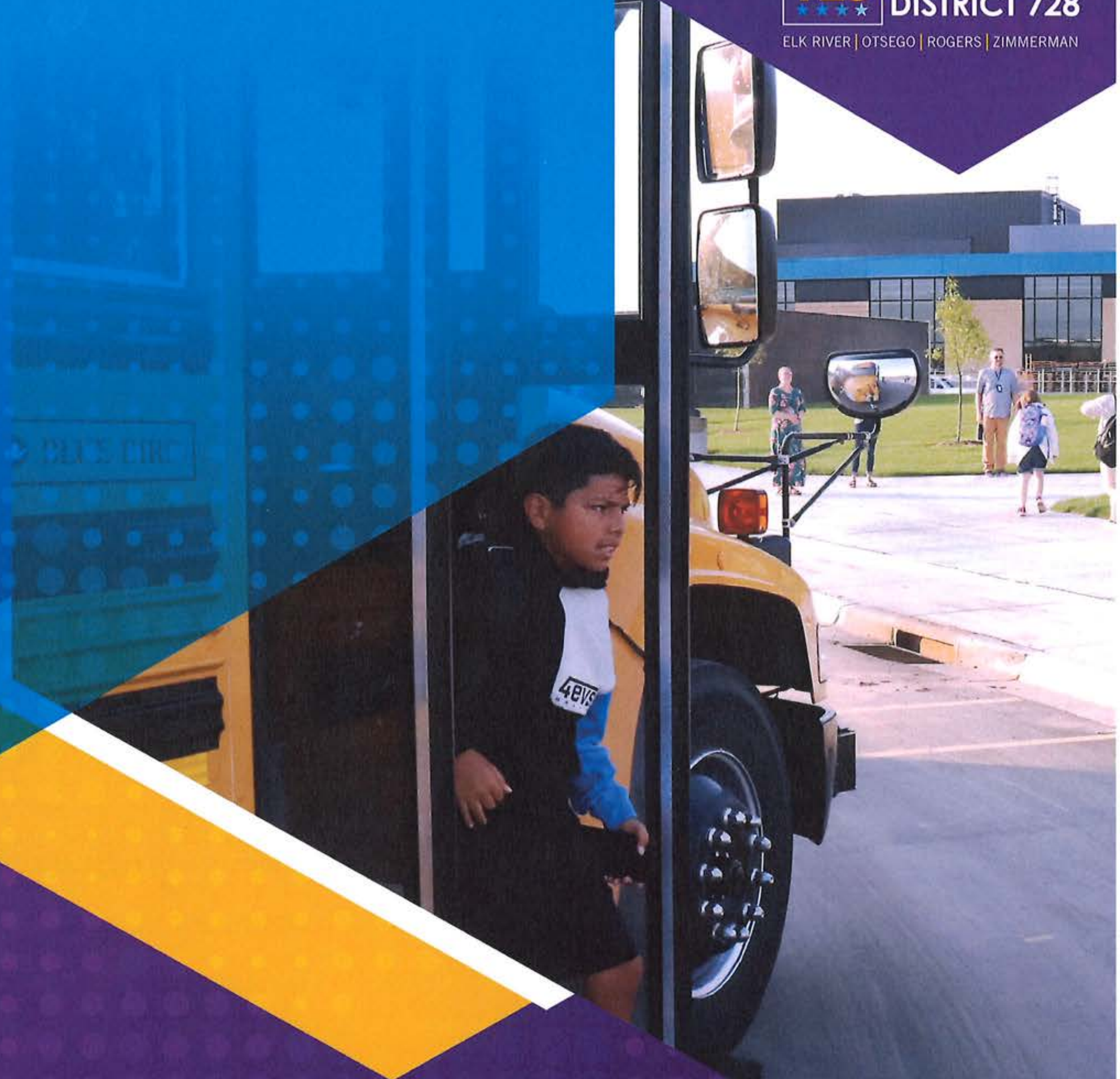
ISD 728 INDEPENDENT SCHOOL DISTRICT 728

ELK RIVER | OTSEGO | ROGERS | ZIMMERMAN



ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the fiscal year ending June 30, 2022

11500 193RD AVE. NW, ELK RIVER, MN 55330 763.241.3400

WWW.ISD728.ORG

2022

ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2022

INDEPENDENT SCHOOL DISTRICT NO. 728
ELK RIVER, MINNESOTA

11500 193rd Avenue NW
Elk River, MN 55330

Prepared by
Finance Department

Andrew Almos • Executive Director of Business Services
Joe Primus • Director of Finance
Josh Juntunen • Accountant

THIS PAGE INTENTIONALLY LEFT BLANK

Table of Contents

Table of Contents (continued)

Table of Contents (continued)

THIS PAGE INTENTIONALLY LEFT BLANK

SECTION I

INTRODUCTORY SECTION

ISD 728 INDEPENDENT SCHOOL DISTRICT 728
ELK RIVER | OTSEGO | ROGERS | ZIMMERMAN

11500 193rd Ave. NW
Elk River, MN 55330
763.241.3400
www.isd728.org

December 14, 2022

To the School Board, Citizens, and Employees
of Independent School District No. 728

INTRODUCTION

Submitted herewith is the Annual Comprehensive Financial Report (ACFR) of Independent School District No. 728, Elk River Area School District (the District) for the fiscal year ended June 30, 2022. The organization, form, and content of this report were prepared in accordance with the standards prescribed by the Governmental Accounting Standards Board (GASB), the Association of School Business Officials (ASBO) International, the American Institute of Certified Public Accountants (AICPA), and the Minnesota Department of Education. Although the data was received from many sources, the accuracy and thoroughness of this report rests solely with the District. This report belongs to the citizens of the District's community for it describes, in financial terms, the position and operating results of the District. Questions and comments are solicited and welcome.

REPORT FORMAT

The ACFR is presented in three sections: introductory, financial, and statistical. The introductory section includes this letter of transmittal, organizational charts, a list of School Board members and administration personnel, a map of the District, and the Certificate of Excellence in Financial Reporting. The financial section includes the Independent Auditor's Report, management's discussion and analysis (MD&A), basic financial statements, required supplementary information, and supplementary information. The statistical section includes selected financial and demographic information, generally presented on a multi-year comparative basis.

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of the MD&A. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A of the District can be found immediately following the report of the independent auditors.

PROFILE OF THE REPORTING ENTITY AND ITS SERVICES

The financial reporting entity includes all the funds of the primary government (the District). Component units are legally separate entities for which the primary government is financially accountable. There are no entities considered to be component units which are required to be presented in the District's basic financial statements.

The District is an independent political subdivision of the State of Minnesota. The District is the eighth largest school district in the state, with a current enrollment of 13,639 average daily memberships (ADM) in pre-kindergarten through Grade 12. The District comprises all or part of 13 municipalities, encompassing 170 square miles. The District currently conducts programs at 18 sites, including 4 high schools, 5 middle schools, and 10 elementary buildings as well as K-12 Online Programs. In addition to the regular K–12 programs, the District provides programs in the areas of special education, limited English proficiency, career and technical, and alternative education. Community education programs are also provided.

The District's governing body is the School Board, consisting of seven members. School Board members are elected at large to serve overlapping four-year terms of office. Elections are held biennially on the first Tuesday in November. The Superintendent of Schools is the Chief Administrative Officer and is appointed by the School Board.

FINANCIAL STATEMENTS

The financial statements contained in this report disclose the financial position of the District as of June 30, 2022, and the financial operations for the fiscal year then ended. The District's financial records and reports are maintained and prepared on a modified or full accrual basis of accounting in accordance with the Uniform Financial Accounting and Reporting Standards for Minnesota School Districts, as well as the standards of the GASB and the AICPA. These records are audited annually by an independent certified public accountant as required by Minnesota law. The accounting firm of Malloy, Montague, Karnowski, Radosevich & Co., P.A. performed the audit for the 2021–2022 fiscal year. Their report is included in the financial section of this report. The auditor has given an unmodified opinion on the District's basic financial statements. An unmodified opinion means that, in the judgment of the auditor, the basic financial statements present fairly, in all material respects, the financial position of the District and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The independent audit of the financial statements of the District was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited district's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. The District is also required to undergo an annual Minnesota state legal compliance audit under Minnesota Statutes § 6.65. These reports are available in a separate document.

INTERNAL CONTROL SYSTEM

The District's management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft, or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America. We believe that the District's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of all financial transactions. The concept of reasonable assurance recognizes that the cost of these controls should not exceed the benefits. The evaluation of these costs and benefits requires estimates and judgments by management.

FINANCIAL AND BUDGETARY CONTROL

All financial transactions of the District are accounted for in specific funds. The accounting system provides for complete, self-balancing accounts for each fund of the District. The system provides budgetary control for the activities of all of the District's governmental funds, thereby ensuring legal compliance. Debt service requirements and project-length financial plans are adopted for the Capital Projects – Building Construction Fund. The system also provides budgetary control at the sub-function level by the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors.

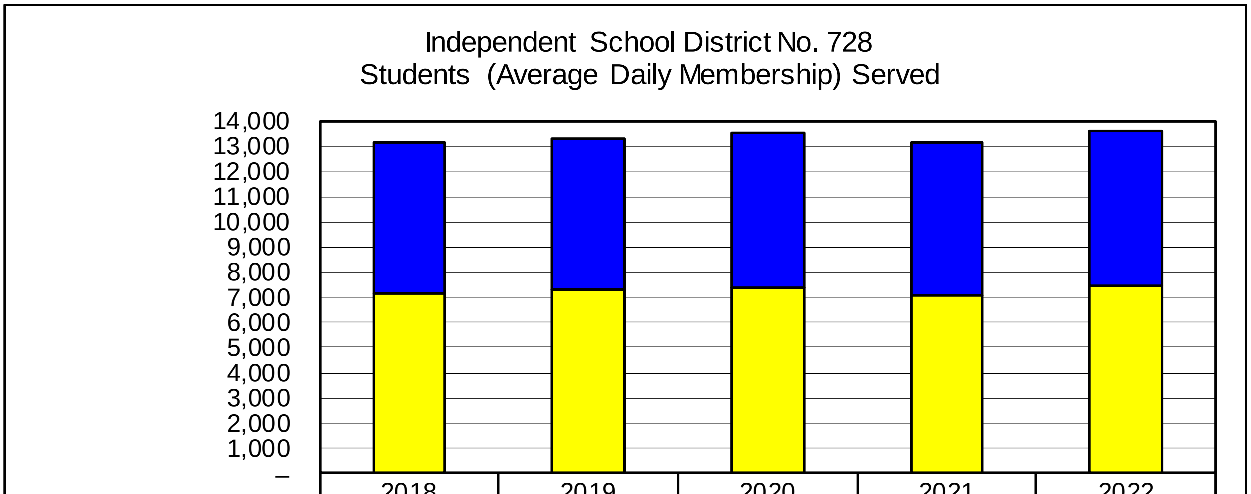
The budget process includes estimates of revenues and expenditures based upon agreed assumptions. The staff allocation formulas are determined based on need and available resources to accomplish the District's goals. The budget is adopted by June of each year and revised once during the fiscal year of its implementation.

As demonstrated by the statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management.

ECONOMIC CONDITION AND OUTLOOK OF LOCAL ECONOMY

With the exception of voter-approved operating referendum, the District is primarily dependent on the state of Minnesota for its revenue authority. Recent experience demonstrates that the legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation. The Legislature increased the unrestricted general education formula funding per pupil 2.45 percent for fiscal year 2021–2022 and 2.00 percent for fiscal year 2022–2023.

The District's enrollment has seen a 5.50 percent increase over the last five years, as the construction of homes has increased significantly in the District. District enrollment had increased in four of the past five years. The District had a decline in 2020–2021, due to the COVID-19 pandemic. Parents chose to home school their children or enroll them into other educational institutions, such as nonpublic schools and charter schools. In fiscal year 2020–2021, the District expanded its online program for elementary and middle school students to attract and retain students by increasing the flexibility and the amount of course offerings. This was implemented to address the effects of the COVID-19 pandemic. Participation in the online program increased during 2021–2022 from 78 to 314. Housing permits issued in the District continue to increase from prior years. This is one indicator showing signs of a strong local economy.



	2018	2019	2020	2021	2022
Secondary (7–12)	5,986	6,030	6,136	6,116	6,200
Elementary (Pre-K–6)	7,169	7,332	7,431	7,058	7,439

Transportation infrastructure, such as railroads, airports, and freeways, has a significant impact on the economic growth of the area. Major highways have seen significant improvements and changes, due to the increased amount of economic growth in the local area. There are additional significant improvements that began in 2022, as the Minnesota Legislature approved transportation funding for projects that will improve the traffic flow in our communities. These projects are estimated to be finished in the next two to three years.

Overall, the economic outlook for the District is one of continuing economic growth and a growing population. The District had one operating referendum question on the November 2019 ballot. The question was replacing a current levy of $467.10 per pupil with a levy of $1,217.12 per pupil, subject to an annual increase at the rate of inflation. This question was passed by 56.51 percent of the voters. The referendum is in place for 10 years beginning in 2020–2021. The new revenue source is being used to maintain class sizes, support struggling students, support student mental health, update the District's curriculum and classroom materials, and improve career and technical programs for students.

