LAKE CITY PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 813

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2022

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LAKE CITY PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 813
BOARD OF EDUCATION AND ADMINISTRATION
YEAR ENDED JUNE 30, 2022

<u>BOARD OF EDUCATION</u>

Heath Oeltjen	Chairperson
Michelle Larson	Treasurer
Kevin Pavelka	Clerk
Dawn Balow	Director
Michael Ohlhaber	Director
Patrick Dwelle	Director
Rebecca Weist	Director

<u>ADMINISTRATION</u>

Erick Enger	Superintendent

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Board of Education
Lake City Public Schools
Independent School District No. 813
Lake City, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Lake City Public Schools Independent School District No. 813, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District'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 and each major fund of the District, as of June 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1 to the financial statements, effective July 1, 2021, the District adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-to-use lease asset and corresponding lease liability and lessors to recognize a lease receivable and corresponding deferred inflow of resources for all leases with lease terms greater than twelve months. Our opinion is not modified with respect to this matter.

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 District'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.

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedule of changes in the District's total OPEB liability and related ratios, the schedule of the District's proportionate share of the net pension liability, and the schedule of District pension contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Uniform Financial Accounting and Reporting Standards Compliance Table 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 prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Uniform Financial Accounting and Reporting Standards Compliance Table and schedule of expenditures of federal awards is 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 board of education and administration but does not include the basic financial statements and our auditors' 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.

Board of Education
Lake City Public Schools
Independent School District No. 813

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2022, on our consideration of the District'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Rochester, Minnesota
October 18, 2022

This section of Lake City Public Schools Independent School District No. 813's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2022. Please read it in conjunction with the District's financial statements, which immediately follows this section.

FINANCIAL HIGHLIGHTS

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

- The District's total net position increased by 10.30%, due primarily to an increase in revenues and a very moderate increase in expenditures.
- Overall General Fund revenues were $15,383,820 as compared to $15,380,677 of expenditures and other financing sources and uses.
- General Fund balance went ahead slightly by $3,143 from the prior year, with the unassigned decreasing by $51,425 (excluding long-term facilities maintenance).
- ADM (enrollment) was up 37 students from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

District-Wide Financial Statements

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

District-Wide Financial Statements (Continued)

The two District-wide financial 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 you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

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

Fund Financial Statements

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

- Some funds are required by state law and by bond covenants.

- The District establishes other funds to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal grants).

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's total net position was $8,121,139 on June 30, 2022 (see Table A-1), a 10.3% increase in its position mostly due to a decrease in its total liabilities by 11.87%.

Table 1
The District's Net Position

	Governmental Activities as of June 30, 2022	Governmental Activities as of June 30, 2021	Percentage Change
Current and Other Assets	$ 11,367,315	$ 10,631,207	6.92 %
Capital Assets	26,216,166	27,600,391	(5.02)
Total Assets	37,583,481	38,231,598	(1.70)
Deferred Outflows of Resources	3,535,184	4,019,866	(12.06)
Current Liabilities	4,320,690	27,277,898	(84.16)
Long-Term Liabilities	30,586,757	12,332,881	148.01
Total Liabilities	34,907,447	39,610,779	(11.87)
Deferred Inflows of Resources	14,332,357	11,694,416	22.56
Net Position:			
Net Investment in Capital Assets	1,970,983	1,940,422	1.57
Restricted	1,581,635	1,609,118	(1.71)
Unrestricted	(11,673,757)	(12,603,271)	(7.38)
Total Net Position	$ (8,121,139)	$ (9,053,731)	(10.30)

Changes in Net Position

The District's total revenues were $19,224,253 for the year ended June 30, 2022, which were up 7.97% from last year. Property taxes and state formula aid accounted for 71% of total revenue for the year (see Figure A-1). The amount of 28% came from program revenues as the District was able to open more of its programs and activities after the restrictions from COVID eased. The remaining 1% came from other general revenues combined with investment earnings.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Position (Continued)

Table A-2
Change in Net Position

	Governmental Activities for the Fiscal Year Ended June 30, 2022	2021	Percentage Change
Revenues			
Program Revenues			
Charges for Services	$ 843,768	$ 672,129	25.54 %
Operating Grants and Contributions	4,289,632	3,865,286	10.98
Capital Grants and Contributions	173,279	178,616	(2.99)
General Revenues			
Property Taxes	4,416,052	4,054,430	8.92
Unrestricted State Aid	9,343,328	8,916,066	4.79
Investment Earnings	9,846	4,431	122.21
Other	168,348	131,938	27.60
Total Revenues	19,244,253	17,822,896	7.97
Expenses			
Administration	921,730	997,406	(7.59)
District Support Services	489,954	283,428	72.87
Regular Instruction	8,527,751	8,261,933	3.22
Vocational Education Instruction	287,457	309,490	(7.12)
Special Education Instruction	2,027,140	1,945,819	4.18
Instructional Support Services	407,806	460,153	(11.38)
Pupil Support Services	1,355,070	1,300,899	4.16
Sites and Buildings	1,998,139	2,466,712	(19.00)
Fiscal and Other Fixed Cost Programs	89,957	83,744	7.42
Food Service	897,602	701,690	27.92
Community Service	717,880	680,994	5.42
Interest and Fiscal Charges on Long-Term Liabilities	591,175	741,814	(20.31)
Total Expenses	18,311,661	18,234,082	0.43
Change in Net Position	932,592	(411,186)	
Net Position - Beginning	(9,053,731)	(8,642,545)	
Net Position - Ending	$ (8,121,139)	$ (9,053,731)	

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

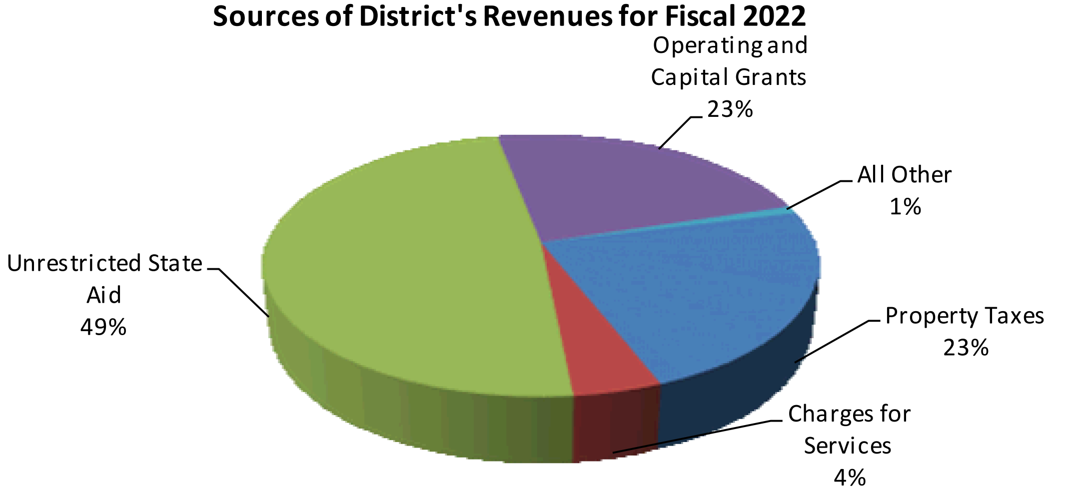
Changes in Net Position (Continued)

The total cost of all programs and services excluding interest and fiscal charges was $17,720,486.

The cost of all *governmental* activities this year was $18,311,661.

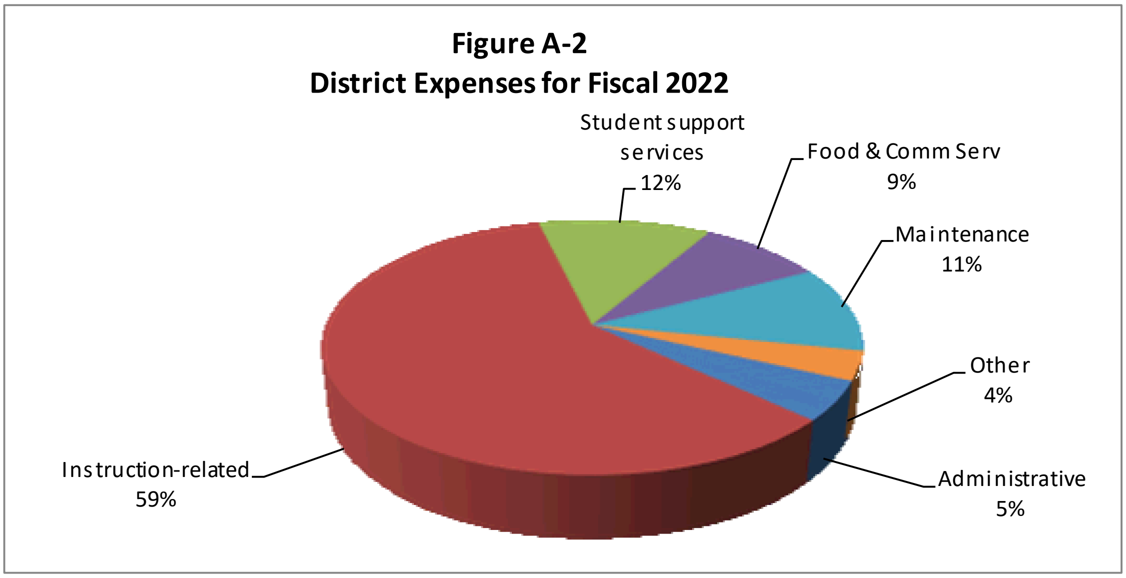
- Some of the cost was paid by the users of the District's programs ($843,768).
- The federal and state governments subsidized certain programs with grants and contributions ($4,462,911).
- Most of the District's costs ($13,759,380), however, were paid for by District taxpayers and the taxpayers of our state.
- This taxpayer portion of governmental activities was paid for with $4,416,052 in property taxes, $9,343,328 of state aid based on the statewide education aid formula, and with investment earnings and other general revenues.

Figure A-1
Sources of District's Revenues for Fiscal 2022



FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Position (Continued)



Typically the District does not include in an analysis of all governmental funds a breakout of expenditures as depicted in Figure A-2. To do so distorts the latitude available to the District to allocate resources to instruction. All governmental funds include not only funds received for the general operation of the District, which are used for classroom instruction, but also includes resources from the entrepreneurial-type funds of Food Service and Community Education, and from resources for fiscal service transactions. Funding for the general operation of the District is controlled by the state and the District does not have the latitude to allocate money received in Food Service or Community Education or for fiscal services to enhance classroom instruction resources. The District cannot take funds from these restricted areas and use the funds to hire teachers to enhance instruction. In Minnesota, that is simply not an option. Therefore, a more accurate analysis of resources allocated to instruction should be limited to an analysis of resources received for the general operation of the District and that analysis would show that 69% of those resources are spent on instruction.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Position (Continued)

Table A-3
Program Expenses and Net Cost of Services

	Total Cost of Services		Percentage	Net Cost of Services		Percentage
	2022	2021	Change	2022	2021	Change
Administration	$ 921,730	$ 997,406	(7.59)%	$ 911,613	$ 1,134,738	(19.66)%
District Support Services	489,954	283,428	72.87	487,176	281,879	72.83
Regular Instruction	8,527,751	8,261,933	3.22	6,885,506	6,836,977	0.71
Vocational Education Instruction	287,457	309,490	(7.12)	285,653	311,050	(8.16)
Special Education Instruction	2,027,140	1,945,819	4.18	561,218	566,152	(0.87)
Instructional Support Services	407,806	460,153	(11.38)	178,258	261,972	(31.96)
Pupil Support Services	1,355,070	1,300,899	4.16	1,320,308	1,268,142	4.11
Sites and Buildings	1,998,139	2,466,712	(19.00)	1,807,039	2,000,636	(9.68)
Fiscal and Other Fixed Cost Programs	89,957	83,744	7.42	50,714	50,636	0.15
Food Service	897,602	701,690	27.92	(206,208)	(170,060)	21.26
Community Service	717,880	680,994	5.42	132,530	234,115	(43.39)
Interest and Fiscal Charges on Long-Term Liabilities	591,175	741,814	(20.31)	591,175	741,814	(20.31)
Total	$ 18,311,661	$ 18,234,082	0.43	$ 13,004,982	$ 13,518,051	(3.80)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District completed the year with its governmental funds reporting a *combined* fund balance of $3,803,077, $211,834 above last year's ending fund balance of $3,591,243. This combined increase reflects a General fund increase of $3,143, Community Education fund decrease of $15,230, Food Service fund increase of $207,302, and the Debt Service fund increase of $16,619.

