Chisholm School District
School Board Meeting Agenda

Thursday, December 29, 2022 at 9:30 AM
Fiscal Year 2022 Audit Financial Report
Chisholm School Board Room

I. Determination of Quorum and Call to Order

II. Presentation Sterle & Co. the fiscal year 2022 audit.

III. Approve Agenda

IV. Consent Agenda

A. Minutes of the December 12, 2022, Regular Meeting
Minutes of the December 12, 2022, Regular Truth in Taxation Hearing

V. Action Agenda

A. Motion to approve the Fiscal Year 2022 Audit Financial Report. 2

Attachments:

ISD 695 - 2022 Governance Communication Letter	2
ISD 695 - 2022 Management Letter	7
ISD 695 - 2022 Financial Statements	10

B. Motion to approve the purchase of Hudl in the amount of $8,700.00 to provide tools for coaches and athletes to review game footage and improve team play as presented. 93

Attachments:

Chisholm HS _ Hudl Options - AD Package - Essential Tier	93

VI. Adjourn

Sterle & Co. LTD
CERTIFIED PUBLIC ACCOUNTANTS

December 27, 2022

To the Members of the
Board
Independent School District 695
Chisholm, MN

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District 695, Chisholm, Minnesota for the year ended June 30, 2022. Professional standards require that we provide you with the following information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 8, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. As described in Notes 4 and 5 to the financial statements, the District implemented the provisions of GASB Statement No. 87, *Leases,* during the year. The impact was to record additional right-to-use assets in the amount of $587,334 with related lease obligations of $335,242. We noted no transactions entered into by the government unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

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The most sensitive estimates affecting the District's financial statements are:

Management's estimate of the postemployment liability calculated under GASB 74/75 as calculated by an outside actuarial firm. We evaluated the key factors and assumptions used to develop the net OPEB liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net pension liability under GASB 68 as calculated by outside actuarial firms for TRA/PERA. We evaluated the key factors and assumptions used to provide the estimated net pension liability (NPL) in determining that it is reasonable in relation to the financial statements taken as a whole.

Additional estimates deemed significant affecting the financial statements were: state aid receivables, the calculation of depreciation, and allocation of payroll and benefits to funds, sites and programs.

Management's valuation of the receivables is based on the district's estimate of student enrollments. Management's valuation of depreciation is based on estimated lives of the assets using the straight-line method. Management's estimate of payroll allocation is based on estimates of time and positions held. We considered these calculations in determining that receivables, liabilities and depreciation are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements relates to the District's reporting and disclosure of its pension and post-employment health care benefits paid as described in Notes 6 and 7 to the financial statements.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

For the current fiscal year, the District received significant dollars in new federal programming which also created additional delays in the testing of certain receivables and cost allocations as the District determined appropriate uses and coding of the expenditures.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarized uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Some of the misstatements detected as a result of the audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole. A list of these proposed adjustments can be obtained from the business office and included corrections to various accruals as well as updates to the long-term debt and capital asset activity.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 27, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis and the schedule of employer's share of net pension liability, employer contributions and schedule of changes in the District's net OPEB liability and related ratios and notes, which are required supplementary information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information that includes combining financial statements, the individual fund schedules, the uniform financial accounting and reporting standards compliance table, and the schedule of federal awards which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of District's School Board and management and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Sterle & Co, Ltd

Sterle & Co., Ltd

Independent School District 695
Summary of Audit Differences
All Fund Types
For the Year Ended June 30, 2022

Current Year Over (Under) Revenues and Expenditures/ and Changes in Fund Equity

	Major Funds	Nonmajor Funds	District Wide
UNADJUSTED AUDIT DIFFERENCES:			
Journal entry 1			
To record opening net position impact of GASB 87, *Leases*	$ -	$ -	$ (8,036)
Effect of unadjusted audit differences - prior year	-	(631)	(631)
Cumulative effect (after effect of prior year differences)	$ -	$ (631)	$ (8,667)

RECLASSIFICATION ENTRIES FOR FINANCIAL STATEMENT PURPOSES:

			Major Funds	Nonmajor Funds	District Wide
Journal Entry	1				
		Salaries payable	(83,334)	-	(83,334)
		Other accruals	83,334	-	83,334
		To reclass between accrual accounts			
Journal Entry	2	Contributions	-	-	(277,168)
		Benefits	-	-	277,168
		To record the OPEB contributions per acturial report in the financial reports			
Journal Entry	3	Cash	2,461,429	-	2,461,429
		Investments	(2,461,429)	-	(2,461,429)
		To reclass cash equivalents			

INDEPENDENT SCHOOL
DISTRICT 695
CHISHOLM, MINNESOTA

Management Letter
For the Fiscal Year Ended June 30, 2022

Sterle & Co. LTD
CERTIFIED PUBLIC ACCOUNTANTS

December 27, 2022

To the Members of the
School Board
Independent School District 695
Chisholm, MN

In planning and performing our audit of the financial statements of the Independent School District 695, Chisholm, Minnesota for the year ended June 30, 2022, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal controls over financial reporting.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The following paragraphs further summarize our comments and suggestions for the District's consideration.

Significant Deficiencies in Internal Controls
Lack of Segregation of Duties – Repeat Finding 2022-001

As stated in the audit report on internal control over financial reporting, we noted that the District has inadequate segregation of duties within significant accounts or financial reporting processes. Although this finding is common among Districts of similar size, we recommend the District review the findings and recommendations and determine appropriate oversight necessary. We recommend the District work with staff to implement the corrective action plan filed with the Minnesota Department of Education in the prior year regarding elimination of the finding as it relates to the Uniform Guidance provisions by the end of June 30, 2023.

Proposed Audit Entries
As part of the audit process, we proposed a number of correcting entries to the District's financial reports relating to accruals and account/code reclassifications. Under UFARS, the District must ensure that revenue and expenditures are recorded using a specific code structure that ensures consistency with all Districts as well as reports the use of restricted funds to the State of Minnesota. Some of the entries were deemed to be material to the financial statements as a whole and significantly impacted the unaudited, unadjusted financial balances. All the entries were discussed, approved, and posted by the District to the financial reports. Copies are available in the business office.

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In order to provide more timely information and avoid reconciliation delays with other payment systems, we encourage the District to review the entries and develop appropriate year-end procedures to reduce any potential material modifications in future audits. Such procedures should include detailed review of all finance code related activity. In addition, the procedures should include all balance sheet accounts – including recorded accounts receivable and accounts payable – to ensure that any prior year accruals are properly and completely cleared from the balance sheet accounts.

Unpaid Lunch Accounts

During the audit process, we inquired with District personnel and reviewed the status of unpaid food service accounts. The District did adopt a food service policy during previous years which indicates what reasonable steps will be taken to try and collect on the lunch accounts. We encourage the District to review the current policies and develop procedures accordingly to periodically monitor the balances. In addition, we recommend that the District review UFARS in reference to recording of the receivable and determination of potential uncollectible accounts. Any accounts deemed to be uncollectible (i.e., bad debt) would require a transfer from the general fund.

District Control Structure - Miscellaneous Cash Collection Points

As part of the audit, we discussed the internal control structure with the District in order to design procedures that are appropriate in the circumstance to conduct the audit and not to provide assurance as to the effectiveness of the internal control system itself. As part of that discussion, we noted that several departments and staff accept cash prior to turning in and receipt by the business office. Although this is common among Districts of similar size, we recommend the District routinely identify and monitor these collection points and develop appropriate oversight procedures it deems necessary.

We will review the status of these comments during our next engagement. We would be pleased to discuss them in further detail at your convenience.

Sincerely,

Sterle & Co. Ltd

Sterle & Co. Ltd

INDEPENDENT SCHOOL
DISTRICT 695
CHISHOLM, MINNESOTA

Financial Report

For the Fiscal Year Ended June 30, 2022

Table of Contents

Sterle & Co. LTD
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Members of the
School Board
Independent School District 695
Chisholm, MN

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District 695, Chisholm, Minnesota, 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, each major fund, and the aggregate remaining fund information of the Independent School District 695 (the District), Chisholm, Minnesota, as of June 30, 2022, and the respective changes in financial position, and where applicable, cash flows 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 and the standards applicable to the financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than 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.

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In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 on pages 4 through 16, the schedule of changes in net OPEB liability and related ratios and notes on page 53, the Schedule of OPEB investment returns on page 54, and the schedule of employer's share of net pension liability and employer contributions and notes on pages 55 through 59 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or prove any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and the 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 related directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report December 27, 2022 on our consideration of the Independent School District 695, Chisholm Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Independent School District 695, Chisholm, Minnesota's internal control over financial reporting and compliance.

Sterle & Co, Ltd

December 27, 2022

INDEPENDENT SCHOOL DISTRICT #695
CHISHOLM, MN

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
June 30, 2022

The discussion and analysis of Independent School District #695's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2022. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Boards (GASB) in their Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis-for State and Local Governments, issued June 1999.

FINANCIAL HIGHLIGHTS

Governmental Activities (District Wide) Highlights

The District's total net position on the district wide Statement of Net Position reports a balance of $2,770,189. $6,509,888 of the net position relates to the District's net investment in capital assets and another $2,207,018 represents funds restricted under Minnesota Statutes. That leaves an unrestricted net deficit of $5,946,717. The prior year unrestricted net deficit was $9,320,240. The change in the unassigned deficit is primarily a result of the recognition of the District's amortization and recognition of its proportionate net pension changes from TRA/PERA under GASB Statement No. 68. The standard addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through PERA and TRA. The District's proportionate estimated net pension liability (NPL) for these plans as of June 30, 2022 was estimated to be $3,818,928. This was a decrease from the prior year which had a proportionate liability of $6,158,959.

Another item contributing to the net change in the district wide unrestricted net position is a result of the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The current actuarial report estimated the total OPEB liability at $7,057,678 as of June 30, 2022 compared to $7,151,097 as of June 30, 2021 – a decrease of $93,419. The District has set aside (under an irrevocable trust) assets with a fair value of $5,075,029 as of the June 30, 2022 measurement date. As a result, our net OPEB liability is reported at $1,982,649 in the accompanying financial statements as compared to $1,663,398 on June 30, 2021 which is a net increase of $319,251 over the prior year net OPEB liability. We are now funded at 71.9% compared to the 76.7% in the previous year. The District approved utilizing $281,484 in OPEB funds for the current fiscal year. This study relies on professional predictions including, who will stay on the plan, how long they will live, and what the costs of insurance will be into the foreseeable future. See Note 11 for additional information on the OPEB calculations as well as the assumptions used by the actuaries in estimating the current net OPEB liability.

During the current fiscal year, the District implemented the provisions of GASB Statement 87, *Leases*. As a result of this new accounting standard, the District recognized additional intangible 'right-to-use' assets of $587,334 which were comprised primarily of the District's leased buses and office equipment. The District also reported a corresponding lease obligation of $335,242 to report the outstanding principal obligations due under these leases through December 2027. Additional information on the impact of this statement can be found in Notes 4 and 5 to the financial statement.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (continued)
June 30, 2022

District wide expenses were $9,077,805 for the fiscal year ending June 30, 2022. The District received $85,868 in charges for services and another $3,034,044 in operating and capital grants/contributions from local, state, and federal sources. Net unrestricted levies and aids and other general revenues were $9,234,187. Investment earnings were a deficit of $7,274. The result was an overall increase in net position of $3,269,020 (compared to $3,532,241 in the prior year) under the full accrual method of reporting with consideration of the previously noted changes in net pension and OPEB liabilities.

As noted previously, the district wide statements reflect a net change in position of an increase of $3,269,020 for the year. This differs from the net increase of $385,222 found in the individual fund statements due to the full accrual method of accounting used in the district wide presentation over the modified accrual basis required in the fund-based presentation. More information can be found on page 22 that describes the differences between the district wide and fund statements. The most significant reporting difference involves outlays for debt service of $872,447 and the difference in recognition of the net pension liabilities of $2,504,583.

Governmental Fund Highlights

Total fund equity in the general fund is $5,025,791 or an increase of $538,756 for the current fiscal year. However, the unassigned fund balance as of June 30, 2022 is $2,395,685. This is an increase of $239,313 from the June 30, 2021 unassigned fund balance of $2,156,372. The district adopted an initial budget with a deficit of $335,665 and revised it during the year to a net adopted final budget reflecting a deficit of $592,800 anticipated in the general fund. However, after recognition of federal COVID-19 funding available to offset staff salaries and benefits and other costs associated with the pandemic, the District actually experienced an increase of $538,756 in the general fund compared to the budgeted anticipated loss. The District also has committed funds for future funding of severance and continuing retirement benefits of $1,157,869. The District did not make a change in the committed funds from the prior year. Finally, the District has $1,464,997 in restricted funds that are set aside as required by Minnesota statutes. Details on these restrictions can be found on page 48 within Note 9 to the financial statements.

Actual revenues of the general fund were $569,882 more than budgeted during the current fiscal year, or a variance of 5.6% in a $10,141,144 revenue budget primarily a result of increased federal sources.

Actual expenditures of the general fund were $526,103 less than budgeted during the current fiscal year or a variance of 4.9% in a $10,733,944 expenditure budget. This is primarily due to changes in capital outlay and continued cost monitoring by the District.

The building construction fund (a major fund) reported expenditures of $214,416. The remaining restricted balance of $72,751 will be utilized in the upcoming year as the District continues to make upgrades to its facilities.

The debt service fund (a major fund) experienced a fund balance decrease of $12,794 resulting in an ending fund balance of $135,482. This fund is generated from levy dollars to repay bonded debt. Total revenues recorded in the debt service fund were $282,837. Total principal payments were $192,447 for the current year with fiscal and interest charges of $103,184.

The OPEB debt service fund (another major fund) experienced a fund balance increase of $13,415. The remaining June 30, 2022 restricted fund balance is $200,352. These bond payments are made through local taxes and levies.

The food service (a nonmajor fund) is required under GASB 54 to report the $19,208 of nonspendable inventory separately. The food service includes restricted fund balance of $195,372. This portion of the restricted fund balance increased due to revenues of $398,968 exceeding expenditures of $327,753. Total federal revenue received for the food service was $368,076 and the state provided $12,977 in funding. Program income generated revenue of $17,915 for the year.

The community service (a nonmajor fund) reserved for community service portion of its restricted fund balance decreased by $11,209 for a June 30, 2022 balance of $138,064. Total revenues were $173,039 while expenditures were $184,248.

USING THIS ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements. There is the Management Discussion and Analysis (this section) and a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

OVERVIEW OF FINANCIAL STATEMENTS

The first two statements are district-wide financial statements-the Statement of Net Position and the Statement of Activities. These provide both *long-term* and *short-term* information about the District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail than the district-wide statements. The governmental funds statements tell how general District services are financed in the short term as well as what remains for future spending. Fiduciary fund statements provide information about financial relationships where the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong. For this District this is our Scholarship (a custodial fund) and the OPEB Trust funds.

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

District-Wide Statements
The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position (page 17) includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities (page 18) regardless of when cash is received or paid.

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

Over time, increases or decreases in the District's net position are an indication of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the District, you need to consider additional non-financial factors, such as changes in the District's property tax base and the enrollment trends of its students.

The district-wide financial statements of the District are categorized as follows:

- *Governmental activities* – All of the District's basic services are included here, such as instruction, administration and community services. Property and other local taxes, state and federal subsidies and grants finance most of these activities.
- *Business type activities* – The District has no business type activities as of this date.

Fund Financial Statements
The District's fund financial statements, which begin on page 19, provide detailed information about the most significant funds-not the District as a whole. Some funds are required by state law and by bond requirements.

Governmental funds – Most of the District's activities are reported in governmental funds, which focus on the determination of financial position and changes in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term* view of the District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements and found on pages 20 and 22 of this report.