The District had a second question on the November 2019 ballot. This question was for $113.0 million in building bonds. This question was passed by 55.57 percent of the voters. The District will use these bonds for a variety of building projects, including an additional middle school to address enrollment growth, address a variety of building maintenance needs across the District, update indoor physical education and outdoor athletic facilities, and create more flexible learning spaces across the District at all levels to support different learning styles. In January 2020, the District issued $112,435,000 in General Obligation Building Bonds.

Despite improving local economic indicators at the beginning of the 2019–2020 school year, the COVID-19 pandemic put the global, state, and local economy in an uncertain state. In March 2020, the District implemented a distance learning program for the remainder of the fiscal year. For fiscal year 2020–2021, the District offered a hybrid model to its secondary students and its elementary students resumed face-to-face instruction. However, the District experienced an increase in parents opting to home school their children or seek other educational opportunities in fiscal year 2020–2021. For fiscal year 2021–2022, the District enrollment strongly rebounded and experienced large increases at all grade levels. For fiscal year 2022–2023, the District is continuing to see strong enrollment at all grade levels. Long-range enrollment trends look favorable.

The effects of the pandemic on enrollment, the economy, and employee relations make for a challenging environment to preserve programming and fund balance, while maintaining fiscal responsibility to the District's students, parents, taxpayers, and employees.

LONG-TERM FINANCIAL PLANNING

The District reviews and updates its long-term financial projections periodically throughout the fiscal year as new information becomes available. As new federal and state legislation is introduced, the District is constantly projecting the impact of the proposed new legislation on the District. We are in constant communication with our representatives, informing them of the impact on the District.

As the needs of the District change, financial projections are updated and recommendations are made to the School Board for the upcoming school year as needed.

RELEVANT FINANCIAL POLICIES

The District has adopted a comprehensive set of financial policies. The District has set a minimum fund balance policy. At June 30, 2022, the unassigned fund balance of the General Fund was equal to 7.6 percent of fiscal 2022 final budgeted expenditures, exceeding the minimum goal of 5.0 percent set by the School Board. This percentage for June 30, 2021 was at 10.5 percent. The District also monitors its unrestricted, unassigned fund balance against unrestricted, unassigned expenditures.

The District has updated its investment policies to account for its other post-employment benefit trust account. Cash not immediately needed to meet the operating costs of the District during the year was invested in various types of short-term investments in accordance with state of Minnesota law and District policy. Generally, the District's investments mature between 30 days and 2 years. The District earned income of approximately $324,181 on all investments, excluding fiduciary funds, for the year ended June 30, 2022. The average yield on investments was 0.29 percent for fiscal year 2022.

MAJOR INITIATIVES

The District's major initiatives include the implementation of its five-year strategic plan, completing various long-term facilities maintenance projects and the projects related to the $113.0 million of new facilities. The District monitors its debt instruments on a continual basis. The District plans to take advantage of low interest rates if the savings are significant and material enough to warrant refinancing existing debt issues.

The District adopted a comprehensive Strategic Plan for 2018–2023, developed by the School Board, district staff, and various members in the community. The strategic plan has a number of educational outcomes desired by the community that may require additional financial resources.

The District is required to have an updated 10-year long-term facilities maintenance plan to address various projects, such as bituminous repairs, site improvements, mechanical, electrical, plumbing repairs, and interior repairs at various sites. In June 2022, the District updated its 10-year long-term facilities maintenance plan. The next two years include projects estimated at $28.4 million in projects, beginning in June 2022 through fiscal year 2023–2024.

In 2019, the District issued $16,415,000 in 2019A Facilities Maintenance Bonds. These funds were used to finance the following projects: $3.8 million in roofing repairs, $700,000 in exterior improvement projects, $700,000 in plumbing improvements, $500,000 in building hardware and equipment, $1.2 million in lighting and electrical projects, $1.7 million in interior improvements, $6.9 million in various site projects, $4.4 million in mechanical and HVAC improvements, and $500,000 in various projects throughout the District.

In 2021, the District issued $16,350,000 in 2021A Facilities Maintenance Bonds. These funds will be used to finance the following projects: $2.6 million in lighting and electrical projects, $5.2 million in interior improvements, $4.3 in mechanical and HVAC improvements, and $8.2 million in various site projects throughout the District.

PROJECTED ENROLLMENT

In October 2018, the District had a demographic study completed by an independent third party to assist in projecting student enrollment. The study indicated a relatively steady increase in enrollment based on the economic conditions at that time. Enrollment projections have been altered to reflect current trend and improved economic conditions.

Student enrollment for the next 10 years is expected to rise, however, the COVID-19 pandemic has brought new uncertainty to those projected estimates. The District will be closely monitoring current and future enrollment for new trend data that may lead the District to alter its long-range projections if necessary. By the 2028 fiscal year, the District is expected to have an adjusted ADM of 15,565, increasing moderately at about 19.0 percent over a 10-year period. Projections are updated periodically throughout the fiscal year based on the most recent data that becomes available. The District also monitors student enrollment attendance and open enrollment to other surrounding school districts closely.

AGE OF SCHOOL BUILDINGS

The average age of the District's school buildings is 28 years. The District has 23 buildings throughout the District and anticipates it will spend between $12.0 million to $15.0 million each year on long-term facilities maintenance projects. This spending plan will help to maintain our existing buildings, and extend the useful life of the assets. The District will also use other resources, such as operating capital, long-term facilities maintenance revenue, and general funds for routine maintenance, which may also extend the useful life of its assets.

REPORTING ACHIEVEMENT

The ASBO International awarded a Certificate of Excellence in Financial Reporting to the District for its ACFR for the fiscal year ended June 30, 2021. This was the 14th consecutive year that the District has received this prestigious award. In order to be awarded a Certificate of Excellence, the District had to publish an ACFR that is easily readable, efficiently organized, and conforms to the program standards, as well as accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Excellence is valid for a period of one year only. We believe that our current ACFR continues to meet the Certificate of Excellence Program's requirements and we are submitting it to the ASBO International to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

We would like to thank the members of the School Board for their interest and support in planning and conducting the financial operations of the District in a fiscally responsible and progressive manner.

Respectfully submitted,

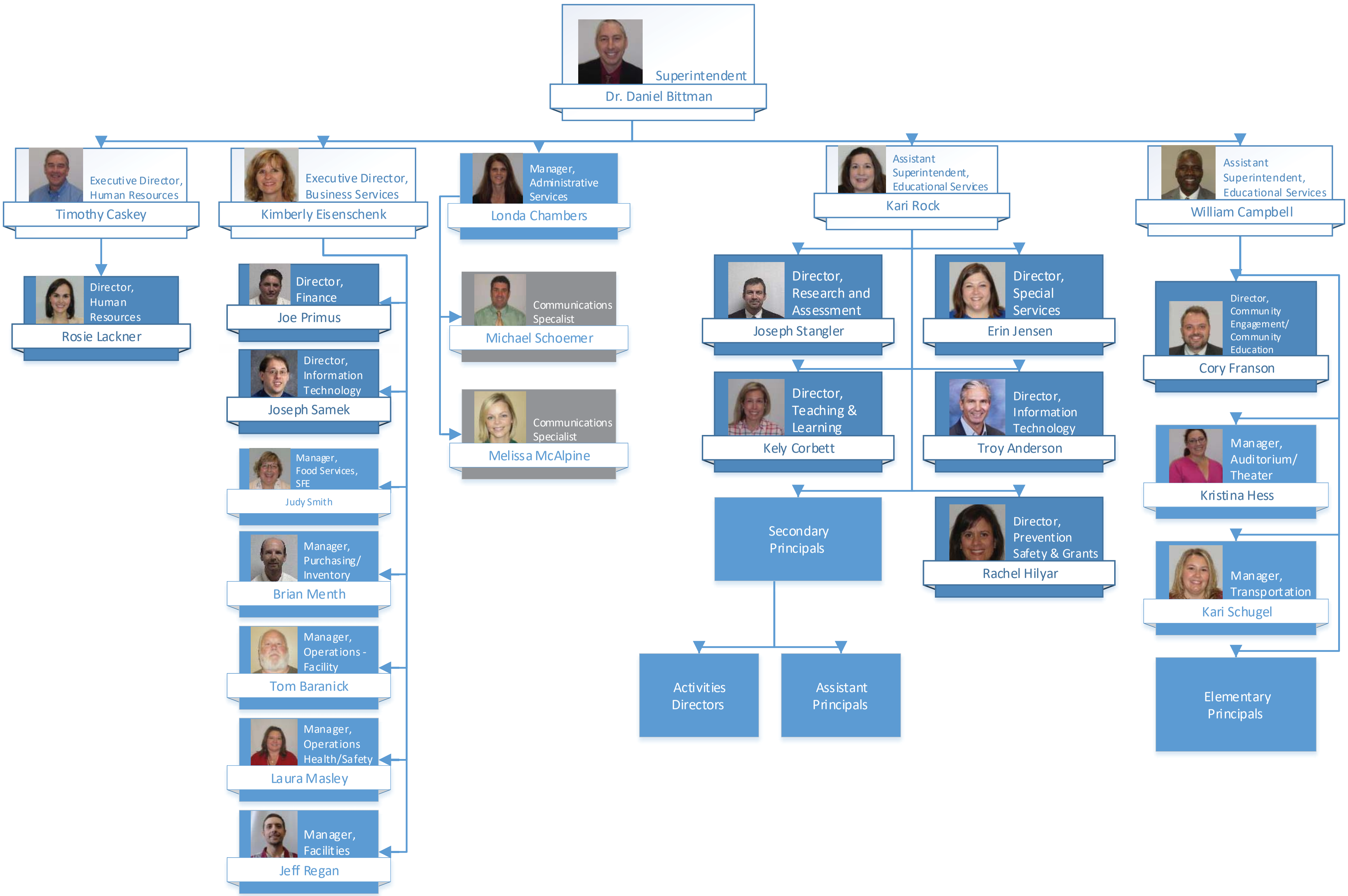
Daniel Bittman

Daniel Bittman
Superintendent

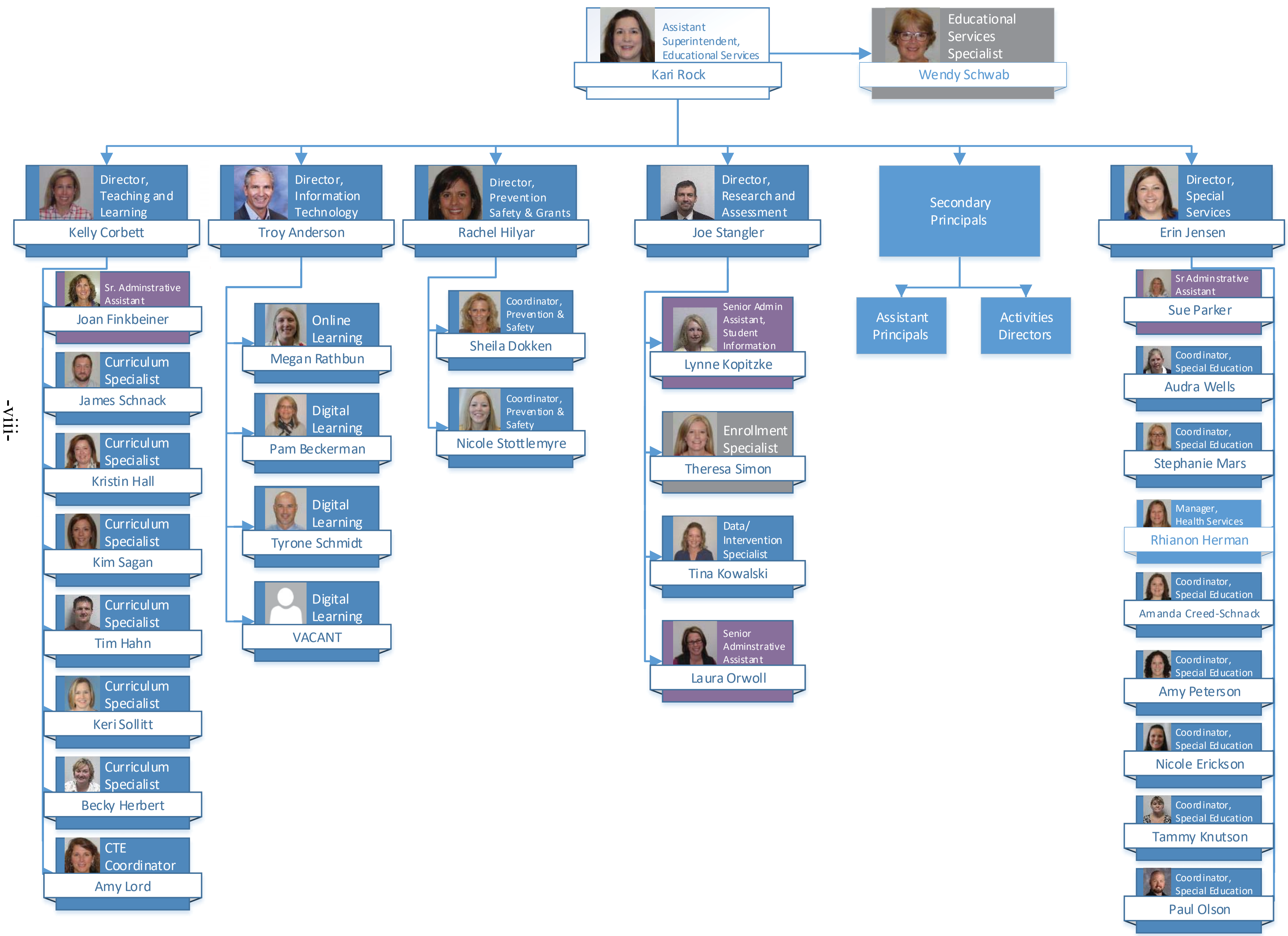
Kimberly Eisenschenk
Executive Director of Business Services

