of statements that present different views of the District:

- The government-wide financial statements, including the Statement of Net Position and the Statement of Activities, provide both short-term and long-term information about the District's overall financial status.

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

The statements include a section of budgetary comparison information that further explains and supports the financial statements with a comparison of the district's budget for the year. The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

The diagram below shows how the various parts of this annual report are arranged and related to one another.



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

Major Features of the Government-wide and Fund Financial Statements

		Fund Financial Statements	
	Government-wide Statements	**Governmental Funds**	**Proprietary Funds**
Scope	Entire Primary Government	The activities of the District that are not proprietary, such as the General Fund	Activities the District operates similar to private businesses, currently the District does not have any.
Required Financial Statements	-Statement of Net Position -Statement of Activities	-Balance Sheet -Statement of Revenues, Expenditures, and Changes in Fund Balances	-Balance Sheet -Statement of Revenues, Expenditures, and Changes in Fund Balances -Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual account and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

GOVERNMENT-WIDE STATEMENTS

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

The two government-wide statements report the District's *net position* and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, the District's activities are all shown in one category titled governmental activities. The District's basic services are reported here, including regular and special education, transportation, administration, food services, and community education. Property taxes and state aids finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds – focusing on its most significant or "major" funds – rather than the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues.

The District has one kind of fund:

- Governmental funds – The District's basic services are included in governmental funds, which generally focus on: 1) how cash and other financial assets that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information (reconciliation schedules) follows the governmental funds statements that explain the relationship (or differences) between these two types of financial statement presentations.

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

NET POSITION

The District's net position was $997,194 and $1,601,144 on June 30, 2022 and 2021, respectively which is a decrease of $603,950 from the previous year largely due to fluctuations related to deferred inflows for the Teachers Retirement Association (TRA) during the year. A summary of the District's net position is as follows:

Condensed Statement of Net Position	June 30, 2022	Restated June 30, 2021	Percentage Change
Current and Other Assets	$ 49,048,753	$ 5,396,278	808.9%
Capital Assets	3,663,887	2,124,110	72.5%
Total Assets	52,712,640	7,520,388	600.9%
Deferred Outflows of Resources	1,523,541	520,885	192.5%
Long-term Liabilities	44,207,609	3,840,329	1051.1%
Other Liabilities	3,819,344	540,764	606.3%
Total Liabilities	48,026,953	4,381,093	996.2%
Deferred Inflows of Resources	5,212,034	2,059,036	153.1%
Net Position			
Net Investment in Capital Assets	2,180,949	2,124,110	2.7%
Restricted	41,264,106	981,730	4103.2%
Unrestricted	(42,447,861)	(1,504,696)	2721.0%
Total Net Position	$ 997,194	$ 1,601,144	-37.7%

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

CHANGE IN NET POSITION

A summary of the District's revenues and expenses is as follows:

Condensed Statement of Activities	June 30, 2022	Restated June 30, 2021	Percentage Change
Revenues			
Program Revenues			
Charges for service	$ 105,898	$ 72,138	46.8%
Operating grants and contributions	1,487,301	1,286,225	15.6%
Capital grants and contributions	250,851	54,337	361.7%
General Revenues			
Property taxes	856,253	1,095,226	-21.8%
Unallocated Aid	3,629,968	3,626,903	0.1%
Other	(643,002)	114,785	-660.2%
Total Revenues	5,687,269	6,249,614	-9.0%
Expenses			
Administrative and district support	761,452	718,955	5.9%
Regular, vocational, special education instruction	2,782,679	2,401,205	15.9%
Instructional support services	219,152	293,575	-25.4%
Pupil support services	509,648	452,941	12.5%
Sites and buildings	473,030	503,603	-6.1%
Fiscal and other cost programs	41,377	40,123	3.1%
Food services	269,457	235,909	14.2%
Community services	91,506	67,313	35.9%
Interest on long-term debt	547,598	-	100.0%
Other	595,320	892	66639.9%
Total Expenses	6,291,219	4,714,516	33.4%
Changes in Net Position	(603,950)	1,535,098	-139.3%
Beginning Net Position, as Restated	1,601,144	66,046	
End of Year Net Position	$ 997,194	$ 1,601,144	-37.7%

The District's total revenues consisted of program revenues of $1,844,050, property taxes of $856,253, unallocated aids of $3,629,968, and miscellaneous revenues of a deficit $643,002. Total expenses of $6,291,219 consisted largely of student instructional costs (44%).

- The users of the District's programs paid for 2%, or $105,898, of the total costs.
- The federal and state governments subsidized certain programs with operating and capital grants and contributions. This totaled $1,738,152, or 28% of the total costs.
- Most of the District's net cost of services however, was paid for by state taxpayers based on the statewide education aid formula and by District taxpayers.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (FUND FINANCIAL STATEMENTS)

FUND BALANCE

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of $43,870,185. This was a net increase of $39,730,115 from $4,140,070 at the end of the prior year. The main source of the increase was due to bond proceeds in the Building Construction Fund of $42,775,778. The decrease of $459,391 in the General Fund occurred primarily due to a decrease relating to levies. Community Service Fund increased by $2,610. The Food Service Fund increased by $141,020 due to more federal funds received during the year related to COVID-19. The Debt Service Fund had a fund balance of $103.

REVENUES AND EXPENDITURES

Revenues of the District's governmental funds totaled $5,693,905 which was a decrease of 9% from the previous year total of $6,229,062. Total expenditures were $8,745,625 which was an increase of 40% from the previous year total of $6,283,724. A summary of the revenues and expenditures reported on the governmental financial statements is as follows:

ANALYSIS OF INDIVIDUAL FUNDS

	Fiscal Year 2022			
	Revenue	Expenditures	Other Sources (Uses)	Fund Balance Increase (Decrease)
General Fund	$ 5,847,488	$ 6,312,936	$ 6,057	$ (459,391)
Food Service Fund	418,047	277,027	-	141,020
Community Service Fund	95,095	92,485	-	2,610
Debt Service Fund	103	-	-	103
Building Construction Fund	(666,828)	2,063,177	42,775,778	40,045,773
Total	$ 5,693,905	$ 8,745,625	$ 42,781,835	$ 39,730,115

	Fiscal Year 2021			
	Revenue	Expenditures	Other Sources (Uses)	Fund Balance Increase (Decrease)
General Fund	$ 5,857,075	$ 5,972,226	$ (148,888)	$ (264,039)
Food Service Fund	272,056	242,056	-	30,000
Community Service Fund	99,931	69,442	153,170	183,659
Total	$ 6,229,062	$ 6,283,724	$ 4,282	$ (50,380)

GENERAL FUND

The General Fund is used by the District to record the primary operations of providing educational services to students from kindergarten through grade twelve. Pupil transportation activities, capital purchases, and major maintenance projects are also included in the General Fund.

Basic general education revenue is determined by multiple state formulas, largely enrollment driven, and consists of an equalized mix of property tax and state aid revenue. Other state-authorized revenue including operating levy referendum and the property tax shift also involves an equalized mix of property tax and state aid revenue.

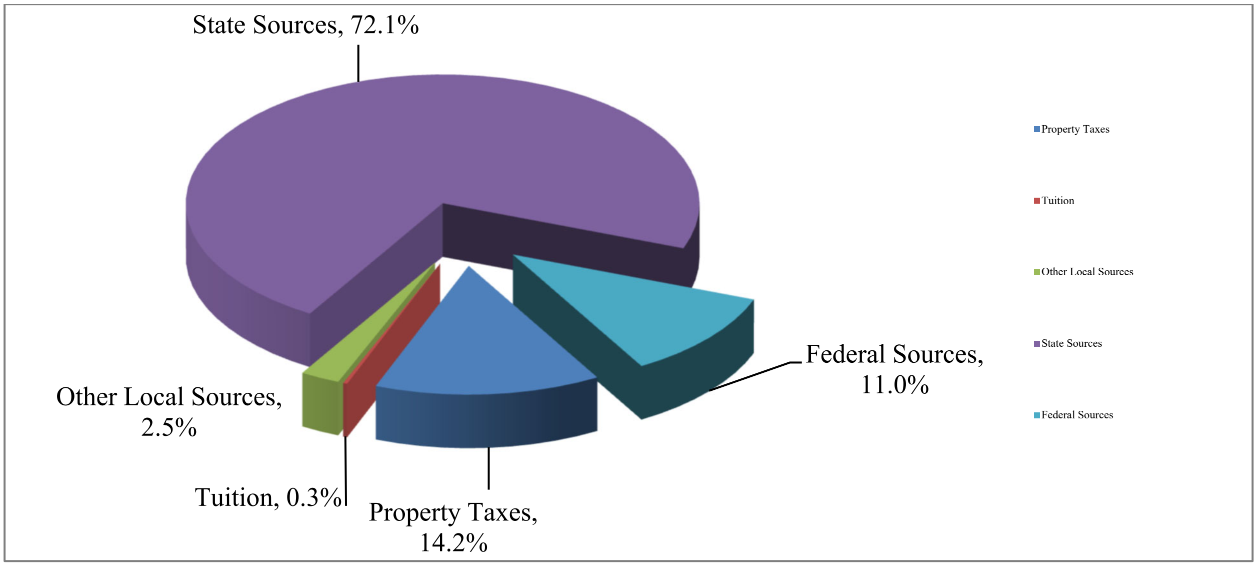
The following schedule presents a summary of General Fund revenues and other financing sources:

	Year Ended 6/30/2022	Year Ended 6/30/2021	Amount Change	Percentage Change
Local Sources				
Property Taxes	$ 831,397	$ 1,049,016	$ (217,619)	-20.7%
Tuition and Contracts	15,124	15,475	(351)	-2.3%
Other Local Sources	85,678	98,986	(13,308)	-13.4%
State Sources	4,213,188	4,218,054	(4,866)	-0.1%
Federal Sources	642,490	471,297	171,193	36.3%
Interest	10,218	2,738	7,480	273.2%
Other	49,393	1,509	47,884	3173.2%
Total Revenues	5,847,488	5,857,075	(9,587)	-0.2%
Other Financing Sources				
Insurance Proceeds	5,964	1,503	4,461	296.8%
Sale of Assets	93	2,779	(2,686)	-96.7%
Transfer from Other Funds	-	35,000	(35,000)	100.0%
Total Revenues and Other Financing Sources	$ 5,853,545	$ 5,896,357	$ (42,812)	-0.7%

In summary, the 2021-2022 General Fund revenues and other financing sources decreased by $42,812, 0.7%, from the previous year. Basic general education revenue is determined by a per student funding formula. Other state-authorized revenue involves an equalized mix of property tax and state aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net change in revenue.

GENERAL FUND (CONTINUED)

Figure A-1 Sources of General Fund Revenues for Fiscal Year 2022



The following schedule presents a summary of General Fund expenditures and other financing uses:

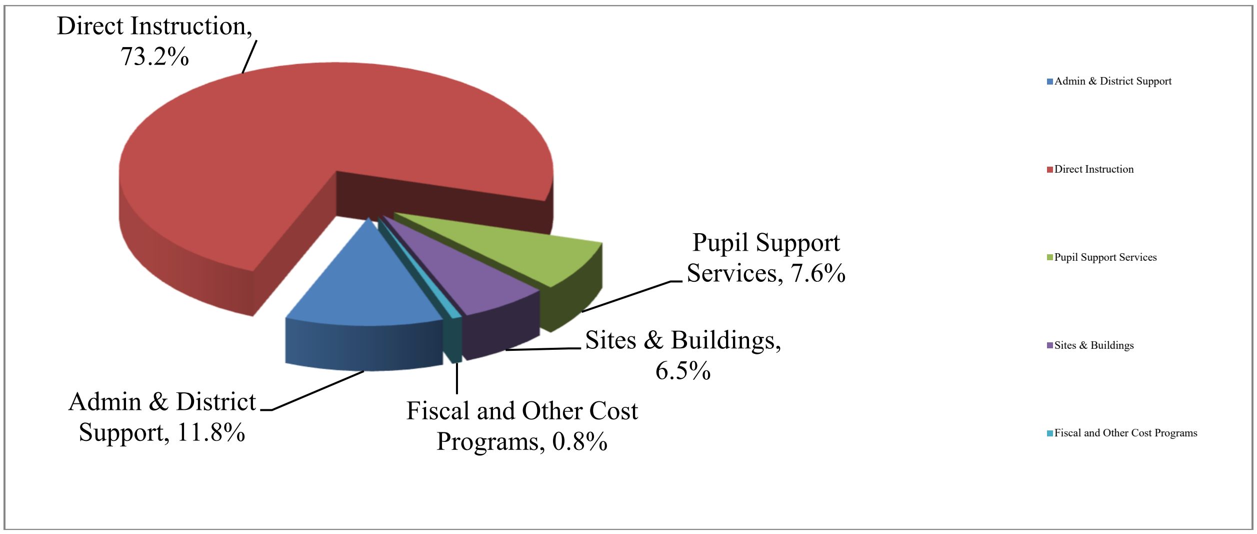
	Year Ended 6/30/2022	Year Ended 6/30/2021	Amount Change	Percentage Change
Salaries	$ 3,650,914	$ 3,364,875	$ 286,039	8.5%
Employee Benefits	1,062,569	1,001,886	60,683	6.1%
Purchased Services	873,855	782,700	91,155	11.6%
Supplies and Materials	381,654	448,984	(67,330)	-15.0%
Capital Expenditures	318,701	294,078	24,623	8.4%
Other Expenditures	18,597	33,588	(14,991)	-44.6%
Principal and Interest	6,646	46,115	(39,469)	-85.6%
Total Expenditures	6,312,936	5,972,226	380,179	6.4%
Other Financing Sources				
Transfers to Other Funds	-	188,170	(188,170)	100.0%
Total Expenditures and Other Financing Uses	$ 6,312,936	$ 6,160,396	$ 192,009	3.1%

The 2021-2022 General Fund expenditures and other financing uses increased by $192,009, or 3.1%, from the previous year. Majority of the increases related to salaries and capital expenditures. These will fluctuate year to year based on the needs of the District.