Fiduciary funds – The District's fiduciary activities are reported in separate Statements of Fiduciary Net Position on page 24. The District holds funds for scholarship awards. These funds are determined to be custodial in nature. The District does not have administrative control and holds these funds for scholarships that are determined by the donors. The District established an irrevocable trust fund to account for the resources set aside and held for post-retirement benefits. Current year activities on contributions made can be found on page 25. These funds cannot be used to finance general operations of the District.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (continued)
June 30, 2022

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's total net position was $2,770,189 and $(498,831) deficit, at June 30, 2022 and 2021, respectively.

Table A-1
Fiscal Years ended June 30, 2022 and 2021
Net Position

	Governmental Activities	
	June 30, 2022	June 30, 2021
Current assets	$ 7,789,231	$ 7,463,699
Capital and noncurrent assets	11,823,475	11,881,329
Total assets	$ 19,612,706	$19,345,028
Deferred Outflows of Resources	$ 3,788,239	$ 2,466,507
Current Liabilities	$ 2,259,866	$ 2,115,212
Long-term liabilities	12,267,428	14,929,529
Total Liabilities	$ 14,527,294	$17,044,741
Deferred Inflows of Resources	$ 6,103,462	$ 5,265,625
Net Position		
Net investment in capital assets	$ 6,509,888	$ 6,759,183
Restricted	2,207,018	2,062,226
Unrestricted	(5,946,717)	(9,320,240)
Total Net Position	$ 2,770,189	$ (498,831)

Much of the District's net position is invested in capital assets (buildings, land, and equipment) but were financed with previously issued debt. The District's capital assets increased by $919,135 in new capital additions for the year ending June 30, 2022 (including $587,334 in the recognition of the intangible leased assets of copiers and buses – see Note 4), with debt recognition on these leased assets of $335,242 due to the implementation of GASB 87, *Leases* – see Note 5). Therefore the decrease in net position for net investment in capital assets is due to the depreciation recorded for the year exceeding the new additions. The district also has several restrictions placed on their net position by the Minnesota Department of Education as well as restrictions for money set aside in a trust for OPEB. These restrictions are described in greater detail in Note 9 to the financial statements. The remaining unrestricted net position is a combination of designated and undesignated amounts. It also includes the full recognition of the net OPEB liability and pension related liabilities as described previously under the financial highlights section.

The results of this year's operations as a whole are reported in the Statement of Activities on page 18. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the District's activities that are supported by other general revenues. The two largest general revenues are the General Education Formula provided by the State of Minnesota, and the local taxes. The District reflected $9,077,805 in total expenses for the year and $12,346,825 in total revenues resulting in a change in net position for the year of an increase of $3,269,020 compared to an increase of $3,532,241 in the prior year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (continued)
June 30, 2022

Table A-2 takes the information from that Statement, rearranges it slightly, so you can see our total revenues and expenses for the year.

Table A-2
Fiscal Years ended June 30, 2022 and 2021
Changes in Net Position

	Governmental Activities	
	June 30,2022	June 30,2021
Revenues		
Program revenues		
Charges for services	$ 85,868	$ 40,260
Operating grants and contributions	3,034,044	2,510,823
Capital grants and contributions	-	-
General revenues		
Local taxes	2,487,228	2,661,980
Federal and state aids not restricted	6,709,575	6,994,758
Other local and county general revenues	(5,461)	192,038
Total revenues	$12,311,254	$12,399,859
Expenses		
District and school administration	$ 516,275	$ 528,359
District support services	277,215	269,978
Instruction – regular	3,398,757	3,461,089
Instruction – vocational	18,715	58,715
Instruction – special education	1,512,799	1,466,166
Community education and services	183,728	141,131
Instructional support services	14,036	108,272
Pupil support services	527,400	418,355
Site, buildings and equipment	1,630,184	1,506,572
Fiscal and other fixed cost programs	118,085	102,478
Food service	335,097	256,231
Interest and fiscal charges	210,339	216,292
Depreciation – unallocated	335,175	333,980
Total expenses	$ 9,077,805	$ 8,867,618
Special Item		
Gain on disposal of capital assets	$ 35,571	$ -
Change in net position	$ 3,269,020	$ 3,532,241
Net Position – Beginning of the year	(498,831)	(4,031,072)
Net Position – End of the year	$ 3,269,020	$ (498,831)

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (continued)
June 30, 2022

Table A-3 shows the total cost and net cost of each of the District's functions-District and school administration; district support services; instruction – regular, vocational, special education; community education and service; instructional support; pupil support; site, buildings and equipment; fiscal and other fixed costs programs and food service. Net cost is the total cost less revenues generated by each activity. This table also shows the net costs offset by the other unrestricted grants, subsides and contributions to show the extent to which the remaining financial needs are supported by local taxes and other miscellaneous revenues.

Table A-3
Fiscal Years ended June 30, 2022 and 2021
Governmental Activities

Functions/Programs	**Total Cost of Services**		**Net Cost of Services**	
	June 30, 2022	June 30,2021	June 30, 2022	June 30,2021
District and school administration	$ 516,275	$ 528,359	$ 516,275	$ 528,359
District support services	277,215	269,978	277,215	269,978
Instruction – regular	3,398,757	3,461,089	2,272,014	2,766,272
Instruction – vocational	18,715	58,715	18,715	56,463
Instruction – exceptional	1,512,799	1,466,166	91,637	83,053
Community education and services	183,728	141,131	10,689	(38,837)
Instructional support services	14,036	108,272	14,036	108,272
Pupil support services	527,400	418,355	527,400	418,355
Site, buildings and equipment	1,630,184	1,506,572	1,630,184	1,502,246
Fiscal and other fixed cost programs	118,085	102,478	118,085	102,478
Food service	335,097	256,231	(63,871)	(30,376)
Interest and fiscal charges	210,339	216,292	210,339	216,292
Depreciation – unallocated	335,175	333,980	335,175	333,980
Total governmental activities	$ 9,077,805	$ 8,867,618	$ 5,957,893	$ 6,316,535
Less:				
Unrestricted grants, subsidies			6,739,685	8,941,120
Total needs from local taxes and other revenues			$ (781,792)	$ (2,624,585)

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (continued)
June 30, 2022

THE DISTRICT'S FUNDS

At June 30, 2022, the District governmental funds reported a combined fund balance of $5,787,020, which is an increase of $385,222 from the June 30, 2021 balances. Overall revenue sources for the District were $12,318,049 while total expenditures were $11,968,398. Instructional costs were overall comparable at $4,437,368 compared to $4,538,574 reported in the prior fiscal year as the District continues to carefully monitor costs. Capital outlays were $670,945 compared to $1,312,426 for the prior year as the District completed most of the required upgrades to its facilities for approved projects through June 30, 2022. The remaining expenditures related to district support costs which include items such as food and transportation services.

Governmental Funds - Revenues:
The Governmental funds primarily include operations of the District in providing educational services to students from Early Childhood through Grade 12, including pupil transportation activities and capital outlay projects.

The following schedule presents a summary of governmental fund revenues:

	Year Ended June 30, 2022	Year Ended June 30, 2021	Amount of Increase (Decrease)
Local Sources			
Local Taxes	$ 2,531,868	$ 2,661,980	$ (130,112)
Other local and county	244,486	496,858	(252,372)
State Sources	7,892,756	8,069,431	(176,675)
Federal Sources	1,684,510	1,135,119	549,391
Total Governmental Fund Revenue	$ 12,353,620	$ 12,363,388	$ (9,768)

Although the District received additional federal funds due to the COVID-19 pandemic in the current fiscal year, the District had additional local funds received through the IRRRB for summer camp and connectivity programs back in the prior fiscal year. That decrease along with decreases in other state and local funding sources resulted in the overall decrease of $9,768 over the prior year.

Enrollment Trends:
The following chart shows the number of students served in the District over the last few years. Enrollment can significantly impact the District's revenues.

Students Served

Year	Students Served	Annual Change	Percent Change
2002-2003	822.61	(54.73)	(6.65%)
2003-2004	776.16	(46.45)	(5.98%)
2004-2005	775.63	(0.53)	(0.07%)
2005-2006	752.20	(23.43)	(3.11%)
2006-2007	754.92	2.72	0.36%
2007-2008	762.50	7.58	0.99%
2008-2009	771.15	8.65	1.12%
2009-2010	744.03	(27.12)	(3.65%)
2010-2011	730.35	(13.68)	(1.87%)
2011-2012	726.43	(3.92)	(0.54%)
2012-2013	745.04	18.61	2.50%
2013-2014	728.11	(16.93)	(2.33%)
2014-2015	742.92	14.81	1.99%
2015-2016	738.81	(4.11)	(0.56%)
2016-2017	751.64	12.83	1.71%
2017-2018	731.11	(20.53)	(2.81)%
2018-2019	728.18	(2.93)	(0.40%)
2019-2020	712.08	(16.1)	(2.26%
2020-2021	684.74	(27.34)	(3.99%)
2021-2022	675.63	(9.11)	(1.3%)

The 2021-22 numbers are estimates based on the information available at the time of the completion of this report. Prior years represent actual ADM served. For the period beginning 2002-2003 to present day, the district has a net loss of 146.98 students. This represents a 17.87% decrease over the past 19 years. It should also be noted that the COVID-19 pandemic may have contributed to enrollment changes in the past three years.

Governmental Funds - Expenditures:
The following schedule presents a summary of governmental fund expenditures:

	Year Ended June 30, 2022	Year Ended June 30, 2021	Amount of Increase (Decrease)
Salaries	$ 5,668,538	$ 5,748,913	$ (80,375)
Employee benefits	1,448,325	1,808,892	(360,567)
Purchased services	1,700,823	1,551,926	148,897
Supplies and materials	884,998	686,182	198,816
Capital expenditures	670,945	1,312,426	(641,481)
Other expenditures	1,084,991	1,366,467	(281,476)
Community education	183,728	141,131	42,597
Food service	326,050	256,231	69,819
Total Expenditures	$ 11,968,398	$ 12,872,168	$ (903,770)

Total governmental fund expenditures decreased by $903,770 from the prior year with the largest impact coming from the change in capital expenditures.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (continued)
June 30, 2022

Governmental Fund Balance Information:
The District's unassigned general fund balance also experienced changes. The unassigned General Fund Balance increased $239,313 from $2,156,372 on June 30, 2021 to a June 30, 2022 balance of $2,395,685. Reasons for the change was discussed previously in the financial highlights section.

General Fund Analysis

The General fund is the major operational fund used by the district. The undesignated/unreserved (unassigned subsequent to GASB 54) portion of the fund balance is the dollars not reserved by outside parties and therefore represents the best measure of operational viability.

The following chart shows Unreserved / Undesignated General Fund Balance information for the last few years:

UNASSIGNED GENERAL FUND BALANCE

2009-2010	$1,084,414	-
2010-2011	$1,452,263	$367,849
2011-2012	$1,341,741	($110,522)
2012-2013	$1,454,749	$113,008
2013-2014	$1,375,433	($79,316)
2014-2015	$1,914,770	$539,337
2015-2016	$1,888,545	($26,225)
2016-2017	$2,145,155	$256,610
2017-2018	$1,614,294	($530,861)
2018-2019	$1,791,179	$176,885
2019-2020	$2,126,987	$335,808
2020-2021	$2,156,372	$29,385
2021-2022	$2,395,685	$239,313

The chart above is the single best measure of overall financial health. The Unassigned General Fund Balance of $2,395,685 on June 30, 2022 represents 23.4% of annual expenditures, or approximately 86 days of operations. The District has approved a minimum fund balance policy of 8% of the annual budget. As of June 30, 2022, the District's unassigned general fund balance exceeded that limit. As discussed previously, this increase was due to the District monitoring expenditures and the additional use of federal COVID funding for continued staff salaries and benefits.

General Fund Budget

During the fiscal year, the School Board authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures and revenues of the District. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided on page 23. Interim budget amendments increased the general fund revenues by $314,639 and increased the expenditure budgets by $571,774. The District's general fund had an actual increase of 5.6% over budgeted revenues and had a 4.9% decrease over budgeted expenditures resulting in an overall actual increase of fund balance of $538,756 for the year compared to the originally projected deficit of $335,665 and revised budgeted deficit of $592,800. This was in part due to the district continuing to monitoring costs and the receipt of additional federal funding to help offset costs incurred by the coronavirus pandemic.

Building Construction Fund Analysis

During the current fiscal year, total expenditures for the fund were $214,416. The District had various construction projects in progress as of June 30, 2021 and will utilize the remaining fund balance of $72,751 for improvements planned for completion in the upcoming fiscal year.

Debt Service Fund Analysis

Another major fund of the District is the debt service fund. The District recorded a decrease of $12,794 in fund balance from the prior year resulting in a fund balance of $135,482. Annual debt payments consisted of $192,447 in principal and $103,184 in interest and other fiscal charges. Additional information can be found in Note 5 in the financial statements.

The OPEB Debt Service (another major) fund experienced a net increase of $13,415 in fund balance resulting in a June 30, 2022 balance of $200,352. The fund made principal, interest and other fiscal payments of $738,509 during the year.

Nonmajor Fund Analysis

The District has two nonmajor funds which include two special revenue funds. The food service fund and the community service fund are aggregated in the accompanying fund statements. However, details of the individual funds can be found in the supplementary information accompanying these statements found on pages 60 and 61.

These nonmajor funds experienced an increase during the year of $60,006 resulting in an overall fund balance of $352,644 reflected in the aggregate in the accompanying statements found on page 21.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2022, the District had $11,823,475 invested in a broad range of capital assets, including land, buildings and furniture and equipment, net of accumulated depreciation/amortization of $11,734,512. This amount represents a net increase (including additions, deletions and depreciation) of $57,874 from last year.

Table A-4
Governmental Activities
Capital assets-net of depreciation and amortization

	2022	2021
Land and Improvements	$ 373,552	$ 399,667
Buildings	10,069,441	10,395,541
Equipment	1,052,668	1,086,121
Right-to-use assets: Equipment	327,794	-

Current year major capital outlay included the recording of $327,794 in leased assets (net of accumulated amortization of $259,540) due to the implementation of GASB 87, *Leases,* during the year. The District determined the impact on the standard as of June 30, 2021 was not significant. In the current year, the District leased a new bus. Additional capital outlays consisted of a new vehicle and the completion of several other building projects.

DEBT ADMINISTRATION

As of July 1, 2021, the District had total outstanding bond principal of $7,591,078. During the year, the District made payments against principal of $872,447 resulting in ending outstanding debt as of June 30, 2022 of $6,714,722. Current year amortization of premiums were $3,909. Total long-term debt in connection with bonds are reflected in the accompanying statements including this unamortized premium of $68,735.

Table A-5
Outstanding Debt

	2022	2021
General Obligation Notes/Bonds:		
- Crossover Refunding Bonds, Series 2016A	2,030,000	2,710,000
- GO Facility Maintenance Bonds, Series 2018A	2,485,000	2,585,000
- GO Facility Maintenance Bonds, Series 2018B	2,130,987	2,223,434

Other obligations include accrued vacation pay and sick leave for specific employees of the District. The District also has recognized $335,242 in lease obligations due to the implementation of GASB 87. More detailed information about our long-term liabilities is included in Note 5 to the financial statements.

The District records a net pension liability under the provisions of GASB 68, *Accounting and Financial Reporting for Pensions,* and as a result also reflects $3,818,928 in long term debt in the government wide statements. More information can be found in Note 6 to the financial statements. The District also records a net OPEB liability of $1,982,649 in relation to its recording of the GASB 74/75 standard over reporting of other post-employment benefits. See Note 11 for additional information on that liability.

FACTORS BEARING ON THE DISTRICT'S FUTURE

With the exception of a voter-approved excess operating referendum, the District is dependent on the State of Minnesota for its revenue authority. The Minnesota state legislature has provided consistent increases to the funding formula in recent years. These increases provide for stability in regards to revenue. An unknown factor for the district's future is whether the legislature will continue to provide funding increases.