Joe Primus
Assistant Director of Finance

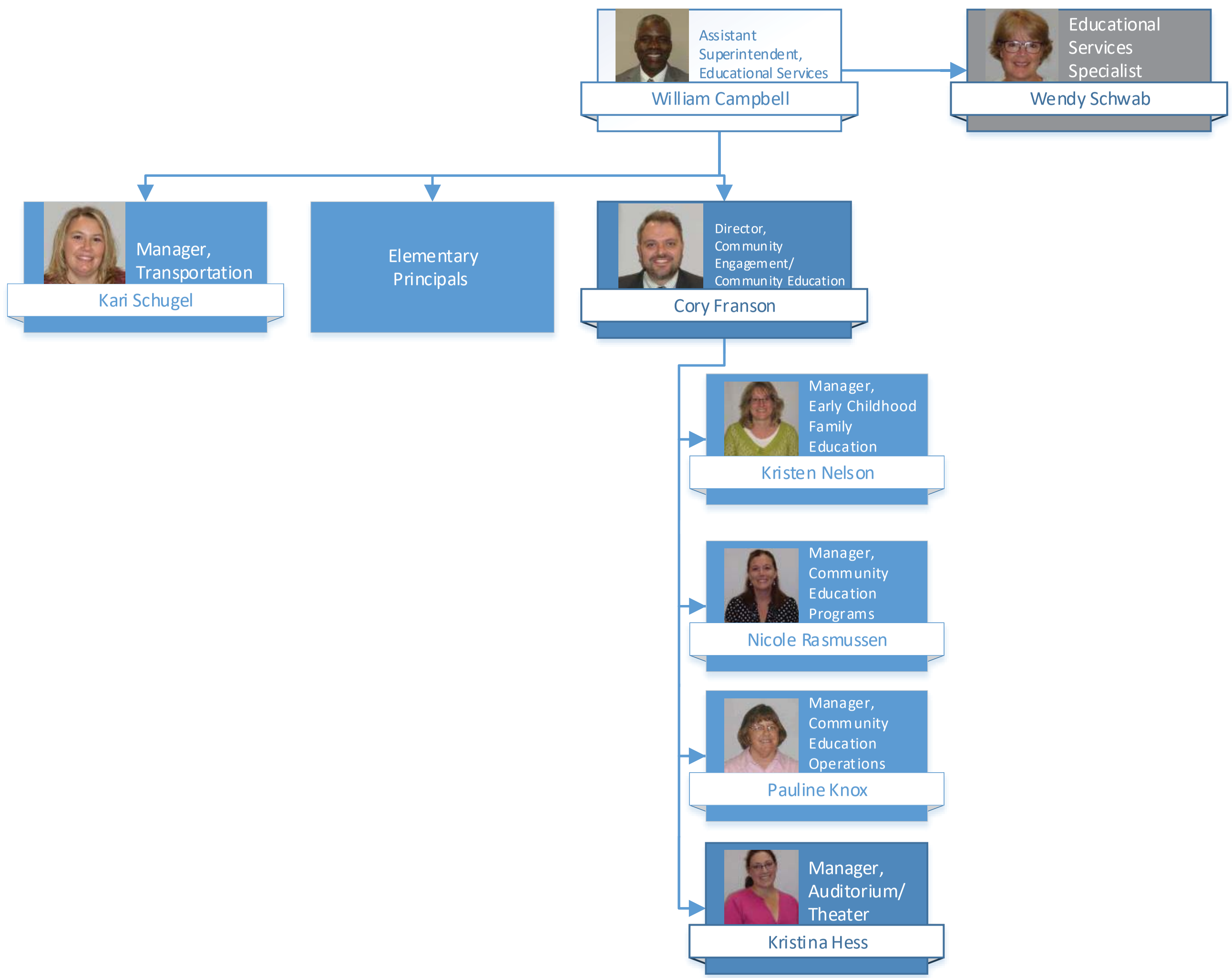
ELK RIVER AREA SCHOOLS
Senior Leadership Organization Chart
06/30/2022



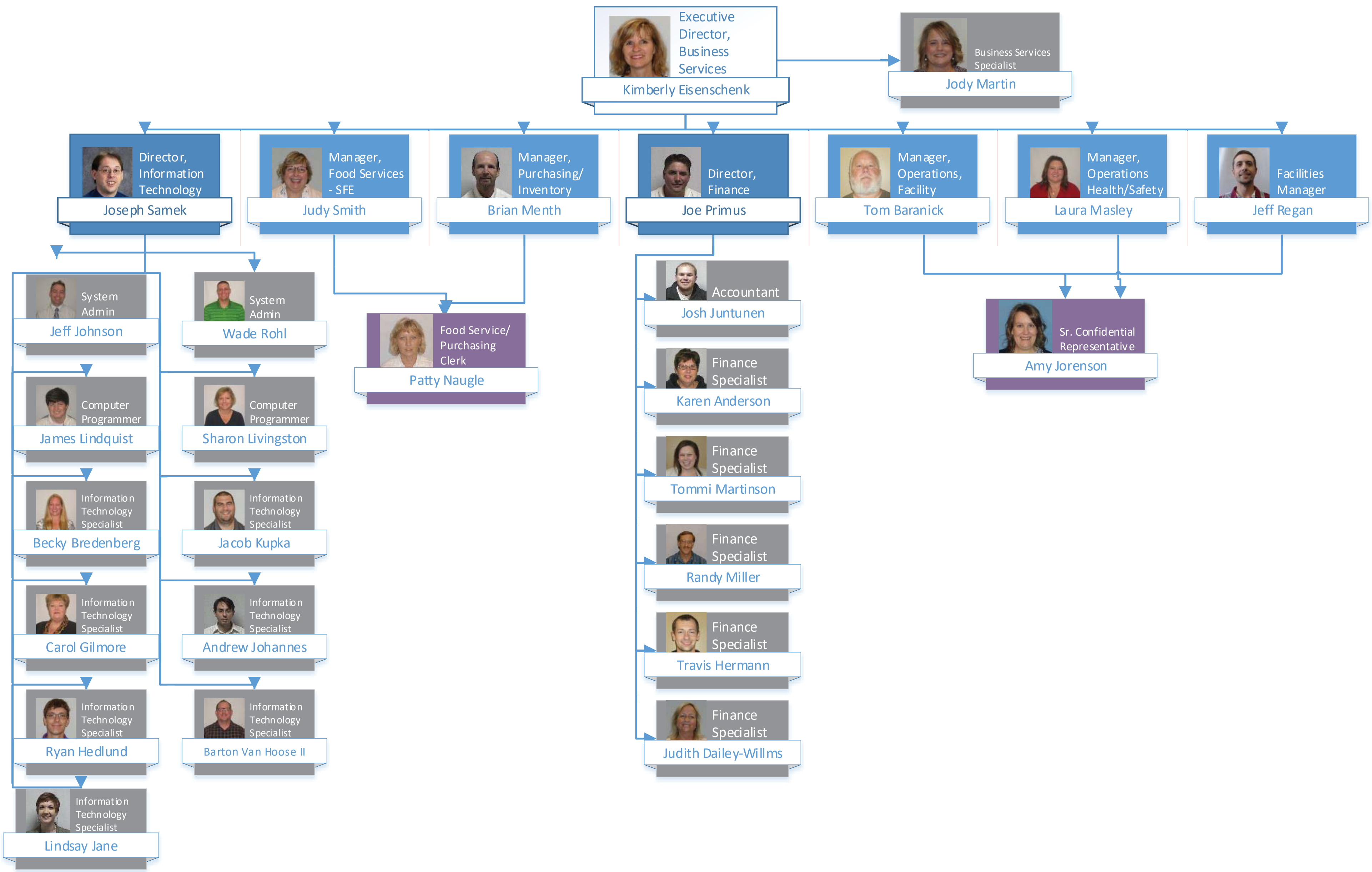
ELK RIVER AREA SCHOOLS
Educational Services Organizational Chart
06/30/2022



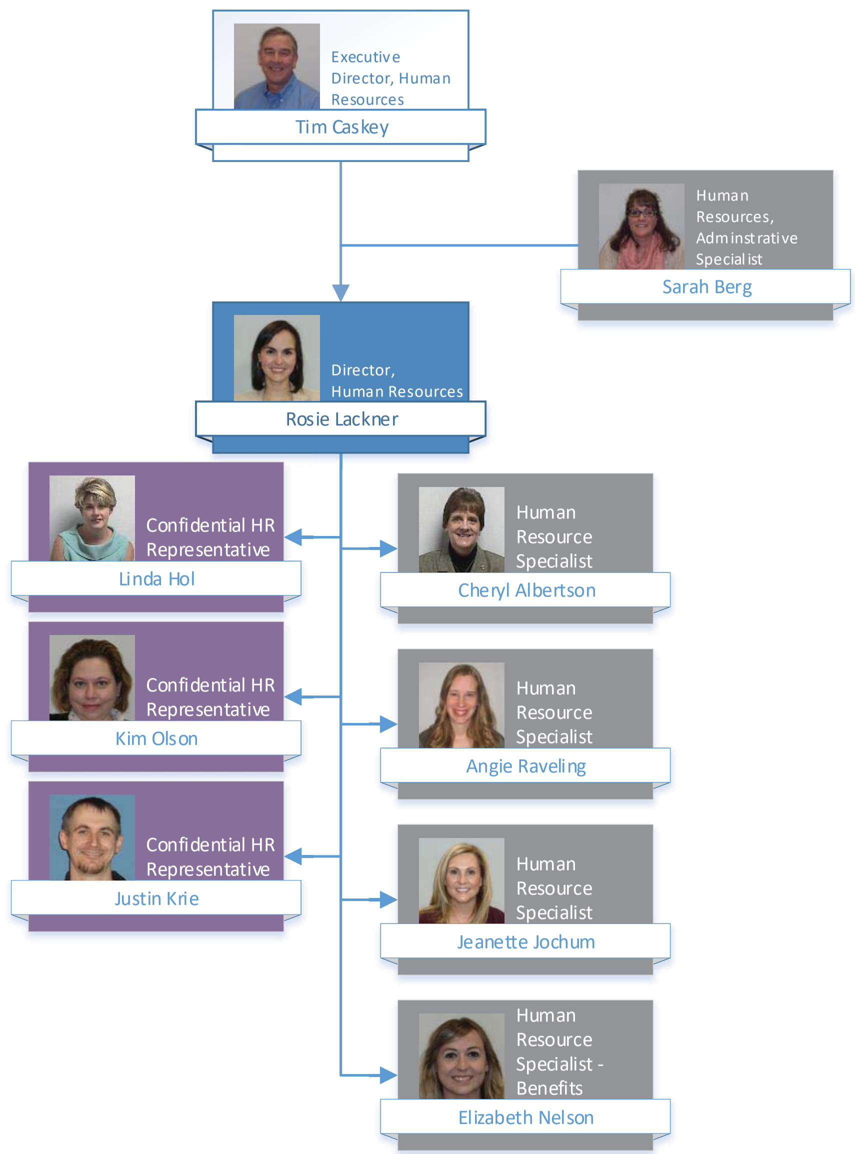
ELK RIVER AREA SCHOOLS
Educational Services Organizational Chart - Continued
06/30/2022



ELK RIVER AREA SCHOOLS
Business Services Organization Chart
06/30/2022



ELK RIVER AREA SCHOOLS
Labor Relations and Personnel Services Organization Chart
06/30/2022



INDEPENDENT SCHOOL DISTRICT NO. 728

School Board and Administration
Year Ended June 30, 2022

SCHOOL BOARD

	Position
Holly Thompson	Chairperson
Kim Michels	Vice Chairperson
Joel Nelson	Treasurer
Tony Walter	Clerk
Shane Steinbrecher	Director
Christi Tullbane	Director
Sara Weis	Director