GENERAL FUND (CONTINUED)

After deducting statutory restricted fund balances, committed fund balances, and assigned fund balances, the unassigned fund balance decreased $1,090,724, or 34% to $2,084,102. The District closely monitors the General Fund unassigned fund balance through its budgeting process throughout the year.

Figure A-2 General Fund Expenditures for Fiscal Year 2022



GENERAL FUND BUDGETARY ANALYSIS

The District is required to adopt an operating budget prior to the beginning of its fiscal year (July 1). Over the course of the year, the District revised the annual operating budget once. The budget amendment usually falls into two categories:

- Implementing budgets for specially funded projects, which may include grants, adjusting staffing and various instructional building allocations based on enrollment, and budgeting for certain unspent funds that are required to be carried over from fiscal year 2022.
- Changes in appropriations for significant unbudgeted costs.

The District's final budget for the General Fund anticipated that expenditures would exceed revenues by $931,791. The actual results for the year show that the expenditures exceeded the revenues by $459,391.

- Actual revenues were $208,429 greater than budgeted due to the District receiving more federal aids and special education aid than expected. Other financing sources exceeded the budget by $1,957.
- Actual expenditures were $262,014 less than budgeted largely due to budgeting for a property purchase that did not occur until fiscal year 2023.

FOOD SERVICE FUND

In 2021-2022, the total revenues for the Food Service Fund were $418,047 and expenditures were $277,027, resulting in a fund balance increase of $141,020. The fund balance of the Food Service Fund is $384,905 as of June 30, 2022.

COMMUNITY SERVICE FUND

In 2021-2022, the total revenues for the Community Service Fund were $95,095 and total expenditures were $92,485. The Community Service Fund balance as of June 30, 2022 is $137,776.

TRUST FUND

The Trust Fund was transferred to the General fund in fiscal year 2022.

DEBT SERVICE FUND

The Debt Service Fund was established in fiscal year 2022 to account for accumulation of resources for, and payment of, general long-term debt principal, interest, and related costs. As of June 30, 2022 the Debt Service Fund balance is $103.

BUILDING CONSTRUCTION FUND

The Building Construction Fund was established in fiscal year 2022 to account for the financial resources to construct a new school building. Revenues consisted of a loss on investments of $666,828 and expenditures were $2,063,177 The Building Construction Fund balance as of June 30, 2022 is $40,045,773.

CAPITAL ASSETS AND DEBT ADMINSTRATION

CAPITAL ASSETS

As of June 30, 2022, the District had capital assets of $3,663,887 (net of accumulated depreciation) representing a broad range of capital assets, including computer and audio-visual equipment and work in progress for architect fees on the new building. Total depreciation and amortization expense for the year was $221,859. Additional information about the District's capital assets can be found in Note 3 to the financial statements.

Capital Assets	6/30/2022	6/30/2021	Amount Change	Percentage Change
Non-Depreciable	$ 1,565,090	$ 97,233	$ 1,467,857	1509.6%
Site Improvements	206,256	206,256	-	0.0%
Building	2,914,290	2,914,290	-	0.0%
Equipment	2,042,811	2,178,953	(136,141)	-6.2%
Eligible Pupil Transportation	988,279	988,279	-	0.0%
Less: Accumulated Depreciation/Amortization	(4,052,840)	(4,260,902)	208,062	-4.9%
Total Net Capital Assets	$ 3,663,887	$ 2,124,110	$ 1,539,777	72.5%

DEBT ADMINISTRATION

As of June 30, 2022 the District had $41,602,812 in long-term debt. The District had various other long-term liabilities as detailed in Notes 7 and 8 to the financial statements.

Long-term Liabilities

	6/30/2022	6/30/2021
General Obligation Bonds	$ 41,000,000	$ -
Net Bond Premium	1,740,263	-
Obligations Under Capital Leases	15,081	-
Total	42,755,344	-
Less: Current Portion	(1,152,532)	-
Total Long-term Liabilities	$ 41,602,812	$ -

Additional information about the District's long-term liabilities can be found in Note 4 to the financial statements.

FACTORS BEARING ON THE DISTRICT'S FUTURE

Red Rock Central comprises the communities of Storden, Jeffers, Sanborn, Lamberton and the surrounding land totaling approximately 344 square miles. Being a small rural school we have great challenges in meeting the needs of our students, staff and communities not often associated with larger and more urban schools. With fewer and fewer farmers on the land and often less opportunities for young families, we see declining enrollments as a huge challenge. We also have, for various reasons, more students who have open enrolled out of our schools than the number that enroll in. This year we are maintaining our enrollment and as we look at the future numbers we see that our enrollments have stabilized, at least as far as projections go. At Red Rock Central we have always strived to do more with less, and looking at our successes in Academic Awards and test scores we have been doing an excellent job. Attracting future hires will also present difficulties as we feel some of our veteran staff may soon be retiring.

As always, in a small rural school, money is a huge concern. Limiting expenditures as best we can is only part of the equation. Our school must be creative in finding new and stable streams of money through levies and hopefully new state funding. The bottom line for the Red Rock Central School is the care and education of our children and this has been the number one priority since our beginning. We take the trust that our communities have placed in us very seriously and will strive to remain financially sound for years to come.

On November 2nd, 2021 the Districted passed a $41 million dollar bond referendum for a new PK-12 school to be built in Lamberton, MN. The building will be located on existing school district property, there is currently no plan for the existing school building to be demolished or repurposed by another entity but the district will not plan to utilize the buildings after the construction is completed. The bonds will be for 25 years. During FY2022 the District received the bond proceeds and began working with the architectures. Work on the new building will continue throughout FY2023.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the district's citizens, taxpayers, customers, and investors and creditors with a general overview of the district's finances and demonstrate the district's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Superintendent's Office, Independent School District No. 2884, PO Box 278, 100 6th Avenue East, Lamberton, Minnesota 56152.

BASIC FINANCIAL STATEMENTS

Independent School District No. 2884
Red Rock Central
Statement of Net Position
June 30, 2022

	Primary Government	
	Governmental Activities	Total
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 3,555,397	$ 3,555,397
Investments	41,513,630	41,513,630
Property Taxes Receivable- Current	2,097,812	2,097,812
Property Taxes Receivable - Delinquent	10,764	10,764
Accounts Receivable	1,532	1,532
Prepaids	32,326	32,326
Due from Minnesota Department of Education	290,205	290,205
Due from Federal - Department of Education	433,253	433,253
Due from Other MN Districts	3,462	3,462
Inventory	1,549	1,549
*Internal Balances**	1,108,823	--
Total Current Assets	49,048,753	47,939,930
Noncurrent Assets		
Nondepreciable	1,565,090	1,565,090
Depreciable, Net	2,098,797	2,098,797
Total Assets	52,712,640	51,603,817
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	1,474,446	1,474,446
Related to OPEB	49,095	49,095
Total Deferred Outflows of Resources	1,523,541	1,523,541
LIABILITIES		
Current Liabilities		
Salaries Payable	294,728	294,728
Accounts Payable	371,740	371,740
Due to Other School Districts	39,889	39,889
Due to Other Governmental Units	1,546	1,546
Payroll Deduction Payable	268,477	268,477
Accrued Interest on Long-Term Debt	581,609	581,609
Current Portion of Long-Term Debt	1,146,031	1,146,031
Current Portion of Lease Liability	6,501	6,501
*Internal Balances**	1,108,823	--
Total Current Liabilities	3,819,344	2,710,521
Noncurrent Liabilities		
OPEB Payable	374,611	374,611
Net Pension Liability	2,230,186	2,230,186
Noncurrent Portion of Long-Term Debt	41,594,232	41,594,232
Noncurrent Portion of Lease Liability	8,580	8,580
Total Liabilities	48,026,953	46,918,130
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	2,003,904	2,003,904
Related to OPEB	125,529	125,529
Property Taxes Levied for Subsequent Years	3,082,601	3,082,601
Total Deferred Inflows of Resources	5,212,034	5,212,034
NET POSITION		
Net Investment in Capital Assets	2,180,949	2,180,949
Restricted	41,264,106	41,264,106
Unrestricted	(42,447,861)	(42,447,861)
Total Net Position	**$ 997,194**	**$ 997,194**

* Amounts have been eliminated in total column

Independent School District No. 2884
Red Rock Central
Statement of Activities
For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue Primary Government: Governmental Activities	Net (Expense) Revenue Primary Government: Total
Primary Government						
Governmental Activities:						
Administration	$ 500,706	$ 1,318	$ 402,163	$ --	$ (97,225)	$ (97,225)
District Support Services	260,746	7,809	620	--	(252,317)	(252,317)
Elementary and Secondary Regular Instruction	2,233,056	50,721	375,931	250,851	(1,555,553)	(1,555,553)
Vocational Education Instruction	168,438	--	--	--	(168,438)	(168,438)
Special Education Instruction	381,185	--	283,121	--	(98,064)	(98,064)
Instructional Support Services	219,152	--	--	--	(219,152)	(219,152)
Pupil Support Services	509,648	93	--	--	(509,555)	(509,555)
Sites and Buildings	473,030	--	--	--	(473,030)	(473,030)
Fiscal and Other Fixed Cost Programs	41,377	--	--	--	(41,377)	(41,377)
Food Service	269,457	28,683	388,463	--	147,689	147,689
Community Service	91,506	17,274	37,003	--	(37,229)	(37,229)
Interest on Long-Term Debt	547,598	--	--	--	(547,598)	(547,598)
Other Debt Service Expenditures	595,320	--	--	--	(595,320)	(595,320)
Total Governmental Activities	6,291,219	105,898	1,487,301	250,851	(4,447,169)	(4,447,169)
Total Primary Government	$ 6,291,219	$ 105,898	$ 1,487,301	$ 250,851	$ (4,447,169)	$ (4,447,169)

	Governmental Activities	Total
General Purpose Revenues:		
Revenues		
Local Property Tax Levies	856,253	856,253
Other Local and County Sources	38,611	38,611
State Sources	3,591,357	3,591,357
Federal Sources	2,989	2,989
Other	9,875	9,875
Earnings on Investments	(655,866)	(655,866)
Total General Revenues	3,843,219	3,843,219
Change in Net Position	**(603,950)**	**(603,950)**
Net Position at Beginning of Period, as restated	1,601,144	1,601,144
Net Position at End of Period	$ **997,194**	$ **997,194**

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2884
Red Rock Central
Balance Sheet
Governmental Funds
June 30, 2022