The district generates some revenue based on taconite production in the District and taconite production employs a significant number of people in the area, which can have an effect on enrollment stability. The district should remain aware of the current state and health of taconite producers and use this information to plan for the future.

The district experienced a substantial decrease in enrollment in 2020-21 and further decrease was experienced in the 2021-22 year, although that year was less severe. Preliminary enrollment for the 2022-23 year appears to have somewhat stabilized. Some of this decline may be attributable to the COVID-19 pandemic. The district is anticipating possible declining funding due to enrollment changes and state formulary determination of education aid. Uncertainty remains regarding enrollment in the years following the global pandemic.

Finally, the school district will need to keep track of the General Fund operating referendums that are currently in place. The school board adopted a referendum in the amount of $300 per pupil, and also to accept the Location Equity Revenue (now known as Local Optional Revenue) for approximately $424 per pupil. This Board of Education should continue to renew this resolution as the District depends on this additional funding.

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

Our financial report is designated to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Alex Kaczor, Business Manager at Chisholm School District, 300 SW Third Ave, Chisholm, MN 55719, or call (218) 254-5726 ext. 2904.

INDEPENDENT SCHOOL DISTRICT 695

STATEMENT OF NET POSITION

June 30, 2022

		Governmental Activities
Assets		
Current Assets		
Cash and cash equivalents	$	3,622,246
Investments		982,670
Receivables		
Taxes - current		583,529
Taxes - delinquent		65,176
Accounts		12,906
Interest		1,128
Other governments		2,229,884
Less - allowance for uncollectible taxes		(9,000)
Due from OPEB trust fiduciary fund		281,484
Inventory		19,208
Total Current Assets		7,789,231
Capital Assets		
Land		22,500
Land improvements		668,298
Buildings		18,760,672
Equipment		3,519,183
Right-to-use intangible asset - equipment		587,334
		23,557,987
Less - accumulated depreciation and amortization		(11,734,512)
Total Capital Assets		11,823,475
Total Assets		19,612,706
Deferred Outflows of Resources		
Related to net pension liability		2,443,635
Related to OPEB		1,344,604
Total Deferred Outflows of Resources		3,788,239
Total Assets and Deferred Outflows of Resources	$	23,400,945
Liabilities		
Current Liabilities		
Current portion of long-term obligations (bonds)	$	876,889
Current portion of long-term obligations (lease obligation payable)		115,255
Accounts payable		286,143
Salaries payable		549,734
Accrued expenses		88,382
Unearned revenues		29,618
Accrued interest payable		293,623
Compensated absences payable		20,222
Total Current Liabilities		2,259,866
Noncurrent Liabilities		
Long-term debt obligations (bonds payable)		5,837,833
Long-term lease obligation		219,987
Compensated absences payable		40,768
Separation and severance payable		367,263
Net OPEB liability		1,982,649
Net pension liability		3,818,928
Total Noncurrent Liabilities		12,267,428
Total Liabilities		14,527,294
Deferred Inflows of Resources		
Property taxes levied for subsequent years expenditures		971,936
Related to net pension liability		3,512,241
Related to OPEB		1,619,285
Total Deferred Inflows of Resources		6,103,462
Net Position		
Net investment in capital assets		6,509,888
Restricted		2,207,018
Unrestricted		(5,946,717)
Total Net Position		2,770,189
Total Liabilities, Deferred Inflows of Resources, and Net Position	$	23,400,945

The accompanying notes are an integral part of these financial statements.

INDEPENDENT SCHOOL DISTRICT 695

STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities					
District and school administration	$ 516,275	$ -	$ -	$ -	$ (516,275)
District support services	277,215	-	-	-	(277,215)
Instruction					
Regular	3,398,757	37,111	1,089,632	-	(2,272,014)
Vocational	18,715	-	-	-	(18,715)
Special education	1,512,799	-	1,421,162	-	(91,637)
Community education and services	183,728	30,842	142,197	-	(10,689)
Instructional support services	14,036	-	-	-	(14,036)
Pupil support services	527,400	-	-	-	(527,400)
Site, buildings and equipment	1,630,184	-	-	-	(1,630,184)
Fiscal and other fixed cost programs	118,085	-	-	-	(118,085)
Food service	335,097	17,915	381,053	-	63,871
Interest and fiscal charges	210,339	-	-	-	(210,339)
Depreciation - unallocated*	335,175	-	-	-	(335,175)
	$ 9,077,805	$ 85,868	$ 3,034,044	$ -	(5,957,893)
General Revenues					
Taxes					
Property taxes, levied for general purpose					1,763,161
Property taxes, levied for debt service					724,067
Federal and state aid not restricted to specific purposes					6,709,575
Other local and county general revenues not restricted to a specific purpose					1,813
Investment earnings					(7,274)
Special item - gain on disposal of capital assets					35,571
Total general revenues					9,226,913
Change in net position					3,269,020
Net Position - Beginning of the year					(498,831)
Net Position - End of the year					$ 2,770,189

*This amount does not include the depreciation that is included in the direct expenses of the various functions. See Note 4.

INDEPENDENT SCHOOL DISTRICT 695

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2022

	(Major) General Fund	(Major) Building Construction Fund	(Major) Debt Service Fund	(Major) OPEB - Debt Service Fund	(Non-Major) Other Governmental Funds	Total
Assets and Deferred Outflows of Revenues						
Assets						
Cash and cash equivalents	$ 2,548,514	$ 72,751	$ 156,936	$ 471,399	$ 372,646	$ 3,622,246
Investments	982,670	-	-	-	-	982,670
Receivables						
Taxes - current	155,239	-	57,969	370,321	-	583,529
Taxes - delinquent	65,176	-	-	-	-	65,176
Accounts	1,321	-	-	-	11,585	12,906
Interest	1,128	-	-	-	-	1,128
Other governments	2,188,072	-	20,323	11,185	10,304	2,229,884
Due from other funds	281,484	-	-	-	-	281,484
Inventory	-	-	-	-	19,208	19,208
Total Assets	6,223,604	72,751	235,228	852,905	413,743	7,798,231
Deferred Outflows of Resources	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	$ 6,223,604	$ 72,751	$ 235,228	$ 852,905	$ 413,743	$ 7,798,231
Liabilities, Deferred Inflows of Resources, and Fund Balances						
Liabilities						
Accounts payable	$ 237,436	$ -	$ -	$ -	$ 48,707	$ 286,143
Salaries payable	545,588	-	-	-	4,146	549,734
Accrued expenses	88,382	-	-	-	-	88,382
Unearned revenues	21,372	-	-	-	8,246	29,618
Compensated absences payable	20,222	-	-	-	-	20,222
Total Liabilities	913,000	-	-	-	61,099	974,099
Deferred Inflows of Resources						
Property taxes levied for subsequent years expenditures	219,637	-	99,746	652,553	-	971,936
Delinquent property taxes	65,176	-	-	-	-	65,176
Total Deferred Inflows of Resources	284,813	-	99,746	652,553	-	1,037,112
Equity						
Fund Balance - nonspendable	-	-	-	-	19,208	19,208
Fund Balance - restricted (general fund)	1,464,997	-	-	-	-	1,464,997
Fund Balance - restricted (special revenue)	-	-	-	-	333,436	333,436
Fund Balance - restricted (capital)	-	72,751	-	-	-	72,751
Fund Balance - restricted (debt service)	-	-	135,482	200,352	-	335,834
Fund Balance - committed	1,157,869	-	-	-	-	1,157,869
Fund Balance - assigned	7,240	-	-	-	-	7,240
Fund Balance - unassigned	2,395,685	-	-	-	-	2,395,685
Total Fund Balance	5,025,791	72,751	135,482	200,352	352,644	5,787,020
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 6,223,604	$ 72,751	$ 235,228	$ 852,905	$ 413,743	$ 7,798,231

The accompanying notes are an integral part of these financial statements.

INDEPENDENT SCHOOL DISTRICT 695

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION - GOVERNMENTAL FUNDS
June 30, 2022

Total Fund Balances - Governmental Funds	$	5,787,020
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of capital assets		23,557,987
Less - accumulated depreciation and amortization		(11,734,512)
Net 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 deferred in the funds. (Net of $9,000 of an estimated allowance.)		56,176
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bonds		(6,645,987)
Lease obligations payable - right-to-use assets		(335,242)
Compensated absences payable		(40,768)
Separation and severance payable		(367,263)
Governmental funds report debt issuance premiums as an other financing source at the time of issuance. Premiums are reported as an unamortized liability in the government-wide statements.		(68,735)
Governmental funds do not report a liability for accrued interest until due and payable.		(293,623)
The recognition of net pension liability is effected by timing and treatment of certain items that are not recognized in the governmental funds:		
Deferred outflows of resources as related to net pension liability		2,443,635
Deferred outflows of resources as related to OPEB		1,344,604
Deferred inflows of resources as related to net pension liability		(3,512,241)
Deferred inflows of resources as related to OPEB		(1,619,285)
Net pension liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(3,818,928)
Net OPEB liability originally created through treatment of G.O. Taxable OPEB Bonds as employer contribution to defined benefit OPEB plan not recognized in the governmental funds. The governmental funds report employer contributions as an expenditure.		(1,982,649)
Total Net Position - Governmental Activities	$	2,770,189

The accompanying notes are an integral part of these financial statements.

INDEPENDENT SCHOOL DISTRICT 695

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2022

	(Major) General Fund	(Major) Building Construction Fund	(Major) Debt Service Fund	(Major) OPEB Debt Service Fund	(Non-Major) Other Governmental Funds	Total
Revenues						
Local taxes	$ 1,770,177	$ -	83,996	$ 640,071	$ 37,624	$ 2,531,868
Other local and county	158,090	255	-	-	30,842	189,187
State sources	7,465,996	-	198,841	111,853	116,066	7,892,756
Federal sources	1,314,950	-	-	-	369,560	1,684,510
Sales and other conversions of assets	1,813	-	-	-	17,915	19,728
Total Revenues	10,711,026	255	282,837	751,924	572,007	12,318,049
Expenditures						
Current						
District and school administration	715,797	-	-	-	-	715,797
District support services	357,228	-	-	-	-	357,228
Instruction						
Regular	4,437,368	-	-	-	-	4,437,368
Vocational	45,472	-	-	-	-	45,472
Special education	1,811,698	-	-	-	-	1,811,698
Community education and services	-	-	-	-	183,728	183,728
Instructional support services	90,510	-	-	-	-	90,510
Pupil support services	592,749	-	-	-	-	592,749
Site, buildings and equipment	1,584,628	-	-	-	-	1,584,628
Fiscal and other fixed cost programs	118,085	-	-	-	-	118,085
Food service	-	-	-	-	326,050	326,050
Capital Outlay	454,306	214,416	-	-	2,223	670,945
Debt Service						
Principal	-	-	192,447	680,000	-	872,447
Interest and fiscal charges	-	-	103,184	58,509	-	161,693
Total Expenditures	10,207,841	214,416	295,631	738,509	512,001	11,968,398
Excess of Revenues Over (Under) Expenditures	503,185	(214,161)	(12,794)	13,415	60,006	349,651
Other Financing Sources						
Proceeds from the sale of equipment	35,571	-	-	-	-	35,571
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	538,756	(214,161)	(12,794)	13,415	60,006	385,222
Fund Balance - Beginning of the year	4,487,035	286,912	148,276	186,937	292,638	5,401,798
Fund Balance - End of the year	$ 5,025,791	$ 72,751	$ 135,482	$ 200,352	$ 352,644	$ 5,787,020

The accompanying notes are an integral part of these financial statements.

INDEPENDENT SCHOOL DISTRICT 695

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2022

Total Net Change in Fund Balance - Governmental Funds	$	385,222
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the cost of these assets are allocated over the estimated useful lives as depreciation expense.		
Capital outlays		919,135
Depreciation and amortization expense		(976,989)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		872,447
Interest on the long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when due, and thus requires the use of current financial resources. In the statement of activities however, interest expense is recognized as the interest accrues, regardless of when it is due.		(52,555)
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 deferred in the funds.		(7,016)
Premiums on the issuance of bonds are reported as other financing sources in the governmental funds and reported as a valuation adjustment to the debt and deferred and amortized in the governmental activities statement.		3,909
Annual OPEB cost less pay-as-you-go amount remitted and recorded by the District as an expenditure.		(24,984)
In the statement of activities, net pension liability (NPL) is measured considering the change in deferred inflows and outflows under GASB 68. In the governmental funds, pension contribution is measured based on employer contributions. This is the difference between the recognition methods.		2,504,583
In the statement of activities, certain operating expenses - compensated absences and special termination benefits - are measured by the amounts earned during the year. In the government funds, however, expenditures for these items are measured by the amount of financial resources used (essentially amounts actually paid.)		(354,732)
Change in Net Position - Governmental Activities	$	3,269,020

The accompanying notes are an integral part of these financial statements.

INDEPENDENT SCHOOL DISTRICT 695

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Fiscal Year Ended June 30, 2022

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues				
Local taxes	$ 1,798,824	$ 1,934,218	$ 1,770,177	$ (164,041)
Other local and county	290,107	324,248	158,090	(166,158)
State sources	7,272,489	7,417,593	7,465,996	48,403
Federal sources	461,585	461,585	1,314,950	853,365
Sales and other conversions of assets	3,500	3,500	1,813	(1,687)
Total Revenues	9,826,505	10,141,144	10,711,026	569,882
Expenditures				
Current				
District and school administration	705,153	705,153	715,797	10,644
District support services	308,973	382,205	357,228	(24,977)
Instruction				
Regular	4,653,842	4,668,483	4,437,368	(231,115)
Vocational	93,598	93,598	45,472	(48,126)
Special education	1,725,121	1,725,121	1,811,698	86,577
Instructional support services	152,808	152,808	90,510	(62,298)
Pupil support services	453,441	535,441	592,749	57,308
Site, buildings and equipment	1,479,226	1,685,946	1,584,628	(101,318)
Fiscal and other fixed cost programs	81,896	94,396	118,085	23,689
Capital Outlay	508,112	690,793	454,306	(236,487)
Total Expenditures	10,162,170	10,733,944	10,207,841	(526,103)
Excess of Revenues Over (Under) Expenditures	(335,665)	(592,800)	503,185	1,095,985
Other Financing Sources - Proceeds from sale of equipment	-	-	35,571	35,571
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	$ (335,665)	$ (592,800)	538,756	$ 1,131,556
Fund Balance - Beginning of the year			4,487,035	
Fund Balance - End of the year			$ 5,025,791	

The accompanying notes are an integral part of these financial statements.

INDEPENDENT SCHOOL DISTRICT 695

STATEMENT OF FIDUCIARY NET POSITION
June 30, 2022

	OPEB Trust Fund	Scholarship Custodial Fund
Assets		
Cash and cash equivalents	$ 38,525	$ 3,381
Investments (See Note 11)	5,317,658	-
Interest receivable	330	-
Total Assets	5,356,513	3,381
Liabilities (Total)		
Due to general fund	281,484	-
Scholarships not yet awarded	-	3,381
	281,484	$ 3,381
Net Position		
Net Position Restricted for Post-employment Benefits Other than Pensions (OPEB)	$ 5,075,029	

The accompanying notes are an integral part of these financial statements.