ADMINISTRATION

Dr. Daniel Bittman	Superintendent
Dr. Kari Rock	Assistant Superintendent of Educational Services
Dr. William Campbell	Assistant Superintendent of Educational Services
Tim Caskey	Executive Director of Human Resources
Kimberly Eisenschenk	Executive Director of Business Services (Retired 06/30/22)
Andrew Almos	Executive Director of Business Services (Started 07/01/22)
Joe Primus	Director of Finance

1. **Community Education & ECFE**
   Handke Center
   1170 Main St., Elk River
2. **Elk River Senior High School**
   900 School St., Elk River
3. **Hassan Elementary School**
   14055 Orchid Ave., Hassan
4. **ISD 728 District Office**
   11500 193rd Ave. NW, Elk River
5. **Ivan Sand Community High School**
   1232 NW School St., Elk River
6. **Lincoln Elementary School**
   600 School St., Elk River
7. **Meadowvale Elementary School**
   12701 Elk Lake Road, Elk River
8. **North Community Park**
   13750 Bittersweet St., Rogers
9. **Otsego Elementary School**
   8125 River Road NE, Otsego
10. **Parker Elementary School**
    500 School St., Elk River
11. **Prairie View Elementary/Middle School & ECFE**
    12220 80th St NE, Otsego
12. **Rogers Activity Center**
    21080 141st Ave., Rogers
13. **Rogers Elementary School & ECFE**
    12521 Main St., Rogers
14. **Rogers High School**
    21000 141st Ave., Rogers
15. **Rogers Middle School**
    20855 141st Ave., Rogers
23. **Rogers Senior Center**
    12913 Main St., Rogers
16. **Salk Middle School**
    11970 Highland Road, Elk River
17. **Triangle Park**
    21400 Rouillard Blvd., Rogers
18. **Twin Lakes Elementary School**
    10051 191st Ave. NW, Elk River
19. **VandenBerge Middle School**
    948 Proctor Ave., Elk River
19. **VandenBerge Pool**
    948 Proctor Ave., Elk River
20. **Westwood Elementary**
    13651 Fourth Ave. S., Zimmerman
21. **Zimmerman Middle/High School**
    25900 4th St.W., Zimmerman
22. **Zimmerman Elementary School & ECFE**
    25959 4th St.W., Zimmerman

ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

The Certificate of Excellence in Financial Reporting
is presented to

Independent School District 728 - Elk River

for its Annual Comprehensive Financial Report
for the Fiscal Year Ended June 30, 2021.

The district report meets the criteria established for
ASBO International's Certificate of Excellence in Financial Reporting.

CERTIFICATE OF EXCELLENCE
IN FINANCIAL REPORTING

William A. Sutter
President

David J. Lewis
Executive Director

SECTION II

FINANCIAL SECTION

MMKR
CERTIFIED PUBLIC ACCOUNTANTS

PRINCIPALS
Thomas A. Karnowski, CPA
Paul A. Radosevich, CPA
William J. Lauer, CPA
James H. Eichten, CPA
Aaron J. Nielsen, CPA
Victoria L. Holinka, CPA/CMA
Jaclyn M. Huegel, CPA
Kalen T. Karnowski, CPA

INDEPENDENT AUDITOR'S REPORT

To the School Board and Management of
Independent School District No. 728
Elk River, Minnesota

OPINIONS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Independent School District No. 728 (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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 District as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINIONS

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

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statements date, including any currently known information that may raise substantial doubt shortly thereafter.

(continued)

Malloy, Montague, Karnowski, Radosevich & Co., P.A.
5353 Wayzata Boulevard • Suite 410 • Minneapolis, MN 55416 • Phone: 952-545-0424 • Fax: 952-545-0569 • www.mmkr.com

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

In performing an audit in accordance with 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 and the required supplementary information (RSI), as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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 RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

(continued)

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information, as listed in the table of contents, is presented for purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Prior Year Comparative Information

We have previously audited the District's 2021 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated December 2, 2021. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

Minneapolis, Minnesota
December 14, 2022

THIS PAGE INTENTIONALLY LEFT BLANK

This section of Independent School District No. 728's (the District) Annual Comprehensive Financial Report (ACFR) presents management's discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2022. Please read it in conjunction with the other components of the District's ACFR.

FINANCIAL HIGHLIGHTS

- The District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at June 30, 2022 by $46,096,930 (net position). The District's total net position increased by $34,537,680 during the fiscal year ended June 30, 2022, as government-wide revenues of $231,100,165 exceeded expenses of $196,562,485.

- At June 30, 2022, the District's governmental funds reported combined ending fund balances of $119,004,793, a decrease of $34,971,140 from the prior year. The most significant reason for this decrease was the spending of construction proceeds on various projects throughout the District, including a new middle school in Otsego.

- The District's General Fund, its primary operating fund, closed the most recent fiscal year with an unassigned fund balance of $16,598,325, which represents approximately 9.2 percent of fiscal 2022 General Fund expenditures.

- The District's final budget included $6,744,172 in federal funds that were spent on various program needs in the District, related to the COVID-19 pandemic. Of that budget, $5,209,467 has already been spent. The District will spend the remaining $1,534,705 in future years.

- The District incurred $35,172,052 in construction expenditures for new facilities.

- The District incurred $19,351,754 in long-term facility maintenance expenditures.

- In September 2021, the District Online 728 programs expanded to include elementary and secondary students and now serves Kindergarten through Grade 12 students.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements consist of: the government-wide financial statements, the fund financial statements, and the notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

- To assess the overall health of the District requires consideration of additional nonfinancial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, the District's activities are all shown in one category titled "governmental activities." These activities, including regular and special education, transportation, administration, food services, and community education, are primarily financed with state aids and property taxes.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds, rather than the District as a whole. Funds (Food Service Special Revenue and Community Service Special Revenue) that do not meet the threshold to be classified as major funds are called "nonmajor" funds. Detailed financial information for nonmajor funds are presented as supplemental information.

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Minnesota schools must establish funds within the guidelines of the state's Uniform Financial Accounting and Reporting Standards.

The District maintains the following kinds of funds:

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

Proprietary Funds – The District maintains one type of proprietary fund. The internal service funds are used as an accounting device to accumulate and allocate costs internally among the District's various functions. The District uses its internal service funds to account for self-insurance activities of the District employees' dental claims, health claims, and property and liability claims. These services have been included within governmental activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Fiduciary Funds – The District is the trustee, or fiduciary, for assets that belong to other organizations. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table 1 is a summarized view of the District's Statement of Net Position:

Table 1
Summary Statement of Net Position
as of June 30, 2022 and 2021

	2022	2021
Assets		
Current and other assets	$ 225,422,166	$ 259,007,403
Capital assets, net of depreciation	365,676,627	324,435,273
Total assets	$ 591,098,793	$ 583,442,676
Deferred outflows of resources		
OPEB plan deferments	$ 3,001,264	$ 402,178
Pension plan deferments	40,561,629	45,717,625
Total deferred outflows of resources	$ 43,562,893	$ 46,119,803
Liabilities		
Current and other liabilities	$ 39,438,378	$ 41,500,723
Long-term liabilities, including due within one year	378,962,711	437,983,855
Total liabilities	$ 418,401,089	$ 479,484,578
Deferred inflows of resources		
Property taxes levied for subsequent year	$ 60,150,680	$ 58,135,228
OPEB plan deferments	981,609	1,264,827
Pension plan deferments	109,031,378	79,118,596
Total deferred inflows of resources	$ 170,163,667	$ 138,518,651
Net position		
Net investment in capital assets	$ 102,533,182	$ 92,342,255
Restricted	27,369,570	23,758,596
Unrestricted	(83,805,822)	(104,541,601)
Total net position	$ 46,096,930	$ 11,559,250

The District's financial position is the product of many factors. For example, the determination of the District's net investment in capital assets involves many assumptions and estimates, such as current and accumulated depreciation amounts. Changes in variables, such as estimated depreciable lives or capitalization policies, may produce significant differences in the calculated amounts. Long-term liabilities for severance, compensated absences, other post-employment benefits, and pensions, which are basically unfunded, impact the unrestricted portion of net position.

Total net position increased $34,537,680 during the year ended June 30, 2022. The District's net investment in capital assets increased $10,190,927, due in part to capital additions financed with property tax levies. The restricted portion of net position increased $3,610,974, mainly due to increases in resources restricted for capital asset acquisition, food service, and other state funding restrictions. Unrestricted net position improved by $20,735,779.

The change in unrestricted net position, as well as the changes in long-term liabilities, deferred outflows of resources, and deferred inflows of resources, were impacted by changes in the District's share of unfunded pension liabilities, related to the state-wide Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) pension plans.

Table 2 presents a condensed version of the change in net position of the District:

Table 2
Change in Net Position
for the Years Ended June 30, 2022 and 2021

	2022	2021
Revenues		
Program revenues		
Charges for services	$ 9,679,842	$ 6,608,686
Operating grants and contributions	43,092,603	35,557,385
General revenues		
Property taxes	60,541,984	57,866,361
General grants and aids	116,341,096	112,117,237
Other	1,444,640	2,247,647
Total revenues	231,100,165	214,397,316
Expenses		
Administration	5,776,146	6,013,698
District support services	5,719,248	5,983,180
Elementary and secondary regular instruction	67,686,692	70,286,591
Vocational education instruction	2,547,450	2,618,779
Special education instruction	32,115,155	33,411,907
Instructional support services	14,730,892	14,587,405
Pupil support services	17,265,987	16,171,085
Sites and buildings	12,341,899	12,058,048
Fiscal and other fixed cost programs	1,062,504	689,345
Food service	7,604,178	4,729,227
Community service	7,698,823	7,470,419
Unallocated depreciation expense	14,533,948	14,210,696
Interest and fiscal charges	7,479,563	7,672,307
Total expenses	196,562,485	195,902,687
Change in net position	34,537,680	18,494,629
Net position – beginning	11,559,250	(6,935,379)
Net position – ending	$ 46,096,930	$ 11,559,250

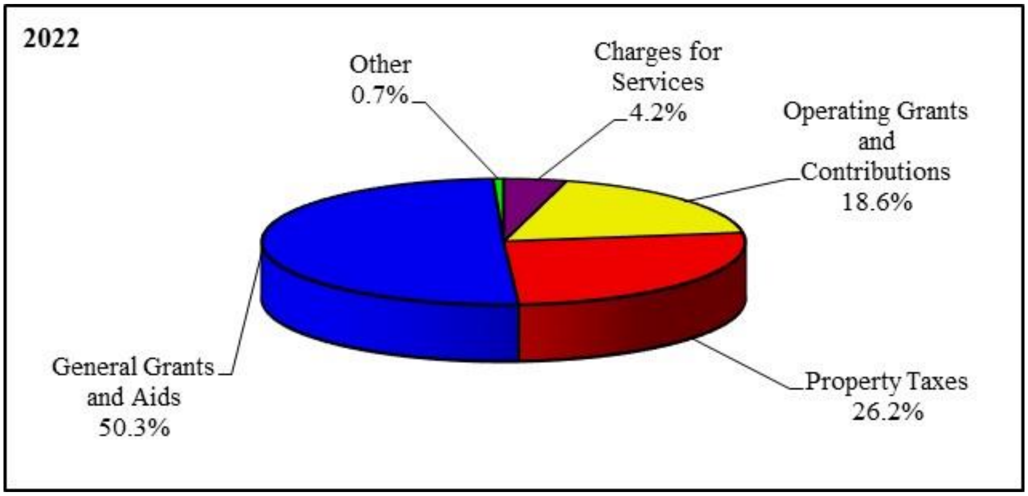
This format presents the District's operating results on an accrual basis of accounting, and it includes all of the governmental activities of the District. This statement includes depreciation expense, but excludes capital asset purchase costs, debt proceeds, and the repayment of debt principal.

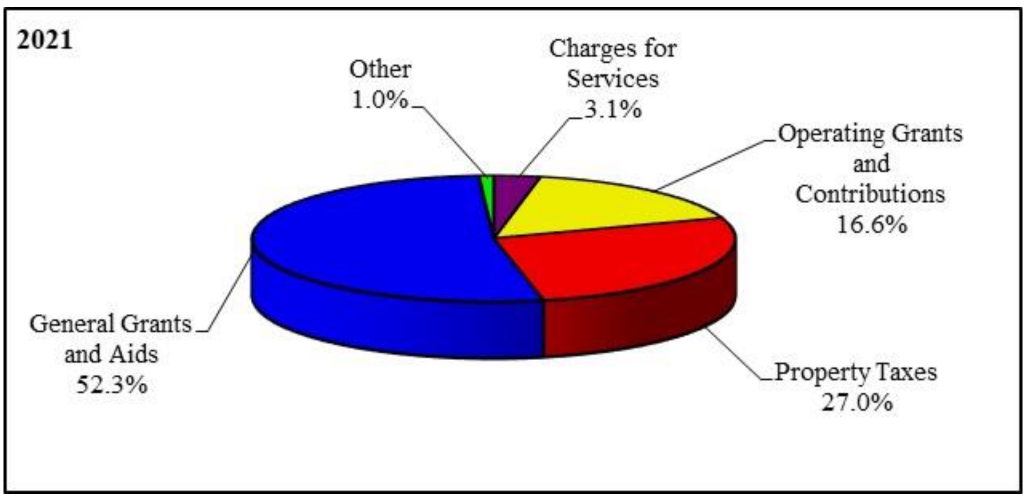
Total revenues for fiscal year 2022 were $16,702,849, or 7.8 percent, higher than the prior year. Increases include general education state aid, due to an increase in the per pupil formula allowance, special education state aid, property taxes, and the federal funds received related to the COVID-19 pandemic.