		Debt Service	Capital Projects		
	General	Debt Service	Building Construction	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	$ 2,329,175	$ 648,931	$ --	$ 577,291	$ 3,555,397
Investments	--	--	41,513,630	--	41,513,630
Property Taxes Receivable- Current	369,890	1,709,170	--	18,752	2,097,812
Property Taxes Receivable - Delinquent	9,195	--	--	1,569	10,764
Accounts Receivable	757	--	--	775	1,532
Prepaids	32,326	--	--	--	32,326
Due from Minnesota Department of Education	287,942	--	--	2,263	290,205
Due from Federal - Department of Education	433,253	--	--	--	433,253
Due from Other MN Districts	3,462	--	--	--	3,462
Inventory	--	--	--	1,549	1,549
Current Due from Other Funds	1,108,823	--	--	--	1,108,823
Total Assets	4,574,823	2,358,101	41,513,630	602,199	49,048,753
DEFERRED OUTFLOWS OF RESOURCES					
Aggregated deferred outflows	--	--	--	--	--
Total Assets and Deferred Outflows of Resources	**$ 4,574,823**	**$ 2,358,101**	**$ 41,513,630**	**$ 602,199**	**$ 49,048,753**
LIABILITIES					
Salaries Payable	$ 260,135	$ --	$ --	$ 34,593	$ 294,728
Accounts Payable	11,260	--	359,034	1,446	371,740
Due to Other School Districts	39,889	--	--	--	39,889
Due to Other Governmental Units	1,546	--	--	--	1,546
Payroll Deduction Payable	268,477	--	--	--	268,477
Current due to Other Funds	--	--	1,108,823	--	1,108,823
Total Liabilities	581,307	--	1,467,857	36,039	2,085,203
DEFERRED INFLOWS OF RESOURCES					
Property Taxes Levied for Subsequent Years	681,565	2,357,998	--	43,038	3,082,601
Unavailable Revenue - Delinquent Property Taxes	10,323	--	--	441	10,764
Total Liabilities and Deferred Inflows of Resources	1,273,195	2,357,998	1,467,857	79,518	5,178,568
FUND BALANCE					
Nonspendable	32,326	--	--	1,549	33,875
Restricted	639,224	103	40,045,773	521,132	41,206,232
Committed	8,750	--	--	--	8,750
Assigned	537,472	--	--	--	537,472
Unassigned	2,083,855	--	--	--	2,083,855
Total Fund Balance	3,301,628	103	40,045,773	522,681	43,870,185
Total Liabilities, Deferred Inflows of Resources and Fund Balance	**$ 4,574,823**	**$ 2,358,101**	**$ 41,513,630**	**$ 602,199**	**$ 49,048,753**

Independent School District No. 2884
Red Rock Central
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2022

Total Fund Balance - Governmental Funds	$	43,870,185
Accrued interest payable is accrued on Statement of Net Position and expensed on the Statement of Activities. Interest is expensed on a cash basis on the Statement of Revenues, Expenditures, and Changes in Fund Balance.		(581,609)
Revenue deferred in governmental fund statements if not received within sixty days.		10,764
Capital assets are capitalized in the Statement of Net Position and depreciated in the Statement of Activities. These are expensed when acquired in the Statement of Revenues, Expenditures, and Changes in Fund Balance.		3,663,887
Long- term debt reflected on Statement of Net Position not in governmental funds balance sheet.		(42,755,344)
Other Postemployment Benefits Payable are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.		(374,611)
Net pension liability is not due and payable in the current period from current financial resources, and therefore are not reported in the funds.		(2,230,186)
Pension related deferred inflows are not due and payable in the current period from current financial resources, and therefore are not reported in funds.		(2,003,904)
Pension related deferred outflows are not available to pay for current period expenditures and therefore are deferred in the funds.		1,474,446
OPEB related deferred outflows are not available to pay for current period expenditures and therefore are deferred in the funds.		49,095
OPEB related deferred inflows are not due and payable in the current period from current financial resources, and therefore are not reported in funds.		(125,529)
Total Net Position-Governmental Funds	$	**997,194**

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2884
Red Rock Central
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2022

		Debt Service	Capital Projects		
	General	Debt Service	Building Construction	Other Governmental Funds	Total Governmental Funds
Revenues					
Local Property Tax Levies	$ 831,397	$ --	$ --	$ 37,549	$ 868,946
Other Local and County Sources	85,678	--	--	36,484	122,162
State Sources	4,213,188	--	--	29,408	4,242,596
Federal Sources	642,490	--	--	379,345	1,021,835
Fundraising	35,337	--	--	--	35,337
Donations	6,418	--	--	--	6,418
Earnings on Investments	10,218	103	(666,828)	641	(655,866)
Other	22,762	--	--	29,715	52,477
Total Revenues	5,847,488	103	(666,828)	513,142	5,693,905
Expenditures					
Administration	565,071	--	--	--	565,071
District Support Services	180,156	--	--	--	180,156
Elementary and Secondary Regular Instruction	3,284,074	--	--	--	3,284,074
Vocational Education Instruction	253,316	--	--	--	253,316
Special Education Instruction	526,128	--	--	--	526,128
Instructional Support Services	210,809	--	--	--	210,809
Pupil Support Services	482,875	--	--	--	482,875
Sites and Buildings	412,819	--	--	--	412,819
Fiscal and Other Fixed Cost Programs	41,377	--	--	--	41,377
Food Service	--	--	--	277,027	277,027
Community Service	--	--	--	92,485	92,485
Principal Retirement	5,141	--	--	--	5,141
Interest	1,505	--	--	--	1,505
Other Debt Service Expenditures	--	--	595,320	--	595,320
Capital Outlay	349,665	--	1,467,857	--	1,817,522
Total Expenditures	6,312,936	--	2,063,177	369,512	8,745,625
Excess of Revenues Over (Under) Expenditures	(465,448)	103	(2,730,005)	143,630	(3,051,720)
Other Financing Sources (Uses)					
Bond Proceeds	--	--	41,000,000	--	41,000,000
Premium on Bond Proceeds	--	--	1,775,778	--	1,775,778
Gain (Loss) on Disposals of Capital Assets	93	--	--	--	93
Insurance Proceeds	5,964	--	--	--	5,964
Transfers from other funds	--	--	--	--	--
Transfers to other funds	--	--	--	--	--
Net Other Financing Sources (Uses)	6,057	--	42,775,778	--	42,781,835
Net Change in Fund Balance	**(459,391)**	**103**	**40,045,773**	**143,630**	**39,730,115**
Fund Balance at Beginning of Period, as restated	3,761,019	--	--	379,051	4,140,070
Fund Balance at End of Period	**$ 3,301,628**	**$ 103**	**$ 40,045,773**	**$ 522,681**	**$ 43,870,185**

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2884
Red Rock Central
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2022

Total Net Change in Fund Balances - Governmental Funds	$ 39,730,115
Capital assets expensed as capital outlay in governmental fund statements, capitalized as capital assets in Statement of Net Position.	1,740,492
Principal payments on long-term expensed in governmental fund statements, treated as reductions of outstanding debt in Entity wide statements.	5,141
Revenue earned but not collected within sixty days deferred in governmental fund statements, recognized as revenue in Statement of Activities.	(12,692)
Depreciation expense reflected in entity wide statements, not reflected in governmental fund statements.	(209,707)
Accrued interest expense included in Statement of Activities, expensed as paid in governmental fund statements.	(547,618)
Proceeds of long-term debt treated as revenue in the fund level statements, treated as increases to long-term debt in entity wide statements.	(42,775,778)
The net effect of various transactions involving capital assets (i.e. Sales, trade-ins, and contributions) is to increase net position.	(9,704)
In the statement of activities, certain postemployment benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the Amount financial resources used (essentially, the amounts actually paid).	15,318
Governmental funds recognize pension contributions as expenditures at the time of payment whereas the statement of activities factors in items related to pensions on a full accrual perspective.	1,460,484
Changes in Net Position-Governmental Funds	**$ (603,950)**

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2884
Red Rock Central
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended June 30, 2022

	Budgeted Amounts			Variance
	Original	Final	Actual	Over (Under) Final to Actual
Revenues				
Local Sources:				
Levy	$ 756,958	$ 785,333	$ 792,177	$ 6,844
County Apportionment	21,000	25,000	24,744	(256)
Miscellaneous County Tax Revenues	7,000	10,000	14,476	4,476
Other Local and County Sources:				
Tuition and Fees- School Districts	3,000	3,000	2,624	(376)
Tuition and Fees - Patrons	14,700	13,090	12,500	(590)
Student Activities Admissions	35,000	35,000	34,717	(283)
Fundraising	24,900	36,300	35,337	(963)
Interest	3,180	980	5,098	4,118
Rent	1,900	900	826	(74)
Gifts and Bequest	9,000	11,000	23,251	12,251
Miscellaneous	18,600	27,526	44,215	16,689
State Sources:				
General Education Aid	3,918,697	3,871,062	3,852,533	(18,529)
Endowment Fund Apportionment	17,543	16,867	16,706	(161)
Homestead/Ag Market Value Credit	15,000	14,264	14,264	--
Disparity Reduction Aid	7,900	8,016	8,016	--
Abatement Aid	3,059	--	714	714
Shared Time Aid	643	2,101	2,101	--
Special Education Aid	175,000	203,255	283,121	79,866
Integration Aid & Levy	23,996	17,450	17,342	(108)
Other State Aid	21,221	21,221	18,391	(2,830)
Federal Sources:				
Improving the Academic Achievement of the Disadvantage	85,000	67,000	75,118	8,118
Teacher and Principal Training and Recruiting	13,085	13,500	10,242	(3,258)
Federal-Special Education	41,000	17,300	20,641	3,341
Small, Rural Education Achievement Program	35,000	66,493	66,493	--
CARES Funds	--	--	11,726	11,726
Elementary and Secondary School Emergency Relief	--	295,781	371,354	75,573
Other Federal Aid	14,000	73,620	86,916	13,296
Other:				
Sale of Materials	3,000	3,000	1,845	(1,155)
Total Revenues	5,269,382	5,639,059	5,847,488	208,429

The notes to the financial statments are an integral part of this statement.

Independent School District No. 2884
Red Rock Central
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund (Continued)
For the Year Ended June 30, 2022

	Budgeted Amounts			Variance
	Original	**Final**	**Actual**	**Over (Under) Final to Actual**
Other Financing Sources				
Sale of Capital Assets	--	100	93	(7)
Insurance Proceeds	--	4,000	5,964	1,964
Total Revenues and Other Financing Sources	5,269,382	5,643,159	5,853,545	210,386
Expenditures				
Administration:				
Salaries	337,947	352,044	347,811	4,233
Employee Benefits	144,918	137,848	138,222	(374)
Purchased Services	91,363	68,393	71,626	(3,233)
Supplies and Materials	4,240	4,240	1,377	2,863
Capital Expenditures	2,500	--	--	--
Other Expenditures	8,500	8,500	6,035	2,465
District Support Services:				
Salaries	45,512	49,179	49,579	(400)
Employee Benefits	11,164	21,309	22,558	(1,249)
Purchased Services	68,216	85,110	100,819	(15,709)
Other Expenditures	500	500	7,200	(6,700)
Elementary and Secondary Regular Instruction:				
Salaries	2,167,106	2,256,464	2,236,516	19,948
Employee Benefits	633,617	652,085	671,035	(18,950)
Purchased Services	151,231	139,517	131,898	7,619
Supplies and Materials	133,259	242,705	240,634	2,071
Capital Expenditures	128,565	56,910	47,413	9,497
Other Expenditures	2,000	2,000	3,991	(1,991)
Vocational Education:				
Salaries	181,221	182,840	182,176	664
Employee Benefits	66,703	68,018	64,118	3,900
Supplies and Materials	1,000	3,532	7,082	(3,550)
Special Education Instruction:				
Salaries	268,525	284,718	303,495	(18,777)
Employee Benefits	62,248	65,610	69,926	(4,316)
Purchased Services	135,143	137,891	144,917	(7,026)
Supplies and Materials	1,530	1,530	639	891
Capital Expenditures	2,100	2,100	--	2,100
Other Expenditures	--	--	669	(669)

The notes to the financial statments are an integral part of this statement.

Independent School District No. 2884
Red Rock Central
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund (Continued)
For the Year Ended June 30, 2022

	Budgeted Amounts			Variance Over (Under)
	Original	Final	Actual	Final to Actual
Instructional Support Services:				
Salaries	27,145	26,424	148,272	(121,848)
Employee Benefits	60	4,030	20,170	(16,140)
Purchased Services	26,981	48,956	65,423	(16,467)
Supplies and Materials	7,800	15,800	14,330	1,470
Capital Expenditures	30,000	2,000	--	2,000
Pupil Support Services:				
Salaries	223,882	256,108	256,167	(59)
Employee Benefits	43,942	49,837	49,945	(108)
Purchased Services	87,732	122,682	88,750	33,932
Supplies and Materials	43,500	47,500	87,311	(39,811)
Capital Expenditures	--	168,657	253,972	(85,315)
Other Expenditures	950	950	702	248
Sites and Buildings:				
Salaries	112,795	123,892	126,898	(3,006)
Employee Benefits	24,319	25,496	26,595	(1,099)
Purchased Services	207,983	259,575	229,045	30,530
Supplies and Materials	40,200	34,500	30,281	4,219
Capital Expenditures	27,500	527,500	17,316	510,184
Fiscal and Other Fixed Cost Programs:				
Purchased Services	35,000	38,000	41,377	(3,377)
Principal Retirements	--	--	5,141	(5,141)
Interest Expense	--	--	1,505	(1,505)
Total Expenditures	5,588,897	6,574,950	6,312,936	262,014
Other Financing Uses				
Total Expenditures and Other Financing Uses	5,588,897	6,574,950	6,312,936	262,014
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(319,515)	(931,791)	(459,391)	472,400
Net Change in Fund Balance	**(319,515)**	**(931,791)**	**(459,391)**	**472,400**
Fund Balance at Beginning of Period, as restated	3,761,019	3,761,019	3,761,019	--
Fund Balance at End of Period	$ **3,441,504**	$ **2,829,228**	$ **3,301,628**	$ **472,400**

The notes to the financial statments are an integral part of this statement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Independent School District No. 2884 was formed and operates pursuant to applicable Minnesota laws and statutes. The governing body consists of school board members elected by voters of the District to serve staggered terms.