INDEPENDENT SCHOOL DISTRICT 695

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Fiscal Year Ended June 30, 2022

	OPEB Trust Fund	Scholarship Custodial Fund
Additions		
Contributions - Employer	$ 277,168	$ -
Investment income	(130,936)	-
Gifts and bequests	-	17,106
Total Additions	146,232	17,106
Deductions		
Benefit payments	558,652	-
Administrative expenses	250	-
Scholarships awarded	-	34,800
Total Deductions	558,902	34,800
Net decrease	$ (412,670)	$ (17,694)
Restricted Net Position/Scholarships to be awarded - Beginning of the year	$ 5,487,699	$ 21,075
Net decrease	(412,670)	(17,694)
Restricted Net Position/Scholarships to be awarded - End of the year	$ 5,075,029	$ 3,381

The accompanying notes are an integral part of these financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of Independent School District 695, Chisholm, Minnesota 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.

Reporting Entity

Independent School District 695, Chisholm, Minnesota, was established pursuant to applicable Minnesota laws and statutes to provide public school education facilities to every child of school age residing within the District.

The governing body consists of a six member board elected by eligible voters of the District. The powers and duties of the Board are provided in Minnesota Statutes.

The District's financial statements include the accounts of all the District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Government Accounting Standards Board Statement No. 61, *The Financial Reporting Entity,* amends GASB Statement No. 14, *The Financial Reporting Entity,* and GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* by clarifying requirements for the reporting of component units. Consideration for inclusion as a component unit include whether the organization is legally separate, the District holds the corporate powers of the organization, the District appoints a voting majority of the board, the District is able to impose its will, whether the organization has the potential to impose a financial burden/benefit on the District and the level of fiscal dependency. GASB 61 expanded the definitions found within Statement 14 as well as clarified many of the criteria used to determine the financial benefit and burden relationships.

Based upon the application of these criteria, there were no component units requiring inclusion in with the reporting entity.

With the adoption of GASB Statement No. 84, *Fiduciary Activities* , extracurricular funds under board control are now reported within the general fund. They are no longer presented as a separate reporting unit.

Basic Financial Statement Presentation

The District-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds that include the scholarship (custodial) and the OPEB (trust) fund. The fiduciary funds are only reported in the Statements of Fiduciary Net Position and Changes in Fiduciary Net Position at the fund financial statement level since they are not available for general operations.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The District applies restricted resources first when an expense is incurred for the purpose for which both restricted and unrestricted net assets are available. Depreciation expense which can be specifically identified by function are included in the direct expenses of each function, while indirect expenses are reflected separately. Interest on general long-term debt is considered an indirect expense and is also 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 and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining governmental funds is reported in a single column in the fund financial statements.

The fiduciary funds are presented in the fiduciary fund financial statements by type. Since by definition these assets are being held for the benefit of a third party (other than the district) and cannot be used to address activities or obligations of the District, the scholarship (custodial) and the OPEB (trust) fund are not incorporated into the district-wide statements.

Measurement Focus and Basis of Accounting

District-Wide Financial Statements

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

Governmental Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner:

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Minnesota Statutes and 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.

Recording of Expenditures
Expenditures are generally recorded when a liability is incurred. The exception to this general rule is that interest and principal expenditures in the debt service funds 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. Each fund is accounted for as an independent entity. A description of the funds included in this report are as follows:

Major Governmental Funds
General Fund
The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Building Construction Fund
The Building Construction Fund is used to account for the accumulation of resources for and the acquisition of capital construction projects.

Debt Service Fund
The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs other than those debts associated with the OPEB bonds.

Debt Service OPEB Fund
The Debt Service Fund is used to account for the proceeds and repayment of OPEB bonds.

Nonmajor Governmental Funds
Food Service Special Revenue Fund
The Food Service Fund is used to account for food service revenues and expenditures.

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

Fiduciary Funds
Custodial Fund - Scholarship Funds
The Scholarship Fund is established to account for cash and other assets held by the District for others. The District does not have administrative control over these funds but the criteria and selection is determined by the donor. Funding comes from various local individuals and organizations.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Trust Fund - OPEB
The Trust Fund is established to account for resources set aside and held in an irrevocable trust arrangement for post-employment benefits (OPEB). Also see Note 11 as it further describes the reporting under Governmental Accounting Standards Board Statement No. 74 related to the OPEB trust funds held.

Budgeting

An annual appropriated budget is adopted for all of the District's funds and is adopted on a basis consistent with the financial statements. The budget is adopted prior to July 1 for the next school year. All annual appropriations lapse at year end. Revisions of the budget were made throughout the year and approved by the board. Interim budget amendments increased General Fund revenues by $314,639 and increased expenditure budgets by $571,774 due to updated information received in several funding programs.

Cash and Cash Equivalents

The District pools the cash balances of all funds primarily into one common demand deposit account and one common savings account at a local bank. The District also considers funds held with MN Trust Fund and MN Liquid Asset Funds as cash equivalents.

Investments

State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements. Investments are stated at fair value. The fair value was obtained through information provided by third party sources.

Accounts Receivable

No allowance for uncollected accounts receivable is considered necessary.

Inventories

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

Prepaid Items

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

Deferred Outflows/Inflows of Resources

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to liabilities, the statement of financial position 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 future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has reported items in relation to the recording and reporting of property taxes levied for subsequent years expenditures and property tax reporting as well as deferred items in relation to the net pension liability recognized under GASB 68 in the accompanying financial statements. See Note 6 for additional information.

Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold of $5,000 or more for capitalizing 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 outlay reported at the fund statement level reflects all expenditures that are capital in nature including those that fall below the $5,000 capitalization threshold.

Capital assets are recorded in the District-wide 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.

Capital assets not being depreciated include land and any construction in progress.

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

Compensated Absences

District employees are eligible to receive paid vacation benefits. The amount of such benefits that an employee is entitled to depends on the bargaining unit to which he or she is a member and also on his or her years of service. The total amount earned and available as of June 30 is recorded in the District-wide statements. A liability is recorded in the governmental funds only if the liability has matured as a result of employee use within the first sixty days in the subsequent year.

Separation and Severance Pay

The District provides for health and dental benefits for qualifying employees following their retirement. See Note 11 for a description of the benefits.

In addition to providing the health and dental benefits, employees may be eligible to receive direct severance payments. The District records a liability in the respective funds for those eligible retirees who have retired and will receive payments within sixty days after year end in the fund financial statements. The total amount as of June 30, 2022 is recorded in the District-wide financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Debt Obligations

In the District-wide financial statements, bonds payable and other long-term debt obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of applicable bond premium or discounts. Bond issuance costs are expensed.

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

Risk Management

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

Net Position

Net position represent the difference between assets, deferred inflows, liabilities and deferred outflows in the District-wide and Fiduciary fund financial statements. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the 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.

Fund Balance Classifications

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

Nonspendable - consists of amounts that are not in spendable form, such as inventories and prepaids.

Restricted - consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - consists of internally imposed constraints. These constraints are established by formal resolution of the District's board. These amounts cannot be used for any other purposes unless the Board modifies or rescinds the motion.

Assigned - consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the District's intended use. These constraints are established by the Board and/or management. The Board has authorized the superintendent and/or the business manager to establish assignments of fund balance.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unassigned - is the residual classification for the general fund and also reflects negative residual amounts in other funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to first use restricted resources, and then use unrestricted resources as they are needed.

When committed, assigned or unassigned resources are available for use, it is the District's policy to use resources in the following order: 1) committed 2) assigned and 3) unassigned.

Minimum Unassigned Fund Balance Policy

The District has formally adopted a policy regarding the minimum unassigned fund balance for the General Fund. The most significant revenue source of the general fund is state funded educational aid and property taxes. As such the district set a policy to strive to maintain a minimum unassigned general fund balance of 8 percent of the annual budget.

Use of Estimates

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

Property Taxes

The School Board annually adopts a tax levy and certifies it to the County for collection. The County is responsible for collecting all property taxes for the District. These taxes attach an enforceable lien on taxable property within the District on January 1 and are payable by the property tax owners by May 15 and October 15 of each year. The taxes are collected by the County and tax settlements are made to the District.

Taxes payable on qualifying property are partially reduced by homestead, agricultural, and taconite aid credits. The credits are paid to the District by the State in lieu of taxes levied against the property.

Current property taxes receivable are recorded for taxes levied in 2021 and payable in 2022. A portion of the current property taxes are recognized as revenue in the fiscal year ended June 30, 2022 in accordance with state statutes and the remaining balance is deferred for subsequent years operations. Revenue from these delinquent property taxes that are not collected within 60 days of year-end are deferred in the fund financial statements because it is not known to be available to finance the operations of the District in the current year. For the District-wide statements, an allowance has been recorded to account for the estimated amount of uncollectible taxes.

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 Teachers Retirement Association (TRA) and the Public Employees Retirement Association (PERA) and additions to/deductions from TRA's/PERA fiduciary net position have been determined on the same basis as they are reported by TRA/PERA. 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)

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 Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015. Additional information can be found in Note 6.

NOTE 2 CASH AND INVESTMENTS

Cash and Cash Equivalents
Minnesota Statutes require that all deposits which are not U.S. government securities be protected by insurance, surety bond, or collateral. The market value of the collateral pledged must equal 110% of the deposits not covered by insurance or bonds.

Authorized collateral includes legal investments, as well as certain first mortgage notes, and certain other state and local government obligations. State statutes require that securities pledged as collateral be held in safekeeping by the District or in a financial institution other than that furnishing the collateral.

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits might not be recovered. The District does not have a formal deposit policy for custodial credit risk but follows Minnesota Statutes. As of June 30, 2022, none of the $1,008,790 bank balance and cash equivalents were exposed to custodial risk by being uninsured and under collateralized.

The District holds the following cash and cash equivalent accounts as of June 30:

Cash on hand	$ 1,000
Cash held in checking and savings	718,122
Cash Equivalents - MN Trust Fund	2,461,430
Cash Equivalents - MN Liquid Asset Fund	483,600
	$ 3,664,152

Total cash and cash equivalents are reflected as $3,622,246 in the governmental funds along with $38,525 and $3,381 reflected in the fiduciary funds.

The liquid asset fund values were obtained from statements provided by the Minnesota School District Liquid Asset fund administrator. The Minnesota School District Liquid Asset Fund is an external investment pool not registered with the SEC that follows the same regulatory rules of the SEC under rule 2a7 and is managed by the Board and Minnesota Statutes. They are valued at amortized cost, which approximates fair value. The investment in the MN Liquid Asset Fund is not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement No. 40.

Investments

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits might not be recovered. The District's investment policy is to follow the requirements found in Minnesota Statutes.

NOTE 2 CASH AND INVESTMENTS (Continued)

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

Credit risk is defined as the risk that an issuer or other counterparts to an investment in debt securities will not fulfill its obligation. State statutes limit investments to obligations of the U.S. Treasury commercial paper, corporate bonds and repurchase agreements. The District's current investment policy follows these requirements.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District placed no limit on the amount the District may invest in any one issuer.

The schedule below is a categorization of the District's investments (with maturities by years) as of June 30.

	1-5 years	6-10 years	Total
Certificates of deposit (at cost)	$ 1,481,970	$ -	$ 1,481,970
US treasury notes/bonds	2,232,292	-	2,232,292
Municipal bonds (fair value using level 2)	2,586,066	-	2,586,066
	$ 6,300,328	$ -	$ 6,300,328

The following schedule reports the fair value and rating assigned by Moody's obtained from the District's investment advisor:

Certificates of deposits	FDIC insured/Not rated	$ 1,481,970
U.S. Treasury Notes/Bonds	NA	2,232,292
Municipal bonds	Aaa/Moody's	1,606,710
Municipal bonds	Aa3/Moody's	204,958
Municipal bonds	Aa1/Moody's	774,398
		$ 6,300,328

Investments measured at level 1 of the fair value hierarchy are valued using prices quotes in active markets for those securities. Level 2 are valued using other observable inputs and level 3 are those that do not have significant fair value inputs available.

The District holds $5,317,658 in an irrevocable trust fund established for funding of other post employment benefits (OPEB.) These funds managed by the District's OPEB fund managers allowed under MN Statutes. None of the investments are subject to custodial credit risk.

The investments are reported in the accompanying financial statements as follows:

Governmental activities	$ 982,670
Fiduciary Funds - OPEB Trust (Note 11)	5,317,658
	$ 6,300,328

NOTE 3 RECEIVABLE FROM OTHER GOVERNMENTS

The District has amounts due from other governments at June 30 as follows:

	(Major) General	(Major) Debt Service	(Major) OPEB Debt Service	(Nonmajor) Other Governmental Funds	Total District-Wide
Dept. of Education	$ 266,578	$ 20,323	$ 11,185	$ 10,304	$ 308,390
Federal government through the Dept. of Education	1,313,610	-	-	-	1,313,610
Other governmental units	607,884	-	-	-	607,884
	$ 2,188,072	$ 20,323	$ 11,185	$ 10,304	$ 2,229,884

NOTE 4 CAPITAL ASSETS

The following is a summary of changes in the capital assets during the year:

	Balance June 30, 2021	Additions	Retirements	Balance June 30, 2022
Land	$ 22,500	$ -	$ -	$ 22,500
Land improvements	668,298	-	-	668,298
Buildings	18,539,807	220,865	-	18,760,672
Equipment	3,568,874	110,936	(160,627)	3,519,183
Right-to-use intangible assets: equipment	-	587,334	-	587,334
	$ 22,799,479	$ 919,135	$ (160,627)	$ 23,557,987

Accumulated depreciation activity for the year ended June 30, 2022 is as follows:

	Accumulated Depreciation June 30, 2021	Additions	Retirements	Accumulated Depreciation June 30, 2022
Land improvements	$ 291,131	$ 26,115	$ -	$ 317,246
Buildings	8,144,266	546,965	-	8,691,231
Equipment	2,482,753	144,369	(160,627)	2,466,495
Right-to-use intangible assets: equipment	-	259,540	-	259,540
	$ 10,918,150	$ 976,989	$ (160,627)	$ 11,734,512

Capital assets, net of accumulated depreciation, as of June 30, 2022 is as follows:

Land	$ 22,500
Land improvements	351,052
Buildings	10,069,441
Equipment	1,052,688
Right-to-use intangible assets: equipment	327,794
	$ 11,823,475

NOTE 4 CAPITAL ASSETS (Continued)

Depreciation and amortization expense of $976,989 for the year ended June 30, 2022 was charged to the following governmental functions:

District and school administration	$	
Instruction - regular		41,551
Instruction - exceptional		12,702
Instructional support services		2,171
Pupil support services		28,791
Food service		9,047
Site, buildings and equipment		288,012
Unallocated		594,715
	$	976,989

Intangible Right-to-Use Assets
In the year ending June 30, 2022, the District implemented the guidance in GASB No. 87, *Leases*, and recognized the value of copiers and buses leased under long-term contracts. The lease agreements have remaining terms ranging from one to five years on the lease period. The District has recorded the value of the leased assets in the amount of $587,334 and corresponding accumulated amortization of $259,540 for a net remaining value of $327,794 that will be amortized over the remaining estimated lives of the assets.

NOTE 5 LONG-TERM DEBT

General obligation bonds and notes are direct obligations and pledge the full faith and credit of the District. General obligation debt at June 30, 2022 is comprised of the following:

$3,560,000 General Obligation Taxable OPEB Refunding Bonds, Series 2016A, due in annual installments of $58,400 to $706,905 through March 1, 2025, interest rate of 1.5 to 2.45 percent.	$	2,030,000
$2,745,000 General Obligation Facility Maintenance Bonds, Series 2018A, due in annual installments of $191,631 to $196,481 through February 1, 2040, interest rate of 3 to 4 percent.		2,485,000
$2,415,578 General Obligation Facility Maintenance Bonds, Series 2018B, due in annual installments of $100,000 to $835,000 through February 1, 2028, interest rate of 2.14% to 3.27%.		2,130,987
		6,645,987
Unamortized premiums		68,735
Less: current portion of long-term obligations		(876,889)
	$	5,837,833

As noted under Note 4 regarding right-to-use assets, with the implementation of GASB No.87, *Leases*, the District records a related intangible asset and corresponding obligation for these transactions that were previously treated as operating leases. The District leases a variety of copiers and buses for a term of 60 months with outstanding balances as of June 30, 2022 of $335,242.