Expenses increased $659,798, or 0.3 percent, from the prior year. The increases were spread across a number of program areas, with the largest increases in food services at $2,874,951, and pupil support services at $1,094,902, offset by a decrease in elementary and secondary regular instruction at $2,599,899, and special education instruction at $1,296,752, mainly related to transportation. The increases were also impacted by actuarial costs and assumptions related to the state-wide pension plans.

Figures A and B show further analysis of these revenue sources and expense functions:

Figure A – Sources of Revenue for Fiscal Years 2022 and 2021





The largest share of the District's revenue is received from the state, including most of the general and operating grants. This significant reliance on the state for funding has placed tremendous pressure on local school districts as a result of limited funding increases in recent years.

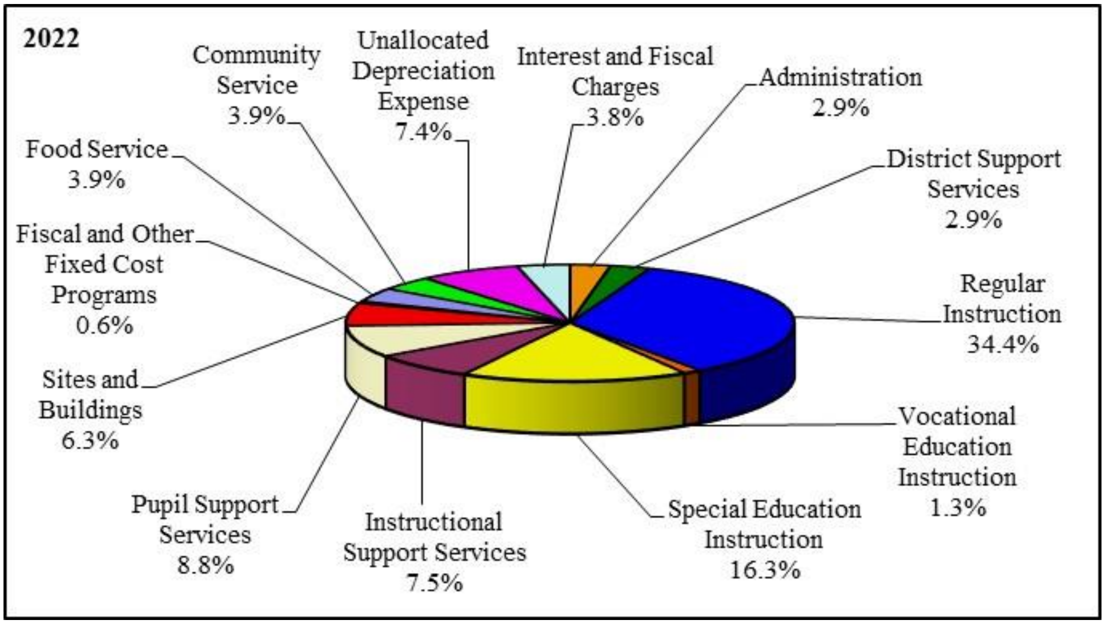
Property taxes are the next largest source of funding. The level of funding that property tax sources provide is not only dependent on taxpayers of the District by way of operating and building referenda, but also by decisions made by the Legislature in the mix of state aid and local effort in a variety of funding formulas.

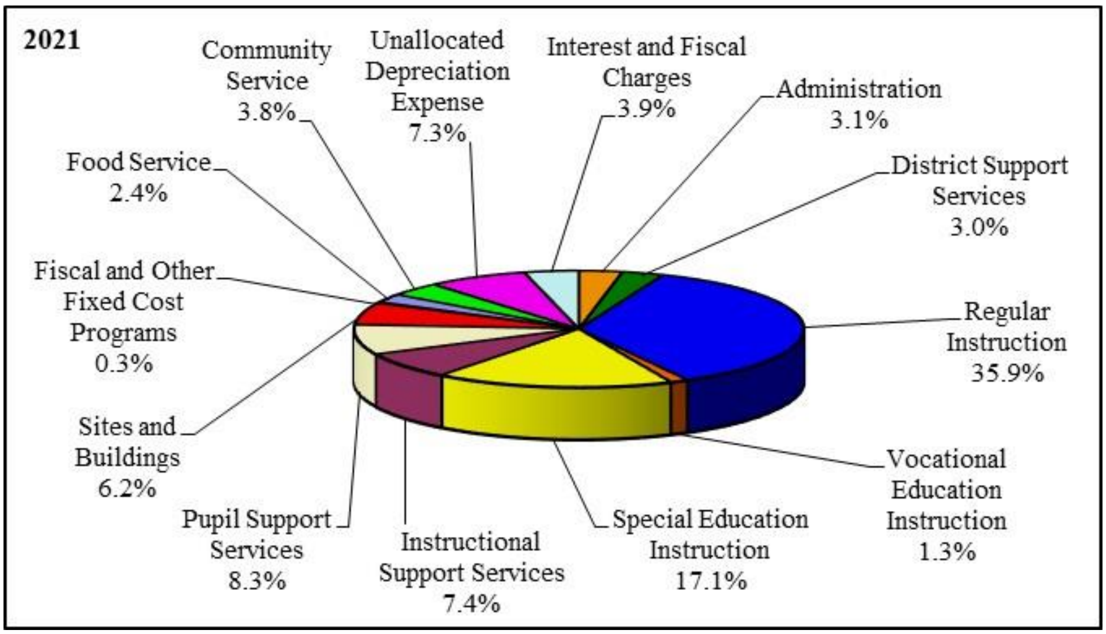
Revenue from property taxes increased, due to an increase in the voter-approved operating referendum levy, the inflation factor, and an increase in the number of students.

Operating grants and contributions, and general grants and aids both increased, due to various funds received directly from the federal government and federal funds flowing through local state agencies. The District received $6,744,172 in total federal awards related to the COVID-19 pandemic.

The increase in charges for services over the prior year was directly related to the COVID-19 pandemic, which did not allow for attendance at extracurricular events or travel to field trips in fiscal 2021.

Figure B – Expenses for Fiscal Years 2022 and 2021





The District's expenses are predominately related to educating students. Approximately 59.5 percent of the District's expenses were in categories directly related to providing instruction, which includes: regular instruction, vocational education instruction, special education instruction, and instructional support services.

The significant year-to-year change in the percentages of expenses incurred in several program areas shown above was attributable to the construction of new facilities and additional one-time federal funds related to COVID-19.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is also reflected in its governmental funds. Table 3 shows the change in total fund balances of the District's governmental funds:

Table 3
Governmental Fund Balances
as of June 30, 2022 and 2021

	2022	2021	Change
Nonspendable	$ 521,523	$ 553,692	$ (32,169)
Restricted	72,147,329	116,442,021	(44,294,692)
Committed	1,713,171	1,839,829	(126,658)
Assigned	28,024,445	20,159,049	7,865,396
Unassigned	16,598,325	14,981,342	1,616,983
Total governmental funds	$ 119,004,793	$ 153,975,933	$ (34,971,140)

The decrease in the restricted fund balances is due primarily to the spending of bond proceeds on the construction of new facilities and long-term facilities maintenance projects. The committed fund balance is for expenditures related to severance plans. Assigned fund balances at year-end included $14,442,532 in building budget carryovers, $10,581,913 in curriculum and technology department carryovers for supplies and materials, and $3,000,000 for strategic planning initiatives.

Analysis of the General Fund

Table 4 summarizes the amendments to the General Fund budget:

Table 4
General Fund
Budget

	Original Budget	Final Budget	Change	Percent Change
Revenue	$ 171,928,434	$ 187,776,779	$ 15,848,345	9.2%
Expenditures	$ 176,244,582	$ 219,359,050	$ 43,114,468	24.5%
Other financing sources	$ 105,400	$ 114,659	$ 9,259	8.8%

The District is required to adopt an operating budget prior to the beginning of its fiscal year, referred to above as the original budget. It is the District's practice to amend the General Fund budget for known significant changes in circumstances, such as: updated enrollment estimates, legislation changes, additional funding received from grants or other local sources, staffing changes, employee contract settlements, health insurance premium increases, special education tuition changes, or utility rate changes.

The majority of the revenue budget change, related to $6,769,255 in federal sources, was mainly received for COVID-19-related expenditures. An increase in enrollment was the root cause of an increase of $8,258,723 in categorical state aids. An increase of $999,211 in other revenue, such as miscellaneous fees, admissions, and donations, was a result of schools returning to pre-pandemic activity levels. Investment income was expected to decrease by $178,844 from the original estimate. The most significant change from the original expenditure budget to the final budget was the addition of $15,948,301 in unspent budget carryovers and $6,744,172 in additional federal expenditures.

Table 5 summarizes the operating results of the General Fund:

Table 5
General Fund
Operating Results

		Over (Under) Final Budget		Increase (Decrease) From Prior Year	
	2022 Actual	Amount	Percent	Amount	Percent
Revenue	$ 189,691,422	$ 1,914,643	1.0%	$ 16,707,672	9.7%
Expenditures	179,466,542	$ (39,892,508)	(18.2%)	$ 19,368,473	12.1%
Other financing sources	188,144	$ 73,485	64.1%	$ 135,375	256.5%
Net change in fund balances	$ 10,413,024				

Actual revenues for 2022 increased $16,707,672, compared to 2021. The majority of the increase was in revenue from property taxes, which increased $7,448,069, due to the increase in voter-approved operating referendum levy authority. Revenue from state sources increased $6,798,760, due to additional student enrollment and additional special education aid. Other revenues were $2,413,709 higher than prior year, due to a full year of normal school activity.

Revenues were $1,914,643 over budget. Property tax collections were $248,644 higher than expected. General education state aid was $679,690 higher than anticipated, mainly due to increased enrollment. Special education state aid was $650,371 higher than projected. Budget projections for special education are based on a conservative approach, due to the complexity of the funding mechanisms. Investment earnings (charges) were $277,835 lower than projected, as the District had more cash on hand, but interest rates were significantly lower than predicted. The District also experienced an unrealized decrease in the fair value of its investment portfolio.

Actual expenditures for 2022 increased $19,368,473, compared to 2021. The District negotiated salary increases between 2 and 3 percent with the majority of its bargaining units, including teachers, the District's largest bargaining unit. The District determined that the budget called for an additional twenty teaching positions at an estimated cost of $2.1 million. The District also spent funds related to the COVID-19 pandemic relief effort.

Expenditures were $39,892,508 under budget, mainly due to under spending of $25,024,445 in building and department carryovers that will be spent in the 2022–2023 school year. The District's expenditure budget assumes that buildings will spend all of their budgets. This includes $10.6 million related to curriculum development and technology. The District had $7.2 million in capital projects that had not begun as of June 30, 2022. The District also had $3.2 million in unspent staff development funds that will be used for future staff development activities.

Analysis of the Capital Projects – Building Construction Fund

The Capital Projects – Building Construction Fund balance includes the proceeds from long-term facilities maintenance bonds and levies, and proceeds from building bonds and certificates of participation issued for new construction.

In 2019, the District issued $16,415,000 in 2019A Facilities Maintenance Bonds. The two-year District Long-Term Facilities Maintenance Plan approved by the Minnesota Department of Education (MDE) included $20.4 million in projects for which these bonds were the primary source of financing. These included: $3.8 million in roofing repairs, $700,000 in exterior improvement projects, $700,000 in plumbing improvements, $500,000 in building hardware and equipment, $1.2 million in lighting and electrical projects, $1.7 million in interior improvements, $6.9 million in various site projects, $4.4 million in mechanical and HVAC improvements, and $500,000 in various projects throughout the District. The completion date for these projects was August 2021.

In 2020, the District issued $112,435,000 in 2020A General Obligation Building Bonds. These bond proceeds funded a $55.0 million new middle school in Otsego, $15.5 million of activity space at Rogers High School, $7.0 million of activity space at Zimmerman High School, $8.0 million of activity space at Elk River High School, $8.85 million in renovations at VandenBerge Middle School, $11.35 million in renovations at Lincoln Elementary, and $7.3 million in renovations at Handke Center. During fiscal year 2020–2021, the District spent $41,845,610 of these proceeds. In fiscal year 2021–2022, the District spent $35,172,052 and remains on budget.

In 2021, the District issued $16,350,000 in 2021A Facilities Maintenance Bonds. The most recent two-year District Long-Term Facilities Maintenance Plan approved by the MDE included $20.4 million in projects for which these bonds were the primary source of financing, including: $3.8 million in roofing repairs, $700,000 in exterior improvement projects, $700,000 in plumbing improvements, $500,000 in building hardware and equipment, $1.2 million in lighting and electrical projects, $1.7 million in interior improvements, $6.9 million in various site projects, $4.4 million in mechanical and HVAC improvements, and $500,000 in various projects throughout the District. These projects began in June 2021.