A. Basis of Presentation

The financial statements of Independent School District No. 2884 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB pronouncements are recognized as U.S. generally accepted accounting principles for state and local governments.

This financial report has been prepared in conformity with GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, issued in June 1999.

B. Financial Reporting Entity

Independent School District No. 2884 (the District) is an instrumentality of the State of Minnesota established to function as an educational institution. The elected School Board (Board) is responsible for legislative and fiscal control of the District. A Superintendent is appointed by the Board and is responsible for administrative control of the District.

Accounting principles generally accepted in the United States of America (GAAP) require that the District's financial statements include all funds, departments, agencies, boards, commissions, and other organizations which are not legally separated from the District. In addition, the District's financial statements are to include all component units – entities for which the District is financially accountable.

Financial accountability includes such aspects as appointing a voting majority of the organization's governing body, significantly influencing the programs, projects, activities, or level of services performed or provided by the organization or receiving specific financial benefits from, or imposing specific financial burden on, the organization. These financial statements include all funds of the District. There are no other entities for which the District is financially accountable.

Student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside school hours. The School Board does have a fiduciary responsibility in establishing broad policies and ensuring that appropriate financial records are maintained for student activities and the District's School Board has elected to control and exercise oversight responsibility with respect to the student activities. Accordingly, the student activity accounts are included within the general fund.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statement Presentation

The District-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. The Fiduciary Funds are only reported in the Statements of Fiduciary Net Position at the Fund Financial Statement level.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue 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.

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

Separate fund financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining non-major governmental funds is reported in a single column in the fund financial statements.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amounts advance recognized in accordance with a statutory “tax shift” described later in these notes. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

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:

NOTE 1 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

1. **Revenue Recognition** - Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to Minnesota Statutes and accounting principles generally accepted in the United States of America. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition, and other miscellaneous revenue (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.

2. **Recording of Expenditures -** Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used. Principal and interest on long-term debt issues are recognized on their due dates.

The District reports unearned revenue on its statement of net position and its governmental funds balance sheet. Unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to incurring the qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the statement of net position and combined balance sheet and revenue is recognized.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of Governmental Accounting Standards Board (GASB).

It is generally the District's policy to use restricted resources first, then unrestricted resources as they are needed when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

NOTE 1 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Description of Funds

The existence of the various District funds has been established by the State of Minnesota, Department of Education. The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. A description of the funds included in this report is as follows:

Governmental Funds

General Fund - The General Fund is used to account for all financial resources except those required to be accounted for in another fund. It includes the general operations and pupil transportation activities of the District, as well as the capital related activities such as maintenance of facilities, equipment purchases, health and safety projects, and disabled accessibility projects. The main sources of revenue are state and federal aids and property taxes.

Food Service Fund – The Food Service Fund is used to account for food service revenues and expenditures.

Community Service Fund – The Community Service Fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs or other similar services.

Building Construction Fund – The Building Construction fund is used to account for financial resources to be used for the construction of major capital facilities.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and payment of, general long-term debt principal, interest, and related costs.

GASB Statement No. 34 specifies that the accounts and activities of each of the District's most significant governmental funds (termed "major funds") be reported in separate columns on the fund financial statements. Other non-major funds can be reported in total. The General Fund, Debt Service Fund and Construction Fund are the only major funds by definition.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgeting

Budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America. Each June, the School Board adopts an annual budget for the following fiscal year for the General, Food Service, and Community Service Funds. The approved budget is published in summary form in the District's legal newspaper by November 30 of each year. Reported budget amounts represent the amended budget as adopted by the School Board. Legal budgetary control is at the fund level.

Procedurally, in establishing the budgetary data reflected in these financial statements, the Superintendent submits to the School Board prior to July 1, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means to finance them. The budget is legally enacted by School Board action. Revisions to budgeted amounts must be approved by the School Board.

Total fund expenditures in excess of the budget require approval of the School Board. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at line item levels.

At the end of each fiscal year, if the General Fund has a net unassigned deficit fund balance, calculated in accordance with the uniform financial accounting and reporting standards for Minnesota school districts which excludes certain reserves specified in Minnesota statutes, exceeding 2.5% of expenditures, a condition referred to as "statutory operating debt" exists. That debt requires retirement through the accumulation of subsequent operating surpluses in accordance with a "special operating plan" approved by the Commissioner of the Department of Education.

F. Cash and Investments

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

Cash and cash equivalents as of June 30, 2022 are comprised of deposits and shares in the Minnesota School District Liquid Asset Fund (MSDLAF). The MSDLAF is an external investment pool, not registered with the Securities and Exchange Commission (SEC) that follows the same regulatory rules of the SEC under Rule 2.a.7. The fair value of the position in the pool is the same as the value of the pool shares. Investments consist of funds held in Ameritrade.

The District has formal policies in place to address custodial credit risk for deposits as well as interest rate risk, credit risk, concentration of credit risk, and custodial credit risk for investments.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Receivables

Receivables represent amounts receivable from individuals, firms, and corporations for goods and services furnished by the District. Amounts due from the State of Minnesota and from other governmental units for general education aids and reimbursements under various specific programs are reported at the estimated amounts to be received based on available information at the date of this report. In some instances adjustments and proration by these agencies, which are dependent upon the amount of funds available for distribution, may result in differing amounts actually being received. Any such differences will be absorbed into operations of the subsequent period. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary. The only receivables not expected to be collected within one year are delinquent property taxes receivable, which are generally immaterial.

H. Inventories

Inventories are recorded using the consumption method of accounting and consist of purchased food, supplies, and surplus commodities received from the federal government. Food and supply purchases are recorded at invoice cost, computed on a first-in, first-out method, and surplus commodities are stated at standardized cost, as determined by the Department of Agriculture.

I. Prepayments

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments. Prepaid items are reported using the consumption method and recorded as an expense or expenditure at the time of consumption.

J. Property Taxes

The Board of Education annually adopts a tax levy and certifies it to the County in December for collection in the following year. The County is responsible for collecting all property taxes for the District. These taxes attach an enforceable lien on taxable property within the District on January 1 and are payable by the property owners in May and October of each year. The taxes collected by the County Treasurer and tax settlements are made to the District periodically throughout the year.

Statutory funding formulas determine the majority of the District revenue in the General and Special Revenue Funds. This revenue is divided between property taxes and State aids by the legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift." The remaining portion of taxes collectible in 2022 is recorded as unearned revenue (property taxes levied for subsequent year). Taxes payable on qualifying property, as defined by Minnesota statutes, are partially reduced by a market value credit aid. The credits are paid to the District by the State in lieu of taxes levied against the property.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Property Taxes (Continued)

Taxes that remain unpaid are classified as delinquent taxes receivable. In the fund financial statements, revenue from these delinquent property taxes that is not collected within 60 days of year-end is deferred because it is not available to finance the operations of the District in the current year. In the district-wide financial statements no allowance for uncollectible taxes has been provided as such amounts are not expected to be material. The tax shift for fiscal year 2022 was $155,357.

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net position that applies to a future period and so will not be recognized as an inflows of resources (revenue) until that time.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of $5,000 for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide financial statement, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purpose. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment.

Capital assets not being depreciated include land and, when applicable, construction in progress.

The District does not possess any material amounts of infrastructure capital assets. Items such as sidewalks and other land improvements are considered to be part of the cost of buildings or other improvable property.

M. 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. Existing bonded debt is reported at the face value of remaining indebtedness. For any new indebtedness that may be issued, bond premiums and discounts, as well as issuance costs, will be expensed in the current year.

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

N. Compensated Absences

Employees who are employed on a twelve month basis and forty hour week will accrue vacation as follows:

1-9 years	2 weeks of vacation
10-19 years	3 weeks of vacation
20+ years	4 weeks of vacation

NOTE 1 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Compensated Absences (Continued)

Secretarial positions and custodians will accrue twelve days of sick leave per year accumulative to 85 days. Secretaries who work less than full-time will be allotted sick leave based on a prorated time and benefits but no vacation days will be allowed. At the beginning of every school year all twelve-month secretaries and custodians will accrue four personal days. The carryover of personal days from one year to the next is not allowed.

Educational assistants and kitchen personnel shall accrue nine days of sick leave per year accumulative to 65 days. Assistants and kitchen personnel will accrue three personal days. One of those days can be carried over to the next year for an accumulative of four days. Bus drivers will accrue nine days of sick leave per school year accumulative to 50 days. Bus drivers will accrue three personal days. One of those days can be carried over to the next year for an accumulative of four days. Personnel working for ten months out of the year will be allotted a percentage of sick and personal days.

Certified: At the beginning of each school year each teacher shall be credited with fifteen days sick leave. Unused sick leave days may accumulate to a maximum of 105 days of sick leave per teacher. The District shall furnish to each teacher a written statement at the beginning of each school year setting forth the total days cumulative per teacher. The teacher shall refund to the district any used but unearned sick leave pay, (one and two thirds days per month or the proper fraction based on total weeks of employment) should their contract be terminated or they resign before the end of the school year. When a teacher reaches the maximum number of sick days (105), unused sick leave shall be reimbursed at the rate of $15.00 per day, and will be sent to the Minnesota Post Retirement Self Health Insurance Care Savings Plan. For any teacher leaving the system, this shall be included in the final check which the teacher receives. Teachers will accrue three personal days. One of those days can be carried over to the next year for an accumulative of four days. Teachers can sell up to two personal days per year at the teachers' current rate of pay and will be sent to the Minnesota Post Retirement Self Health Insurance Care Savings Plan.

Principal: The principal receives no vacation and shall accrue fifteen days of sick leave per year accumulative to 105 days.

Superintendent: The superintendent accrues ten days of vacation per year accumulative to 30 days. Upon retirement, any unused vacation will be paid at a rate of $200 and can be sent to the Health Care Savings Plan account if requested. The superintendent will accrue fifteen days of sick leave accumulative to 105 days. The superintendent will also accrue three days of personal leave. One of those days can be carried over to the next year for an accumulative of four days.

The liability for accumulated vacation and sick leave for governmental fund types, which represents normal accumulations, is not material and is not recorded in the financial statements. The current portion of accrued vacation and sick leave pay, which would be liquidated with expendable available resources, is not material.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Employee Benefits

Non-Certified Health Insurance: The District shall contribute the sum of $8,828 for those persons selecting the HSA Family Policy or $8,328 for those selecting another school sponsored health insurances option for the 2021-2022 school year towards health insurance for all twelve month employees. Employees working at least ten and a half months but less than twelve months either as a secretary or custodian will be eligible for health insurance on a prorated basis. The District will contribute $25 per month for all twelve month employees to the State's Health Care Savings Plan. Employees will at least match the District's contribution. The School Board will provide a $25,000 term life insurance policy through the district for all employees who are assigned an average of twenty or more hours per week throughout the school year.

Certified Health Insurance: The District shall contribute the sum of $8,828 for those persons selecting the HSA Family Policy or $8,328 for those selecting another school sponsored health insurance option during the 2021-2022 school year for all full time teachers employed by the District who qualify for and are enrolled in the school district group health and hospitalization plan. These funds will only be available towards the cost of the health insurance premium. Any additional cost of the premium shall be borne by the employee and paid by payroll deduction or any additional option agreed to with the central office of the District. Teachers who apply for early retirement will be eligible to remain in the existing group health and hospitalization insurance program and will remain eligible for board contribution equal to $4,500 per year until the teacher qualifies for Medicare. However, if the teacher is reemployed and is offered health insurance with the new job, this coverage provided by the District will be dropped. This health coverage will be paid according to the following chart based on years of service with the District and former schools that comprise Independent School District No. 2884.

10 years=50%	15 years=75%	20 years & greater= 100%

Principal and Superintendent Health Insurance: The principal and superintendent and their dependents shall be eligible for the District's hospitalization insurance plan at the District's expense. The District will provide the principal with $75,000 in-house life insurance coverage. The District will also provide the superintendent with $50,000 term life insurance at a cost of not more than $500 annually. The principal is also entitled to the early retirement health insurance coverage as noted above.

NOTE 1 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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; injuries to employees; natural disasters and workers compensation. The District purchases commercial insurance coverage for such risks.

There has been no significant reduction in insurance coverage from the previous year in any of the District's policies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

Q. Fund Balance
The District implemented GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance – consists of amounts that cannot be spent because it is not in spendable form or are legally or contractually required to be maintained intact, such as inventory or prepaid items.