The financial performance of the District as a whole is reflected in its governmental funds. The General fund increase, while in total was slightly positive, the unassigned fund balance went down $51,425 (excluding long-term facilities maintenance), even with support from some COVID grants. The Community Education fund decreased in total by $15,230 and the general Community Ed fund still lost $40,903. However, this is a significant leveling off from the previous year when it lost $144,726. School readiness gained another $29,565 to moderate the Community Education fund balance. The Food Service fund performed well with the support of an entire year of the Federal Summer Food Service program and its higher reimbursement rates. You will see Administration spend significant Net Cash Resources from this fund in the next two fiscal years. The fund is restricted in the amount of fund balance it may have available and the state required a spend down plan. Revenues for the District's governmental funds were $19,171,399 while total expenditures were $19,081,277.

GENERAL FUND

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

GENERAL FUND (CONTINUED)

Nearly all of General Fund operational revenue is controlled by a complex set of state funding formulas resulting in the local school board having no meaningful authority to determine the level of resources. This includes special education state aid that is based upon a cost reimbursement model providing approximately 68% of personnel expenditures. Other state formulas then determine what portion of the revenue will be provided by property taxes and what portion will come from state aid.

Enrollment

The following chart shows that student enrollment in the District for 2021-2022 was up. This 37 Average Daily Membership (ADM) increase was across almost every grade level, showing a return of students to in person classrooms.

Grade	17-18	18-19	19-20	20-21	21-22
Kdgt./EC	94	103	71	74	99
1-3	248	249	285	246	234
4-6	309	302	260	266	271
7-12	580	583	601	596	615
Total K-12	1,231	1,237	1,217	1,182	1,219
ADM Change	(24)	6	(20)	(55)	37
Percent Change	-1.9%	0.5%	-1.6%	-4.4%	3.1%

The following schedule presents a summary of General Fund Revenues.

Table A-5
General Fund Revenues

	Year Ended		Change	
	June 30, 2022	June 30, 2021	Increase (Decrease)	Percent Change
Local Sources:				
Property Taxes	$ 2,730,826	$ 2,392,751	$ 338,075	14.1 %
Earnings on Investments	6,847	3,034	3,813	125.7
Other	455,292	318,162	137,130	43.1
State Sources	11,356,279	10,855,986	500,293	4.6
Federal Sources	834,576	830,202	4,374	0.5
Total General Fund Revenue	$ 15,383,820	$ 14,400,135	$ 983,685	6.8

GENERAL FUND (CONTINUED)

Total General Fund Revenue increased by $983,685 or 6.8% from the previous year. 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 involve 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 on total revenue.

The following schedule presents a summary of General Fund Expenditures.

Table A-6
General Fund Expenditures

	Year Ended			
	June 30, 2022	June 30, 2021	Amount of Increase (Decrease)	Percent Increase (Decrease)
Salaries	$ 8,329,091	$ 7,856,518	$ 472,573	6.0 %
Employee Benefits	2,742,728	2,566,014	176,714	6.9
Purchased Services	2,896,472	2,830,633	65,839	2.3
Supplies and Materials	830,300	653,079	177,221	27.1
Capital Expenditures	475,105	798,236	(323,131)	(40.5)
Other Expenditures	228,623	308,275	(79,652)	(25.8)
Total General Fund Expenditures	$ 15,502,319	$ 15,012,755	$ 489,564	3.3

Total general fund expenditures increased $489,564 or 3.3% from the previous year. The biggest increase was in supplies and materials. In 2021, funds were available from COVID grants to cover the increased cleaning costs. In 2022, those costs had to be covered by the general fund. The District also had increased utilities (students in the buildings) and increased inflation. There were also increased salaries and benefits for much of the employee base.

In 2021-22, General fund revenues exceeded expenditures and other financing uses by $3,143. Therefore, total fund balance increased to $2,552,432 at June 30, 2022.

The unassigned fund balance of $1,258,331 at June 30, 2022, represents 8.1% of annual expenditures. The balance approaches the District's 8% fund balance policy and action has already taken place for 2023 to preserve the 8%.

GENERAL FUND (CONTINUED)

General Fund Budgetary Highlights

Following approval of the budget prior to the beginning of the fiscal year, the District revises the annual operating budget in mid-year. These budget amendments fall into two categories:

- Implementing budgets for specially funded projects, which include both federal and state grants and reinstating unexpended funds being carried over, and budgeting for clearing.
- Legislation passed subsequent to budget adoption, changes necessitated by collective bargaining agreements, and increases in appropriations for significant unbudgeted costs.

Actual revenues were $40,692 more than expected; a 0.3% variance.

Expenditures were $73,323 over budget, approximately a 0.5% variance. The biggest contributing factors were special education and pupil support services.

DEBT SERVICE FUND

The Debt Service Fund revenues exceeded expenditures by $16,619 in 2021-22. The fund balance of $436,224 on June 30, 2022, is restricted for meeting future debt service obligations.

OTHER MAJOR FUNDS

Revenues exceeded expenditures in the Food Service Fund by $207,302. For the third year, Lake City benefited from operating under the Summer Food Service Program which offers higher reimbursement rates that exceed the National School Lunch Program. The Community Service fund revenues exceeded expenditure by $15,230, as discussed early, this is a much better result than the previous year as we see this fund starting to return to normal operations.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2022, the District had invested over $46.4 million in a broad range of capital assets, including school buildings, athletic facilities, computer and audio-visual equipment, furniture and fixtures (see Table A-7). (More detailed information about capital assets can be found in Note 3 to the financial statements.) Total depreciation and amortization expense for the year was $1,784,591.

Table A-7
Capital Assets

	2022	2021	Percentage Change
Land	$ 185,874	$ 185,874	- %
Land Improvements	2,077,123	1,993,150	4.2
Buildings and Improvements	40,377,894	40,161,210	0.5
Equipment	3,863,468	3,624,958	6.6
Less: Accumulated Depreciation	(20,445,862)	(18,696,919)	9.4
Right-to-Use Equipment	332,118	332,118	-
Less: Accumulated Amortization	(174,449)	-	-
Total District Capital Assets	$ 26,216,166	$ 27,600,391	(5.0)

Long-Term Liabilities

At year-end, the District had $24,439,004 in long term liabilities, a reduction of $1,473,188.

Table A-8
The District's Long-Term Liabilities

	2022	2021	Percentage Change
General Obligation Bonds	$ 22,925,000	$ 23,970,000	(4.4)%
Net Bond Premium and Discount	1,111,321	1,357,851	(18.2)
Lease Liability	208,862	332,118	(37.1)
Severance Payable	193,821	252,223	(23.2)
Total Long-Term Liabilities	$ 24,439,004	$ 25,912,192	(5.7)
Long-Term Liabilities:			
Due Within One Year	$ 1,276,782	$ 24,439,004	
Due in More Than One Year	23,162,222	1,473,188	
Total	$ 24,439,004	$ 25,912,192	

FACTORS BEARING ON THE DISTRICT'S FUTURE

The 2021-2022 school year bought students back to in person learning at Lake City Public Schools. Students not only returned to our buildings for learning, but they also returned to activities as well. As a nation, we are seeing learning loss and increased social/emotional issues that will need to be addressed. Lake City is no different. Federal grants have helped the District mitigate some of the increased needs and Lake City will continue to work for the benefit of all students.

The Administration, supported by the taxpayers of the District, have been committed to maintaining school facilities and equipment. In 2021, the District added $1,264,451 and in 2022, another $400,366 in asset value to the District.

The increase in enrollment was encouraging. Our enrollment has, for many years, exceeded our resident population, which is a direct reflection on good programming. However, this is not a resting place for the District. We are already seeing a trend in significantly smaller kindergarten classes. The District believes this trend will continue as Lake City's housing market is not conducive to families with school age children. The District will need to work hard to still offer great programs with potentially less funding.

The legislative session approved a 2.25% increase for fiscal year 2022-2023 and we will recognize another $100/ppu of local optional revenue. We are hopeful that these increases may ease the need for more intense measures to assure the 8% fund balance we have as policy. We are waiting to see if the political environment in the state of Minnesota will remain focused on educating the students in our state in positive ways in the upcoming years.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Independent School District No. 813, 300 South Garden Street, Lake City, Minnesota 55041.

LAKE CITY PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 813
STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities
ASSETS	
Cash and Investments	$ 7,079,460
Receivables:	
Property Taxes	2,545,845
Other Governments	1,611,868
Other	59,333
Prepaid Items	50,276
Inventories	20,533
Capital Assets:	
Land and Construction in Progress	185,874
Other Capital Assets, Net of Amortization	157,669
Other Capital Assets, Net of Depreciation	25,872,623
Total Assets	37,583,481
DEFERRED OUTFLOWS OF RESOURCES	
Pension Related	3,305,750
Other Postemployment Benefits Related	229,434
Total Deferred Outflows	3,535,184
LIABILITIES	
Salaries Payable	2,316,467
Accounts Payable	182,574
Accrued Interest	350,951
Due to Other Governmental Units	134,830
Unearned Revenue	59,086
Long-Term Liabilities:	
Portion Due Within One Year	1,276,782
Portion Due in More Than One Year	23,162,222
Net Pension Liability	5,635,585
Other Postemployment Benefits Liability - Due Within One Year	140,043
Other Postemployment Benefits Liability - Due in More Than One Year	1,648,907
Total Liabilities	34,907,447
DEFERRED INFLOWS OF RESOURCES	
Property Taxes Levied for Subsequent Year	4,853,892
Pension Related	9,311,476
Other Postemployment Benefits Related	166,989
Total Deferred Inflows of Resources	14,332,357
NET POSITION	
Net Investment in Capital Assets	1,970,983
Restricted for:	
Operating Capital Purposes	311,452
State-Mandated Reserves	263,146
Food Service	612,236
Community Service	303,171
Debt Service	91,630
Unrestricted	(11,673,757)
Total Net Position	$ (8,121,139)

See accompanying Notes to Basic Financial Statements.

LAKE CITY PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 813
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

Functions	Expenses	Program Charges for Services
GOVERNMENTAL ACTIVITIES		
Administration	$ 921,730	$ -
District Support Services	489,954	-
Regular Instruction	8,527,751	159,776
Vocational Education Instruction	287,457	724
Special Education Instruction	2,027,140	25,571
Instructional Support Services	407,806	-
Pupil Support Services	1,355,070	33,735
Sites and Buildings	1,998,139	74,724
Fiscal and Other Fixed Cost Programs	89,957	-
Food Service	897,602	137,066
Community Service	717,880	412,172
Interest and Fiscal Charges on Long-Term Liabilities	591,175	-
Total School District	$ 18,311,661	$ 843,768

GENERAL REVENUES

Property Taxes Levied for:

General Purposes

Community Service

Debt Service

State Aid Not Restricted to Specific Purposes

Earnings on Investments

Miscellaneous

Total General Revenues

CHANGE IN NET POSITION

Net Position - Beginning

NET POSITION - ENDING

See accompanying Notes to Basic Financial Statements.