Analysis of the Debt Service Fund

The Debt Service Fund year-end fund balance of $4,804,865 is restricted for future debt service. The District repaid $14,135,000 of bond principal from this fund during the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table 6 shows the District's capital assets, together with changes from the previous year. The table also shows the total depreciation expense for fiscal years ended June 30, 2022 and 2021:

Table 6
Capital Assets

	2022	2021	Change
Land	$ 13,456,323	$ 12,953,381	$ 502,942
Land and building improvements	165,956,072	164,604,585	1,351,487
Buildings	276,833,746	276,833,746	–
Furniture and equipment	25,175,420	24,481,311	694,109
Construction in progress	98,212,302	44,712,936	53,499,366
Less accumulated depreciation	(213,957,236)	(199,150,686)	(14,806,550)
Total	$ 365,676,627	$ 324,435,273	$ 41,241,354
Depreciation expense	$ 14,827,988	$ 14,515,041	$ 312,947

The District finalized the purchase of land near Zimmerman High School.

Land and building improvements included the completion of the Meadowvale Irrigation Rebuild project at $20,500, Westwood Elementary School Boiler renovation project at $175,000, and three scoreboard replacement projects at Elk River High School, Rogers High School, and Zimmerman High School for $935,604.

Construction in progress at year-end includes: a Prairie View Middle School at $45.6 million, Elk River activity space renovations project at $11.1 million, Rogers High School activity space addition at $20.1 million, Zimmerman High School activity space addition at $9.1 million, VandenBerge Middle School renovations at $9.4 million, Lincoln Elementary School Improvement project at $1.1 million, Handke Improvement and Roof Renovation projects at $1,362,000, Zimmerman High School Tennis Court project at $427,620, and other various projects throughout the District.

Additional details of the District's capital assets can be found in the Note 3 to the basic financial statements.

Debt Administration

Table 7 presents the components of the District's long-term liabilities and the change from the prior year:

Table 7
Outstanding Long-Term Liabilities

	2022	2021	Change
General obligation bonds payable	$ 288,640,000	$ 302,775,000	$ (14,135,000)
Plus premium	8,416,134	10,205,198	(1,789,064)
Total bonds payable	297,056,134	312,980,198	(15,924,064)
Certificates of participation payable	5,405,000	5,815,000	(410,000)
Financed purchases payable	3,683,244	4,193,588	(510,344)
Severance payable	1,998,432	2,020,169	(21,737)
Compensated absences payable	1,521,069	1,501,767	19,302
Net OPEB liability	2,158,828	2,450,853	(292,025)
Net pension liability	67,140,004	109,022,280	(41,882,276)
Total	$ 378,962,711	$ 437,983,855	$ (59,021,144)

General obligation bond retirements amounted to $14,135,000 in 2022.

The difference in the pension liability reflects the changes in the District's proportionate share of the PERA and the TRA state-wide pension obligations.

The state limits the amount of general obligation debt the District can issue to 15 percent of the market value of all taxable property within the District's corporate limits. (See Table 8.)

Table 8
Limitations on Debt

District's market value	$ 9,808,350,280
Limit rate	15.0%
Legal debt limit	$ 1,471,252,542

Additional details of the District's debt and long-term liabilities can be found in Note 5 to the basic financial statements.

FACTORS BEARING ON THE DISTRICT'S FUTURE

With the exception of the voter-approved operating referendum, the District is dependent on the state of Minnesota for its revenue authority.

The general education program is the method by which school districts receive the majority of their financial support. This source of funding is primarily state aid and, as such, school districts rely heavily on the state of Minnesota for educational resources. The Legislature added $161 or 2.45 percent, per pupil to the basic general education funding formula for fiscal year 2022, and an additional $135, or 2.00 percent, per pupil to the formula for fiscal year 2023. The state funding formula is still well below the rate of inflation for the past decade.

In 2021–2022, other categorical state aids, including special education, gifted and talented, and extended time, will also increase slightly, due to legislative increases. A number of state aids and levies were adjusted, removed, or added, that will have little effect on the amount of revenue the District will receive.

The District had one operating referendum question on the November 2019 ballot. The question was replacing a current levy of $467.10 per pupil with a levy of $1,217.12 per pupil, subject to an annual increase at the rate of inflation. This question was passed by 56.51 percent of the voters. The referendum is in place for 10 years beginning in 2020–2021. The new revenue source will be used to maintain class sizes, support struggling students, support student mental health, update the District's curriculum and classroom materials, and improve career and technical programs for students. With the annual rate of inflation, the levy amount increased to $1,252.54 per pupil for fiscal year 2021–2022. For fiscal year 2022–2023, the levy amount increased to $1,378.22, and $1,411.02, per pupil for fiscal year 2023–2024.

A second question listed on the November 2019 ballot was regarding $113 million for building bonds. This question was passed by 55.57 percent of the voters. The District will use these bonds for a variety of building projects, including a middle school to address enrollment growth, address a variety of building maintenance needs across the District, update indoor physical education and outdoor athletic facilities, and create more flexible learning spaces across the District at all levels to support different learning styles.

The District experienced a decrease in student enrollment in 2020–2021. This resulted in less revenue being received for operations. The District implemented additional programming in 2020–2021 to attract students and families. The Online 728 High School that began operating in September 2014 to attract students that prefer an alternative method of instruction, has expanded programming to include Grades K through 8. Career and technical education programs have been expanded to attract and meet the interests of students. Participation in the online program increased from 78 to 314 during fiscal year 2021–2022. The District continues to see increases in the number of housing permits issued by local government entities in the District; a sign of a growing economy.

The COVID-19 pandemic had a significant impact on the operations of the District. Education service models were continuously changing from face-to-face models, to hybrid models and distance learning. transportation, food service, and community education services were altered to accommodate the various learning models. Despite the signs of a growing local economy, the District will need to continue to address staffing levels and monitor future class sizes.

For 2021–2022, the District had face-to-face learning models at all levels and planned to adjust if the conditions were deemed necessary. Fortunately, the District did not have to adjust to an alternative teaching model. Staffing shortages continue to create additional challenges in many areas, such as classroom instruction, food service, custodial services, and transportation services. For 2022–2023, the District continues to monitor its working conditions and staffing shortages continue to create additional challenges in all aspects of the education industry.

The state funding formula, the economy, and growing demand on limited resources have created challenges in funding education for Minnesota schools. The federal funds recently received and the new federal mandates that relate to the COVID-19 pandemic are having a major impact on the operation of the District. The District will strive to maintain its current level of educational programming, and carry on its long-standing commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This ACFR is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department, Independent School District No. 728, 11500 193rd Avenue Northwest, Elk River, Minnesota 55330.

BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 728

Statement of Net Position
as of June 30, 2022
(With Partial Comparative Information as of June 30, 2021)

	Governmental Activities	
	2022	2021
Assets		
Cash and temporary investments	$ 171,665,664	$ 208,223,161
Receivables		
Current taxes	31,149,476	29,416,648
Delinquent taxes	560,193	518,304
Accounts and interest	426,852	1,106,018
Due from post-employment benefits trust	–	1,676,664
Due from other governmental units	20,267,035	17,512,916
Inventory	163,578	175,983
Prepaid items	1,189,368	377,709
Capital assets, net of depreciation		
Not depreciated	111,668,625	57,666,317
Depreciated, net of accumulated depreciation	254,008,002	266,768,956
Total capital assets, net of depreciation	365,676,627	324,435,273
Total assets	591,098,793	583,442,676
Deferred outflows of resources		
OPEB plan deferments	3,001,264	402,178
Pension plan deferments	40,561,629	45,717,625
Total deferred outflows of resources	43,562,893	46,119,803
Total assets and deferred outflows of resources	$ 634,661,686	$ 629,562,479
Liabilities		
Salaries and compensated absences payable	$ 12,687,062	$ 11,960,003
Accounts and contracts payable	17,680,562	22,199,934
Accrued interest payable	3,648,778	3,872,618
Due to post-employment benefits trust	3,000,000	–
Due to other governmental units	207,971	1,159,083
Unearned revenue	2,214,005	2,309,085
Long-term liabilities		
Due within one year	16,666,943	16,790,031
Due in more than one year	362,295,768	421,193,824
Total long-term liabilities	378,962,711	437,983,855
Total liabilities	418,401,089	479,484,578
Deferred inflows of resources		
Property taxes levied for subsequent year	60,150,680	58,135,228
OPEB plan deferments	981,609	1,264,827
Pension plan deferments	109,031,378	79,118,596
Total deferred inflows of resources	170,163,667	138,518,651
Net position		
Net investment in capital assets	102,533,182	92,342,255
Restricted for		
Capital asset acquisition	14,069,193	13,623,821
Debt service	1,350,055	1,900,844
Food service	4,828,786	2,321,339
Community service	1,132,082	1,022,373
Other purposes (state funding restrictions)	5,989,454	4,890,219
Unrestricted	(83,805,822)	(104,541,601)
Total net position	46,096,930	11,559,250
Total liabilities, deferred inflows of resources, and net position	$ 634,661,686	$ 629,562,479

INDEPENDENT SCHOOL DISTRICT NO. 728

Statement of Activities
Year Ended June 30, 2022
(With Partial Comparative Information for the Year Ended June 30, 2021)

	2022				2021
		Program Revenues		Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Governmental Activities
Governmental activities					
Administration	$ 5,776,146	$ 8,666	$ 546,893	$ (5,220,587)	$ (5,489,743)
District support services	5,719,248	246,131	–	(5,473,117)	(5,827,946)
Elementary and secondary regular instruction	67,686,692	1,298,206	2,287,450	(64,101,036)	(67,363,561)
Vocational education instruction	2,547,450	53,967	167,476	(2,326,007)	(2,275,762)
Special education instruction	32,115,155	1,710,888	25,437,490	(4,966,777)	(8,445,900)
Instructional support services	14,730,892	16,407	1,261,501	(13,452,984)	(14,417,613)
Pupil support services	17,265,987	–	1,777,648	(15,488,339)	(14,596,425)
Sites and buildings	12,341,899	155,618	46,879	(12,139,402)	(11,636,854)
Fiscal and other fixed cost programs	1,062,504	–	214,399	(848,105)	(486,860)
Food service	7,604,178	995,391	9,272,194	2,663,407	395,004
Community service	7,698,823	5,194,568	2,080,673	(423,582)	(1,707,953)
Unallocated depreciation expense (excludes direct depreciation expenses of various programs)	14,533,948	–	–	(14,533,948)	(14,210,696)
Interest and fiscal charges	7,479,563	–	–	(7,479,563)	(7,672,307)
Total governmental activities	$ 196,562,485	$ 9,679,842	$ 43,092,603	(143,790,040)	(153,736,616)
	General revenues				
	Taxes				
	Property taxes levied for general purposes			37,894,437	30,421,718
	Property taxes levied for community service			1,087,035	1,025,355
	Property taxes levied for debt service			21,560,512	26,419,288
	General grants and aids			116,341,096	112,117,237
	Other general revenues			1,120,459	899,247
	Investment earnings			324,181	1,348,400
	Total general revenues			178,327,720	172,231,245
	Change in net position			34,537,680	18,494,629
	Net position – beginning			11,559,250	(6,935,379)
	Net position – ending			$ 46,096,930	$ 11,559,250

INDEPENDENT SCHOOL DISTRICT NO. 728

Balance Sheet
Governmental Funds
as of June 30, 2022
(With Partial Comparative Information as of June 30, 2021)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Assets			
Cash and temporary investments	$ 77,361,121	$ 58,016,933	$ 15,086,042
Receivables			
Current taxes	20,111,839	–	10,429,414
Delinquent taxes	307,277	–	241,769
Accounts and interest	89,092	260,143	–
Due from other governmental units	19,735,355	–	100,929
Inventory	159,663	–	–
Prepaid items	357,233	–	–
Total assets	$ 118,121,580	$ 58,277,076	$ 25,858,154
Liabilities			
Salaries and compensated absences payable	$ 12,150,312	$ 5,099	$ –
Accounts and contracts payable	4,437,987	10,249,385	4,575
Due to other governmental units	207,944	–	–
Due to post-employment benefits trust	2,929,375	–	–
Unearned revenue	62,731	–	–
Total liabilities	19,788,349	10,254,484	4,575
Deferred inflows of resources			
Property taxes levied for subsequent year	38,079,725	–	20,854,746
Unavailable revenue – delinquent taxes	225,558	–	193,968
Total deferred inflows of resources	38,305,283	–	21,048,714
Fund balances			
Nonspendable	516,896	–	–
Restricted	13,175,111	48,022,592	4,804,865
Committed	1,713,171	–	–
Assigned	28,024,445	–	–
Unassigned	16,598,325	–	–
Total fund balances	60,027,948	48,022,592	4,804,865
Total liabilities, deferred inflows of resources, and fund balances	$ 118,121,580	$ 58,277,076	$ 25,858,154