- Restricted fund balance – consists of amounts related to externally imposed constraints established by creditors, grantors or contributors, bondholders, laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

- Committed fund balance - consists of amounts that are constrained for specific purposes that are internally imposed by formal action (resolution) of the School Board. To be reported as committed, amounts cannot be used for any other purpose unless the School Board removes or changes that specified use by taking the same type of action it employed to previously commit those amounts.

- Assigned fund balance – consists of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the School Board itself or by an official to which the School Board delegates the authority.

- Unassigned fund balance – consists of amounts that are available for any purpose. Positive amounts are reported only in the general fund. It also reflects negative residual amounts in other funds.

If resources from more than one fund balance classification could be spent, the District will strive to spend resources from fund balance classifications in the following order: restricted, committed, assigned, and unassigned as determined by the School Board.

The District has not formally adopted a fund balance policy for the General Fund.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources in the government-wide and fiduciary fund 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 and fiduciary fund financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

S. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

T. 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. This direct aid is a result of a 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 in 2015.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

Custodial Credit Risk - For deposits is the risk that, in the event of failure of a depository financial institution, the District will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits. As of June 30, 2022, the District's bank balance was not exposed to custodial credit risk because it was insured and properly collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits (Continued)

In accordance with Minnesota Statutes, the District maintains deposits at those depository banks authorized by the School Board, all of which are members of the Federal Reserve System. The District maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is included in the combined balance sheet as "Cash and Cash Equivalents" and "Investments".

Minnesota Statutes require that all deposits be secured by a bank guaranty bond or 110% of collateral valued at market or par, whichever is lower, less the amount covered by the Federal Deposit Insurance Corporation (FDIC).

Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust department of a commercial bank or other financial institution not owned or controlled by the depository.

At June 30, 2022, the District's deposits had a carrying amount of $45,069,027 maintained in various accounts.

At June 30, 2022, the District also held shares in the MSDLAF which is an external investment pool that is not registered with SEC. Its investments are valued at amortized cost, which approximates fair value in accordance with Rule 2a-7 of the Investment Company Act of 1940. The amortized cost method of valuation values a security at its cost on the date of purchase and thereafter assumes a constant amortization to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the market value of instruments. The MSDLAF is rated AAA by Standard & Poor's and the amortized cost at June 30, 2022 was $2,816,026.

The following table represents the District's cash and cash equivalents balance at June 30, 2022:

Cash/Investment Type	Credit Rating	Average Maturities	Percentage of Total	Fair Value
Pooled Cash and Investments:				
Petty Cash	N/A	N/A	0.00%	$ 150
Checking Accounts	N/A	N/A	1.07%	483,111
Savings Account	N/A	N/A	0.57%	256,110
Ameritrade	A	N/A	92.11%	41,513,630
MSDLAF	AAA	N/A	6.25%	2,816,026
Total				$ 45,069,027

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investment policy states that investments will be managed in a manner to attain a market rate of return through various economic and budgetary cycles, while preserving and protecting the capital in the investment portfolio and taking into account constraints on risk and cash flow requirements.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's investment policy states the District may invest its available funds in those instruments specified in Minnesota Statutes or any other law governing the investment of school district funds. The District's investments in Minnesota School District Liquid Asset Fund (MSDLAF) are rated AAA by Standard & Poor's.

Concentration of Credit Risk – Concentration of credit is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's investment policy does not state the maximum percentage of the District's investment portfolio that may be invested in a single type of investment instrument.

Custodial Credit Risk – For an investment, this is the risk that, in the even of failure of the counterparty, the government 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 will minimize investment custodial credit risk by permitting brokers that obtained investments for the District to hold them only to the extent there is SIPC and excess SIPC coverage available. Securities purchased that exceed available SIPC coverages shall be transferred to the District's custodian.

The District may also invest idle funds as authorized by Minnesota Statutes as follows:

- direct obligations or obligations guaranteed by the United States or its agencies
- shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less
- general obligations rated "A" or better; revenue obligations rated "AA" or better
- general obligations of the Minnesota Housing Finance Agency rated "A" or better
- banker's acceptances of United States banks eligible for purchase by the Federal Reserve System
- commercial paper issued by the United States banks, corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

- guaranteed investment contracts guaranteed by United State commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories
- repurchase or reverse purchase agreement and securities lending agreements financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

Fair Value Measurements – The District uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The District follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the District has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the combined statement of financial position are categorized based on the inputs to the valuation techniques as follows:

- Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.
- Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.
- Level 3 – Financial asset and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use a pricing the asset. There were no assets measured at fair value on a recurring basis for 2022.

INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 3 – CAPITAL ASSETS

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

Governmental Activities:

Capital Assets Not Being Depreciated	Balance 7-1-2021	Additions	Deletions	Balance 6-30-2022
Land	$ 97,233	$ -	$ -	$ 97,233
Construction in Progress	-	1,467,857	-	1,467,857
Total Capital Assets Not Being Depreciated	97,233	1,467,857	-	1,565,090
Capital Assets Being Depreciated				
Site Improvements	206,256	-	-	206,256
Buildings	2,914,290	-	-	2,914,290
Equipment	2,178,953	303,484	439,625	2,042,811
Vehicles	988,279	-	-	988,279
Total Capital Assets Being Depreciated	6,287,778	303,484	439,625	6,151,637
Less Accumulated Depreciation/Amortization				
Land Improvements	93,699	7,063	-	100,763
Buildings	1,840,525	55,758	-	1,896,283
Equipment	1,725,456	84,166	429,921	1,379,700
Vehicles	601,221	74,873	-	676,094
Total Accumulated Depreciation/Amortization	4,260,902	221,859	429,921	4,052,840
Total Capital Assets Being Depreciated, Net	2,026,876	81,624	9,704	2,098,797
Governmental Activities Capital Assets, Net	$ 2,124,110	$ 1,549,481	$ 9,704	$ 3,663,887

Depreciation and amortization expense of $221,859 for the year ended June 30, 2022 was charged to the following governmental functions:

Administration	$ 302
Elementary and Secondary Regular Instruction	60,550
Special Education	918
Instructional Support Services	8,347
Pupil Support	77,746
Sites, Buildings, and Equipment	53,176
Unallocated	20,310
Community Education	510
Total Depreciation/Amortization Expense	$ 221,859

NOTE 3 – CAPITAL ASSETS (CONTINUED)

The Governmental Accounting Standards Board (GASB) has issued Statement No. 42 *Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries*. This statement requires the District to report the effects of capital asset impairments in its financial statements when they occur rather than as a part of ongoing depreciation expense for the capital asset or upon disposal of the capital asset. No impairments were noted during fiscal year 2022.

NOTE 4 – LONG-TERM LIABILTIES

Description of Long-Term Debt

General Obligation Bonds
On February 3, 2022, the District issued $41,000,000 of General Obligation School Building Bonds, Series 2022A. The proceeds of the issue are being used to finance the building of a new school. The District will levy property taxes for the retirement of these bonds. Principal and interest payments on these bonds are to be recorded in the Debt Service Fund. Repayment will begin in fiscal year 2023. The bonds were issued at a premium of $1,775,778.

Capital Leases Payable
The district has leases for three copy machines. These lease agreements qualify as capital leases for accounting purposes, and therefore, were recorded at the present value of the future minimum lease payments. The net cost of the leases as of June 30, 2022 was $15,081. Total accumulated depreciation on these assets was $13,663 at June 30, 2022. Interest paid in 2021-2022 was $1,505. These leases will be repaid through the General Fund. These assets serve as collateral for the related capital lease and are being depreciated using a straight-line method over the life of the asset.

Minimum Debt Payments

	General Obligation Bonds		
Year Ending June 30	Principal	Interest	Total
2023	$ 1,075,000	$ 1,169,753	$ 2,244,753
2024	1,110,000	1,133,288	2,243,288
2025	1,155,000	1,088,888	2,243,888
2026	1,205,000	1,042,688	2,247,688
2027	1,250,000	994,488	2,244,488
2028-2032	7,030,000	4,181,638	11,211,638
2033-2037	8,365,000	2,845,588	11,210,588
2038-2042	9,355,000	2,099,038	11,454,038
2043-2047	10,455,000	508,250	10,963,250
Total	$ 41,000,000	$ 15,063,615	$ 56,063,615

NOTE 4 – LONG-TERM LIABILTIES (CONTINUED)

The future minimum lease obligations of the capital leases as of June 30, 2022 are as follows:

	Copier Leases Payable		
Year Ending June 30	Principal	Interest	Total
2023	$ 6,501	$ 1,607	$ 8,108
2024	3,048	978	4,026
2025	1,875	658	2,533
2026	1,783	411	2,194
2027	1,874	137	2,011
Total	$ 15,081	$ 3,792	$ 18,873

Changes in Long-Term Debt
The following is a summary of the long-term debt transactions of the District for the year ended June 30, 2022:

Changes in Long-Term Liabilities

	Balance 7/1/2021	Additions	Reductions	Balance 6/30/2022	Due Within One Year
Bonds Payable	$ -	$41,000,000	$ -	$ 41,000,000	$ 1,075,000
Bond Premium	-	1,775,778	35,516	1,740,263	71,031
Capital Leases Payable	-	20,222	5,141	15,081	6,501
Total Long-Term Debt	$ -	$42,796,000	$ 40,656	$ 42,755,344	$ 1,152,532

The general fund is typically used to liquidate other long-term liabilities.

Bonds Authorized But Unissued
At June 30, 2022, there were no long-term bonds authorized but unissued.

NOTE 5 – RESTRICTED FUND BALANCES

Certain portions of fund balances are restricted based on state requirements to track special program funding, to provide for funding of certain long-term liabilities, or as required by other outside parties. A description of deficit balance restrictions is included herein since the District has specific statutory authority to levy taxes for such deficits.

NOTE 5 – RESTRICTED FUND BALANCES (CONTINUED)

Restricted fund balances at June 30, 2022 are as follows:

A. Restricted for Safe Schools – Crime Levy
Represents available resources in the General Fund dedicated exclusively for safe schools. The balance consists of the total amount levied for this purpose over the years less any expenditures made since levying began.

B. Restricted for Staff Development
Represents available resources in the General Fund that are used to provide for staff development programs in accordance with state statutes.

C. Restricted for Health and Safety
Represents available resources in the General Fund that are to be used only to provide for the removal of hazardous substances and other state approved life or health safety projects.

D. Restricted for Long-Term Facility Maintenance (LTFM)
Represents available resources in the General Fund dedicated exclusively for the long-term maintenance of the facility.

E. Restricted for Gifted and Talented
Represents available resources in the General Fund dedicated exclusively for the gifted and talented program in accordance with state statutes.

F. Restricted for Community Education
Represents accumulated resources available to provide general community education programming.

G. Restricted for Early Childhood and Family Education
Represents accumulated resources available to provide services for early childhood and family education programming.

H. Restricted for School Readiness
Represents accumulated resources available to provide school readiness programming in accordance with funding made available for that purpose.

I. Restricted for Extracurricular Activities
Represents accumulated resources available to provide services for student activity funds.

J. Restricted for Other Purposes
Represents amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

NOTE 6 – FUND BALANCES

Portions of the District's fund balance are nonspendable, restricted due to legal restrictions, committed by Board action, assigned by District management, or unassigned. The following is a summary of fund balance components as of June 30, 2022:

	General Fund	Debt Service	Building Construction	Non-Major Special Revenue	Total Governmental Funds
Nonspendable					
Inventory	$ -	$ -	$ -	$ 1,549	$ 1,549
Prepaid Items	32,326	-	-	-	32,326
Total Nonspendable	32,326	-	-	1,549	33,875
Restricted					
Staff Development	19,531	-	-	-	19,531
Safe Schools - Crime Levy	(48,300)	-	-	-	(48,300)
Basic Skills	30,149	-	-	-	30,149
Basic Skills Extended	1,263	-	-	-	1,263
Long-Term Facility Maintenance	364,238	-	-	-	364,238
Operating Capital	108,110	-	-	-	108,110
Student Activities	144,379	-	-	-	144,379
Community Education	-	-	-	112,922	112,922
Early Childhood Family Education	-	-	-	24,424	24,424
School Readiness	-	-	-	(6,594)	(6,594)
Restricted for Community Service	-	-	-	7,024	7,024
Scholarships	19,853	-	-	-	19,853
Debt Service	-	103	-	-	103
Capital Projects	-	-	40,045,773	-	40,045,773
Restricted for Food Service	-	-	-	383,356	383,356
Total Restricted	639,224	103	40,045,773	521,132	41,206,232
Committed for Separation & Retirement	8,750	-	-	-	8,750
Assigned for FY23 Budget Deficit	537,472	-	-	-	537,472
Unassigned	2,083,855	-	-	-	2,083,855
Total Fund Balance	$ 3,301,628	$ 103	$ 40,045,773	$ 522,681	$ 43,870,185

The District is reporting negative restricted fund balances for Safe Schools and School Readiness at June 30, 2022. Minnesota Statutes require the District to report a deficit in the restricted fund balance, when applicable, in order to permit the statutory revenue formula calculations. These deficits will be offset with future operating tax levies and are reported within unrestricted net position on the government-wide financial statements.