LAKE CITY PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 813
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2022

Revenues		Net (Expense) Revenue and Change in Net Position
Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
$ 2,658	$ 7,459	$ (911,613)
371	2,407	(487,176)
1,338,500	143,969	(6,885,506)
1,080	-	(285,653)
1,440,351	-	(561,218)
211,240	18,308	(178,258)
1,027	-	(1,320,308)
115,240	1,136	(1,807,039)
39,243	-	(50,714)
966,744	-	206,208
173,178	-	(132,530)
-	-	(591,175)
$ 4,289,632	$ 173,279	(13,004,982)
		2,734,248
		134,812
		1,546,992
		9,343,328
		9,846
		168,348
		13,937,574
		932,592
		(9,053,731)
		$ (8,121,139)

See accompanying Notes to Basic Financial Statements.

LAKE CITY PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 813
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	General	Major Food Service	Major Community Service
ASSETS			
Cash and Investments	$ 4,884,646	$ 635,815	$ 354,362
Receivables:			
Current Property Taxes	1,405,994	-	68,586
Delinquent Property Taxes	10,487	-	545
Accounts Receivable	55,220	-	4,113
Due from Other Minnesota School Districts	65,482	-	-
Due from Minnesota Department of Education	1,227,034	382	21,244
Due from Federal Sources through Minnesota Department of Education	239,293	17,789	-
Inventory	-	20,533	-
Prepaids	48,809	-	1,467
Total Assets	$ 7,936,965	$ 674,519	$ 450,317
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Salaries and Payroll Deductions Payable	$ 2,225,158	$ -	$ 91,309
Accounts and Contracts Payable	163,775	15,722	3,077
Due to Other Governmental Units	129,332	-	5,498
Unearned Revenue	5,050	46,561	7,475
Total Liabilities	2,523,315	62,283	107,359
Deferred Inflows of Resources:			
Unavailable Revenue - Property Taxes Levied for Subsequent Year	2,850,731	-	140,228
Unavailable Revenue - Delinquent Property Taxes	10,487	-	545
Total Deferred Inflows of Resources	2,861,218	-	140,773
Fund Balances:			
Nonspendable:			
Inventory	-	20,533	-
Prepaids	48,809	-	1,467
Restricted for:			
Student Activities	76,573	-	-
Operating Capital	311,452	-	-
Early Childhood and Family Education	-	-	8,051
Area Learning Center	851	-	-
Gifted and Talented	104,312	-	-
School Readiness	-	-	291,839
Safe Schools Levy	26,822	-	-
Medical Assistance	54,588	-	-
Restricted for Other Purposes	-	591,703	1,269
Assigned for:			
Bluffview	67,699	-	-
Separation/Retirement Benefits	400,000	-	-
Health Programs	202,995	-	-
Unassigned	1,258,331	-	(100,441)
Total Fund Balances	2,552,432	612,236	202,185
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 7,936,965	$ 674,519	$ 450,317

See accompanying Notes to Basic Financial Statements.

LAKE CITY PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 813
BALANCE SHEET (CONTINUED)
GOVERNMENTAL FUNDS
JUNE 30, 2022

Debt Service	Total Governmental Funds 2022
$ 1,204,637	$ 7,079,460
1,053,876	2,528,456
6,357	17,389
-	59,333
-	65,482
40,644	1,289,304
-	257,082
-	20,533
-	50,276
$ 2,305,514	$ 11,367,315
$ -	$ 2,316,467
-	182,574
-	134,830
-	59,086
-	2,692,957
1,862,933	4,853,892
6,357	17,389
1,869,290	4,871,281
-	20,533
-	50,276
-	76,573
-	311,452
-	8,051
-	851
-	104,312
-	291,839
-	26,822
-	54,588
436,224	1,029,196
-	67,699
-	400,000
-	202,995
-	1,157,890
436,224	3,803,077
$ 2,305,514	$ 11,367,315

See accompanying Notes to Basic Financial Statements.

LAKE CITY PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 813
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
JUNE 30, 2022

Total Fund Balance for Governmental Funds	$	3,803,077
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land		185,874
Land Improvements, Net of Accumulated Depreciation		1,106,476
Buildings and Improvements, Net of Accumulated Depreciation		23,183,972
Equipment, Net of Accumulated Depreciation		1,582,175
Right-to-Use Equipment, Net of Accumulated Amortization		157,669
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as unearned revenue in the funds.		17,389
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditures when due.		(350,951)
The District's Net Pension Liability and related deferred inflows and outflows are recorded only on the Statement of Net Position. Balances at year-end are:		
Net Pension Liability		(5,635,585)
Deferred Outflows of Resources - Pension Related		3,305,750
Deferred Inflows of Resources - Pension Related		(9,311,476)
The District's Other Postemployment Benefits Liability and related Deferred Outflows and Inflows of Resources are recorded only on the Statement of Net Position. Balances at year-end are:		
Other Postemployment Benefits Liability		(1,788,950)
Deferred Outflows of Resources - Other Postemployment Benefits Related		229,434
Deferred Inflows of Resources - Other Postemployment Benefits Related		(166,989)
Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at year-end are:		
Bonds Payable		(22,925,000)
Unamortized Premiums		(1,065,611)
Financed Lease Purchase		(45,710)
Lease Liability		(208,862)
Severance and Health Benefits Payable		(193,821)
Total Net Position of Governmental Activities	$	(8,121,139)

See accompanying Notes to Basic Financial Statements.

LAKE CITY PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 813
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022

	Major		
	General	Food Service	Community Service
REVENUES			
Local Sources:			
Property Taxes	$ 2,730,826	$ -	$ 134,771
Investment Income	6,847	999	578
Other	455,292	137,069	415,131
State Sources	11,356,279	32,793	129,421
Federal Sources	834,576	933,973	44,844
Total Revenues	15,383,820	1,104,834	724,745
EXPENDITURES			
Current:			
Administration	1,036,215	-	-
District Support Services	496,125	-	-
Elementary and Secondary Regular Instruction	7,342,459	-	-
Vocational Education Instruction	288,768	-	-
Special Education Instruction	2,103,066	-	-
Instructional Support Services	394,630	-	-
Pupil Support Services	1,376,967	-	-
Sites and Buildings	1,765,251	-	-
Fiscal and Other Fixed Cost Programs	89,957	-	-
Food Service	-	871,904	-
Community Service	-	-	739,456
Capital Outlay	475,105	25,698	519
Debt Service:			
Principal	124,534	-	-
Interest and Fiscal Charges	9,242	-	-
Total Expenditures	15,502,319	897,602	739,975
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(118,499)	207,232	(15,230)
OTHER FINANCING SOURCES (USES)			
Sale of Equipment	48,192	-	-
Insurance Recovery	26,532	-	-
Lease Proceeds	46,988	-	-
Transfers In	-	70	-
Transfers Out	(70)	-	-
Total Other Financing Sources (Uses)	121,642	70	-
NET CHANGE IN FUND BALANCES	3,143	207,302	(15,230)
FUND BALANCES			
Beginning of Year	2,549,289	404,934	217,415
End of Year	$ 2,552,432	$ 612,236	$ 202,185

See accompanying Notes to Basic Financial Statements.

LAKE CITY PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 813
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (CONTINUED)
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022

Funds Debt Service	Total Governmental Funds 2022
$ 1,547,376	$ 4,412,973
1,422	9,846
-	1,007,492
409,202	11,927,695
-	1,813,393
1,958,000	19,171,399
-	1,036,215
-	496,125
-	7,342,459
-	288,768
-	2,103,066
-	394,630
-	1,376,967
-	1,765,251
-	89,957
-	871,904
-	739,456
-	501,322
1,045,000	1,169,534
896,381	905,623
1,941,381	19,081,277
16,619	90,122
-	48,192
-	26,532
-	46,988
-	70
-	(70)
-	121,712
16,619	211,834
419,605	3,591,243
$ 436,224	$ 3,803,077

See accompanying Notes to Basic Financial Statements.

LAKE CITY PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 813
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022

Net Change in Fund Balance - Total Governmental Funds	$	211,834
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays and acquisition of right-to-use assets as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation or amortization expense.		
Capital Outlays		539,167
Gain (Loss) on Disposal of Capital Assets		48,192
Proceeds from the Sales of Capital Assets		(48,192)
Depreciation Expense		(1,748,943)
Amortization Expense		(174,449)
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are unearned in the governmental funds.		3,079
The use of some capital assets are structured as leases. In governmental funds, a lease arrangement is considered a source of financing, and in the Statement of Net Position, the lease liability is reported. Repayment of lease principal is an expenditure in the governmental funds, but repayment reduces the lease liability in the Statement of Net Position.		
Other Financing Sources - Lease		(46,988)
Principal Payments - Leases		123,256
Pension expenditures in the governmental funds are measured by current year employer contributions. Pension expense on the statement of activities are measured by the change in the net pension liability and the related deferred inflows and outflows of resources.		574,371
Other postemployment benefits expenditures in the governmental funds are measured by current year employer contributions. Other postemployment benefits expense on the statement of activities are measured by the change in the total other postemployment benefits liability and the related deferred inflows and outflows of resources.		32,137
In the Statement of Activities, certain operating expenses - severance benefits and compensated absences - are measured by amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (amounts actually paid).		58,402
The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:		
Repayment of Bond Principal		1,045,000
Change in Accrued Interest Liability		22,208
Amortization of Bond Premium		292,240
Repayment of Financed Lease Purchases		1,278
Total	$	932,592

See accompanying Notes to Basic Financial Statements.

LAKE CITY PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 813
STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUND
YEAR ENDED JUNE 30, 2022

	Custodial Fund
ASSETS	
Cash and Investments	$ 8,750
Total Assets	8,750
LIABILITIES	
Deferred Revenue	8,750
Total Liabilities	8,750
NET POSITION	
Held In Trust	$ -

See accompanying Notes to Basic Financial Statements.

LAKE CITY PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 813
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUND
YEAR ENDED JUNE 30, 2022

	Custodial Fund
ADDITIONS	
Gifts and Donations	$ 1,625
Total Additions	1,625
DEDUCTIONS	
Scholarships Awarded	1,625
Total Deductions	1,625
Change in Net Position	-
Net Position - Beginning of Year	-
Net Position - End of Year	$ -

See accompanying Notes to Basic Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Lake City Public Schools Independent School District No. 813 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 accounting principles generally accepted in the United States of America for state and local governments.

B. Financial Reporting Entity

Lake City Public Schools Independent School District No. 813 (the District) is an instrumentality of the state of Minnesota established to function as an education 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 included all funds, departments, agencies, boards, commissions, and other organizations which are not legally separate 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 of school hours. The Board establishes broad policies and ensures that appropriate financial records are maintained for student activities, as well as controls and is financially accountable for these activities. Accordingly, the accounts and transactions for those activity funds are included in the financial statements within the General Fund.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statement Presentation (Continued)

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 revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The District applies restricted resources first when an expense is incurred for a purpose for which both restricted and unrestricted net position is available. Depreciation expense that can be specifically identified by function is included in the direct expenses of 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.

Fiduciary funds are presented in the fiduciary fund financial statements by type; custodial. Since by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the District-wide 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 the related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amount 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

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:

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 the U.S. generally accepted accounting principles. 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 revenue 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.

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.

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 each fund included in this report is as follows:

Major 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.

Food Service Special Revenue Fund – The Food Service Special Revenue Fund is used to account for food service revenues and expenditures. Revenues for the Food Service Special Revenue Fund are composed of user fees and reimbursements from the federal and state governments. These revenues are restricted for the Food Service Special Revenue Fund.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Description of Funds (Continued)

Major Governmental Funds (Continued)

Community Service Special Revenue Fund – The Community Service Special Revenue Fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs, K-6 extended day programs, or other similar services. Revenues for the Community Service Special Revenue Fund are composed of user fees, local levy dollars, state tax credits, and aid from the federal and state governments. These revenues are restricted for the Community Service Special Revenue Fund.