Lease agreements for copiers and buses with annual installments of $2,399 to $45,044 through December of 2027.	$	335,242

NOTE 5 LONG-TERM DEBT (Continued)

Minimum principal and interest payments required to retire long-term liabilities are as follows:

		Right-to-use Lease Obligations Principal	Right-to-use Lease Obligations Interest	Principal	Interest	Total
Ending June 30	2023	$ 115,255	$ 9,993	$ 876,889	$ 151,468	$ 1,153,605
	2024	83,258	6,420	892,463	139,261	1,121,402
	2025	85,858	3,817	908,416	124,970	1,123,061
	2026	50,871	1,370	780,305	247,877	1,080,423
	2027	-	-	758,568	271,313	1,029,881
	2028-2032	-	-	1,114,346	504,009	1,618,355
	2033-2037	-	-	775,000	196,155	971,155
	2038-2040	-	-	540,000	40,168	580,168
		$ 335,242	$ 21,600	$ 6,645,987	$ 1,675,221	$ 8,678,050

During the year, the following changes occurred in the District's long-term debt:

	General Obligation Debt	Right-to-Use Assets: Lease Obligations	Separation and Severance Payable	Compensated Absences Payable
Balance - Beginning of Year	$ 7,591,078	$ -	$ 346,000	$ 60,668
Debt retired	(872,447)	-	-	-
Amortization of bond premium	(3,909)	-	-	-
Increases	-	453,297	78,698	121,654
Decreases	-	(118,055)	(57,435)	(121,332)
Balance - End of Year	$ 6,714,722	$ 335,242	$ 367,263	$ 60,990

The liabilities are reported on the District-wide statements as follows:

	General Obligation Debt	Right-to-Use Assets: Lease Obligations	Separation and Severance Payable	Compensated Absences Payable
Current liabilities	$ 876,889	$ 115,255	$ -	$ 20,222
Long-term obligations	5,837,833	219,987	367,263	40,768
	$ 6,714,722	$ 335,242	$ 367,263	$ 60,990

The debt service fund will liquidate the long term debt in future years for the general obligation bond and the general fund, food service or community education funds will finance the severance, and compensated absences liabilities in relation to the funds where the original salaries were paid.

See Note 6 for changes in net pension liabilities (TRA & PERA) and Note 11 for OPEB liabilities.

NOTE 6 PENSION PLANS

Substantially all employees of the District are required by State law to belong to pension plans administered by the Teachers Retirement Association (TRA) or the Public Employees Retirement Association (PERA), both of which are administered on a statewide basis.

TEACHERS RETIREMENT ASSOCIATION

A Plan Description

The Teachers Retirement Association (TRA) is an administrator of a multiple employer, cost-sharing, defined benefit retirement plan. TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with Minnesota Statues, 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 educational institutions maintained by the state (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 the State of Minnesota.

B Benefits Provided

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

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

Tier I Benefits

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

NOTE 6 PENSION PLANS (Continued)
TEACHERS RETIREMENT ASSOCIATION

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

or

Tier II Benefits

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

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

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

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

C Contribution Rate

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

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

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

NOTE 6 PENSION PLANS (Continued)
TEACHERS RETIREMENT ASSOCIATION

Employer contributions reported in TRA's CAFR Statement of Changes in Fiduciary Net Position	$	448,829,000
Add employer contributions not related to future contribution efforts		379,000
Deduct TRA's contributions not included in allocation		(538,000)
Total employer contributions		448,670,000
Total non-employer contributions		37,840,000
Total contributions reported in Schedule of Employer and Non-employer Allocations	$	486,510,000

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

D Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information		
Valuation Date	July 1, 2021	
Experience Study	June 5, 2019 (demographic assumptions) November 6, 2017 (economic assumptions)	
Actuarial Cost Method	Entry Age Normal	
Actuarial Assumptions:		
Investment Rate of Return	7.00%	
Price inflation	2.50%	
Wage growth rate	2.85%	before July 1, 2028 and 3.25% after June 30, 2028
Projected Salary Increase	2.85 - 8.85%	before July 1, 2028 and 3.25% to 9.25% after June 30, 2028
Cost of living adjustment	1.00%	for January 2020 through January 2023, then increasing by .1% each year up to 1.5% annually.
Mortality Assumption		
Pre-retirement	RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP-2015 scale.	
Post-retirement	RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.	
Post-disability	RP 2014 disabled retiree mortality table, without adjustment.	

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

NOTE 6 PENSION PLANS (Continued)
TEACHERS RETIREMENT ASSOCIATION

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Geometric mean)
Domestic Equity	35.5%	5.10%
International Equity	17.5%	5.30%
Private Markets	25.0%	5.90%
Fixed income	20.0%	0.75%
Unallocated Cash	2.0%	0.00%
Total	100%	

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2022 is 6 years. The "Difference Between Expected and Actual Experience," "Changes in Assumptions," and "Changes in Proportion" use the amortization period of 6 years in the schedule presented. The amortization period for the "Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments" is over a period of 5 years as required by GASB 68.

Changes in actuarial assumptions since the 2020 valuation:
- For the GASB Valuation - the investment return assumption was changed from 7.5% to 7.0%.

E Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The discount rate used to measure the TPL at the prior date was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2021 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

NOTE 6 PENSION PLANS (Continued)
TEACHERS RETIREMENT ASSOCIATION

F Net Pension Liability

On June 30, 2022, the District reported a liability of $2,695,800 for it's proportionate share of net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. District proportionate share was 0.0616% at the end of the measurement period and 0.0634% for the beginning of the year.

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

District's proportionate share of net pension liability	$	2,695,800
State's proportionate share of the net pension liability associated with the district		227,377

For the year ended June 30, 2022, the District recognized pension expense of $(56,796). It also recognized ($2,546) as an increase to pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 62,623	$ 45,567
Change in Actuarial Assumptions	987,520	-
Net difference between projected and actual earnings on plan investments	-	2,254,405
Change in proportion	116,857	159,673
Contributions paid subsequent to year end	315,925	-
	$ 1,482,925	$ 2,459,645

$315,925 reported as deferred outflows will be recognized as a reduction of the net pension liability in a subsequent year.
Deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

2023	$	(283,347)
2024		(146,575)
2025		(244,563)
2026		(618,160)

G Pension Liability Sensitivity

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.00% as well as the liability measured using one percent lower (6.00%) and one percent higher (8.00%) than the current rate.

District Proportionate Share of NPL

1 percent decrease (6.00%)	Current (7.00%)	1 percent increase (8.00%)
$ 5,445,648	$ 2,695,800	$ 440,706

NOTE 6 PENSION PLANS (Continued)
TEACHERS RETIREMENT ASSOCIATION

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

H Pension Plan Fiduciary Net Position

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

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA)

A Plan Description

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

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

B Benefits Provided

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

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

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost of living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive the full increase.
For 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 90 are exempt from the delay to normal retirement.

NOTE 6 PENSION PLANS (Continued)
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA)

C 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 contribution 6.5% of their annual covered salary in fiscal year 2021; the District was required to contribute 7.5 percent for Coordinated Plan members. The District's contributions to the GERF for the year ended June 30, 2022 were $134,553. The District's contributions were equal to the required contributions for each year as set by state statute.

D Pension Costs

At June 30, 2022, the District reported a liability of $1,123,128 for its proportionate share of the GERF's net pension liability. The net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled $34,294. The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021 relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was .0263% at the end of the measurement period and .0246% for the beginning of the period.

District's proportionate share of the net pension liability	$	1,123,128
State of MN's proportionate share of the NPL associated with the District		34,294
	$	1,157,422

There were no provision changes during the measurement period.

For the year ended June 30, 2022, the District recognized pension expense of $94,357 for its proportionate share of GERF's pension expense. In addition, the District recognized an additional $2,767 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 5,904	$ 34,114
Change in actuarial assumptions	685,759	22,608
Net difference between projected and actual earnings on plan investments	-	977,845
Change in proportion	134,494	18,029
Contributions paid subsequent to year end	134,553	-
	$ 960,710	$ 1,052,596

NOTE 6 PENSION PLANS (Continued)
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA)

$134,553 reported as deferred outflows of resources related to pensions resulting from District contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amount reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

2023	$	(10,923)
2024		35,516
2025		14,268
2026		(265,299)

E Long-Term Expected Return on Investment

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Domestic Equity	33.5%	5.10%
International Equity	17%	5.30%
Fixed Income	25%	0.75%
Private Markets	25.0%	5.90%
Total	100%	

F Actuarial Methods and Assumptions

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

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

Salary growth assumptions range in annual increments from 10.25% after one year of service to 3% after 29 years of service and 6% per year thereafter.

Mortality rates for the plan are based on Pub-2010 General Employee Mortality Table. The tables are adjusted slightly to fit PERA's experience.

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

The following changes in actuarial assumptions and plan provisions occurred in 2021:
- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

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

NOTE 6 PENSION PLANS (Continued)
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA)

G Discount Rate

The discount rate used to measure the total pension liability in 2021 was 6.5%.
The projection of cash flows used to determine the discount rate assumed that contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees 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.

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

District Proportionate Share of NPL		
1 percent decrease (5.5%)	Current (6.5%)	1 percent increase (7.5%)
$ 2,290,607	$ 1,123,128	$ 165,140

I Pension Plan Fiduciary Net Position

Detailed information about the defined benefit 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.pera.org.

NOTE 6 PENSION PLANS (Continued)

Total Disclosures Reported in the Accompanying Financial Statements as follows:

The total of the Teachers Retirement Association (TRA) and the Public Employees Retirement Association (PERA) pension liabilities and deferred items are reflected in the accompanying District wide statement of financial position as follows:

	TRA	PERA	Total
Deferred outflows of resources	$ 1,482,925	$ 960,710	$ 2,443,635
Deferred inflows of resources	2,459,645	1,052,596	3,512,241
Noncurrent liability - Net Pension Liability	2,695,800	1,123,128	3,818,928

Defined Contribution Plan

The District's board members are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by PERA. The PEDCP is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specified plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary which is matched by the elected official's employer. For salaried employees there is a fixed percentage of salary. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2% of employer contributions and twenty-five hundredths of 1% (.0025) of the assets in each member's account annually.

Total contributions made by the District during fiscal year 2022 were:

Contribution Amounts		Percentage of Covered Payroll		Required
Employee	Employer	Employee	Employer	Rate
$384	$384	5%	5%	5%

NOTE 7 POST-EMPLOYMENT HEALTH CARE BENEFITS

As mentioned in Note 1, the District provides health care and life insurance benefits for retired District employees. District employees become eligible for such benefits upon reaching normal retirement while working for the District. The cost of such benefits is recognized as an expenditure as claims are paid in the Fund financial statements and as accrued in the District-wide statements to reflect an estimated liability for the remaining lives of the current retirees.

During the current fiscal year, the District recorded a net expenditures of $297,353 for such benefits on behalf of approximately 112 retirees in direct costs not factoring in implicit rate subsidy contributions described in further detail in Note 11 and after an approved $281,484 transfer from the OPEB trust.

NOTE 8 CONTINGENT LIABILITIES

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.

INDEPENDENT SCHOOL DISTRICT 695

NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 9 FUND BALANCES - RESTRICTIONS/RESERVES AND DEFICITS

Fund balances were reserved as follows at June 30:

	General Fund	Building Construction Fund	Debt Service Fund	OPEB Debt Service Fund	Other Governmental Funds
Nonspendable: Inventory	$ -	$ -	$ -	$ -	$ 19,208
Restricted for:					
Student activities	33,515	-	-	-	-
Scholarships	247,386	-	-	-	-
Staff development	133,569	-	-	-	-
LTFM	466,061	72,751	-	-	-
Taconite bldg maint	256,299	-	-	-	-
$25 Taconite	79,220	-	-	-	-
Basic Skills	133,198	-	-	-	-
Medical assistance	48,289	-	-	-	-
Safe schools	29,031	-	-	-	-
Basic Skills Extended	38,429	-	-	-	-
Debt service	-	-	135,482	200,352	-
Food service	-	-	-	-	195,372
Community education	-	-	-	-	106,306
ECFE	-	-	-	-	(4,687)
School readiness	-	-	-	-	36,445
Total Restricted	1,464,997	72,751	135,482	200,352	333,436
Committed: Severance	1,157,869	-	-	-	-
Assigned	7,240	-	-	-	-
Unassigned	2,395,685	-	-	-	-
	$ 5,025,791	$ 72,751	$ 135,482	$ 200,352	$ 352,644

Nonspendable - Represents a portion of the fund balance that is not available since the amounts have already been spent on inventory.
Restricted for student activities - Represents resources for extracurricular activities raised by students with District admin control.
Restricted for scholarships - Represents resources available for scholarship funds with District administrative control.
Restricted for staff development - Represents unspent staff development revenues set aside from general education revenue.
Restricted for long term facility maintenance - Represent program income from specific revenue sources to be used for LTFM projects.
Restricted for taconite bldg maintenance - Represents resources remaining from the distribution of taconite revenue.
Restricted for $25 Taconite - Represents resources to be used for outcome based learning programs/early childhood programs.
Restricted for basic skills - Represents unspent resources for enhancement of basic skills.
Restricted for medical assistance - Represents unspent resources from restricted dollars to be used for future specified use.
Restricted for safe schools - Represents unspent resources for future school safety projects.
Restricted for basic skills extended - Represents unspent resources for enhancement of basic skills.
Restricted for debt service - Represents resources required to be set aside for future debt payments.
Restricted for food service - Represents resources required by statute to be segregated for food services.
Restricted for community education - Represents resources available to provide programming for community education.
Restricted for early childhood/family education - Represents resources available to provide for service for early childhood family education programming
Restricted for school readiness - Represents resources available to provide services for school readiness program.
Committed for - future estimated costs of second ensuing year retirement payments and equipment purchases. A majority vote of the board is required to commit a fund balance to a specific purpose.
Assigned - Represents amount constrained by the district for specific school projects.

NOTE 9 FUND BALANCES - RESTRICTIONS/RESERVES AND DEFICITS (Continued)

Deficit Fund Balances

No funds had a total deficit fund balance as of June 30, 2022.

NOTE 10 EXPENDITURES IN EXCESS OF BUDGET

The food service special revenue fund (non-major) expenditures ($327,753) exceeded the final budgeted expenditures ($296,435) by $31,318. The community service special revenue fund (non-major) expenditures ($184,248) exceeded the final budgeted expenditures ($182,143) by $2,105.

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The District provides medical, dental, and life insurance to employees of the School District who are covered by an employment contract which provides for such post-employment benefits under a single-employer defined benefit plan. The District has established an irrevocable OPEB trust to help fund the plan.

Benefits Provided

All retirees of the District upon retirement have the option to continue their medical insurance coverage through the District. For members of certain employee groups, the District pays for all or part of the eligible retiree's premium for medical and/or dental insurance from the time of retirement until either reaching the age of eligibility for Medicare or for their lifetime. Benefits paid by the District differ by bargaining unit and date of hire, with some contracts specifying a certain dollar amount per month and others covering premium costs as defined by each collective bargaining agreement. Retirees not eligible for these district paid plans must pay the full district premium rate for their coverage.

The District is legally required to include any retirees for whom it provides health insurance coverage in the same insurance pool as its active employees until the retiree reaches Medicare eligibility, whether the premiums are paid by the district or the retiree. Consequently, participating retirees are considered to receive a secondary benefit known as an 'implicit rate subsidy.' This benefit relates to the assumption that the retiree is receiving a more favorable premium rate than they would otherwise be able to obtain if purchasing insurance on their own, due to being included in the same pool with the District's active pool.