NOTE 7 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

The District adopted the Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The District engaged an actuary to determine the District's liability for postemployment benefits other than pensions as of July 1, 2021 for fiscal year ending June 30, 2022.

A. Plan Description

The District's defined benefit OPEB plan, provides OPEB for certain retired employees under a single-employer fully-insured plan. The District provides benefits for retirees as required by state statute. Active employees who retire from the District when eligible to receive a retirement benefit from the Teachers Retirement Association (TRA) or Public Employees Retirement Association (PERA) and do not participate in any other health benefits program providing similar coverage, will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the District's health benefits program. Retirees are required to pay 100% of the total premium cost. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

B. Funding Policy

Contribution requirements are negotiated between the District and union representatives. The eligibility for, amount of, duration of, and District's contribution to the cost of the benefits provided varies by contract and date of retirement. The District has historically funded the OPEB benefits on a pay- as-you-go basis. Under GASB Statement No. 75, plan sponsors may set up a trust and pre-fund the benefits. There is no requirement to pre-fund benefits. For fiscal year 2022, the District contributed $36,999 to the plan.

C. Employees Covered by Benefit Terms

At July 1, 2021, the following employees were covered by the benefit terms:

Active Employees	66
Retirees Receiving Payments	3
Spouses Receiving Payments	0
Total Covered Employees	69

D. Total OPEB Liability

The District's total OPEB liability of $374,611 was measured as of July 1, 2021, and was determined by an actuarial valuation as of that date.

NOTE 7 – OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

E. Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.00%
Salary Increase	3.00%
Discount Rate	2.10%
Medical Trend	6.5% as of July 1, 2020 grading to 5.00% over 5 years

The discount rate was based on the estimated yield of 20-Year AA-rate municipal bonds.

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2019 – July 1, 2020.

F. Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 7/1/2020 (Reporting Date 6/30/2021)	$ 405,981
Changes for the Year:	
Service Cost	44,657
Interest	10,091
Assumption Changes	9,554
Plan Changes	16,093
Differences between Expected and Actual Experience	(51,053)
Benefit Payments	(60,712)
Net Changes	(31,370)
Balance at 7/1/2021 (Reporting Date 6/30/2022)	$ 374,611

NOTE 7 – OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

F. Changes in the Total OPEB Liability (continued)

Method Changes: None

Plan Experience:
- There was a liability gain of $99,379 due to updated census data.
- There was a liability loss of $48,326 due to claims and premiums different than expected.

Plan Changes: The post-employment medical subsidy for Teachers and Principals increased from a percentage times $3,000 per year to the same percentage times $4,500 per year. Also, the subsidy now ends at the earlier of five years or Medicare eligibility. Previously, the subsidy ended at Medicare eligibility. These changes increased the liability $16,093.

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 salary increase rates for non-teachers were updated to reflect the latest experience study.
- The withdrawal rates were updated to reflect the latest experience study
- The inflation rate was changed from 2.50% to 2.00%
- The discount rate was changed from 2.40% to 2.10%
- These changes increased the liability $9,554.

G. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

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 a discount rate that is one percentage point lower (1.1 percent) or one percentage point higher (3.1 percent) than the current discount rate:

	1% Decrease (1.1%)	Discount Rate (2.1%)	1% Increase (3.1%)
Total OPEB Liability	$ 391,452	$ 374,611	$ 357,693

NOTE 7 – OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

H. Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

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 one percentage point lower (5.5 percent decreasing to 4.00 percent) or one percentage point higher (7.5 percent decreasing to 6.00 percent) than the current healthcare cost trend rates:

	1% Decrease (5.5% Decreasing to 4.00%)	Healthcare Cost Trend Rates (6.5% Decreasing to 5.00%)	1% Increase (7.5% Decreasing to 6.00%)
Total OPEB Liability	$ 345,683	$ 374,611	$ 408,468

I. OPEB Expense, Deferred Outflows, and Deferred Inflows Related to OPEB

For the year ended June 30, 2022, the District recognized OPEB expense of $21,681. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability Gains/Losses	$0	$103,473
Assumption Changes	12,096	22,056
Investment Gains/Losses	0	0
Employer Contributions	36,999	0
Total	$49,095	$125,529

Future recognition of Deferred Flows in OPEB expense:

Fiscal Year Ending	
6/30/2023	($49,160)
6/30/2024	(49,157)
6/30/2025	(6,817)
6/30/2026	(8,299)

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATEWIDE

A. Plan Descriptions

The District participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association (PERA) and Teachers Retirement Association (TRA). PERA's and TRA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353, 354 and 356. PERA's and TRA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Plan

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

2. Teachers Retirement Fund (TRA)

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 employed by St. Paul schools or Minnesota State colleges and universities). Educators first hired by Minnesota State may elect TRA coverage or coverage through the Define Contribution Plan (DCR) administered by the State of Minnesota.

B. Benefits Provided

PERA and TRA provide 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.

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

B. Benefits Provided (Continued)

1. 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 accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated Plan members is 1.7% of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

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

2. TRA Benefits

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

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

B. Benefits Provided (Continued)

2. <u>TRA Benefits (Continued)</u>

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 as described:

Tier I Benefits

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

With these provisions:

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

Or

Tier II Benefits

For years of service prior to July 1, 2006, a level formula of 1.7 percent per year for coordinated members and 2.7 percent per year for basic members is applied. For years of service July 1, 2006 and after, a level formula of 1.9 percent 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 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 Tier II benefit calculation with a normal retirement age that is their retirement age for full Social Security retirement benefits, but not to exceed age 66.

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

B. Benefits Provided (Continued)

***Tier 2 Benefits* (Continued)**

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

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

C. Contributions

Minnesota Statutes Chapters 353 and 354 set the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2022 and the District was required to contribute 7.50% for Coordinated Plan members. The District's contributions to the General Employees Fund for the years ended June 30, 2022, June 30, 2021 and June 30, 2020 were $52,174, $52,979 and $48,709, respectively. The District's contributions were equal to the required contributions as set by the state statute.

2. TRA Contributions

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

	June 30, 2020		June 30, 2021		June 30, 2022	
	Employee	**Employer**	**Employee**	**Employer**	**Employee**	**Employer**
Basic	11.00%	11.92%	11.00%	12.13%	11.00%	12.34%
Coordinated	7.50%	7.92%	7.50%	8.13%	7.50%	8.34%

The District's contributions to TRA for the plans fiscal years ended June 30, 2022, June 30, 2021 and June 30, 2020 were $222,115, $200,296 and $180,060, respectively. The District's contributions were equal to the required contributions for each year as set by state statute.

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

C. Contributions (Continued)

2. TRA Contributions (Continued)

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

in thousands

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

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

D. Pension Costs

General Employees Fund Pension Costs

At June 30, 2022, the District reported a liability of $422,774 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 Districted totaled $12,908. 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 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. At June 30, 2022, the District's proportionate share was 0.0099% at the end of the measurement period and .0091% for the beginning of the period.

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

District's proportionate share of the net pension liability	$422,774
State of Minnesota's proportionate share of the net pension Liability associated with the District	12,908
Total	$435,682

For the year ended June 30, 2022, the District recognized pension expense of $35,042 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional $1,041 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.

At June 30, 2022, the District reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$2,492	$12,817
Changes in actuarial assumptions	258,137	8,716
Net difference between projected and actual investment earnings	0	370,036
Changes in proportion	35,973	20,766
Contributions paid to PERA subsequent to the measurement date	60,206	0
Total	$356,808	$412,335

$60,206 reported as deferred outflows of resources related to pensions resulting from the 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 Amount
2023	($22,643)
2024	($763)
2025	$7,539
2026	($99,866)

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

D. Pension Costs (Continued)

1. TRA Pension Costs

On June 30, 2022 the District reported a liability of $1,807,411 for its proportionate share of the TRA's 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. The District's proportionate share was 0.0413% at the end of the measurement period and 0.0391% for the beginning of the period.

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

District's proportionate share of net pension liability	$ 1,807,411
State's proportionate share of the net pension liability	152,492

For the year ended June 30, 2022, the District recognized pension expense of $3,871. It also recognized $1,707 as a decrease to 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 economic experience	$ 38,621	$ 30,040
Changes in actuarial assumptions	661,960	0
Net difference between projected and actual investment earnings	0	1,521,775
Changes in proportion	194,942	39,754
Contributions paid to TRA subsequent to the measurement date	222,115	0
Total	$1,117,638	$1,591,569

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

D. Pension Costs (Continued)

Deferred outflows and inflows of resources related to TRA pensions will be recognized in pension expense as follows:

Year ended June 30:	Pension Expense Amount
2023	($170,610)
2024	($77,786)
2025	($102,257)
2026	($372,486)
2027	$27,090

E. Actuarial Methods and Assumptions

General Employees Fund

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 percent. This assumption is based on a review of inflation and investments return assumptions from a number of nation 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 percent was deemed to be within that range of reasonableness for financial reporting purposes.

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

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

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The tables are adjustment slightly to fit PERA’s experience.

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

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

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NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

E. Actuarial Methods and Assumptions (Continued)

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis 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 arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Fixed Income	25.0%	0.75%
Private Markets	25.0%	5.90%
Total	100.0%	

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

E. Actuarial Methods and Assumptions (Continued)

TRA

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	7.0%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028 and 3.25% after June 30, 2028
Projected salary increase	2.85 to 8.85% before July 1, 2028 and 3.25-9.25% after June 30, 2028
Cost of living adjustment	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.
Mortality assumptions	
Pre-retirement:	RP- 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP-2015 scale.
Post-retirement:	RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
Post-disability:	RP-2014 disabled retiree mortality table, without adjustment.

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

E. Actuarial Methods and 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 estimate of geometric real rates of return for each major asset class are summarized on page 59 (same rates as PERA).

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

Changes in actuarial assumptions since the 2020 valuation:

- The investment return assumption was changed from 7.50 percent to 7.00 percent

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

F. Discount Rate

General Employees Plan

The discount rate used to measure the total pension liability in 2021 was 6.5 percent. 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.

TRA

The discount rate used to measure the total pension liability was 7.0 percent. There was no change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 2021 contribution rate, contributions from school districts will be made at the 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).

G. Pension Liability Sensitivity

The following 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 paragraphs, 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%)	Discount Rate (6.5%)	1% Increase in Discount Rate (7.5%)
District's proportionate share of the General Employees Fund net pension liability:	$862,244	$422,774	$62,163
	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
District's proportionate share of the TRA pension liability:	$3,651,059	$1,807,411	$295,473

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

H. Pension Plan Fiduciary Net Position

Detailed information about each defined benefit pension plan's fiduciary net position is available in a separately-issued PERA and TRA financial reports. The PERA report may be obtained on the Internet at www.mnpera.org. TRA's report 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.

I. Subsequent Events and the COVID-19 Pandemic Subsequent to Year-End

On November 2, 2021 the District voters passed a $41 million dollar bond referendum for a new PK-12 school to be building Lamberton, MN. The bonds will be for 25 years. Proceeds for the bond were received in FY2022 but work will continue on the building during FY2023.

The United States and global markets experienced declines in values resulting from uncertainty caused by COVID-19. The resulting declines are expected to have a negative impact on TRA's discount rate as well as the value of the Plan's investments. Any impact caused by the resulting declines have not been included in the Schedules as of June 30, 2022.

NOTE 9 – COMPENSATION – ANNUITY MATCHING PLAN

The District will provide matching 403(b) tax-sheltered annuity plan as allowed under Minnesota Statute Section 356.74. For the purposes of contribution, the annual contribution year shall be considered to extend from September 1 through August 31 each twelve months. In accordance with Minnesota Statute 356.24, the District agrees to match up to $1,950 annually, payable in twelve monthly installments of up to $162.50 per month to a District approved 403(b) company for all full time teachers. Part time teachers will receive a pro-rated match based on the percentage of their employment. Teachers planning to retire within five years of this contract shall convert the total monthly matching annuity amounts from the District plus their own to the Minnesota Post Retirement Self Health Insurance Care Savings Plan. Teachers may contribute more than the match to their Minnesota Post Retirement Health Insurance Savings Plan. The cost to the District for this plan for the 2021-2022 year was $75,349.

NOTE 10 – COMPENSATION – ANNUITY MATCHING PLAN (Continued)

The principal will be eligible to participate in the District's tax-sheltered annuity plan established pursuant to District policy up to matching $2,000 per year.