Debt Service Fund – The Debt Service Fund accounts for the accumulation of resources for, and the payment of, general long-term obligation bond principal, interest, and related costs.

Custodial Fund – The Custodial Fund accounts for funds passed through to recipients for scholarships that the District has no administrative involvement in.

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 upcoming fiscal year for the General, Food Service, Community Service, and Debt Service Funds. The approved budget is published in summary form in the District's legal newspaper by November 30 or within one week of the acceptance of the final audit by the School Board each year. Reported budgeted 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.

Budget provisions for the Debt Service Fund are set by state law governing required debt service levels.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Cash and Investments

Cash and investments consist of cash on hand, interest bearing accounts, certificates of deposit, and deposits in the Minnesota School District Liquid Asset Fund (MSDLAF). Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

G. Receivables

Represents amounts receivable from individuals, firms, and corporations for goods and services furnished by the District. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary. The only receivable not expected to be collected within one year are property taxes receivable.

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments. Prepaid items are expensed during the periods benefited.

I. Inventories

Inventories are recorded using the consumption method of accounting and consist of food and surplus commodities received from the federal government. Food 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.

J. Property Taxes

Property tax levies are established by the School Board in December each year and are certified to the County for collection the following calendar year. In Minnesota, counties act as collection agents for all property taxes and are responsible for spreading all levies over taxable property. Such taxes become a lien on January 1. Taxes are generally due on May 15 and October 15 and counties generally remit taxes to Districts at periodic intervals as they are collected. A portion of property taxes levied is paid through various state credits which are included in revenue from state sources in the financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Property Taxes (Continued)

Generally, tax revenue is recognized in the fiscal year ending June 30, following the calendar year in which the tax levy is collectible, while the current calendar year tax levy is recorded as a deferred inflow of resources (property taxes levied for subsequent year). The majority of District revenue in the General Fund (and to a lesser extent in the District's Community Service Special Revenue Fund) is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between 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."

In accordance with state law, the current tax shift consists of an amount equal to 31% of the District's 2000 Pay 2001 operating referendum (frozen at zero) for the District. Certain other portions of the District's 2021 Pay 2022 levy, normally revenue for the 2022-2023 fiscal year, are also advance recognized at June 30, 2022, as required by state statute to match revenue with the same fiscal year as the related expenditures.

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is deferred because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material. Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the state which will be recognized as revenue in the next fiscal year beginning July 1, 2022, are included in Property Taxes Levied for Subsequent Year to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

K. 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 acquisition 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 District-wide financial statements, 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 purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets (Continued)

Capital assets not being depreciated include land and 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 building or other improvable property.

L. Deferred Outflows of Resources

In addition to assets, the financial statements reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow or resources (expense) until that time. The District has two types of items that qualify as this reporting element, pension related and other postemployment benefits related.

M. Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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 issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

N. Accrued Employee Benefits

Vacation and Sick Pay

Accrued vacation for eligible employees' vests and has been accrued in the Statement of Net Position. At June 30, 2022, unpaid vacation pay totaling $-0- is recorded in the statement of net position. Substantially all District employees are entitled to sick leave at various rates based on the number of months of full-time employment during the year and for part-time employees, the length of day and hours worked. Employees are not compensated for unused sick leave upon termination of employment. However, unused sick leave is used for the calculation of severance payable.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Accrued Employee Benefits (Continued)

Severance Payable

The District maintains severance pay plans for its eligible employees. The plans contain minimum age requirements.

Eligibility requirements of the plan for noncertified personnel require being at least age 55 and the completion of at least 10 years of continuous service. Eligible employees shall receive an amount representing three days of unused sick leave for each full year of full-time service, not to exceed a total of 75 days, calculated at the employee's daily rate of pay, at the time of retirement.

Certified personnel hired before July 1, 1996, are eligible for severance pay upon reaching age 55 and completion of at least 15 years of service with the District. The plan provides for a severance payment of an amount obtained by multiplying the teacher's unused number of sick leave days times their daily rate of pay not to exceed $27,606, less District 403(b) matching contributions. The calculation for District 403(b) matching contributions includes an additional 4% compounded annually to offset the interest income lost by the District.

Other Postemployment Benefits Payable

Under the terms of employment contracts, when employees retire between the ages of 55 to 65, the District must provide life and health insurance benefits which shall cease when such employees attain the age of 65 years. These benefits are available to those employees who have at least 12 to 15 years of continuous employment with the District, depending on the contract. All premiums are funded on a pay-as-you-go basis. This amount was actuarially determined, in accordance with GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

O. Pensions

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Pensions (Continued)

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

P. Deferred Inflows of Resources

In addition to liabilities, the financial statements reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow or resources (revenue) until that time. The District has four types of deferred inflows of resources. Two of the types of deferred inflows of resources are related to revenue recognition. The first occurs because property tax receivables are recorded in the current year, but the revenue will be recorded in the subsequent year. The second occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the District's year-end) under the modified accrual basis of accounting. The third type of deferred inflows of resources is pension related. The fourth type of deferred inflows is related to other postemployment benefits.

Q. Unearned Revenue

Unearned revenues are those in which resources are received by the District before it has a legal claim to them. The District has reported unearned revenues for lunch money deposits and funds received for next year's services.

R. Fund Balance

In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned, and unassigned fund balances. Nonspendable portions of fund balance are related to prepaid items and inventories. Restricted funds are constrained from outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by resolutions approved by the Board of Education. The District currently does not report any committed fund balances. The Board of Education passed a resolution authorizing the Finance Committee to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts.

In accordance with the District's fund balance policy, when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the District's policy to use restricted first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned, and unassigned amounts are available, it is the District's policy to use committed first, then assigned, and finally unassigned fund balance.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Fund Balance (Continued)

It is also the District's policy to strive to maintain a minimum unassigned general fund balance of 8% of the annual budgeted expenditures.

The District's liabilities for compensated absences, severance, pension, and OPEB are generally liquidated by the General Fund.

S. Leases

The District determines if an arrangement is a lease at inception. Leases are included in lease assets and lease liabilities in the statement of net position.

Lease assets represent the District's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction.

Lease assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Lease assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Lease liabilities represent the District's obligation to make lease payments arising from the lease.

Lease liabilities are recognized at the commencement date based on the present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term.

T. Net Position

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

NOTE 2 DEPOSITS AND INVESTMENTS

A. Deposits

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned in full. The District does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits.

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits (Continued)

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 displayed on the combined balance sheet as "Cash and Investments." In accordance with Minnesota Statutes the District maintains deposits at financial institutions which are authorized by the School District's Board.

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds.

The District's deposits in banks at June 30, 2022, were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota statutes.

B. Investments

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 13 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,
- Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System,
- Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by a least two nationally recognized rating agencies, and maturing in 270 days or less,
- Guaranteed investment contracts guaranteed by United States 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, and
- 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.

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

At June 30, 2022, the District had the following investments:

Description	External Investment Pool	Unfunded Commitments
Minnesota School District Liquid Asset Fund Plus (Liquid Class)	$ 194,055	$ -
Minnesota School District Liquid Asset Fund Plus (MAX Class)	5,314,261	-
Total	$ 5,508,316	$ -

The Minnesota School District Liquid Asset Fund Plus (MSDLAF+) is an external investment pool not registered with the Securities Exchange Commission (SEC). The fair value of the position in the pool is the same as the value of the pool shares.

MSDLAF+ Liquid Class and MAX Class are managed to maintain a dollar-weighted average portfolio maturity of no greater than 60 days and seeks to maintain a constant net asset value (NAV) per share of $1.00. The MSDLAF+ pools are valued at amortized cost in accordance with accounting statements issued by the Government Accounting Standards Board.

The Liquid Class has no redemption requirements. The Max Class may not be redeemed for at least 14 days, and a 24 hour hold is placed on redemption requests. Redemptions prior to 14 days may be subject to penalty.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The MSDLAF Liquid Class is rated AAAm by Standard & Poor’s.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The District has a formal investment policy that addresses permissible investments, portfolio diversification, and instrument maturities. Investment maturities are scheduled to coincide with projected School District cash flow needs. Within these parameters, it is the District’s policy to stagger portfolio maturities to avoid undue concentration of assets, provide for stability of income, and limit exposure to fair value losses arising from rising interest rates.

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

C. Balance Sheet Presentation

The deposits and investments are presented in the financial statements as follows:

Deposits	$ 1,579,294
Cash on Hand	600
Minnesota School District Liquid Asset Fund Plus	5,508,316
Total Cash and Investments	$ 7,088,210
Cash and Investments - Statement of Net Position	$ 7,079,460
Cash and Investments - Statement of Fiduciary Net Position	8,750
Total Cash and Investments	$ 7,088,210

NOTE 3 CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	$ 185,874	$ -	$ -	$ 185,874
Total Capital Assets, Not Being Depreciated	185,874	-	-	185,874
Capital Assets, Being Depreciated				
Land Improvements	1,993,150	83,973	-	2,077,123
Buildings and Improvements	40,161,210	216,684	-	40,377,894
Equipment	3,624,958	238,510	-	3,863,468
Total Capital Assets, Being Depreciated	45,779,318	539,167	-	46,318,485
Accumulated Depreciation for:				
Land Improvements	(892,611)	(78,036)	-	(970,647)
Buildings and Improvements	(15,812,673)	(1,381,249)	-	(17,193,922)
Equipment	(1,991,635)	(289,658)	-	(2,281,293)
Total Accumulated Depreciation	(18,696,919)	(1,748,943)	-	(20,445,862)
Total Capital Assets, Being Depreciated, Net	27,082,399	(1,209,776)	-	25,872,623
Capital Assets, Being Amortized				
Right-to-Use Equipment	332,118	-	-	332,118
Total Capital Assets, Being Amortized	332,118	-	-	332,118
Accumulated Amortization for:				
Right-to-Use Equipment	-	(174,449)	-	(174,449)
Total Accumulated Amortization	-	(174,449)	-	(174,449)
Total Capital Assets, Being Amortized, Net	332,118	(174,449)	-	157,669
Governmental Activities Capital Assets, Net	$ 27,600,391	$ (1,384,225)	$ -	$ 26,216,166

NOTE 3 CAPITAL ASSETS (CONTINUED)

Depreciation and amortization expense was charged to functions of the District as follows:

Governmental Activities	
Administration	$ 832
District Support Services	1,411
Regular Instruction	1,819,943
Vocational Education Instruction	10,630
Special Education Instruction	376
Instructional Support Services	1,692
Pupil Support Services	12,548
Sites and Buildings	69,495
Food Service	4,509
Community Service	1,956
Total Depreciation Expense, Governmental Activities	$ 1,923,392

The intangible asset additions in the current year relate to the implementation of GASB 87, *Leases*.