- For teachers hired before 9/1/2003 with the earlier of age 52 and 15 years of service or 30 years of service.
- For AFSCME participants hired before 9/1/2003 with the earlier of age 55 with 10 years of service or any age with 20 years of service.
- For the superintendent with at least 10 years of service
- For the financial assistant, teachers and AFSCME members hired after 9/1/2003 the District will not cover the premiums. They will be allowed to participate but at their own expense.

The District also provides dental coverage to a limited number of retirees for their lifetime based on contract. All other retirees are allowed to participate at their own expense.

The District also provides a paid up $10,000 life insurance upon retirement to some retirees under contract.

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Contributions

Contribution requirements for employees and retirees are set by the District and employment contracts. The District established an irrevocable OPEB trust dated September 28, 2009. Under the agreement and in conjunction with the issuance of the OPEB bonds, the district funded the plan in that year by making an annual contribution amount of $754,681 as well as funding a one time additional amount of $4,720,950 for a total initial contribution of $5,475,631 into an irrevocable trust. The District has contributed in the prior fiscal years under the pay-as-you go option. The trust does not require the District to make contributions to the trust or to fully fund OPEB, and the benefits under the Plan may be partially funded or financed on a pay-as-you go basis in future years.

The District has assets restricted for OPEB. These assets are in an irrevocable trust. In prior years, the District did not pay benefits out of the trust but instead had been using the District's general assets to cover the benefits paid under the pay-as-you go method. For the current year, the total actuarial benefits paid were $277,168 which included a $31,981 in implicit subsidy benefit payments.

Investments

Under the trust agreement, investments are limited to those authorized under Minnesota Statutes Chapter 118A or section 356A.06, subdivision 7, including shares of the MN Trust. The District or its plan administrators have the responsibility to select investments for the trust assets from among those permitted investments and also to appoint an investment advisor.

Investments held in the irrevocable trust as of June 30, 2022 are as follows:

	1-5 years	6-10 years	Total
Certificates of deposit (at cost)	$ 499,300	$ -	$ 499,300
U.S. Treasury notes/bonds	2,232,292	-	2,232,292
Municipal bond (fair value level 2)	2,586,066	-	2,586,066
	$ 5,317,658	$ -	$ 5,317,658

Investments held exceeding 5 percent or more of the OPEB plan's fiduciary net position consisted of a Moore County bond ($774,398) and Des Moines, Iowa bond of $1,460,899.

For the year ended June 30, 2022, the annual money-weighted rate of return on investments, net of investment expense, was (-2.39%). The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Members

As of the valuation date of June 30, 2020, the District has 45 active employees electing coverage, 54 active employees waiving coverage and 112 retirees electing coverage for a total membership pool of 211.

Actuarial Assumption

The total OPEB liability was determined by an actuarial valuation as of the June 30, 2020 date, using the following assumptions, applied to all periods included in the measurement date of June 30, 2022, unless otherwise specified:

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Discount Rate	2.0%
Expected return on plan assets	2.0%
General inflation (CPI-U)	2.25%
Index rate	3.69% for 20 year, tax-exempt municipal bonds used in discount rate
Payroll growth rate	3.00%
Mortality assumption	For teachers, rates were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2015 and other adjustments For non-teachers, mortality rates were based on the Pub-210 general mortality tables with projected mortality improvements based on scale MP-2019, and other adjustments
Health care cost trend rate	6.7% for FY2021, gradually decreasing over several decades to an ultimate rate of 3.8% for FY2076 and later Dental premiums are assumed to increase 3.5% annually.

Estimates of geometric real and nominal rates of return for each major asset class included in the OPEB's plan's asset allocations as of the measurement date are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Long-Term Expected Nominal Rate of Return
Domestic equity	4.42%	6.67%
International equity	4.91%	7.16%
Fixed Income	1.00%	3.25%
Real estate/alternatives	3.98%	6.23%
Cash and equivalents	-0.33%	1.92%

Net long-term expected investment return is 2.0%.

Changes in Net OPEB Liability

The District's net OPEB liability of $1,982,649 was measured as of June 30, 2022, and was determined by an actuarial valuation as of June 30, 2020.

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Beginning balance - July 1, 2021	$ 7,151,097	$ 5,487,699	$ 1,663,398
Changes for the year			
Service costs	94,698	-	94,698
Interest	142,144	-	142,144
Differences between expected and actual experience	(53,093)	-	(53,093)
Changes of assumptions	-	-	-
Changes in benefit terms	-	-	-
Employer contributions	-	(4,316)	4,316
Net investment income	-	(130,936)	130,936
Benefit payments	(277,168)	(277,168)	-
Administrative expenses	-	(250)	250
Net changes	(93,419)	(412,670)	319,251
Ending balances - June 30, 2022	$ 7,057,678	$ 5,075,029	$ 1,982,649

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Fiduciary Net Position as a % of total OPEB Liability	71.9%
OPEB-eligible payroll for a measurement period	$ 5,848,043
Net OPEB liability as a % of eligible payroll	33.9%

Net OPEB Liability Sensitivity

The following presents the District's net liability calculated using the district rate of 2.0% as well as the net liability measured using 1% lower and 1% higher than the current discount rate.

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
1% decrease in discount rate (1.0%)	$ 8,075,927	$ 5,075,029	$ 3,000,898
Current Discount rate (2.0%)	7,057,678	5,075,029	1,982,649
1% increase in discount rate (3.0%)	6,226,801	5,075,029	1,151,772

The following presents the District's net liability using healthcare cost trend rates that are 1% lower and 1% higher than the current healthcare cost trend rate.

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
1% decrease in trend rate	$ 6,311,634	$ 5,075,029	$ 1,236,605
Current trend rate	7,057,678	5,075,029	1,982,649
1% increase in trend rate	7,971,169	5,075,029	2,896,140

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2022, the District recognized OPEB expense of $20,668. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual liability	$ -	$ 1,362,194
Changes of assumptions	967,931	257,091
Net difference between projected and actual investment earnings	376,673	-
	$ 1,344,604	$ 1,619,285

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

Fiscal year ended	2023	$ (149,952)
	2024	(185,577)
	2025	118,653
	2026	(20,091)
	2027	(37,714)
	Thereafter	-
		$ (274,681)

INDEPENDENT SCHOOL DISTRICT 695

REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS AND NOTES

For the Fiscal Year Ended June 30, 2022

	2017	2018	2019	2020	2021	2022
Total OPEB Liability						
Service cost	$ 293,411	$ 320,155	$ 352,594	$ 139,973	$ 175,161	$ 94,698
Interest	394,164	407,994	413,010	302,558	249,424	142,144
Differences between expected and actual experience	-	-	(1,289,620)	-	(1,275,867)	(53,093)
Changes in assumptions	(79,112)	40,207	(763,671)	716,628	870,025	-
Changes of benefit terms	-	-	-	-	(41,715)	-
Benefit payments	(556,922)	(532,565)	(490,560)	(626,805)	(650,724)	(277,168)
Net change in total OPEB liability	51,541	235,791	(1,778,247)	532,354	(673,696)	(93,419)
Total OPEB liability - Beginning of the year	8,783,354	8,834,895	9,070,686	7,292,439	7,824,793	7,151,097
Total OPEB liability - End of the year	$ 8,834,895	$ 9,070,686	$ 7,292,439	$ 7,824,793	$ 7,151,097	$ 7,057,678
Plan Fiduciary Net Position						
Employee contributions	-	-	-	-	-	-
Employer contributions	556,922	532,565	190,560	341,605	365,154	(4,316)
Net investment income	64,645	77,608	123,750	121,248	18,592	(130,936)
Other additions	-	-	-	-	-	-
Benefit payments	(556,922)	(532,565)	(490,560)	(626,805)	(650,724)	(277,168)
Administrative expense	(250)	(250)	(250)	(250)	(250)	(250)
Other deductions	-	-	-	-	-	-
Net change in plan fiduciary net position	64,395	77,358	(176,500)	(164,202)	(267,228)	(412,670)
Plan Fiduciary Net Position - Beginning of the year	5,953,876	6,018,271	6,095,629	5,919,129	5,754,927	5,487,699
Plan Fiduciary Net Position - End of the year	$ 6,018,271	$ 6,095,629	$ 5,919,129	$ 5,754,927	$ 5,487,699	$ 5,075,029
NET OPEB LIABILITY - END OF THE YEAR	$ 2,816,624	$ 2,975,057	$ 1,373,310	$ 2,069,866	$ 1,663,398	$ 1,982,649
Fiduciary net position as a percentage of total OPEB liability	68.1%	67.2%	81.2%	73.5%	76.7%	71.9%
Payroll for the measurement period	NA	$ 4,885,054	$ 4,780,242	$ 5,547,278	$ 5,721,948	$ 5,848,043
Net OPEB liability as a % of employee payroll	NA	60.8%	28.7%	37.3%	29.1%	33.9%

The District does not have a formal funding policy and does not calculate an Actuarially Determined Contribution (ADC) as such the disclosures of a Schedule of Contributions is not required.

REQUIRED SUPPLEMENTARY INFORMATION - NET OPEB LIABILITIES AND RELATED RATIOS AND NOTES
SCHEDULE OF INVESTMENT RETURNS AND NOTES
For the Fiscal Year Ended June 30, 2022

	Annual Money-Weighted Rate of Return, Net of Investment Expenses
Fiscal year ended June 30, 2017	1.09%
Fiscal year ended June 30, 2018	1.36%
Fiscal year ended June 30, 2019	1.96%
Fiscal year ended June 30, 2020	2.05%
Fiscal year ended June 30, 2021	0.32%
Fiscal year ended June 30, 2022	(2.39%)

Note 1

The District implemented the provisions of GASB Statement No. 74 in the fiscal year ending June 30, 2017. This schedule is intended to present a 10-year trend information. Additional years will be added as they become available.

Fiscal year ended June 30, 2018

Significant assumptions used to measure the total OPEB liability included a discount rate of 4.59%, expected return on plan assets of 4.5% and an inflation rate of 2.75%. The mortality rates were based on the RP-2000 mortality tables with projected mortality improvements based on Scale AA, and other adjustments. The health care cost trend rate was based on actual premium increases for FY2017 and 6.5% for FY2018, gradually decreasing over several decades to an ultimate rate of 4.40% in FY2075 and later.

Fiscal year ended June 30, 2019

Significant assumptions used to measure the total OPEB liability included a discount rate of 4.25%, expected return on plan assets of 4.25% and an inflation rate of 2.50%. The mortality rates were based on the RP-2000 mortality tables with projected mortality improvements based on Scale AA, and other adjustments. The health care cost trend rate was based on actual premium increases for FY2018 and 6.9% for FY2019, gradually decreasing over several decades to an ultimate rate of 4% in FY2076 and later.

Fiscal year ended June 30, 2020

Significant assumptions used to measure the total OPEB liability included a discount rate of 3.25%, expected return on plan assets of 3.25% and an inflation rate of 2.45%. The mortality rates were based on the RP-2000 mortality tables with projected mortality improvements based on Scale AA, and other adjustments. The health care cost trend rate was updated to exclude the Affordable Care Act's Excise tax on high-cost health insurance plan due to its repeal.

Fiscal year ended June 30, 2021

Significant assumptions used to measure the total OPEB liability included a discount rate of 2.0%, expected return on plan assets of 2.0% and an inflation rate of 2.25%. The mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2015 and other adjustments for teachers. For non-teachers the mortality rates were based on the Pub-2010 general mortality tables with projected mortality improvements based on scale MP-2019, and other adjustments. The health care trend rate was 6.7% for FY 2021, gradually decreasing over decades to an ultimate rate of 3.8% in FY2076 and later years.

Fiscal year ended June 30, 2022

Significant assumptions used to measure the total OPEB liability included a discount rate of 2.0%, expected return on plan assets of 2.0% and an inflation rate of 2.25%. The mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2015 and other adjustments for teachers. For non-teachers the mortality rates were based on the Pub-2010 general mortality tables with projected mortality improvements based on scale MP-2019, and other adjustments. The health care trend rate was 6.7% for FY 2021, gradually decreasing over decades to an ultimate rate of 3.8% in FY2076 and later years.

INDEPENDENT SCHOOL DISTRICT 695

REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY AND SCHEDULE OF EMPLOYER CONTRIBUTIONS AND NOTES - TEACHERS RETIREMENT ASSOCIATION (TRA)

June 30, 2022

Schedule of Employer's Share of Net Pension Liability - Teachers Retirement Association

District FYE	TRA's Measure Date	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	State's Proportionate Share of the Net Pension Liability Associated with the District	Total	District's Covered Employee Payroll	District's Proportionate Share of the NPL (asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2015	6/30/2014	0.0644%	$2,967,506	$208,668	$ 3,176,174	$ 2,939,631	100.9%	81.5%
6/30/2016	6/30/2015	0.0632%	$3,909,545	$479,867	$ 4,389,412	$ 3,209,715	121.8%	76.8%
6/30/2017	6/30/2016	0.0651%	$15,527,903	$1,557,849	$ 17,085,752	$ 3,395,422	457.3%	44.9%
6/30/2018	6/30/2017	0.0658%	$13,134,874	$1,270,398	$ 14,405,272	$ 3,539,718	371.07%	51.57%
6/30/2019	6/30/2018	0.0629%	$3,951,755	$371,128	$ 4,322,883	$ 3,476,076	113.68%	78.07%
6/30/2020	6/30/2019	0.0601%	$3,830,787	$338,916	$ 4,169,703	$ 3,414,825	112.2%	78.07%
6/30/2021	6/30/2020	0.0634%	$4,684,077	$392,464	$ 5,076,541	$ 3,682,412	127.2%	75.48%
6/30/2022	6/30/2021	0.0616%	$2,695,800	$227,377	$ 2,923,177	$ 3,687,239	73.11%	86.63%

Schedule of Employer's Contributions - Teachers Retirement Association

District FYE	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	District's Covered Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
6/30/2015	$205,773	$240,729	-	$3,209,715	7.50%
6/30/2016	$253,932	$253,932	-	$3,395,422	7.50%
6/30/2017	$265,479	$265,479	-	$3,539,718	7.50%
6/30/2018	$260,706	$260,706	-	$3,476,076	7.50%
6/30/2019	$264,626	$264,626	-	$3,414,825	7.71%
6/30/2020	$291,647	$291,647	-	$3,682,412	7.92%
6/30/2021	$299,772	$299,772	-	$3,687,239	8.13%
6/30/2022	$315,925	$315,925	-	$3,788,062	8.34%

These schedules are presented to illustrate the requirements to show information for 10 years However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1 Changes in Assumptions and Benefit Terms

2021 The investment return assumption was changed from 7.5 percent to 7.00 percent.

2020 There were no factors that affect trends in the amounts reported, such as change of benefit terms or assumptions.

2019 There were no factors that affect trends in the amounts reported, such as change of benefit terms or assumptions.

2018 changes in actuarial assumptions included 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 2028. Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt. The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated. Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt. Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018. The employer contribution rate is increased each July 1 over the next 6 years. (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.5% 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 included the cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2015. The COLA was not assumed to increase to 2.5% but remain at 2.0% for all future years. Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%. The investment return assumption was changed from 8.0% to 7.5%. The price inflation assumption was lowered from 2.75% to 2.5%. The payroll growth assumption was lowered from 2.5% to 3.0%. The general wage growth assumption was lowered from 3.5% to 2.85% for ten years followed by 3.25% thereafter. The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

2016 changes in actuarial assumptions included the COLA was not assumed to increase for funding or the GASB calculations. It remained at 2% for all future years. The price inflation assumption was lowered from 3% to 2.75%. The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%. Minor changes included durations for the merit scale of the salary increase assumption. The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale. The post-retirement mortality assumption was changed to the RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP 2015 scale. The post-disability mortality assumption was changed to the RP 2014 disable retiree mortality table, without adjustment. Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility. Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience. A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

2015 changes in benefit terms included that the DTRFA merged into TRA on June 30, 2015. Changes in actuarial assumptions for that year included the annual COLA for the year valuation was assumed to be 2%. The prior year valuation used 2% with an increase to 2.5% commencing in 20134. The discount rate used to measure the total pension liability was 8.0%. This is a decrease from the discount rate at the prior measurement date of 8.25%.