The District shall contribute $2,000 a year to the tax-sheltered annuity plan of the superintendent as authorized by Minnesota Statute 123.35.

The District provides no additional postemployment benefits.

NOTE 11 – CONTINGENCIES

Litigation
The District is not involved in any litigation as of the date of this report.

Federal and State Grants
The District has received Federal and State grants and aids in current and past years for specific purposes that are subject to review and audit by the grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. The District administration believes such disallowances, if any, will be immaterial.

NOTE 12 – DEFICIT FUND BALANCES

There are no deficit fund balances as of June 30, 2022.

NOTE 13 – SALARIES PAYABLE AND PAYROLL DEDUCTIONS PAYABLE

Contracts for teachers' salaries are payable in twelve monthly installments beginning in September. At fiscal year end, two months of salary expense remains to be paid under current contracts. In order to match that salary expense with the fiscal year in which it was earned, the expense and corresponding liability are posted to the accounts on June 30.

NOTE 14 – INTERFUND BALANCES AND OPERATING TRANSFERS

At June 30, 2022, the following inter-fund balances were owed:

Due to:	Due from	Amount	Purpose
General	Building Construction	$ 1,108,823	Payments of capital projects

During fiscal year 2022, no transfers occurred between funds.

NOTE 15 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess of Expenditures over Budget

Budgetary control for governmental funds is established by each fund's total appropriations. There were no excess of expenditures over budget.

NOTE 16 – NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 87, Leases (issued June 2017)—The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provision of the contract. This standard was implemented for the District in fiscal year 2022.

NOTE 17 – PRIOR PERIOD ADJUSTMENT

For fiscal year ending 2022, the following prior period adjustments were made to close out the Trust Fund to the General Fund, in accordance with GASB Statement No. 84, Fiduciary Activities, resulting in a net increase of $14,886 to beginning net position and to beginning fund balance.

	Governmental Activities	General Fund
Net Position/Fund Balance June 30, 2021	$ 1,586,258	$ 3,746,133
Adjustments:		
GASB 84, Fiduciary Activities	14,886	14,886
Restated Net Position/Fund Balance June 30, 2021	$ 1,601,144	$ 3,761,019

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
SCHEDULE OF CHANGES IN
TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2022

Total OPEB Liability	**7/1/2021**	**7/1/2020**	**7/1/2019**	**7/1/2018**	**7/1/2017**
Service Cost	$ 44,657	$ 38,391	$ 33,754	$ 35,414	$ 34,383
Interest	10,091	13,183	22,391	23,125	23,357
Differences between Expected and Actual Experience	(51,053)	-	(156,579)	-	-
Assumption Changes	9,554	7,423	(55,143)	-	-
Plan Changes	16,093	-	-	-	-
Benefit Payments	(60,712)	(79,189)	(85,408)	(71,646)	(59,627)
Net Change in Total OPEB Liability	(31,370)	(20,192)	(240,985)	(13,107)	(1,887)
Total OPEB Liability - Beginning	405,981	426,173	667,158	680,265	682,152
Total OPEB Liability - Ending	$ 374,611	$ 405,981	$ 426,173	$ 667,158	$ 680,265
Covered-Employee Payroll	$ 3,022,952	$ 2,943,960	$ 2,858,214	$ 2,553,495	$ 2,479,121
Total OPEB Liability as a Percentage of Covered-Employee Payroll	12.39%	13.79%	14.91%	26.13%	27.44%

Note: The District implemented the provisions of GASB Statement No. 75 for the year ended June 30, 2018. The Schedules within the Required Supplementary Information section require a ten-year presentation, but do not require retroactive reporting. Information prior to 2018 is not available. Additional years will be reported as they become available. This schedule is presented using the optional format of combining the required schedules in paragraphs 170(a) and 170(b) of GASB Statement No. 75.

INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
PUBLIC EMPLOYEES GENERAL EMPLOYEES RETIREMENT FUND

Measurement Date	District's Proportion (Percentage) of the Net Pension Liability (Asset)	District's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the District (b)	District's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the District (a+b)	District's Covered-Employee Payroll (c)	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll (a+b/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2021	0.0099%	$422,774	$12,908	$435,682	$795,300	54.78%	87.00%
June 30, 2020	0.0091%	545,587	16,859	562,446	706,380	79.62%	79.10%
June 30, 2019	0.0095%	525,234	16,333	541,567	649,450	83.39%	80.20%
June 30, 2018	0.0102%	565,854	18,500	584,354	675,599	86.49%	79.50%
June 30, 2017	0.0099%	632,009	7,924	639,933	685,245	93.39%	75.90%
June 30, 2016	0.0101%	820,070	10,782	830,852	635,926	130.65%	68.90%
June 30, 2015	0.0108%	559,712	0	559,712	629,581	88.90%	78.20%
June 30, 2014	0.0114%	535,515	0	535,515	632,966	84.60%	78.70%

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
TEACHERS RETIREMENT ASSOCIATION (TRA)

Measurement Date	District's Proportion (Percentage) of the Net Pension Liability (Asset)	District's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the District (b)	District's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the District (a+b)	Employer's Covered-Employee Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll (a+b/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2021	0.0413%	$1,807,411	$152,492	$1,959,903	$2,663,250	73.59%	86.63%
June 30, 2020	0.0391%	2,888,760	242,220	3,130,980	2,463,667	127.09%	75.48%
June 30, 2019	0.0377%	2,403,006	212,470	2,615,476	2,273,380	115.05%	78.07%
June 30, 2018	0.0377%	2,370,756	222,785	2,593,541	2,140,324	121.18%	78.07%
June 30, 2017	0.0377%	7,525,604	726,696	8,252,300	2,079,579	396.83%	51.57%
June 30, 2016	0.0387%	9,230,738	926,877	10,157,615	2,029,003	500.62%	44.88%
June 30, 2015	0.0405%	2,505,326	0	2,505,326	2,014,893	124.34%	76.80%
June 30, 2014	0.0477%	2,197,982	0	2,197,982	2,176,542	100.99%	81.50%

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
PUBLIC EMPLOYEES GENERAL EMPLOYEES RETIREMENT FUND

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered-Employee Payroll (c)	Contributions as a Percentage of Covered-Employee Payroll (b/c)
June 30, 2022	$59,648	$59,648	-	$795,300	7.50%
June 30, 2021	52,979	52,979	-	706,380	7.50%
June 30, 2020	48,709	48,709	-	649,450	7.50%
June 30, 2019	50,670	50,670	-	675,599	7.50%
June 30, 2018	51,394	51,394	-	685,245	7.50%
June 30, 2017	47,695	47,695	-	635,926	7.50%
June 30, 2016	47,219	47,219	-	629,581	7.50%
June 30, 2015	46,705	46,705	-	632,966	7.38%

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
TEACHERS RETIREMENT ASSOCIATION (TRA)

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered-Employee Payroll (c)	Contributions as a Percentage of Covered-Employee Payroll (b/c)
June 30, 2022	$222,115	$222,115	-	$2,663,250	8.34%
June 30, 2021	200,296	200,296	-	2,463,667	8.13%
June 30, 2020	180,060	180,060	-	2,273,380	7.92%
June 30, 2019	165,019	165,019	-	2,140,324	7.71%
June 30, 2018	155,968	155,968	-	2,079,579	7.50%
June 30, 2017	152,175	152,175	-	2,029,003	7.50%
June 30, 2016	151,117	151,117	-	2,014,893	7.50%
June 30, 2015	154,355	154,355	-	2,058,067	7.50%

INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2022

1. DEFINED BENEFIT PENSION PLANS

Public Employees Retirement Association

2022 Changes:
Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2021 Changes:
Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- 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 & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

1. DEFINED BENEFIT PENSION PLANS (Continued)

Public Employees Retirement Association (Continued)

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% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2020 Changes:

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- The employer supplemental contribution was changed prospectively, decreasing from $31.0 million to $21.0 million per year. The State's special funding contribution was changed prospectively, requiring $16.0 million due per year through 2031.

2019 Changes:

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

Changes in Plan Provisions:

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.0 percent to 3.0 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, 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 percent per year with a provision to increase to 2.5 percent upon attainment of 90 percent funding ratio to 50 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent, 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.

1. DEFINED BENEFIT PENSION PLANS (Continued)

Public Employees Retirement Association (Continued)

2018 Changes:
Changes in Actuarial Assumptions:
- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2017 Changes:
Changes in Actuarial Assumptions:
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2023 and 2.5 percent thereafter to 1.0 percent per year for all future years.
- The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2016 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.

Changes in Actuarial Assumptions:
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

1. DEFINED BENEFIT PENSION PLANS (Continued)

Teachers Retirement Association

2022 Changes:
Changes in Actuarial Assumptions:

- The investment return assumption was changed from 7.50 percent to 7.00 percent

2021, 2020 and 2019 Changes:
Change of Assumptions

- The 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% in 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 June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 6 years, (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

1. DEFINED BENEFIT PENSION PLANS (Continued)

Teachers Retirement Association (Continued)

2018 Changes:
Change of Assumptions
- The cost of living adjustment (COLA) was assumed to increase from 2.0 percent annually to 2.5 percent annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5 percent, but remain at 2.0 percent for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4 percent to 0.0 percent, the vested inactive load increased from 4.0 percent to 7.0% and the non-vested inactive load increased from 4.0 percent to 9.0 percent.
- The investment return assumption was changed from 8.00 percent to 7.50 percent.
- The price inflation assumption was lowered from 2.75 percent to 2.50 percent.
- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.
- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for ten years followed by 3.25 percent thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

2017 Changes:
The discount rate used to measure the total pension liability was 4.66 percent. This is a decrease from the discount rate at the prior measurement date of 8.00 percent. Based on those assumptions, the pension plan's fiduciary net position was projected to be depleted in 2052 and, as a result, the Municipal Bond Index Rate was used in the determination of the Single Equivalent Interest Rate (SEIR). The long-term expected rate of return was applied to periods before 2052 and the Municipal Bond Index Rate of 3.01 percent was applied to periods on and after 2052, resulting in a SEIR of 4.66 percent.

2016 Changes:
Change of benefit terms: The DTRFA was merged into TRA on June 30, 2015.

Change of 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%. Details, if necessary, can be obtained from the TRA ACFR.

OTHER SUPPLEMENTARY INFORMATION

Independent School District No. 2884
Red Rock Central
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2022

	Special Revenue		Total Nonmajor Governmental Funds
	Community Services	Food Service	
ASSETS			
Cash and Cash Equivalents	$ 178,006	$ 399,285	$ 577,291
Property Taxes Receivable- Current	18,752	--	18,752
Property Taxes Receivable - Delinquent	1,569	--	1,569
Accounts Receivable	775	--	775
Due from Minnesota Department of Education	2,263	--	2,263
Inventory	--	1,549	1,549
Total Assets	201,365	400,834	602,199
DEFERRED OUTFLOWS OF RESOURCES			
Aggregated deferred outflows	--	--	--
Total Assets and Deferred Outflows of Resources	**$ 201,365**	**$ 400,834**	**$ 602,199**
LIABILITIES			
Salaries Payable	$ 19,912	$ 14,681	$ 34,593
Accounts Payable	198	1,248	1,446
Total Liabilities	20,110	15,929	36,039
DEFERRED INFLOWS OF RESOURCES			
Property Taxes Levied for Subsequent Years	43,038	--	43,038
Unavailable Revenue - Delinquent Property Taxes	441	--	441
Total Liabilities and Deferred Inflows of Resources	63,589	15,929	79,518
FUND BALANCE			
Nonspendable	--	1,549	1,549
Restricted	137,776	383,356	521,132
Unassigned	--	--	--
Total Fund Balance	137,776	384,905	522,681
Total Liabilities, Deferred Inflows of Resources and Fund Balance	**$ 201,365**	**$ 400,834**	**$ 602,199**

Independent School District No. 2884
Red Rock Central
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2022

	Special Revenue		
	Community Services	**Food Service**	**Total Nonmajor Governmental Funds**
Revenues			
Local Property Tax Levies	$ 37,549	$ --	$ 37,549
Other Local and County Sources	36,024	460	36,484
State Sources	20,290	9,118	29,408
Federal Sources	--	379,345	379,345
Other	1,032	28,683	29,715
Interest	200	441	641
Total Revenues	95,095	418,047	513,142
Expenditures			
Food Service	--	277,027	277,027
Community Service	92,485	--	92,485
Total Expenditures	92,485	277,027	369,512
Excess of Revenues Over (Under) Expenditures	2,610	141,020	143,630
Other Financing Sources (Uses)			
Transfers from other funds	--	--	--
Transfers to other funds	--	--	--
Net Other Financing Sources (Uses)	--	--	--
Net Change in Fund Balance	**2,610**	**141,020**	**143,630**
Fund Balance at Beginning of Period	135,166	243,885	379,051
Fund Balance at End of Period	**$ 137,776**	**$ 384,905**	**$ 522,681**

SINGLE AUDIT AND OTHER REQUIRED REPORTS

INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

Section I – Summary of Auditor's Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516	No

Identification of Major Programs:

Name of Federal Program	CFDA Number
National School Lunch Program	10.555
Elementary & Secondary School Emergency Relief Fund	84.425

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. 2884
RED ROCK CENTRAL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

FINDINGS – FINANCIAL STATEMENTS AUDIT

INTERNAL CONTROL OVER FINANCIAL REPORTING

Finding 2022-001: The District does not maintain an adequate segregation of duties among its accounting personnel.