NOTE 4 LONG-TERM LIABILITIES

A. Components of Long-Term Liabilities

The District has issued general obligation school building bonds to finance the construction of capital facilities or refinance previous bond issues. Assets of the Debt Service Fund, together with scheduled future tax levies, are dedicated for the retirement of these bonds. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

					Principal Outstanding	
Issue Date	Interest Rate	Series Number	Original Issue	Maturities	Due Within One Year	Total
3/28/2018	3.125% - 5%	2018A	$ 11,990,000	2/1/2038	$ 35,000	$ 11,800,000
12/19/2019	1.5 - 1.9%	2019A	12,995,000	2/1/2031	1,115,000	11,125,000
Total General Obligation Bonds					1,150,000	22,925,000
Bond Premiums					-	1,065,611
Financed Lease Purchases					8,053	45,710
Lease Payables					118,729	208,862
Severance Benefits Payable					-	193,821
Total					$ 1,276,782	$ 24,439,004

NOTE 4 LONG-TERM LIABILITIES (CONTINUED)

B. Minimum Debt Payments

Minimum annual principal and interest payments required to retire long-term debt, not including capital leases payable, severance benefits payable, and compensated absences payable are as follows:

	General Obligation Bonds Payable		Lease Paybles		Financed Lease Purchases	
Year Ending June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2023	$ 1,150,000	$ 842,281	$ 118,729	$ 569	$ 8,053	$ 6,031
2024	1,250,000	785,131	90,133	-	8,730	4,032
2025	1,360,000	723,031	-	-	9,463	2,071
2026	1,265,000	655,431	-	-	10,259	1,201
2027	1,370,000	592,581	-	-	9,205	345
2028-2032	7,375,000	2,184,763	-	-	-	-
2033-2037	7,505,000	1,023,850	-	-	-	-
2038	1,650,000	55,688	-	-	-	-
Total	$ 22,925,000	$ 6,862,756	$ 208,862	$ 569	$ 45,710	$ 13,680

C. Description of Long-Term Debt

General Obligation Bonds

On March 28, 2018, the District issued $11,990,000 of General Obligation (G.O.) School Building Bonds, Series 2018A. The proceeds of the issue will be used to finance the acquisition and betterment of school sites and facilities within the District.

On December 19, 2019, the District issued $12,995,000 of G.O. School Building Bonds, Series 2019A. The proceeds of the issue were used for a current refunding of the District's G.O. Alternative Facilities Bonds, Series 2010A, G.O. Capital Facilities Bonds, Series 2010C, G.O. School Building Bonds, Series 2010D, and G.O. Capital Facilities Bonds, Series 2010E. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies and federal tax credits, are dedicated to retire these bonds. The future cash flow savings from this refunding is $1,447,321, having a present value of $1,324,994.

Leases Payable

The District has entered into leases for the purchase of various copy machines and Apple iPads. Due to the implementation of GASB 87 in the fiscal year ended June 30, 2022, these assets were capitalized as intangible right-to-use assets.

Financed Lease Purchases

The District has entered into financed lease purchases for the purchase of various copy machines.

Severance Payable

Severance payable consists of convertible sick leave payable to employees upon retirement. Severance is paid by the General Fund and Community Service Fund.

NOTE 4 LONG-TERM LIABILITIES (CONTINUED)

C. Description of Long-Term Debt (Continued)

Compensated Absences Payable

Compensated absences payable consists of unpaid vacation pay of $-0- at June 30, 2022.

D. Changes in Long-Term Debt

	June 30, 2021	Additions	Retirements	June 30, 2022
General Obligation Bonds	$ 23,970,000	$ -	$ 1,045,000	$ 22,925,000
Bond Premiums	1,357,851	-	292,240	1,065,611
Financed Lease Purchases	-	46,988	1,278	45,710
Lease Payables	332,118	-	123,256	208,862
Severance Payable	252,223	19,059	77,461	193,821
Total	$ 25,912,192	$ 66,047	$ 1,539,235	$ 24,439,004

NOTE 5 RESTRICTED FUND BALANCES

Certain portions of fund balance are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities, or as required by other outside parties. The following is a summary of the restricted fund balances for the governmental funds.

A. Restricted for Student Activities

In accordance with state statute, the fund balance restriction represents available resources dedicated exclusively for student activities.

B. Restricted for Operating Capital

The District levies taxes and receives state aid to be used for the purchase of equipment, books, and vehicles and to purchase, rent, improve, and repair school facilities as allowed by state statute. The cumulative excess of such revenues over equipment and facilities expenditures is reported as a restriction of fund balance in the General Fund.

C. Restricted for Early Childhood and Family Education

The fund balance restriction represents accumulated resources available to provide early childhood and family education programming.

D. Restricted for Gifted and Talented

The fund balance restriction represents general education aid resources to be expended for gifted and talented programs.

NOTE 5 RESTRICTED FUND BALANCES (CONTINUED)

E. Restricted for School Readiness

The fund balance restriction represents accumulated resources available to provide school readiness programming in accordance with funding made available for that purpose.

F. Restricted for Safe Schools Levy

The District levies taxes to be used for the costs as allowed by state statute for crime prevention, drug abuse, student, and staff safety, and violence prevention measures taken by the School District. The cumulative excess of such revenues over expenditures is reported as a restriction of fund balance in the General Fund.

G. Restricted for Medical Assistance

The fund balance restriction represents resources to be used for Medical Assistance expenditures.

H. Other Restricted Fund Balance

This balance represents amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation as follows:

Food Service	$	591,703
Community Service		1,269
Debt Service		436,224
Total Fund Balance Restricted for Other Purposes	$	1,029,196

NOTE 6 ASSIGNED FUND BALANCES

Assignment of fund balances indicates a tentative plan for future use of the funds. The following is a summary of the assigned fund balances for the governmental funds.

Assigned for Bluff View – Represents resources assigned by the District for anticipated future capital improvements at Bluff View Elementary.

Assigned for Separation/Retirement Benefits – Represents resources assigned by the District for payment of anticipated separation and severance benefits.

Assigned for Health Programs – Represents resources assigned by the District for wellness programs.

NOTE 7 DEFINED BENEFIT PENSION PLANS

A. Plan Description

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 Fund (TRA). PERA and TRA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA and TRA's defined benefit pension plans are tax-qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Fund (GERF)

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

2. Teachers Retirement Fund (TRA)

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

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

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.

1. GERF Benefits

General Employees Retirement 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 Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

1. GERF Benefits (Continued)

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

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.

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

Tier 1 Benefits

Tier 1	Step Rate Formula	Percentage
Basic	First Ten Years of Service	2.2% per Year
	All Years After	2.7% per Year
Coordinated	First Ten Years if Service Years Are Up to July 1, 2006	1.2% per Year
	First Ten Years if Service Years Are July 1, 2006 or After	1.4% per Year
	All Other Years of Service if Service Years Are Up to July 1, 2006	1.7% per Year
	All Other Years of Service if Service Years Are July 1, 2006 or After	1.9% per Year

With these provisions:

- Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefits (Continued)

Tier 1 Benefits (Continued)

- 3.0% per year early retirement reduction factor for all years under normal retirement age.

- Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

Tier II Benefits

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

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

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

C. Contribution Rate

1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature. 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 year ended June 30, 2022, were $126,640. The District’s contributions were equal to the required contributions for each year as set by state statute.

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

C. Contribution Rate (Continued)

2. TRA Contributions

Per Minnesota Statutes, Chapter 354 contributions rates for the fiscal year for the Coordinated Plan were 7.5% for the employee and 8.34% for the employer. Basic Plan rates were 11.00% for the employee and 12.34% for the employer. The District's contributions to TRA for the plan's fiscal year ended June 30, 2022, were $570,151. The District's contributions were equal to the required contributions for each year as set by state statute.

	2022		2021	
	Employee	Employer	Employee	Employer
Basic	11.0%	12.34%	11.0%	12.13%
Coordinate	7.5%	8.34%	7.5%	8.13%

D. Pension Costs

1. GERF Pension Costs

At June 30, 2022, the District reported a liability of $926,687 for its proportionate share of the GERF'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 nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the District totaled $28,220. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0217% at the end of the measurement period and 0.0205% for the beginning of the period.

GERF Pension Costs		
District's Proportionate Share of the Net Pension Liability	$	926,687
State of Minnesota's Proportionate Share of the Net Liability Associated with the District		28,220
	$	954,907

For the year ended June 30, 2022, the District recognized pension expense of $54,287 for its proportionate share of GERF's pension expense. It also recognized $2,277 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.

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. GERF Pension Costs (Continued)

At June 30, 2022, the District reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 5,693	$ 28,359
Changes in Actuarial Assumptions	565,816	20,499
Net Difference Between Projected and Actual Earnings on Plan Investments	-	802,550
Changes in Proportion	99,334	-
District Contributions Subsequent to the Measurement Date	126,640	-
Total	$ 797,483	$ 851,408

The $126,640 related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to GERF pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2023	$ 676
2024	26,627
2025	11,028
2026	(218,896)

At June 30, 2022, the District reported a liability of $4,708,898 for its proportionate share of 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 0.1076% at the end of the measurement period and 0.1067% for the beginning of the period.

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs

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:

Description	Amount
District's Proportionate Share of the TRA Net Pension Liability	$ 4,708,898
State's Proportionate Share of the Net Pension Liability Associated with the District	397,145
Total	$ 5,106,043

For the year ended June 30, 2022, the District recognized pension expense of $62,095. It also recognized $38,045 as a decrease to pension expense and grant revenue for the support provided by direct aid.

At June 30, 2022, the District reported its proportionate share of the TRA's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 127,538	$ 133,403
Changes in Actuarial Assumptions	1,725,633	4,248,410
Net Difference Between Projected and Actual Earnings on Plan Investments	-	3,948,377
Changes in Proportion	84,945	129,878
District Contributions Subsequent to the Measurement Date	570,151	-
Total	$ 2,508,267	$ 8,460,068

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs (Continued)

Of the resources related to pensions resulting from District contributions to TRA subsequent to the measurement date, $570,151 is reported as deferred outflows and will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to TRA will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2023	$ (3,165,334)
2024	(2,395,890)
2025	(584,117)
2026	(725,186)
2027	348,575
Thereafter	-

3. Aggregate Pension Costs

At June 30, 2022, the District reported the following aggregate amounts related to pensions for all plans to which it contributes:

	TRA	GERF	Total
Net Pension Liability	$ 4,708,898	$ 926,687	$ 5,635,585
Deferred Outflows of Resources	2,508,267	797,483	3,305,750
Deferred Inflows of Resources	8,460,068	851,408	9,311,476
Pension Expense	24,050	56,564	80,614

E. Actuarial Assumptions

The total pension liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions:

Assumptions	GERF	TRA
Inflation	2.25% per year	2.50%
Active Member Payroll Growth	3% per year	2.85% before July 1, 2028 and 3.25% to 9.25% thereafter
Investment Rate of Return	6.5% per year	7.00%

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

PERA salary growth assumptions were based on a service-related table. PERA mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on Pub-2010 General Employee Mortality table for General Employees Plan for males or females, as appropriate, with slight adjustments to fit PERA's experience. PERA benefit increases after retirement for retirees are assumed to be 1.25% per year for the General Employees Plan. The assumption for long-term rate of return on pension plan investments is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5% was deemed to be within that range of reasonableness for financial reporting purposes.

TRA preretirement mortality rates were based on the RP-2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP-2015 scale. Postretirement mortality rates were based on the RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale. Post-disability mortality rates were based on the RP-2014 disabled retiree mortality table, without adjustment. TRA cost of living benefit increases 1.0% for January 2020 through January 2023, then increasing by 0.1% each year up to 1.5% annually.

Actuarial assumptions used in the June 30, 2021, valuation were based on the results of actuarial experience studies. The most recent four-year experience study for the PERA General Employees Plan was completed in 2019. The assumption changes were adopted and became effective with the July 1, 2020, actuarial valuation.

The following changes in actuarial assumptions for PERA occurred in 2021:

- The investment return and single discount rates were changed from 7.50% to 6.50%.

- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

The following changes in actuarial assumptions for TRA occurred in 2021:

- The investment return assumption was changed from 7.5% to 7.00%.

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Long-Term Expected Return on Investment

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

Asset Class	PERA Target Allocation	TRA Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.5 %	35.5 %	5.10 %
International Equity	16.5	17.5	5.30
Private Markets	25.0	25.0	5.90
Fixed Income	25.0	20.0	0.75
Unallocated Cash	-	2.0	-
Totals	100.0 %	100.0 %	

G. Discount Rate

The discount rate used to measure the total GERF pension liability in 2021 was 6.50% (7.50% at the prior measurement date). 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 of the General Employees Retirement Fund 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.