		Total Governmental Funds	
	Nonmajor Funds	2022	2021
	$ 7,945,686	$ 158,409,782	$ 197,344,389
	608,223	31,149,476	29,416,648
	11,147	560,193	518,304
	72,067	421,302	973,037
	430,751	20,267,035	17,512,916
	3,915	163,578	175,983
	712	357,945	377,709
	$ 9,072,501	$ 211,329,311	$ 246,318,986
	$ 527,481	$ 12,682,892	$ 11,956,932
	886,720	15,578,667	20,358,868
	27	207,971	1,159,083
	70,625	3,000,000	–
	213,313	276,044	326,631
	1,698,166	31,745,574	33,801,514
	1,216,209	60,150,680	58,135,228
	8,738	428,264	406,311
	1,224,947	60,578,944	58,541,539
	4,627	521,523	553,692
	6,144,761	72,147,329	116,442,021
	–	1,713,171	1,839,829
	–	28,024,445	20,159,049
	–	16,598,325	14,981,342
	6,149,388	119,004,793	153,975,933
	$ 9,072,501	$ 211,329,311	$ 246,318,986

THIS PAGE INTENTIONALLY LEFT BLANK

Reconciliation of the Balance Sheet to the
Statement of Net Position
Governmental Funds
as of June 30, 2022
(With Partial Comparative Information as of June 30, 2021)

	2022	2021
Total fund balances – governmental funds	$ 119,004,793	$ 153,975,933
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets are included in net position, but are excluded from fund balances because they do not represent financial resources.		
Cost of capital assets	579,633,863	523,585,959
Accumulated depreciation	(213,957,236)	(199,150,686)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable.		
General obligation bonds payable	(288,640,000)	(302,775,000)
Certificates of participation payable	(5,405,000)	(5,815,000)
Financed purchases payable	(3,683,244)	(4,193,588)
Severance payable	(1,998,432)	(2,020,169)
Compensated absences payable	(1,521,069)	(1,501,767)
Net OPEB liability	(2,158,828)	(2,450,853)
Net pension liability	(67,140,004)	(109,022,280)
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.	(3,648,778)	(3,872,618)
Debt issuance premiums and discounts are excluded from net position until amortized, but are included in fund balances upon issuance as other financing sources and uses.	(8,416,134)	(10,205,198)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.	10,048,829	8,861,826
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – OPEB plan deferments	3,001,264	402,178
Deferred outflows of resources – pension plan deferments	40,561,629	45,717,625
Deferred inflows of resources – OPEB plan deferments	(981,609)	(1,264,827)
Deferred inflows of resources – pension plan deferments	(109,031,378)	(79,118,596)
Deferred inflows of resources – delinquent property taxes	428,264	406,311
Total net position – governmental activities	$ 46,096,930	$ 11,559,250

INDEPENDENT SCHOOL DISTRICT NO. 728

Statement of Revenue, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2022
(With Partial Comparative Information for the Year Ended June 30, 2021)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Revenue			
Local sources			
Property taxes	$ 37,863,374	$ –	$ 21,569,672
Investment earnings (charges)	(106,479)	430,087	(2,013)
Other	5,674,944	–	–
State sources	137,908,088	–	1,009,301
Federal sources	8,351,495	–	–
Total revenue	189,691,422	430,087	22,576,960
Expenditures			
Current			
Administration	6,189,334	–	–
District support services	6,607,630	–	–
Elementary and secondary regular instruction	73,251,778	–	–
Vocational education instruction	2,741,057	–	–
Special education instruction	34,752,071	–	–
Instructional support services	15,410,768	–	–
Pupil support services	17,859,935	–	–
Sites and buildings	20,386,083	–	–
Fiscal and other fixed cost programs	1,062,504	–	–
Food service	–	–	–
Community service	–	–	–
Capital outlay	–	47,688,224	–
Debt service			
Principal	920,344	–	14,135,000
Interest and fiscal charges	285,038	–	9,207,429
Total expenditures	179,466,542	47,688,224	23,342,429
Excess (deficiency) of revenue over expenditures	10,224,880	(47,258,137)	(765,469)
Other financing sources			
Debt issued	–	–	–
Premium on debt issued	–	–	–
Insurance recovery	–	22,171	–
Sale of capital assets	188,144	–	–
Total other financing sources	188,144	22,171	–
Net change in fund balances	10,413,024	(47,235,966)	(765,469)
Fund balances			
Beginning of year	49,614,924	95,258,558	5,570,334
End of year	$ 60,027,948	$ 48,022,592	$ 4,804,865

See notes to basic financial statements

Nonmajor Funds	Total Governmental Funds 2022	Total Governmental Funds 2021
$ 1,086,985	$ 60,520,031	$ 57,876,025
(1,922)	319,673	1,333,628
6,291,645	11,966,589	7,850,606
1,830,173	140,747,562	134,048,793
9,518,167	17,869,662	13,017,859
18,725,048	231,423,517	214,126,911
–	6,189,334	5,725,163
–	6,607,630	6,073,108
–	73,251,778	67,388,581
–	2,741,057	2,543,802
–	34,752,071	32,568,504
–	15,410,768	14,359,335
–	17,859,935	15,993,540
–	20,386,083	13,554,527
–	1,062,504	689,345
7,590,681	7,590,681	4,832,091
8,257,398	8,257,398	7,628,579
259,698	47,947,922	46,971,508
–	15,055,344	18,316,284
–	9,492,467	10,106,668
16,107,777	266,604,972	246,751,035
2,617,271	(35,181,455)	(32,624,124)
–	–	16,350,000
–	–	145,412
–	22,171	–
–	188,144	52,769
–	210,315	16,548,181
2,617,271	(34,971,140)	(16,075,943)
3,532,117	153,975,933	170,051,876
$ 6,149,388	$ 119,004,793	$ 153,975,933

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT SCHOOL DISTRICT NO. 728

Reconciliation of the Statement of
Revenue, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
Year Ended June 30, 2022
(With Partial Comparative Information for the Year Ended June 30, 2021)

	2022	2021
Total net change in fund balances – governmental funds	$ (34,971,140)	$ (16,075,943)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are recorded as net position and the cost is allocated over their estimated useful lives as depreciation expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase.		
Capital outlays	56,080,834	48,335,950
Depreciation expense	(14,827,988)	(14,515,041)
Net book value of capital assets disposed	(11,492)	(6,308)
Debt proceeds are reported as a source of financing in the governmental funds. Debt proceeds are not reported as revenues in the Statement of Activities, but are reflected as additional long-term liabilities.		
Debt issued	–	(16,350,000)
Repayment of long-term debt principal does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds payable	14,135,000	17,425,000
Certificates of participation payable	410,000	395,000
Financed purchases payable	510,344	496,284
Net OPEB liability	292,025	196,609
Net pension liability	41,882,276	(10,890,298)
Interest on long-term debt is included in the change in net position as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due.	223,840	286,353
Debt issuance premiums and discounts are included in the change in net position as they are amortized over the life of the debt. However, they are included in the change in fund balances upon issuance as other financing sources and uses.	1,789,064	2,002,596
Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.		
Severance payable	21,737	(32,329)
Compensated absences payable	(19,302)	(275,273)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is included in the governmental activities in the Statement of Activities.	1,187,003	2,976,731
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – OPEB plan deferments	2,599,086	53,404
Deferred outflows of resources – pension plan deferments	(5,155,996)	(29,452,451)
Deferred inflows of resources – OPEB plan deferments	283,218	(636,506)
Deferred inflows of resources – pension plan deferments	(29,912,782)	34,570,515
Deferred inflows of resources – delinquent property taxes	21,953	(9,664)
Change in net position – governmental activities	$ 34,537,680	$ 18,494,629

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT SCHOOL DISTRICT NO. 728

Statement of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
General Fund
Year Ended June 30, 2022

	Budget			Over (Under)
	Original	Final	Actual	Final Budget
Revenue				
Local sources				
Property taxes	$ 37,614,730	$ 37,614,730	$ 37,863,374	$ 248,644
Investment earnings (charges)	350,200	171,356	(106,479)	(277,835)
Other	2,672,162	3,671,373	5,674,944	2,003,571
State sources	128,159,661	136,418,384	137,908,088	1,489,704
Federal sources	3,131,681	9,900,936	8,351,495	(1,549,441)
Total revenue	171,928,434	187,776,779	189,691,422	1,914,643
Expenditures				
Current				
Administration	6,128,620	6,293,462	6,189,334	(104,128)
District support services	5,162,145	7,084,925	6,607,630	(477,295)
Elementary and secondary regular instruction	70,669,213	81,238,685	73,251,778	(7,986,907)
Vocational education instruction	2,585,538	3,157,178	2,741,057	(416,121)
Special education instruction	33,667,934	35,490,134	34,752,071	(738,063)
Instructional support services	14,545,217	27,696,922	15,410,768	(12,286,154)
Pupil support services	18,429,040	19,803,892	17,859,935	(1,943,957)
Sites and buildings	22,818,493	36,343,970	20,386,083	(15,957,887)
Fiscal and other fixed cost programs	1,033,000	1,044,500	1,062,504	18,004
Debt service				
Principal	920,344	920,344	920,344	–
Interest and fiscal charges	285,038	285,038	285,038	–
Total expenditures	176,244,582	219,359,050	179,466,542	(39,892,508)
Excess (deficiency) of revenue over expenditures	(4,316,148)	(31,582,271)	10,224,880	41,807,151
Other financing sources				
Sale of capital assets	105,400	114,659	188,144	73,485
Net change in fund balances	$ (4,210,748)	$ (31,467,612)	10,413,024	$ 41,880,636
Fund balances				
Beginning of year			49,614,924	
End of year			$ 60,027,948	

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 728

Statement of Net Position
Internal Service Funds
as of June 30, 2022
(With Partial Comparative Information as of June 30, 2021)

	2022	2021
Assets		
Current assets		
Cash and temporary investments	$ 13,255,882	$ 10,878,772
Receivables		
Accounts and interest	5,550	132,981
Due from other funds	600,499	–
Due from post-employment benefits trust	–	1,676,664
Prepaid items	831,423	–
Total current assets	14,693,354	12,688,417
Liabilities		
Current liabilities		
Salaries and compensated absences payable	4,170	3,071
Claims payable	2,101,895	1,841,066
Due to other funds	600,499	–
Unearned revenue	1,937,961	1,982,454
Total current liabilities	4,644,525	3,826,591
Net position		
Unrestricted	$ 10,048,829	$ 8,861,826

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 728

Statement of Revenue, Expenses, and Changes in Net Position
Internal Service Funds
Year Ended June 30, 2022
(With Partial Comparative Information for the Year Ended June 30, 2021)

	2022	2021
Operating revenue		
Charges for services	$ 21,700,080	$ 20,394,985
Insurance recovery	5,000	66,213
Total operating revenue	21,705,080	20,461,198
Operating expenses		
Dental benefit claims	1,300,828	1,251,542
Health benefit claims	17,236,337	14,263,399
Insurance premiums	760,394	675,113
Insurance claims	27,117	75,912
Administrative charges	1,197,909	1,233,273
Total operating expenses	20,522,585	17,499,239
Operating income	1,182,495	2,961,959
Nonoperating revenue		
Investment earnings	4,508	14,772
Change in net position	1,187,003	2,976,731
Net position		
Beginning of year	8,861,826	5,885,095
End of year	$ 10,048,829	$ 8,861,826

See notes to basic financial statements

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT SCHOOL DISTRICT NO. 728

Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2022
(With Partial Comparative Information for the Year Ended June 30, 2021)

	2022	2021
Cash flows from operating activities		
Charges for services	$ 23,459,682	$ 20,021,616
Insurance recovery	5,000	66,213
Payments for claims	(18,303,453)	(15,942,771)
Payments for insurance premiums	(1,591,817)	(675,113)
Payments for administrative charges	(1,196,810)	(1,235,589)
Net cash flows from operating activities	2,372,602	2,234,356
Cash flows from noncapital financing activities		
Cash received from other funds	600,499	–
Cash paid to other funds	(600,499)	–
Net cash flows from noncapital financing activities	–	–
Cash flows from investing activities		
Investment income received	4,508	14,772
Net change in cash and cash equivalents	2,377,110	2,249,128
Cash and cash equivalents		
Beginning of year	10,878,772	8,629,644
End of year	$ 13,255,882	$ 10,878,772
Reconciliation of operating income to net cash flows from operating activities		
Operating income	$ 1,182,495	$ 2,961,959
Adjustments to reconcile operating income to net cash flows from operating activities		
Changes in assets and liabilities		
Accounts receivable	127,431	(54,225)
Prepaid items	(831,423)	–
Due from post-employment benefits trust	1,676,664	(427,488)
Salaries and compensated absences payable	1,099	(2,316)
Claims payable	260,829	(351,918)
Unearned revenue	(44,493)	108,344
Net cash flows from operating activities	$ 2,372,602	$ 2,234,356

See notes to basic financial statements

Statement of Fiduciary Net Position
as of June 30, 2022

	Post-Employment Benefits Trust Fund	Custodial Fund
Assets		
Cash and temporary investments	$ –	$ 2,325,910
Cash and investments held by trustee		
Investment pools and mutual funds	3,936,688	–
Due from district funds	3,000,000	–
Total assets	6,936,688	2,325,910
Liabilities		
Accounts and contracts payable	–	74,746
Net position		
Restricted for OPEB	$ 6,936,688	
Restricted for individuals		$ 2,251,164

Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2022

	Post-Employment Benefits Trust Fund	Custodial Fund
Additions		
Contributions – employer	$ 3,000,000	$ 122,324
Investment earnings (charges)	(552,190)	–
Total additions	2,447,810	122,324
Deductions		
Benefits	–	283,799
Administrative fees	24,605	–
Total deductions	24,605	283,799
Change in net position	2,423,205	(161,475)
Net position		
Beginning of year	4,513,483	2,412,639
End of year	$ 6,936,688	$ 2,251,164

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Independent School District No. 728 (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. A seven-member School Board elected by the voters of the District governs the District. The District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, 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.