Condition: Due to the limited number of accounting office personnel within the District, segregation of the accounting functions necessary to ensure adequate internal accounting control is not always possible. Management is aware of the risks associated with the lack of segregation of duties and has implemented various oversight procedures. No further segregation is possible without the hiring of additional staff and current budgetary considerations do not allow for this. This finding was reported during the prior fiscal year as well.

Effect: This could affect the District's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

Cause: The District has limited staff in the accounting department. The same employee is performing multiple accounting functions.

Criteria: One basic objective of internal control is to provide for segregation of incompatible duties. In other words, responsibilities should be separated among employees so that a single employee is not able to authorize a transaction, record the transaction in accounts, and maintain responsibility for custody of the asset resulting from the transaction.

Recommendation: Since we acknowledge that it is not economically feasible for the District to hire additional staff, we recommend the District continue to monitor financial activity. We also recommend the School Board review and approve all bills, as well as approve bank reconciliations, which should be documented by initialing the bank reconciliation.

Corrective Action Plan (CAP):

1. Explanation of Disagreement with Audit Finding
   There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding
   The following segregation of duties are presently in place:
   - The School Board reviews and approves all bills
   - The School Board and/or other personnel periodically review various expenditure reports for amounts, classifications and comparison to budget.

   Due to limited personnel, it is not practical to implement a complete segregation of duties. However, the District will continue to review its procedures to determine if any improvements can be made using the limited personnel available.

INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

Finding 2022-001: The District does not maintain an adequate segregation of duties among its accounting personnel (continued).

3. Official Responsible for Ensuring Correction Action Plan
   The superintendent is responsible to carry out the plan.

4. Planned Completion Date for the Corrective Action Plan
   The corrective action will be implemented by June 30, 2023.

5. Plan to Monitor Completion of Corrective Action Plan
   The Board of Education is responsible to monitor the corrective action. The monitoring will be documented by the superintendent.

FINDINGS RELATIVE TO FEDERAL AWARD PROGRAMS

None

INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2022

Finding 2021-001: The District does not maintain an adequate segregation of duties among its accounting personnel.

Condition: Due to the limited number of accounting office personnel within the District, segregation of the accounting functions necessary to ensure adequate internal accounting control is not always possible. Management is aware of the risks associated with the lack of segregation of duties and has implemented various oversight procedures. No further segregation is possible without the hiring of additional staff and current budgetary considerations do not allow for this. This finding was reported during the prior fiscal year as well.

Recommendation: Since we acknowledge that it is not economically feasible for the District to hire additional staff, we recommend the District continue to monitor financial activity. We also recommend the School Board review and approve all bills, as well as approve bank reconciliations, which should be documented by initialing the bank reconciliation.

Current Status: This finding continues to exist and has been restated as Finding 2022-001.

Kinner & Company Ltd
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the Board of
Independent School District No. 2884

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Independent School District No. 2884, Lamberton, Minnesota, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Independent School District No. 2884's basic financial statements and have issued our report thereon dated November 21, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Independent School District No. 2884, Lamberton, Minnesota's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Independent School District No. 2884, Lamberton, Minnesota's internal control. Accordingly, we do not express an opinion on the effectiveness of the Independent School District No. 2884, Lamberton, Minnesota'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Independent School District No. 2884, Lamberton, Minnesota's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Independent School District No. 2884's Response to Findings

The Independent School District No. 2884, Lamberton, Minnesota's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Independent School District No. 2884, Lamberton, Minnesota's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Minnesota Legal Compliance

In connection with our audit, nothing came to our attention that caused us to believe that Independent School District No. 2884, Lamberton, Minnesota failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards sections of the Minnesota Legal Compliance Audit Guide for School Districts, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Purpose of this Report

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

Kinner & Company Ltd

Kinner & Company Ltd
Certified Public Accountants
Wabasso, MN

November 21, 2022

Kinner & Company Ltd
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Members of the School Board of the
Independent School District No. 2884

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Independent School District No. 2884, Lamberton, Minnesota's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Independent School District No. 2884, Lamberton, Minnesota's major federal program for the year ended June 30, 2022. Independent School District No. 2884, Lamberton, Minnesota'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, Independent School District No. 2884, Lamberton, Minnesota complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 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; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements 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 Independent School District No. 2884, Lamberton, Minnesota 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 Independent School District No. 2884, Lamberton, Minnesota's compliance with the compliance requirements referred to above.

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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 controls over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Independent School District No. 2884, Lamberton, Minnesota's federal programs.

Auditor's Responsibility 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 Independent School District No. 2884, Lamberton, Minnesota'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 generally accepted auditing standards, *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 Independent School District No. 2884, Lamberton, Minnesota's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 Independent School District No. 2884, Lamberton, Minnesota'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 Independent School District No. 2884, Lamberton, Minnesota'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 Independent School District No. 2884, Lamberton, Minnesota'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.

Other Matters

Government Auditing Standards requires the auditor to perform limited procedures on Independent School District No. 2884, Lamberton, Minnesota's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Independent School District No. 2884, Lamberton, Minnesota'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.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type ofcompliance 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 ofcompliance requirement of a federal program will not be prevented, or detected and corrected, ona 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 controlover compliance, yet important enough to merit attention by those charged with governance.

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

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

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

Kinner & Company Ltd

Kinner & Company Ltd
Certified Public Accountants
Wabasso, MN

November 21, 2022

INDEPENDENT SCHOOL DISTRICT NO. 2884
LAMBERTON, MN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

FEDERAL GRANTS/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	Assistance Listing	Federal Expenditures
U.S. Department of Education		
Passed Through Minnesota Department of Education		
Title I, Part A	84.010	85,870
Title II, Part A	84.367	17,219
Title IV, Part A	84.424	12,758
Education Stabilization Fund		
COVID-19 - American Rescue Plan- Elementary and Secondary School Emergency Relief Fund (ARP ESSER)	84.425U	186,514
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	198,820
Total Education Stabilization Fund		385,334
Passed Through SW/WC Service Cooperative		
Special Education		
Grants to States (IDEA, Part B)	84.027A	20,641
Carl Perkins Career and Technical Education	84.048A	2,189
Rural Education Achievement Program		
Small, Rural School Achievement	84.358A	66,493
Total U.S. Department of Education		590,505
U.S. Department of the Treasury		
Passed Through Minnesota Department of Education		
COVID-19 Enrollment Loss	21.027	15,394
COVID-19 Coronavirus State and Local Fiscal Recovery Fund	21.027	11,726
Total U.S. Department of the Treasury		27,120
U.S. Department of Agriculture		
Passed Through Minnesota Department of Education		
Child Nutrition Cluster		
Free/Reduced	10.555	241,727
Type A Lunch	10.555	9,008
Commodities	10.555	25,127
School Breakfast Program	10.553	92,082
COVID - Supply Chain Assistance	10.555C	11,401
Total Child Nutrition Cluster		379,344.05
Total U.S. Department of Agriculture		
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Education		
COVID-19 Minnesota COVID-19 Testing Program	93.323	26,106
TOTAL FEDERAL EXPENDITURES		1,023,075

See notes to schedule of expenditures of federal awards.

INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

NOTE 1 - BASIS OF PRESENTATION

This accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of Independent School District No. 2884, Lamberton, Minnesota under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the 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)*. Because the Schedule presents only a selected portion of the operations of Independent School District No. 2884, Lamberton, Minnesota, it is not intended to, and does not present the financial position, changes in net assets, or cash flows of Independent School District No. 2884, Lamberton, Minnesota.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, where in certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – DE MINIMIS INDIRECT COST RATE

Independent School District No. 2884, Lamberton, Minnesota has not elected to use the 10% de minimis cost rate, as allowed under Uniform Guidance

NOTE 4 – 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.

COMPLIANCE TABLE

DEPARTMENT OF EDUCATION

Fiscal Compliance

Fiscal Compliance Report - 6/30/2022

District: RED ROCK CENTRAL (2884-1)

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01 GENERAL FUND

	Audit	UFARS	Audit - UFARS
Total Revenue	$5,847,488	$5,847,489	($1)
Total Expenditures	$6,312,936	$6,312,932	$4
Non Spendable:			
4.60 Non Spendable Fund Balance	$32,326	$32,326	$0
Restricted / Reserved:			
4.01 Student Activities	$144,379	$144,379	$0
4.02 Scholarships	$19,853	$19,853	$0
4.03 Staff Development	$19,531	$19,531	$0
4.07 Capital Projects Levy	$0	$0	$0
4.08 Cooperative Revenue	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.14 Operating Debt	$0	$0	$0
4.16 Levy Reduction	$0	$0	$0
4.17 Taconite Building Maint	$0	$0	$0
4.24 Operating Capital	$108,110	$108,110	$0
4.26 $25 Taconite	$0	$0	$0
4.27 Disabled Accessibility	$0	$0	$0
4.28 Learning & Development	$0	$0	$0
4.34 Area Learning Center	$0	$0	$0
4.35 Contracted Alt. Programs	$0	$0	$0
4.36 State Approved Alt. Program	$0	$0	$0
4.38 Gifted & Talented	$0	$0	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.41 Basic Skills Programs	$30,149	$30,149	$0
4.48 Achievement and Integration	$0	$0	$0
4.49 Safe School Crime - Crime Levy	($48,300)	($48,300)	$0
4.51 QZAB Payments	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.53 Unfunded Sev & Retiremt Levy	$0	$0	$0
4.59 Basic Skills Extended Time	$1,263	$1,263	$0
4.67 LTFM	$364,238	$364,238	$0
4.72 Medical Assistance	$0	$0	$0
4.73 PPP Loan	$0	$0	$0
4.74 EIDL Loan	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
4.75 Title VII Impact Aid	$0	$0	$0
4.76 Payments in Lieu of Taxes	$0	$0	$0
Committed:			
4.18 Committed for Separation	$8,750	$8,750	$0
4.61 Committed Fund Balance	$0	$0	$0
Assigned:			
4.62 Assigned Fund Balance	$537,472	$537,472	$0
Unassigned:			
4.22 Unassigned Fund Balance	$2,083,855	$2,083,855	$0

02 FOOD SERVICES

	Audit	UFARS	Audit - UFARS
Total Revenue	$418,047	$418,045	$2
Total Expenditures	$277,027	$277,028	($1)
Non Spendable:			
4.60 Non Spendable Fund Balance	$1,549	$1,549	$0
Restricted / Reserved:			
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.74 EIDL Loan	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$383,356	$383,356	$0
Unassigned:			
4.63 Unassigned Fund Balancee	$0	$0	$0

04 COMMUNITY SERVICE

	Audit	UFARS	Audit - UFARS
Total Revenue	$95,095	$95,094	$1
Total Expenditures	$92,485	$92,486	($1)
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.26 $25 Taconite	$0	$0	$0
4.31 Community Education	$112,922	$112,922	$0
4.32 E.C.F.E	$24,424	$24,424	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.44 School Readiness	($6,594)	($6,594)	$0
4.47 Adult Basic Education	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.73 PPP Loan	$0	$0	$0
4.74 EIDL Loan	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$7,024	$7,024	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

06 BUILDING CONSTRUCTION

	Audit	UFARS	Audit - UFARS
Total Revenue	($666,828)	($666,828)	$0
Total Expenditures	$2,063,177	$2,063,177	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.07 Capital Projects Levy	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$40,045,773	$40,045,773	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

07 DEBT SERVICE

	Audit	UFARS	Audit - UFARS
Total Revenue	$103	$103	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.25 Bond Refundings	$0	$0	$0
4.33 Maximum Effort Loan Aid	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$103	$103	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

08 TRUST

	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Restricted / Reserved:			
4.01 Student Activities	$0	$0	$0
4.02 Scholarships	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

18 CUSTODIAL

	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Restricted / Reserved:			
4.01 Student Activities	$0	$0	$0
4.02 Scholarships	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.64 Restricted Fund Balance	$0	$0	$0

20 INTERNAL SERVICE

	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

25 OPEB REVOCABLE TRUST

	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

45 OPEB IRREVOCABLE TRUST

	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

47 OPEB DEBT SERVICE

	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted:			
4.25 Bond Refundings	$0	$0	$0
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0