The discount rate used to measure the total TRA pension liability was 7.00% (7.50% at the prior measurement date). 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 year 2020 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

H. 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 paragraph, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower or 1% higher than the current discount rate:

Description	1% Decrease	Current Discount Rate	1% Increase
GERF Discount Rate	5.50%	6.50%	7.50%
District's Proportionate Share of the GERF Net Pension Liability	$ 1,889,969	$ 926,687	$ 136,256
TRA Discount Rate	6.00%	7.00%	8.00%
District's Proportionate Share of the TRA Net Pension Liability	$ 9,512,203	$ 4,708,898	$ 769,805

I. Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.mnpera.org.

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

NOTE 8 DEFINED CONTRIBUTION PENSION PLAN

The District provides eligible employees future retirement benefits through the District's 403(b) Plan (the Plan). Employees of the District are eligible to participate in the commencing on the date of their employment. Eligible employees may elect to have a percentage of their pay contributed to the Plan. Some employees are eligible to receive a District match of employee contributions up to the qualifying amounts set forth in their respective collective bargaining agreements. Contributions are invested in tax-deferred annuities selected and owned by Plan participants. The amount of pension expense recognized in the reporting period ended June 30, 2022, was $163,683.

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN

A. Plan Description

The District operates a single-employer defined benefit plan (the Plan) that provides health insurance to eligible employees and their spouses. There are 156 active participants and 12 retired participants. Benefit and eligibility provisions are established through negotiations between the District and various unions representing District employees and are renegotiated each two-year bargaining period.

B. Benefits Provided

Teachers hired before September 2, 2009, who are at least 55 years of age upon retirement and have been employed by the District for a minimum of 15 years are eligible to remain on the District's health insurance until reaching age 65. The District will pay the health insurance premiums at the same rate as active teachers, plus an HRA contribution of $1,500 per year (currently 90% of the single premium rate in the District's high deductible plan).

Certain other nonteaching staff who were hired prior to the 2017-2018 school year and who are at least 62 years of age upon retirement and have been employed by the District for a minimum of 12 years are eligible to remain on the District's health insurance until reaching age 65. The District will pay the health insurance premiums at the same rate as active teachers, plus an HRA contribution of $1,500 per year.

C. Actuarial Methods and Assumptions

The District's total OPEB liability was measured as of July 1, 2021, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of July 1, 2021, using the following actuarial assumptions, applied to periods included in the measurement, unless specified otherwise:

Inflation	2.00%
Salary Increases	4.00%
Healthcare cost trend rates	6.50% decreasing to 5.00% over 6 years and then to 4.00% over the next 48 years

Mortality rates were based on the RP-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale (MP-2018 Generational Improvement Scale as of the previous measurement date).

<u>Discount Rate</u>

The discount rate used to measure the total OPEB liability was 2.10% (2.40% at the prior measurement date). The discount rate is based on the estimated yield of 20-Year AA-rated municipal bonds.

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

D. Changes in the Total OPEB Liability

	Total OPEB Liability
Balances at June 30, 2021	$ 1,747,485
Changes for the Year:	
Service Cost	94,755
Interest	42,900
Differences Between Expected and Actual Experience	(46,433)
Assumption Changes	60,380
Benefit Payments	(110,137)
Net Changes	41,465
Balances at June 30, 2022	$ 1,788,950

E. Total OPEB Liability Sensitivity

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 1% point lower or 1% higher than the current discount rate:

	1% Decrease 1.10 %	Discount Rate 2.10 %	1% Increase 3.10 %
Total OPEB liability	$ 1,880,405	$ 1,788,950	$ 1,696,872

The following presents the net OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1% lower or 1% higher than the current healthcare cost trend rate:

	1% Decrease (5.50% decreasing to 4.00%)	Healthcare Cost Trend Rates (6.50% decreasing to 5.00%)	1% Increase (7.50% decreasing to 6.00%)
Total OPEB liability	$ 1,623,254	$ 1,788,950	$ 1,980,228

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

F. OPEB Expense

For the year ended June 30, 2022, the District recognized OPEB expense of $115,719. 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
Differences Between Expected and Actual Experience	$ -	$ 146,442
Changes of Assumptions	89,391	20,547
District Payment of Benefits Subsequent to the Measurement Date	140,043	-
Total	$ 229,434	$ 166,989

District payment of $140,043 of benefits subsequent to the measurement date and will be recognized as a reduction of the OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2023	$ (21,936)
2024	(21,936)
2025	(21,936)
2026	(21,936)
2027	10,146
Thereafter	

NOTE 10 FLEXIBLE BENEFIT PLAN

The District has a flexible benefit plan that is classified as a “cafeteria” plan under Section 125 of the Internal Revenue Code. All employee groups of the District are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Eligible employees can elect to participate by contributing pre-tax dollars withheld from payroll checks to the plan for health care and dependent care benefits.

Before the beginning of the plan year, which is from September 1 to August 31, each participant designates a total amount of pre-tax dollars to be contributed to the plan during the year. At June 30, the District is contingently liable for claims against the total amount of participants’ annual contributions for the health care portion of the plan, whether or not such contributions have been made.

NOTE 10 FLEXIBLE BENEFIT PLAN (CONTINUED)

Payments of health insurance premiums are made by the District directly to the designated insurance companies. These payments are made on a monthly basis and are accounted for in the General, Food Service, and Community Service Funds.

Payments for amounts withheld for medical reimbursement and dependent care are made to participating employees upon submitting a request for reimbursement of eligible expenses.

NOTE 11 JOINTLY GOVERNED ORGANIZATION

The Goodhue County Education District No. 61-6051 was established by an act of the 1987 Legislature of the state of Minnesota. The primary objective of the District is to provide, by a cooperative effort, comprehensive educational programs and other related services as can be effectively operated by its five member districts. Each member shares in the cost of the programming, which is paid to the Education District in the form of membership fees, reimbursements, and other charges for services. The Education District is able to recover the cost of its programs through the previously mentioned revenue sources. The jointly governed organization's financial statements are audited and available for inspection.

NOTE 12 COMMITMENTS AND CONTINGENCIES

Federal and State Receivables

Amounts received or receivable from federal and state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial. The financial assistance received is subject to audits by the grantor agency.

NOTE 13 STEWARDSHIP AND ACCOUNTABILITY

Interfund Transfers

The District had the following interfund transfers at June 30, 2022:

	Transfers In	Transfers Out
General Fund	$ -	$ 70
Special Revenue Funds:		
Food Service Fund	70	-
Total	$ 70	$ 70

The purpose of the transfer from the General Fund to the Food Service Fund was to eliminate bad debt lunch balances.

NOTE 13 STEWARDSHIP AND ACCOUNTABILITY (CONTINUED)

Excess of Expenditures Over Budget

Expenditures exceeded budgeted amounts in the following funds:

	Budget	Expenditures	Excess
General Fund	$ 15,428,996	$ 15,502,319	$ 73,323
Special Revenue Funds:			
Food Service Fund	$ 763,955	$ 897,602	$ 133,647

These excess expenditures were funded with additional revenues, which also exceeded budget, and existing fund balances.

NOTE 14 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft or, damage to, and destruction of assets; error and omissions; injuries to employees; natural disasters, and workers compensation. The District purchases commercial insurance coverage for such risks.

The District has joined together with other School Districts in southeastern Minnesota in the Southeast Service Cooperative Gross Self-Insured Health Insurance Plan, a public entity risk pool currently operating as common risk management and insurance program for member districts. The District pays an annual premium to this plan for its health insurance coverage. These premiums are used to purchase reinsurance through commercial companies. The administrators of the plan believe assessment to participating districts for future losses sustained is extremely remote.

There have been no significant reductions 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.

REQUIRED SUPPLEMENTARY INFORMATION

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LAKE CITY PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 813
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual	Over (Under)
	Original	Final	Amounts	Final Budget
REVENUES				
Local Sources:				
Property Taxes	$ 2,571,011	$ 2,577,390	$ 2,730,826	$ 153,436
Investment Income	25,100	2,900	6,847	3,947
Other	355,125	395,249	455,292	60,043
State Sources	11,136,282	11,060,261	11,356,279	296,018
Federal Sources	218,690	1,307,328	834,576	(472,752)
Total Revenues	14,306,208	15,343,128	15,383,820	40,692
EXPENDITURES				
Current:				
Administration	959,434	957,486	1,036,215	78,729
District Support Services	262,942	493,780	496,125	2,345
Elementary and Secondary Regular Instruction	7,240,274	7,640,516	7,342,459	(298,057)
Vocational Education Instruction	278,169	285,960	288,768	2,808
Special Education Instruction	2,035,823	2,023,166	2,103,066	79,900
Instructional Support Services	416,736	435,067	394,630	(40,437)
Pupil Support Services	1,440,026	1,311,878	1,376,967	65,089
Sites and Buildings	1,374,959	1,709,259	1,765,251	55,992
Fiscal and Other Fixed Cost Programs	84,789	90,531	89,957	(574)
Capital Outlay	257,162	356,553	475,105	118,552
Debt Service:				
Principal	123,518	123,518	124,534	1,016
Interest and Fiscal Charges	1,282	1,282	9,242	7,960
Total Expenditures	14,475,114	15,428,996	15,502,319	73,323
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(168,906)	(85,868)	(118,499)	(32,631)
OTHER FINANCING SOURCES (USES)				
Sale of Equipment	11,384	-	48,192	48,192
Insurance Recovery	-	-	26,532	26,532
Lease Proceeds	-	-	46,988	46,988
Transfers Out	(3,000)	(3,000)	(70)	2,930
Total Other Financing Sources (Uses)	8,384	(3,000)	121,642	124,642
NET CHANGE IN FUND BALANCE	$ (160,522)	$ (88,868)	3,143	$ 92,011
FUND BALANCE				
Beginning of Year			2,549,289	
End of Year			$ 2,552,432	

LAKE CITY PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 813
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual	Over (Under)
	Original	Final	Amounts	Final Budget
REVENUES				
Local Sources:				
Investment Income	$ 600	$ 300	$ 999	$ 699
Other - Primarily Meal Sales	297,841	312,100	137,069	(175,031)
State Sources	35,923	8,200	32,793	24,593
Federal Sources	288,500	466,500	933,973	467,473
Total Revenues	622,864	787,100	1,104,834	317,734
EXPENDITURES				
Current:				
Food Service	633,343	708,955	871,904	162,949
Capital Outlay	55,000	55,000	25,698	(29,302)
Total Expenditures	688,343	763,955	897,602	133,647
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(65,479)	23,145	207,232	184,087
OTHER FINANCING SOURCES				
Transfers In	-	-	70	70
NET CHANGE IN FUND BALANCE	$ (65,479)	$ 23,145	207,302	$ 184,157
FUND BALANCE				
Beginning of Year			404,934	
End of Year			$ 612,236	

LAKE CITY PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 813
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
COMMUNITY SERVICE FUND
YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual	Over (Under)
	Original	Final	Amounts	Final Budget
REVENUES				
Local Sources:				
Property Taxes	$ 136,897	$ 123,919	$ 134,771	$ 10,852
Investment Income	1,500	1,500	578	(922)
Other - Primarily Tuition and Fees	453,175	423,190	415,131	(8,059)
State Sources	77,467	82,653	129,421	46,768
Federal Sources	-	15,507	44,844	29,337
Total Revenues	669,039	646,769	724,745	77,976
EXPENDITURES				
Current:				
Community Service	695,651	796,351	739,456	(56,895)
Capital Outlay	4,500	4,500	519	(3,981)
Total Expenditures	700,151	800,851	739,975	(60,876)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	$ (31,112)	$ (154,082)	(15,230)	$ 138,852
FUND BALANCE				
Beginning of Year			217,415	
End of Year			$ 202,185	

LAKE CITY PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 813
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST FIVE MEASUREMENT PERIODS*

	2022	2021	2020	2019	2018
Measurement Date	July 1, 2021	July 1, 2020	July 1, 2019	July 1, 2018	July 1, 2017
Total OPEB Liability					
Service Cost	$ 94,755	$ 94,551	$ 82,070	$ 76,864	$ 74,625
Interest	42,900	52,941	65,328	66,758	68,582
Difference Between Expected and Actual Experience	(46,433)	-	(188,559)	-	-
Changes of Assumptions	60,380	54,704	(35,962)	-	-
Benefit Payments	(110,137)	(134,836)	(162,853)	(218,437)	(180,060)
Net Change in Total OPEB Liability	41,465	67,360	(239,976)	(74,815)	(36,853)
Total OPEB Liability - Beginning	1,747,485	1,680,125	1,920,101	1,994,916	2,031,769
Total OPEB Liability - Ending	$ 1,788,950	$ 1,747,485	$ 1,680,125	$ 1,920,101	$ 1,994,916
Covered Employee Payroll	$ 7,774,177	$ 7,489,512	$ 7,271,371	$ 7,031,721	$ 6,826,914
District's Net OPEB Liability as a Percentage of the Covered Employee Payroll	23.01%	23.33%	23.11%	27.31%	29.22%

No assets are accumulated in a trust.

*Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

See accompanying Note to Required Supplementary Information.

LAKE CITY PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 813
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST EIGHT FISCAL YEARS*

	2022	2021	2020	2019	2018	2017	2016	2015
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
PERA								
District's Proportion of the Net Pension Liability	0.0217%	0.0205%	0.0191%	0.0191%	0.0185%	0.0201%	0.0197%	0.2210%
District's Proportionate Share of the Net Pension Liability	$ 926,687	$ 1,229,069	$ 1,055,996	$ 1,059,590	$ 1,181,028	$ 1,632,020	$ 1,020,956	$ 1,037,772
State's Proportionate Share of the Net Pension Liability Associated with District	28,220	37,842	32,665	34,886	14,869	21,354	-	-
Total	$ 954,907	$ 1,266,911	$ 1,088,661	$ 1,094,476	$ 1,195,897	$ 1,653,374	$ 1,020,956	$ 1,037,772
District's Covered Payroll	$ 1,550,436	$ 1,475,311	$ 1,347,835	$ 1,298,531	$ 1,203,354	$ 1,249,834	$ 1,154,410	$ 1,170,386
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	61.59%	85.87%	80.77%	84.29%	99.38%	132.29%	88.44%	88.67%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.00%	79.10%	80.20%	79.50%	75.90%	68.90%	78.20%	78.70%
TRA								
District's Proportion of the Net Pension Liability	0.1076%	0.1067%	0.1083%	0.1086%	0.1085%	0.1090%	0.1108%	0.1213%
District's Proportionate Share of the Net Pension Liability	$ 4,708,898	$ 7,883,139	$ 6,903,065	$ 6,823,964	$ 21,658,568	$ 25,999,101	$ 6,854,076	$ 5,589,416
State's Proportionate Share of the Net Pension Liability Associated with District	397,145	660,391	610,982	641,383	2,093,869	2,608,745	840,781	393,107
Total	$ 5,106,043	$ 8,543,530	$ 7,514,047	$ 7,465,347	$ 23,752,437	$ 28,607,846	$ 7,694,857	$ 5,982,523
District's Covered Payroll	$ 6,502,966	$ 6,205,495	$ 6,159,777	$ 6,050,549	$ 5,873,051	$ 5,683,269	$ 5,637,472	$ 5,572,913
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	72.41%	127.03%	112.07%	112.78%	368.78%	457.47%	121.58%	100.30%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.63%	75.48%	78.21%	78.07%	51.57%	44.88%	76.80%	81.50%

*Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

See accompanying Note to Required Supplementary Information.

LAKE CITY PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 813
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
LAST NINE FISCAL YEARS*

	2022	2021	2020	2019	2018	2017	2016	2015	2014
PERA									
Statutorily Required Contribution	$ 126,640	$ 116,284	$ 110,648	$ 101,088	$ 97,390	$ 90,252	$ 93,738	$ 85,250	$ 84,853
Contributions in Relation to the Statutorily Required Contribution	(126,640)	(116,284)	(110,648)	(101,088)	(97,390)	(90,252)	(93,738)	(85,250)	(84,853)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's Covered Payroll	$ 1,688,524	$ 1,550,436	$ 1,475,311	$ 1,347,835	$ 1,298,531	$ 1,203,354	$ 1,249,834	$ 1,154,410	$ 1,170,386
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.38%	7.25%
TRA									
Statutorily Required Contribution	$ 570,151	$ 530,740	$ 493,394	$ 476,842	$ 455,673	$ 440,480	$ 426,247	$ 422,810	$ 390,104
Contributions in Relation to the Statutorily Required Contribution	(570,151)	(530,740)	(493,394)	(476,842)	(455,673)	(440,480)	(426,247)	(422,810)	(394,050)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (3,946)
District's Covered Payroll	$ 6,811,105	$ 6,502,966	$ 6,205,495	$ 6,159,777	$ 6,050,549	$ 5,873,051	$ 5,683,269	$ 5,637,472	$ 5,572,913
Contributions as a Percentage of Covered Payroll	8.37%	8.16%	7.95%	7.74%	7.53%	7.50%	7.50%	7.50%	7.00%

*Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

See accompanying Note to Required Supplementary Information.

NOTE 1 CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended June 30:

2021

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50% to 7.00% for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020

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 to 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.

NOTE 1 CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2020 (Continued)

Changes in Actuarial Assumptions (Continued)

- 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.

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.

2019

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreased 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.

2018

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.

- The assumed postretirement benefit increase was changed from 1.0% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.

- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.

- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.

- Contribution stabilizer provisions were repealed.

NOTE 1 CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2018 (Continued)

Changes in Plan Provisions (Continued)

- Postretirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50% beginning January 1, 2019.

- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.

- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

Changes in Actuarial Assumptions

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and nonvested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability, and 3.0% for nonvested deferred member liability.

- The assumed postretirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

Changes in Plan Provisions

- The state's contribution for the Minneapolis Employees Retirement Fund equals $16,000,000 in 2017 and 2018, and $6,000,000 thereafter.

- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from $21,000,000 to $31,000,000 in calendar years 2019 to 2031. The state's contribution changed from $16,000,000 to $6,000,000 in calendar years 2019 to 2031.

2016

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2035 and 2.50% per year thereafter to 1.00% per year for all future years.

- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate was changed from 7.90% to 7.50%.

NOTE 1 CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2016 (Continued)

Changes in Actuarial Assumptions (Continued)

- 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% to 3.25% for payroll growth and 2.50% for inflation.

2015

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2035 and 2.50% per year thereafter to 1.00% per year for all years.

- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate changed from 7.90% to 7.50%.

- 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% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions

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

The following changes were reflected in the valuation performed on behalf of the Teachers Retirement Association for the year ended June 30:

2021

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50% to 7.00% for financial reporting purposes.

2020

Changes in Actuarial Assumptions

- The COLA was reduced from 2.0% each January to 1.0%, effective January 2019. Beginning January 1, 2024, the COLA will increase 0.01% each year until reaching the ultimate rate of 1.5% on January 1, 2028.

- Beginning July 1, 2024, eligibility for first COLA changes to normal retirement age (age 65 to 66, age 62 with 30 years of service credit are exempt.

NOTE 1 CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2020 (Continued)

Changes in Actuarial Assumptions (Continued)

- 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 0% beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next two years (8.55% in 2022 and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.5% to 7.75% on July 1, 2023. The state provides funding for the contribution rate through an adjustment in the school aid formula.

2019

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

2018

Changes in Actuarial Assumptions

- The investment return assumption was changed from 8.5% to 7.5%.
- The price inflation assumption was lowered from 3.0% to 2.5%.
- The payroll growth assumption was lowered from 3.5% to 3.0%.
- The wage inflation assumption (above price inflation) was reduced from 0.75% to 0.35% for the next 10 years, and 0.75% thereafter.
- The total salary increase assumption was adjusted by the wage inflation change.
- The amortization date for the funding of the Unfunded Actuarial Accrual Liability (UAAL) was reset to June 30, 2048 (30 years).
- The mechanism in the law that provided the TRA Board with some authority is set contribution rates was eliminated.

NOTE 1 CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2018 (Continued)

Changes in Plan Provisions

- 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 0% beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.

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

2017

Changes in Actuarial Assumptions

- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.

- Adjustment were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the nonvested inactive load increased from 4.0% to 9.0%.

- The investment return assumption was changed from 8.0% to 7.5%.

- The COLA was not assumed to increase to 2.5%, but remain at 2.0% for all future years.

NOTE 1 CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2017 (Continued)

Changes in Actuarial Assumptions (Continued)

- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 3.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for ten years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

2016

Changes in Actuarial Assumptions

- The cost of living adjustment was not assumed to increase (it remained at 2.0% for all future years).
- The price inflation assumption was lowered from 3.0% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes at some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back 6 years, and female rates set back five years. Generational projection uses the MP-2015 scale.
- The postretirement mortality assumption was changed to the RP-2014 while collar annuitant table, male rates set back 3 years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
- The post-disability mortality assumption was changed to the RP-2014 disabled retiree mortality table, without adjustments.
- Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group’s behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.

NOTE 1 CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2016 (Continued)

Changes in Actuarial Assumptions (Continued)

- A minor adjustment and simplification of the assumption regarding the election of optional forms of payment at retirement were made.

2015

Changes in Actuarial Assumptions

- The cost of living adjustment was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2037.

- The investment return assumption was changed from 8.25% to 8.0%.

Changes in Plan Provisions

- The Duluth Teachers Retirement Fund Association was merged into TRA on June 30, 2015. This also resulted in a state-provided contribution stream of $14.377 million until the System becomes fully funded.

2014

Changes in Actuarial Assumptions

- The cost of living adjustment was assumed to increase from 2.0% annually to 2.5% annually once the legally specified criteria was met. This was estimated to occur July 1, 2031.

Changes in Plan Provisions

- The increase in the postretirement benefit adjustment (COLA) will be made once the System is 90% funded (on a market value basis) in two consecutive years, rather than just one year.

The following changes were reflected in the valuation performed on behalf of the District's other postemployment benefits plan for the year ended June 30:

2021

Changes in Actuarial Assumptions

- The discount rate was changed from 2.40% to 2.10%.

- The inflation rate was changed from 2.50% to 2.00%.

- Mortality rates were updated from RP-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale to RP-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale.

NOTE 1 CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2020

Changes in Actuarial Assumptions

- The discount rate was changed from 3.10% to 2.40%.

2019

Changes in Plan Provisions

- Subsidized benefits are only available to certain nonteaching staff if hired before the 2017-2018 school year.

- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale to the Public Retirement Plans Headcount-Weighted Mortality Tables with MP-2018 Generational Improvement Scale.

- The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and contract group.

- The discount rate was changed from 3.40% to 3.10%.

2018

Changes in Actuarial Assumptions

- There were no changes in actuarial assumptions.

2017

Changes in Plan Provisions

- The subsidized postretirement benefit for medical and life insurance was removed for principals and the superintendent.

Changes in Actuarial Assumptions

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.

- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale.

- The discount rate was changed from 3.50% to 3.40%.