INDEPENDENT SCHOOL DISTRICT 695

REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY AND SCHEDULE OF EMPLOYER CONTRIBUTIONS AND NOTES - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA)

June 30, 2022

Schedule of Employer's Share of Net Pension Liability - Public Employees Retirement Association

District FYE	PERA's Measure Date	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	State's Proportionate Share of the Net Pension Liability Associated with the District	Total	District's Covered Employee Payroll	District's Proportionate Share of the NPL (asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2015	6/30/2014	0.0258%	$1,211,955	-	$1,211,955	$1,325,171	89.4%	78.75%
6/30/2016	6/30/2015	0.0236%	$1,223,074	-	$1,223,074	$1,389,550	88.1%	78.19%
6/30/2017	6/30/2016	0.0223%	$1,810,649	$23,657	$1,834,306	$1,385,067	132.4%	68.91%
6/30/2018	6/30/2017	0.0230%	$1,468,306	$18,438	$1,486,744	$1,459,682	100.59%	75.90%
6/30/2019	6/30/2018	0.0238%	$1,320,326	$43,343	$1,363,669	$1,600,420	82.5%	79.53%
6/30/2020	6/30/2019	0.0225%	$1,243,975	$38,665	$1,282,640	$1,595,966	77.94%	80.23%
6/30/2021	6/30/2020	0.0246%	$1,474,882	$45,375	$1,520,257	$1,753,193	79.56%	79.06%
6/30/2022	6/30/2021	0.0263%	$1,123,128	$34,294	$1,157,422	$1,853,786	60.59%	87.00%

Schedule of Employer's Contributions - Public Employees Retirement Association

District FYE	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	District's Covered Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
6/30/2015	$102,793	$102,793	-	$1,389,550	7.25%
6/30/2016	$104,242	$104,242	-	$1,385,067	7.50%
6/30/2017	$110,020	$110,020	-	$1,459,682	7.50%
6/30/2018	$120,352	$120,352	-	$1,600,420	7.50%
6/30/2019	$120,014	$120,014	-	$1,595,966	7.50%
6/30/2020	$131,759	$131,759	-	$1,753,193	7.50%
6/30/2021	$141,620	$141,620	-	$1,853,786	7.50%
6/30/2022	$134,553	$134,553	-	$1,788,917	7.50%

These schedules are presented to illustrate the requirements to show information for 10 years However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY AND SCHEDULE OF EMPLOYER CONTRIBUTIONS AND NOTES - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA)

June 30, 2022

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1 Changes in Assumptions and in Benefit Terms

2021 changes in actuarial assumption include the investment return and single discount rates were exchanged from 7.5 percent to 6.5 percent, for financial reporting purposes. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020. There were not changes in plan provisions since the previous valuation.

2020 changes in actuarial assumptions include the price inflation assumption was decreased from 2.5% 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 20, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly few Rule of 90 and early retirements. Assumed rates of termination were changed as recommend in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for year 2-5 and slightly higher thereafter. Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females. The base mortality table for healthy annuitants and employees were changed from the RF-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants were changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table with adjustments. The mortality improvement scale was changed from Scale MP-2018 to scale MP-2019. the assumed spouse age difference was changed from two years older for females to one year older. The assumed number of married male new retirees electing the 100% joint & survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% joint& survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the life annuity option was adjusted accordingly.
Changes in plan provisions include augmentation for current privatized members being reduced to 2.)% for the period of July 1, 2020 through December 31, 2023 and 0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 changes in actuarial assumptions include the mortality projection scale was changed from MP-2017 to MP-2019. Changes in the plan provisions included the employer supplemental contribution was changed prospectively, decreasing from $31.0 million to $21.0 million per year. The State's special funding contribution was changed prospectively, requiring $16.0 million due per year through 2031.

2018 changes in actuarial assumptions included the mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1% per year through 2044 and 2.5% per year thereafter to 1.25% per year. Changes in the plan provisions included 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% to 3%, beginning July 1, 2018. Deferred augmentation was changed to 0%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Contribution stabilizer provisions were repealed. Post-retirement benefit increase were changed from 1% per year with a provision to increase to 2.5% upon attainment of 90% funding ration to 50% of the social security cost of living adjustment, not less than 1% and not more than 1.5%, beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age. Does not apply to Rule of 90 retirees, disability benefit recipients, or survivors. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 changes in actuarial assumptions included the combined service annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are no 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested member liability. The assumed post-retirement benefit increase rate was changed from 1 percent per year for all years to 1 percent per year through 2044 and 2.5 percent per year thereafter.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

2016 changes in actuarial assumptions included the assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years. The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.5% for inflation.

2015 changes involves changes in plan provisions. On January 1, 2015 the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892 million. Upon consideration, state and employer contributions were revised. 2015 changes in assumptions included the assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

INDEPENDENT SCHOOL DISTRICT 695

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2022

	Special Revenue - Food Service	Special Revenue - Community Service	Total
Assets and Deferred Outflows of Resources			
Assets			
Cash and cash equivalents	$ 201,848	$ 170,798	$ 372,646
Receivables			
Accounts	11,585	-	11,585
Other governments	-	10,304	10,304
Inventory	19,208	-	19,208
Total Assets	232,641	181,102	413,743
Deferred Outflows of Resources	-	-	-
Total Assets and Deferred Outflows of Resources	$ 232,641	$ 181,102	$ 413,743
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	$ 9,815	$ 38,892	$ 48,707
Unearned income	8,246	-	8,246
Salaries payable	-	4,146	4,146
Total Liabilities	18,061	43,038	61,099
Deferred Inflows of Resources	-	-	-
Equity			
Fund balance - nonspendable	19,208	-	19,208
Fund balance - restricted	195,372	138,064	333,436
Total Fund Balance	214,580	138,064	352,644
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 232,641	$ 181,102	$ 413,743

INDEPENDENT SCHOOL DISTRICT 695

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

	Special Revenue - Food Service	Special Revenue - Community Service	Total
Revenues			
Local taxes	$ -	$ 37,624	$ 37,624
Other local and county	-	30,842	30,842
State sources	12,977	103,089	116,066
Federal sources	368,076	1,484	369,560
Sales and other conversions of assets	17,915	-	17,915
Total Revenues	398,968	173,039	572,007
Expenditures			
Current			
Community education and services	-	183,728	183,728
Food service	326,050	-	326,050
Capital outlay	1,703	520	2,223
Total Expenditures	327,753	184,248	512,001
Excess of Revenues Over (Under) Expenditures	71,215	(11,209)	60,006
Fund Balance - Beginning of the year	143,365	149,273	292,638
Fund Balance - End of the year	$ 214,580	$ 138,064	$ 352,644

INDEPENDENT SCHOOL DISTRICT 695

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2022

	Final Budget	Actual	Variance
Revenues			
Local taxes	$ 1,934,218	$ 1,770,177	$ (164,041)
Other local and county			
Admissions and student activity revenues	8,600	37,111	28,511
Gifts and bequests	37,141	81,771	44,630
Investment earnings	30,000	(7,529)	(37,529)
Rent	4,400		(4,400)
Miscellaneous	244,107	46,737	(197,370)
	324,248	158,090	(166,158)
State sources			
Endowment fund apportionment	28,469	28,469	-
General education aid	6,230,078	6,307,954	77,876
Other state aids	93,506	62,237	(31,269)
Special education	1,065,540	1,067,336	1,796
	7,417,593	7,465,996	48,403
Federal sources			
Title I and Title II	325,272	272,372	(52,900)
Special education	100,000	81,454	(18,546)
COVID 19 funding - ESSER, GEER, CRF	-	929,798	929,798
Other	36,313	31,326	(4,987)
	461,585	1,314,950	853,365
Sales and other conversions of assets			
Sales of materials	3,500	1,813	(1,687)
Total Revenues	10,141,144	10,711,026	569,882

(Continued)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2022

(Continued)

	Final Budget	Actual	Variance
Expenditures			
District and school administration			
Salaries and wages	$ 519,593	$ 513,741	$ (5,852)
Employee benefits	134,335	116,874	(17,461)
Purchased services	28,000	52,554	24,554
Supplies and materials	13,125	15,104	1,979
Other	10,100	17,524	7,424
	705,153	715,797	10,644
District support services			
Salaries and wages	49,433	65,513	16,080
Employee benefits	13,772	18,294	4,522
Purchased services	258,500	217,245	(41,255)
Supplies and materials	56,500	51,577	(4,923)
Capital expenditure	75,000	126,382	51,382
Other	4,000	4,599	599
	457,205	483,610	26,405
Regular instruction			
Salaries and wages	2,939,347	2,939,265	(82)
Employee benefits	983,765	768,300	(215,465)
Purchased services	523,630	551,662	28,032
Supplies and materials	217,941	162,343	(55,598)
Capital expenditure	17,215	10,777	(6,438)
Other	3,800	15,798	11,998
	4,685,698	4,448,145	(237,553)
Vocational instruction			
Salaries and wages	76,706	34,232	(42,474)
Employee benefits	12,932	5,583	(7,349)
Supplies and materials	3,960	5,657	1,697
	93,598	45,472	(48,126)
Special education instruction			
Salaries and wages	1,046,526	1,168,426	121,900
Employee benefits	329,905	323,236	(6,669)
Purchased services	342,398	310,525	(31,873)
Supplies and materials	6,292	9,511	3,219
Capital expenditure	115,500	19,428	(96,072)
	1,840,621	1,831,126	(9,495)
Instructional support services			
Salaries and wages	33,049	53,815	20,766
Employee benefits	20,756	11,510	(9,246)
Purchased services	79,653	17,975	(61,678)
Supplies and materials	19,350	7,210	(12,140)
Capital expenditure	80,000	77,534	(2,466)
	232,808	168,044	(64,764)

(Continued)

INDEPENDENT SCHOOL DISTRICT 695

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the Fiscal Year Ended June 30, 2022

(Continued)

	Final Budget	Actual	Variance
Expenditures			
Pupil support services			
Salaries and wages	$ 250,670	$ 283,208	$ 32,538
Employee benefits	56,914	65,841	8,927
Purchased services	147,803	56,027	(91,776)
Supplies and materials	79,754	187,243	107,489
Capital expenditure	35,221	131,683	96,462
Other	300	430	130
	570,662	724,432	153,770
Site, buildings and equipment			
Salaries and wages	570,472	610,338	39,866
Employee benefits	232,560	138,687	(93,873)
Purchased services	467,722	389,250	(78,472)
Supplies and materials	415,192	446,353	31,161
Capital expenditures	367,857	88,502	(279,355)
	2,053,803	1,673,130	(380,673)
Fiscal and other fixed cost programs			
Purchased services	81,896	105,585	23,689
Other	12,500	12,500	-
	94,396	118,085	23,689
Total Expenditures	10,733,944	10,207,841	(526,103)
Excess of Revenues and other Financing Sources Over (Under) Expenditures	(592,800)	503,185	1,095,985
Other Financing Sources			
Proceeds from the sale of equipment	-	35,571	35,571
Excess of Revenues and other Financing Sources Over (Under) Expenditures	$ (592,800)	$ 538,756	$ 1,131,556
Fund Balance - Beginning of year	$ 4,487,035	$ 4,487,035	$ -
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	(592,800)	538,756	1,131,556
Fund Balance - End of year	$ 3,894,235	$ 5,025,791	$ 1,131,556

INDEPENDENT SCHOOL DISTRICT 695

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOOD SERVICE SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2022

	Final Budget	Actual	Variance
Revenues			
Other local			
Other	$ 7,341	$ -	$ (7,341)
State sources			
State aids	3,260	12,977	9,717
Federal sources			
Breakfast	-	45,763	45,763
Commodities	-	27,117	27,117
Free and reduced	273,773	279,122	5,349
Other	12,210	16,074	3,864
	285,983	368,076	82,093
Sales and other conversions of assets			
Program revenue	-	17,915	17,915
Total Revenues	296,584	398,968	102,384
Expenditures			
Pupil support services			
Purchased services	152,094	150,684	(1,410)
Supplies and commodities	144,341	175,366	31,025
Capital expenditures	-	1,703	1,703
Total Expenditures	296,435	327,753	31,318
Excess of Revenues Over Expenditures	$ 149	$ 71,215	$ 71,066

Fund Balance - Beginning of year	$ 143,365	$ 143,365	$ -
Excess of Revenues Over Expenditures	149	71,215	71,066
Fund Balance - End of year	$ 143,514	$ 214,580	$ 71,066

INDEPENDENT SCHOOL DISTRICT 695

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
COMMUNITY SERVICE SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2022

	Final Budget	Actual	Variance
Revenues			
Local taxes	$ 37,624	$ 37,624	$ -
Other local and county			
Fees from patrons	18,500	30,842	12,342
State sources			
Community education	18,685	18,708	23
Early childhood/family education	47,138	47,138	-
Learning readiness	35,250	35,275	25
Other state	39,469	1,968	(37,501)
	140,542	103,089	(37,453)
Federal sources	2,000	1,484	(516)
Total Revenues	198,666	173,039	(25,627)
Expenditures			
Community education and services			
Salaries and wages	129,043	137,627	8,584
Employee benefits	21,141	15,602	(5,539)
Purchased services	23,065	18,666	(4,399)
Supplies and materials	7,594	11,680	4,086
Capital expenditures	1,000	520	(480)
Other	300	153	(147)
Total Expenditures	182,143	184,248	2,105
Excess of Revenues Over (Under) Expenditures	$ 16,523	$ (11,209)	$ (27,732)
Fund Balance - Beginning of year	$ 149,273	$ 149,273	$ -
Excess of Revenues Over (Under) Expenditures	16,523	(11,209)	(27,732)
Fund Balance - End of year	$ 165,796	$ 138,064	$ (27,732)

Fiscal Compliance Report - 6/30/2022
District: CHISHOLM (695-1)

	Audit	UFARS	Audit - UFARS
01 GENERAL FUND			
Total Revenue	$10,711,026	$10,711,026	$0
Total Expenditures	$10,207,841	$10,207,841	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.01 Student Activities	$33,515	$33,515	$0
4.02 Scholarships	$247,386	$247,386	$0
4.03 Staff Development	$133,569	$133,569	$0
4.07 Capital Projects Levy	$0	$0	$0
4.08 Cooperative Revenue	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.14 Operating Debt	$0	$0	$0
4.16 Levy Reduction	$0	$0	$0
4.17 Taconite Building Maint	$256,299	$256,299	$0
4.24 Operating Capital	$0	$0	$0
4.26 $25 Taconite	$79,220	$79,220	$0
4.27 Disabled Accessibility	$0	$0	$0
4.28 Learning & Development	$0	$0	$0
4.34 Area Learning Center	$0	$0	$0
4.35 Contracted Alt. Programs	$0	$0	$0
4.36 State Approved Alt. Program	$0	$0	$0
4.38 Gifted & Talented	$0	$0	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.41 Basic Skills Programs	$133,198	$133,198	$0
4.48 Achievement and Integration	$0	$0	$0
4.49 Safe School Crime - Crime Levy	$29,031	$29,031	$0
4.51 QZAB Payments	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.53 Unfunded Sev & Retiremt Levy	$0	$0	$0
4.59 Basic Skills Extended Time	$38,429	$38,429	$0
4.67 LTFM	$466,061	$466,061	$0
4.72 Medical Assistance	$48,289	$48,289	$0
4.73 PPP Loan	$0	$0	$0
4.74 EIDL Loan	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
4.75 Title VII Impact Aid	$0	$0	$0
4.76 Payments in Lieu of Taxes	$0	$0	$0
Committed:			
4.18 Committed for Separation	$1,157,869	$1,157,869	$0
4.61 Committed Fund Balance	$0	$0	$0
Assigned:			
4.62 Assigned Fund Balance	$7,240	$7,240	$0
Unassigned:			
4.22 Unassigned Fund Balance	$2,395,685	$2,395,685	$0
02 FOOD SERVICES			
Total Revenue	$398,968	$398,968	$0
Total Expenditures	$327,753	$327,753	$0

	Audit	UFARS	Audit - UFARS
06 BUILDING CONSTRUCTION			
Total Revenue	$255	$255	$0
Total Expenditures	$214,416	$214,416	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.07 Capital Projects Levy	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.67 LTFM	$72,751	$72,751	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0
07 DEBT SERVICE			
Total Revenue	$282,837	$282,837	$0
Total Expenditures	$295,631	$295,631	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.25 Bond Refundings	$0	$0	$0
4.33 Maximum Effort Loan Aid	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$135,482	$135,482	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0
08 TRUST			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Restricted / Reserved:			
4.01 Student Activities	$0	$0	$0
4.02 Scholarships	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0
18 CUSTODIAL			
Total Revenue	$17,106	$17,106	$0
Total Expenditures	$34,800	$34,800	$0
Restricted / Reserved:			
4.01 Student Activities	$0	$0	$0
4.02 Scholarships	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.64 Restricted Fund Balance	$0	$0	$0
20 INTERNAL SERVICE			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0
25 OPEB REVOCABLE TRUST			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0

Non Spendable:			
4.60 Non Spendable Fund Balance	$19,208	$19,208	$0
Restricted / Reserved:			
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.74 EIDL Loan	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$195,372	$195,372	$0
Unassigned:			
4.63 Unassigned Fund Balancee	$0	$0	$0

04 COMMUNITY SERVICE

Total Revenue	$173,039	$173,039	$0
Total Expenditures	$184,248	$184,248	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.26 $25 Taconite	$0	$0	$0
4.31 Community Education	$100,825	$100,825	$0
4.32 E.C.F.E	($4,687)	($4,687)	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.44 School Readiness	$36,445	$36,445	$0
4.47 Adult Basic Education	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.73 PPP Loan	$0	$0	$0
4.74 EIDL Loan	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$5,481	$5,481	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

45 OPEB IRREVOCABLE TRUST

Total Revenue	($130,936)	($130,936)	$0
Total Expenditures	$281,734	$281,734	$0
4.22 Unassigned Fund Balance (Net Assets)	$5,075,029	$5,075,029	$0

47 OPEB DEBT SERVICE

Total Revenue	$751,924	$751,924	$0
Total Expenditures	$738,509	$738,509	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted:			
4.25 Bond Refundings	$0	$0	$0
4.64 Restricted Fund Balance	$200,352	$200,352	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

INDEPENDENT SCHOOL DISTRICT 695

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended June 30, 2022

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal Asset Listing Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients		Federal Expenditures
U.S. Department of Education					
Minnesota Department of Education					
Coronavirus Aid, Relief, and Economic Security Act (CARES)					
Covid 19 - Elementary and Secondary School Emergency Relief Fund (ESSER I)	84.425D	0695-01-000	-	$ 60,143	
Coronavirus Responses and Relief Supplemental Appropriations Act (CRRSA)					
Covid 19 - Expanded Summer Learning - Special Allocation (ESSER II)	84.425D	0695-01-000	-	815,003	
					875,146
U.S. Department of Health and Human Services					
Minnesota Department of Education					
COVID 19 - Minnesota Covid 19 Testing	93.323	0695-01-000	-		40,000
U.S. Department of Treasury					
Minnesota Department of Education					
American Rescue Plan - Coronavirus State and Local Fiscal Recovery Funds					
Covid 19 - Summer Academic and Mental Health Support	21.027	0695-01-000	-		14,652
U.S. Department of Education					
Minnesota Department of Education					
Title I, Part A	84.010	0695-01-000	-		237,824
U.S. Department of Education					
Minnesota Department of Education					
Supporting Effective Instruction Title II/ Part A/Teacher and Principal Training and Recruitment	84.367	0695-01-000	-		34,548
U.S. Department of Education					
NESCU					
Special Education (Cluster)					
Federal IDEA, Part B	84.027	-	-	81,454	
Minnesota Department of Education					
Special Education IDEA, Preschool	84.173	0695-01-000	-	1,484	
Total Special Education Cluster					82,938
U.S. Department of Education					
Minnesota Department of Education					
Special Education, Rural and Low-Income Schools	84.358	0695-01-000	-		15,993
U.S. Department of Education					
Minnesota Department of Education					
Title IV/Student Support and Academic Enrichment Program	84.424	0695-01-000	-		15,333
U.S. Department of Agriculture					
Minnesota Department of Education					
Food Distribution (Commodities)	10.555	0695-01-000	-	27,117	
Child Nutrition - Breakfast Prog	10.553	0695-01-000	-	45,763	
Child Nutrition - School Lunch Prog	10.555	0695-01-000	-	279,122	
Covid 19 - Nutrition Supply Chain	10.555x	0695-01-000	-	16,074	
Total Child Nutrition Cluster					368,076
Total Expenditures of Federal Awards					$ 1,684,510

See accompanying note which is an integral part of this schedule.

INDEPENDENT SCHOOL DISTRICT 695

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended June 30, 2022

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because this schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 NONMONETARY ASSISTANCE

Nonmonetary assistance is reported in the accompany schedule at the fair market value of the commodities received and disbursed in the amount of $27,117. At June 30, 2022, the District had food commodities remaining of $19,208 reported in inventory.

NOTE 4 INDIRECT COST RATE

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

Sterle & Co. LTD
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Members of the
School Board
Independent School District 695
Chisholm, MN

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparison information of the General Fund of Independent School District 695, Chisholm, Minnesota, 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 December 27, 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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. (2022-001 and 2022-002)

Report on Compliance and Other Matters

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

District's Response to Findings

The District's response to the findings identified in our audit are 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 it.

Purpose of the Report

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

Steele & Co, Ltd

December 27, 2022

Sterle & Co. LTD
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance

To the Members of the
School Board
Independent School District 695
Chisholm, MN

Report on Compliance for Each Major Program

Opinion on Each Major Federal Program

We have audited the Independent School District 695, Chisholm, Minnesota's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2022. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the Independent School District 695, Chisholm, Minnesota, and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with compliance requirements referred to above occurred, whether due to fraud or error, and to 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 generally accepted auditing standards, *Government Auditing Standards,* and the Uniform Guidance will always detect material noncompliance when it exits. 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 generally accepted auditing standards, *Government Auditing Standards,* and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures, responsive to those risk. 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 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 purposes of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses in internal control over compliance may exist that were not identified.

A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questions costs as item 2022-001 to be a significant deficiency.

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

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

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

Steele & Co, Ltd.

December 27, 2022

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Fiscal Year Ended June 30, 2022

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Independent School District 695, Chisholm, Minnesota were prepared in accordance with GAAP.

2. Two significant deficiencies disclosed during the audit of the financial statements are reported below as findings 2022-001 and 2022-002. No material weaknesses are reported.

3. No instances of noncompliance material to the financial statements of Independent School District 695, Chisholm, MN, which would be required to be reported in accordance with *Government Auditing Standards* , were disclosed during the audit.

4. One significant deficiency in internal control over major federal award programs disclosed during the audit is reported below as finding 2022-001. No material weaknesses are reported.

5. The auditor's report on compliance for the major federal award programs for Independent School District 695, Chisholm, Minnesota expresses an unmodified opinion on all major federal programs.

6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.

7. The program tested as a major program was: Elementary and Secondary School Emergency Relief Funds (ESSER I) and Expanded Summer Learning (ESSER II) ALN# 84.425D

8. The threshold used for distinguishing Type A and B programs was $750,000.

9. Independent School District 695, Chisholm, Minnesota was not considered to be a low-risk auditee.

FINDINGS - FINANCIAL STATEMENT AUDIT

2022-001 Inadequate segregation of duties within a significant account or process - Significant Deficiency

Condition: Due to the limited number of District staff, appropriate segregation of duties is not feasible for all accounting and reporting functions. Specific examples include:

a. The District places the authority over the year end financial reporting process, including all controls over procedures used to enter transaction totals into the general ledger; initiate, authorize, record, and process journal entries into the general ledger; and record recurring and nonrecurring adjustments to the financial statements with one individual (the business manager.)

b. The District has several departments that are responsible for the collection of fees charged to students and the general public. The departments are responsible for the collection, processing and reporting to the business office. In most instances, one individual in each department performs these duties.

Criteria: Internal controls should be in place to provide adequate segregation of duties to provide reasonable assurance of compliance with District financial accounting controls and policies.

Cause: Generally the lack of segregation is due to the limited funding available to add additional staff to appropriately divide related duties.

FINDINGS - FINANCIAL STATEMENT AUDIT - Continued

Effect: The lack of segregation of duties creates a control deficiency because the design and operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis creating a more than remote likelihood that a misstatement in the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

Context: The lack of segregation of duties exists within the district as a whole over all of its accounting and reporting functions. This is a common circumstance in Districts of similar size.

Recommendation: The District's management needs to be cognizant of this situation which may include re-assigning duties, adding additional reconciling features, or providing appropriate oversight responsibility.

Views of Responsible Officials and Planned Corrective Actions:
The District is aware of the situation and will monitor as it deems appropriate. Monitoring will include educating program managers to provide additional oversight for the interim and year end reporting.

Repeat Finding: Yes - Prior year finding noted as 2021-001

2022-002 Preparation of financial statements and footnote disclosures - Significant Deficiency

Condition: The District does not have in place a system to prepare the financial reports in accordance with generally accepted accounting principles under governmental standards presentation.

Criteria: The District should have a system in place to report all financial data reliably in accordance with generally accepted accounting principles using the presentation model required under GASB 34. Currently there is more than a remote likelihood that a misstatement in the financial statement reporting, including footnote disclosures, that is more than inconsequential will not be presented accordingly.

Cause: The District does not have enough staff with the time available or training to prepare a complete financial reporting package.

Effect: The District requests assistance with the preparation of the draft financial statements and footnotes.

Context: The situation is common in governments of similar size.

Recommendation: The District staff continue to take advantage of training opportunities in GAAP and GASB presentation methods and models.

Views of Responsible Officials and Planned Corrective Actions:
The District is aware of the situation and due to budget constraints deems it more cost beneficial to contract for such services.

Repeat Finding: Yes - Prior year finding noted as 2021-002

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2022

FEDERAL AWARDS AUDIT

U.S. Department of Education
Minnesota Department of Education
Coronavirus Aid, Relief, and Economic Security Act (CARES)
Covid 19 - Elementary and Secondary School
Emergency Relief Fund (ESSER I) ALN #84.425D
Coronavirus Responses and Relief Supplemental Appropriations Act (CRRSA)
Covid 19 - Expanded Summer Learning -
Special Allocation (ESSER II) ALN #84.425D

2022-001 Inadequate segregation of duties within a significant account or process - Significant Deficiency

See finding details noted previously under Financial Audit section as 2022-001. This finding covers both non-federal and federal transactions.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Fiscal Year Ended June 30, 2022

FINANCIAL STATEMENT AUDIT

2021-001 Lack of segregation of duties - Significant deficiency

Condition: Due to the limited number of District staff, appropriate segregation of duties is not feasible for all accounting and reporting functions.

Recommendation: The District's management needs to be cognizant of this situation which may include re-assigning duties, adding additional reconciling features, or providing appropriate oversight responsibility.

Current Status: A similar finding is noted in the current year as a significant deficiency as item 2022-001

Grantee Response: The District continues to acknowledge the lack of segregation of duties, but the District lacks the resources (both in staff and financial means) to completely alleviate the noted issue.

2021-002 Preparation of financial statements and footnote disclosures - Significant Deficiency

Condition: The District does not have in place a system to prepare the financial reports in accordance with generally accepted accounting principles under governmental standards presentation.

Recommendation: The District staff continue to take advantage of training opportunities in GAAP and GASB presentation methods and models.

Current Status: A similar finding is noted in the current year as a significant deficiency as item 2022-002 for the financial statement audit.

Grantee Response: The District is aware of the situation and due to budget constraints deems it more cost beneficial to contract for such services.

2021-003 Claims and Disbursements - Prompt Payment of Invoices

Condition: The District paid invoices outside of the standard payment period.

Recommendation: The District be aware of the situation to ensure timely processing of invoices.

Current Status: A similar finding was not noted in the current fiscal year.

2021-004 Claims and Disbursements - Electronic Funds Transfers

Condition: The District failed to submit a list of all electronic funds transfers to the school board at the next regular meeting after the transactions were completed.

Recommendation: The District be aware of the situation to ensure timely recorded of all debt service payments done via electronic funds transfers.

Current Status: A similar finding was not noted in the current fiscal year.

FEDERAL AWARDS AUDIT

2021-001 Lack of segregation of duties - Significant deficiency

Condition: Due to the limited number of District staff, appropriate segregation of duties is not feasible for all accounting and reporting functions.

Recommendation: The District's management needs to be cognizant of this situation which may include re-assigning duties, adding additional reconciling features, or providing appropriate oversight responsibility.

Current Status: A similar finding is noted in the current year as a significant deficiency as item 2022-001

Grantee Response: The District continues to acknowledge the lack of segregation of duties, but the District lacks the resources (both in staff and financial means) to completely alleviate the noted issue.

Sterle & Co. LTD
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Members of the
School Board
Independent School District 695
Chisholm, MN

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparison information of the General Fund of Independent School District 695, Chisholm, Minnesota, as of and for the year ended June 30, 2022, and the related notes to the financial statements, and have issued our report thereon dated December 27, 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 and bidding, deposits and 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 and the results of that testing and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

Sterle & Co, Ltd
December 27, 2022

Chisholm HS

Current Subscriptions 2021-2022		Athletic Department Package - Essential Tier			
Varsity Football		**Varsity Football**	*a la carte*	***Base Upgrade***	
Hudl - Silver	$900	Hudl - Silver	*$900*		
24 Hr Assist Game & Scout	$1,000	24 Hr. Assist - Game Only	*$300*	$700	Game & Scout Upgrade
		Sideline - Premium	*$1,500*		
		Playtools	*$199*		
Varsity Boys Basketball		**Varsity Boys Basketball**			
Hudl -Silver Additional	$549	Hudl - Silver	*$549*		
24 Hour Assist - Game Only	$900	24 Hour Assist - Game Only	*$900*		
Varsity Girls Basketball		**Varsity Girls Basketball**			
Hudl -Silver Additional	$549	Hudl - Silver	*$549*		
24 Hour Assist - Game Only	$900	24 Hour Assist - Game Only	*$900*		
		Varsity Girls Volleyball			
		Hudl - Silver	*$549*		
		24 Hour Assist - Game Only	*$900*		
		Hudl Focus Camera Systems			
		(2) Cameras (Indoor or Outdoor)	*$6,000*		
		Hudl Focus Exchange Network	*$3,000*		
		Hudl Streaming Bundle			
		Standard Package	*$1,000*		
		Other Sports/Activities			
		Hudl Accounts included in package - Silver Level			
Total Spend:	**$4,798**	*Total A La Carte:*	*$17,246*		
		Athletic Department Package Price		**$8,700**	
		AD Package Discount:		*49.55%*	
		Price Difference | Current Spend vs. ADP:		*$3,902*	

Athletic Department Package Price:	**$8,700**
AD Package Discount:	*49.55%*
Package Value	*$17,246*