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SINGLE AUDIT AND OTHER REQUIRED REPORTS

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LAKE CITY PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 813
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Amount	Total Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture					
Pass-Through Minnesota Department of Education					
Child Nutrition Cluster:					
Non-Cash Assistance (Commodities):					
National School Lunch Program	10.555	1-0813-000	$ 43,766		$ -
Cash Assistance:					
National School Lunch Program	10.555	1-0813-000	617,789		-
Supply Chain Assistance	10.555	1-0813-000	12,366		-
Subtotal Assistance Listing No. 10.555			673,921		-
School Breakfast Program	10.553	1-0813-000	128,124		-
Summer Food Service Program	10.559	1-0813-000	131,928		-
Total Child Nutrition Cluster				$ 933,973	-
COVID-19 - Pandemic Electronic Benefit Transfer	10.649	**		2,491	-
U.S. Department of Education					
Pass-Through Minnesota Department of Education					
Cash Assistance:					
Special Education Cluster:					
Special Education - Grants to States	84.027	H027A190087	66,815		-
Total Special Education Cluster				66,815	
Title I, Part A - Grants to Local Educational Agencies	84.010	S010A210023A		107,326	-
Title II, Part A - Supporting Effective Instruction State Grant	84.367	S367A210022		24,085	-
Title IV, Part A - Safe and Drug-Free Schools and Communities	84.424	S424A210024		9,609	-
COVID-19 - Governors Emergency Relief Fund	84.425C	S425C200015	18,716		-
COVID-19 - Elementary and Secondary School Emergency Relief Fund II	84.425D	S425D200045	222,437		-
COVID-19 - Elementary and Secondary School Emergency Relief Fund III	84.425U	**	320,702		-
Total Assistance Listing No. 84.425				561,855	
Pass-Through Goodhue County Education District					
Cash Assistance:					
Carl Perkins Vocational Education Basic Grants to States	84.048	**		11,685	-
U.S. Department of Treasury					
Pass-Through Minnesota Department of Education					
Cash Assistance:					
American Rescue Plan	21.027	**		22,485	-
U.S. Department of Health and Human Services					
Pass-Through Minnesota Department of Education					
Cash Assistance:					
COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	**		67,118	-
Federal Communications Commission					
Cash Assistance:					
Emergency Connectivity Fund Program	32.009			8,820	-
Total Expenditures of Federal Awards				$ 1,816,262	$ -

See accompanying Notes to Schedule of Expenditures of Federal Awards.

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Lake City Public Schools Independent School District No. 813 (the District) 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 2 CFR 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 the District, it is not intended to and does not present the financial position or changes in net position of the District.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 INDIRECT COST RATE

The District has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

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

Board of Education
Lake City Public Schools
Independent School District No. 813
Lake City, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lake City Public Schools Independent School District No. 813 (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 18, 2022.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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 have not been identified. We identified a deficiency in internal control described in the accompanying schedule of findings and questioned costs listed as 2022-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

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

Lake City Public Schools Independent School District No. 813's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Rochester, Minnesota
October 18, 2022

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

Board of Education
Lake City Public Schools
Independent School District No. 813
Lake City, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Lake City Public Schools Independent School District No. 813's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on 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 (GAAS); 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Board of Education
Lake City Public Schools
Independent School District No. 813

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Rochester, Minnesota
October 18, 2022

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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Education
Lake City Public Schools
Independent School District No. 813
Lake City, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Lake City Public Schools Independent School District No. 813 (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 18, 2022.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting-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.

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for School Districts* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Rochester, Minnesota
October 18, 2022

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LAKE CITY PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 813
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified

2. Internal control over financial reporting:

   - Material weakness(es) identified? __X__ yes ____ no
   - Significant deficiency(ies) identified? ____ yes __X__ none reported

3. Noncompliance material to financial statements noted? ____ yes __X__ no

Federal Awards

1. Internal control over major federal programs:

   - Material weakness(es) identified? ____ yes __X__ no
   - Significant deficiency(ies) identified? ____ yes __X__ none reported

2. Type of auditors' report issued on compliance for major federal programs: Unmodified

3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ____ yes __X__ no

Identification of Major Federal Programs

Assistance Listing Number(s)	**Name of Federal Program or Cluster**
10.553, 10.555, and 10.559	Child Nutrition Cluster
84.425	Education Stabilization Fund

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

Auditee qualified as low-risk auditee ____ yes __X__ no

FINDING: 2022-001 **ANNUAL FINANCIAL REPORTING UNDER GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)**

Type of Finding: Material weakness in internal control over financial reporting

Condition: The District engages the audit firm to assist in preparing its financial statements and accompanying disclosures. However, as independent auditors, the audit firm cannot be considered part of the District's internal control system. As part of its internal control over preparation of its financial statements, the District has implemented a comprehensive review procedure to ensure that the financial statements, including disclosures, are complete and accurate.

Criteria or Specific Requirement: The District and management share the ultimate responsibility for the District's internal control system. While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced.

Context: The District should have controls in place to prevent or detect an omission of a material disclosure in the annual financial statements.

Effect: The potential exists that a material disclosure could be omitted from the financial statements and not be prevented, or detected and corrected by the District's internal controls.

Cause: The District's personnel have not monitored recent accounting developments to the extent necessary to enable them to prepare the District's financial statements and related disclosures, to provide a high level of assurance that potential omissions or other errors that are material would be identified and corrected on a timely basis.

Repeat Finding: Repeat finding in the immediately prior year. Prior year finding number was 2021-001.

Recommendation: We recommend that the District continue to evaluate their internal staff and expertise to determine if further controls over annual financial reporting are beneficial.

Views of Responsible Officials and Planned Corrective Actions: There is no disagreement with the finding in the immediately prior year. Prior year finding number was 2021-001. The District has informed us that they will continue to engage the audit firm to prepare the financial statements and related footnote disclosures, and will review and approve these prior to the issuance of the financial statements.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with the 2 CFR 200.516(a).

Section IV – Findings and Questioned Costs – Minnesota Legal Compliance

Our audit did not disclose any matters required to be reported in accordance with the *Minnesota Legal Compliance Audit Guide for School Districts.*

LAKE CITY PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 813
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE
YEAR ENDED JUNE 30, 2022

01 GENERAL FUND	AUDIT	UFARS	DIFFERENCE
Total Revenue	$ 15,410,352	$ 15,410,352	$ -
Total Expenditures	15,502,319	15,502,320	(1)
Nonspendable:			
460 Nonspendable Fund Balance	48,809	48,809	-
Restricted/Reserved:			
401 Student Activities	76,573	76,572	1
402 Scholarships	-	-	-
403 Staff Development	-	-	-
406 Health and Safety	-	-	-
407 Capital Project Levy	-	-	-
408 Cooperative Programs	-	-	-
413 Projects Funded by COP	-	-	-
414 Operating Debt	-	-	-
416 Levy Reduction	-	-	-
417 Taconite Building Maintenance	-	-	-
424 Operating Capital	311,452	311,452	-
426 $25 Taconite	-	-	-
427 Disabled Accessibility	-	-	-
428 Learning and Development	-	-	-
434 Area Learning Center	851	851	-
435 Contracted Alternative Programs	-	-	-
436 State Approved Alternative Programs	-	-	-
438 Gifted and Talented	104,312	104,312	-
440 Teacher Development and Evaluations	-	-	-
441 Basic Skills Programs	-	-	-
445 Career and Technical Programs	-	-	-
448 Achievement and Integration	-	-	-
449 Safe Schools Crime Levy	26,822	26,822	-
450 Pre-Kindergarten	-	-	-
451 QZAB Payments	-	-	-
452 OPEB Liability Not Held in Trust	-	-	-
453 Unfunded Severance & Retirement Levy	-	-	-
459 Basic Skills Extended Time	-	-	-
467 LTFM	(385,538)	(385,538)	-
472 Medical Assistance	54,588	54,588	-
Restricted:			
464 Restricted Fund Balance	-	-	-
Committed:			
418 Committed for Separation	-	-	-
461 Committed Fund Balance	-	-	-
Assigned:			
462 Assigned Fund Balance	670,694	670,694	-
Unassigned:			
422 Unassigned Fund Balance	1,643,869	1,643,871	(2)

02 FOOD SERVICE	AUDIT	UFARS	DIFFERENCE
Total Revenue	1,104,834	1,104,830	4
Total Expenditures	897,602	897,599	3
Nonspendable:			
460 Nonspendable Fund Balance	20,533	20,533	-
Restricted/Reserved:			
452 OPEB Liability Not Held in Trust	-	-	-
Restricted:			
464 Restricted Fund Balance	591,703	591,703	-
Unassigned:			
463 Unassigned Fund Balance	-	-	-

04 COMMUNITY SERVICE	AUDIT	UFARS	DIFFERENCE
Total Revenue	724,745	724,740	5
Total Expenditures	739,975	739,970	5
Nonspendable:			
460 Nonspendable Fund Balance	1,467	1,467	-
Restricted/Reserved:			
426 $25 Taconite	-	-	-
431 Community Education	(100,441)	(100,441)	-
432 E.C.F.E.	8,051	8,051	-
440 Teacher Development and Evaluations	-	-	-
444 School Readiness	291,839	291,839	-
447 Adult Basic Education	-	-	-
452 OPEB Liability Not Held in Trust	-	-	-
Restricted:			
464 Restricted Fund Balance	1,269	1,267	2
Unassigned:			
463 Unassigned Fund Balance	-	-	-

06 BUILDING CONSTRUCTION	AUDIT	UFARS	DIFFERENCE
Total Revenue	$ -	$ -	$ -
Total Expenditures	-	-	-
Nonspendable:			
460 Nonspendable Fund Balance	-	-	-
Restricted/Reserved:			
407 Capital Projects Levy	-	-	-
413 Projects Funded by COP	-	-	-
467 LTFM	-	-	-
Restricted:			
464 Restricted Fund Balance	-	-	-
Unassigned:			
463 Unassigned Fund Balance	-	-	-

07 DEBT SERVICE	AUDIT	UFARS	DIFFERENCE
Total Revenue	1,958,000	1,958,000	-
Total Expenditures	1,941,381	1,941,381	-
Nonspendable:			
460 Nonspendable Fund Balance	-	-	-
Restricted/Reserved:			
425 Bond Refunding	-	-	-
451 QZAB and QSCB Payments	-	-	-
Restricted:			
464 Restricted Fund Balance	436,224	436,224	-
Unassigned:			
463 Unassigned Fund Balance	-	-	-

08 TRUST	AUDIT	UFARS	DIFFERENCE
Total Revenue	-	-	-
Total Expenditures	-	-	-
Net Position:			
422 Net Position	-	-	-

18 Custodial	AUDIT	UFARS	DIFFERENCE
Total Revenue	1,625	1,625	-
Total Expenditures	1,625	1,625	-
Net Position:			
402 Scholarships	-	-	-

20 INTERNAL SERVICE	AUDIT	UFARS	DIFFERENCE
Total Revenue	-	-	-
Total Expenditures	-	-	-
Net Position:			
422 Net Position	-	-	-

25 OPEB REVOCABLE TRUST	AUDIT	UFARS	DIFFERENCE
Total Revenue	-	-	-
Total Expenditures	-	-	-
Net Position:			
422 Net Position	-	-	-

45 OPEB IRREVOCABLE TRUST	AUDIT	UFARS	DIFFERENCE
Total Revenue	-	-	-
Total Expenditures	-	-	-
Net Position:			
422 Net Position	-	-	-

47 OPEB DEBT SERVICE	AUDIT	UFARS	DIFFERENCE
Total Revenue	-	-	-
Total Expenditures	-	-	-
Nonspendable:			
460 Nonspendable Fund Balance	-	-	-
Restricted:			
425 Bond Refunding	-	-	-
464 Restricted Fund Balance	-	-	-
Unassigned:			
463 Unassigned Fund Balance	-	-	-