B. Reporting Entity

The accompanying financial statements include all funds, departments, agencies, boards, commissions, and other organizations that comprise the District, along with any component units.

Component units are legally separate entities for which the District (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit. Based on these criteria, there are no organizations considered to be component units of the District.

C. Government-Wide Financial Statement Presentation

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. The fiduciary funds are only reported in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position at the fund financial statements level. Generally, the effect of material interfund activity has been removed from the government-wide financial statements.

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 internally directed revenues are reported instead as general revenues.

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

For capital assets that can be specifically identified with, or allocated to functional areas, depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. For capital assets that essentially serve all functional areas, depreciation expense is reported as "unallocated depreciation expense." Interest on debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements. The proprietary (internal service) funds are presented in the internal service fund financial statements. Because the principal users of the internal services are the District's governmental activities, the financial statements of the proprietary (internal service) funds are consolidated into the governmental activities in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity. Fiduciary funds are presented in the fiduciary fund financial statements by type: pension (or other benefits) trust, and custodial. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide 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:

1. **Revenue Recognition** – Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District generally considers revenues to be available if they are collected within 60 days after year-end. Grants and similar revenues are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to funding formulas established by Minnesota Statutes. Proceeds of long-term debt and acquisitions under leases are reported as other financing sources.

2. **Recording of Expenditures –** Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt and other long-term liabilities, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as capital outlay expenditures in governmental funds. In the General Fund, capital outlay expenditures are included within the applicable functional areas.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the District's internal service funds are charges to other district funds for services. Operating expenses for the Internal Service Fund include the cost of providing the services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as described earlier in these notes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Description of Funds

The existence of the various district funds has been established by the Minnesota Department of Education (MDE). Each fund is accounted for as an independent entity. Descriptions of the funds included in this report are as follows:

Major Governmental Funds

General Fund – The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects – Building Construction Fund – The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition or construction of major capital facilities authorized by bond issue or the long-term facilities maintenance program.

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

Nonmajor Governmental Funds

Food Service Special Revenue Fund – The Food Service Special Revenue Fund is used to account for the District's child nutrition program.

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

Proprietary Funds

The District maintains three internal services funds. Internal service funds account for the financing of goods or services provided by one department to other departments or agencies of the District, or to other governments on a cost-reimbursement basis.

Dental Benefits Self-Insurance Internal Service Fund – This fund is used to account for the District's self-insured dental insurance costs and claims.

Health Benefits Self-Insurance Internal Service Fund – This fund is used to account for the District's self-insured health insurance costs and claims.

Property, Casualty, and Liability Self-Insurance Internal Service Fund – This fund is used to account for the District's property, casualty, and liability insurance costs and claims.

Fiduciary Funds

Post-Employment Benefits Trust Fund – This fund is used to administer assets held in an irrevocable trust to fund post-employment benefits for eligible employees.

Custodial Fund – A Custodial Fund is used as a flow through mechanism in which the District receives funds and distributes funds to an organization or individuals, with no financial benefit to the District. This fund is used to account for the District's Healthcare Reimbursement Account (HRA).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Information

The School Board adopts an annual budget for all of the District's governmental funds, which are prepared on the same modified accrual basis of accounting as the fund financial statements. Legal budgetary control is at the fund level. Budgeted appropriations lapse at year-end.

F. Cash and Temporary Investments

Cash and temporary investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund. Earnings from the investments of the Capital Projects – Building Construction Fund and all fiduciary funds are allocated directly to those funds/accounts.

Cash and investments held by trustee include balances held in a segregated account that is established for a specific purpose. In the Post-Employment Benefits Trust Fund, this represents assets contributed to an irrevocable trust established to finance the District's liability for post-employment insurance benefits.

For purposes of the Statement of Cash Flows, the District considers all highly liquid debt instruments with an original maturity from the time of purchase by the District of three months or less to be cash equivalent. The proprietary fund's equity in the government-wide cash and investment management pool is considered to be cash equivalent.

Investments are generally stated at fair value, except for investments in certain external investment pools, which are stated at amortized cost. Short-term, highly liquid debt instruments (including commercial paper, bankers' acceptance, and U.S. treasury and agency obligations) purchased with a remaining maturity of one year or less may also be reported at amortized cost.

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

See Note 2 for the District's recurring fair value measurements at year-end.

G. Receivables

When necessary, the District utilizes an allowance for uncollectible accounts to value its receivables. However, the District considers all of its current receivables to be collectible. The only receivables not expected to be fully collected within one year are property taxes receivable.

At June 30, 2022, the District reported the following amounts due from other governmental units:

Due from the MDE	$	19,885,639
Due from other Minnesota school districts		307,910
Due from various other local governments		73,486
Total	$	20,267,035

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Inventories

Inventories are recorded using the consumption method of accounting and consist of supplies and fuel oil, recorded at invoice cost, computed on a first-in, first-out basis.

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are recorded as expenses/expenditures at the time of consumption.

J. Property Taxes

The majority of the District's revenue in the General Fund is determined annually by statutory funding formulas. The total revenue allowed by these formulas is allocated between property taxes and state aids by the Legislature based on education funding priorities.

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes $2,136,082 of the property tax levy collectible in 2022 as revenue to the District in fiscal year 2021–2022. The remaining portion of the taxes collectible in 2022 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

Property tax levies are certified to the County Auditor in December of each year for collection from taxpayers in May and October of the following calendar year. In Minnesota, counties act as collection agents for all property taxes. The county spreads all levies over taxable property. Such taxes become a lien on property on the following January 1. The county generally remits taxes to the District at periodic intervals as they are collected.

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is reported as a deferred inflow of resources (unavailable revenue) in the fund financial statements because it is not known to be available to finance the operations of the District.

K. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated acquisition value at the date of donation. Generally, the District defines capital assets as those with an initial, individual cost of $5,000 or more, which benefit more than one fiscal year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide financial 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 assets are generally sold for an immaterial amount or scrapped when declared as no longer fit or needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land and building improvements and buildings, and 5 to 20 years for furniture and equipment. Land and construction in progress are not depreciated.

The District does not possess any material amounts of infrastructure capital assets, such as sidewalks or parking lots. Such items are considered to be part of the cost of buildings or other improvable property.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses.

M. Compensated Absences

Eligible employees accrue vacation and sick leave at varying rates as specified by contract, portions of which may be carried over to future years. Employees are reimbursed for any unused, accrued vacation upon termination. Unused sick leave enters into the calculation of severance benefits for some employees upon termination. Compensated absences are accrued in the governmental fund financial statements only to the extent they have been used or otherwise matured prior to year-end. Unused vacation is accrued as it is earned in the government-wide financial statements.

N. Severance Benefits

The District provides lump sum severance benefits to eligible employees in accordance with provisions in certain collectively bargained contracts. Eligibility for these benefits is based on years of service and/or minimum age requirements. Severance benefits are calculated by converting a portion of unused accumulated sick leave. No employee can receive severance benefits that exceed one year's salary.

Severance pay based on convertible sick leave is recorded as a liability in the government-wide financial statements as it is earned and it becomes probable that it will vest at some point in the future. Severance pay is accrued in the governmental fund financial statements as the liability matures, due to employee retirement.

O. State-Wide Pension Plans

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

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

P. Other Post-Employment Benefits (OPEB) Plan

For purposes of measuring the net other post-employment benefits (OPEB) liability, deferred outflows/inflows of resources, and OPEB expense, information about the fiduciary net position of the District's OPEB Plan and additions to/deductions from the District's fiduciary net position have been determined on the same basis as they are reported by the District. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for external investment pools or certain investments that have a maturity at the time of purchase of one year or less, which are reported at amortized cost.

Q. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, statements of financial position or balance sheets will sometimes report separate sections for deferred outflows or inflows of resources. These separate financial statement elements represent a consumption or acquisition of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) or an inflow of financial resources (revenue) until then.

The District reports deferred outflows and inflows of resources related to pensions and OPEB in the government-wide Statement of Net Position. These deferred outflows and inflows result from differences between expected and actual experience, changes in proportion, changes of assumptions, differences between projected and actual earnings on pension and OPEB Plan investments, and contributions to the plan subsequent to the measurement date and before the end of the reporting period. These amounts are deferred and amortized as required under pension and OPEB standards.

Property taxes levied for subsequent years, which represents property taxes received or reported as a receivable before the period for which the taxes are levied, are reported as a deferred inflow of resources in both the government-wide Statement of Net Position and the governmental funds Balance Sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied, and in the governmental fund financial statements during the year for which they are levied, if available.

Unavailable revenue from property taxes arises under a modified accrual basis of accounting and is reported only in the governmental funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available.

R. Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts and disclosures at the date of the financial statements and during the reporting period. Actual results could differ from those estimates.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. 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 it carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in fiscal 2022.

The District established an internal service fund to account for and finance its uninsured risk of loss for employee dental benefits. The Dental Benefits Self-Insurance Internal Service Fund is funded by employee and district contributions and interest income. The District has a claims liability in the internal service fund at June 30, 2022, based on the requirement that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the loss can be reasonably estimated. Changes in the internal service fund's claims liability were:

	Beginning of Fiscal Year Liability	Claims and Changes in Estimates	Claim Payments	End of Fiscal Year Liability
2021	$ 88,249	$ 1,251,542	$ 1,238,561	$ 101,230
2022	$ 101,230	$ 1,300,828	$ 1,298,649	$ 103,409

The District established an internal service fund to account for and finance its uninsured risk of loss for employee health benefits. The Health Benefits Self-Insurance Internal Service Fund is funded by district contributions and interest income. The District has a claims liability in the internal service fund at June 30, 2022, based on the requirement that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the loss can be reasonably estimated. Changes in the internal service fund's claims liability were:

	Beginning of Fiscal Year Liability	Claims and Changes in Estimates	Claim Payments	End of Fiscal Year Liability
2021	$ 2,104,669	$ 14,263,399	$ 14,628,232	$ 1,739,836
2022	$ 1,739,836	$ 17,236,337	$ 16,978,236	$ 1,997,937

The District established an internal service fund to account for and finance its uninsured risk of loss for property, casualty, and liability insurance. The Property, Casualty, and Liability Self-Insurance Internal Service Fund is funded by district contributions and interest income. The District has a claims liability in the internal service fund at June 30, 2022, based on the requirement that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the loss can be reasonably estimated. Changes in the internal service fund's claims liability were:

	Beginning of Fiscal Year Liability	Claims and Changes in Estimates	Claim Payments	End of Fiscal Year Liability
2021	$ 66	$ 75,912	$ 75,978	$ –
2022	$ –	$ 27,117	$ 26,568	$ 549

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Net Position

In the government-wide, proprietary fund, and fiduciary funds financial statements, net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position is displayed in three components:

- **Net Investment in Capital Assets** – Consists of capital assets, net of accumulated depreciation, reduced by any outstanding debt attributable to the acquisition of capital assets.

- **Restricted Net Position** – Consists of net position restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

- **Unrestricted Net Position** – All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

The District applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available.

U. 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 prepaid items, inventory, and other long-term assets.

- **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 that are established by resolution of the School Board. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

- **Assigned** – Consists of internally imposed constraints. These constraints consist of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to School Board resolution, the District's superintendent and executive director of business services are authorized to establish assignments of fund balance.

- **Unassigned** – The residual classification for the General Fund, which 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, 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

V. Prior Period Comparative Financial Information/Reclassification

The basic financial statements include certain prior year partial comparative information in total, but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2021, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

Cash and investments at year-end consist of the following:

Deposits	$ 8,873,121
Investments	169,055,141
Total	$ 177,928,262

Cash and investments are presented in the financial statements as follows:

Statement of Net Position	
Cash and temporary investments	$ 171,665,664
Statement of Fiduciary Net Position	
Cash and investments held by trustee – Post-Employment Benefits Trust Fund	3,936,688
Cash and temporary investments – Custodial Fund	2,325,910
Total	$ 177,928,262

B. Deposits

In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the School Board, including checking accounts, savings accounts, and nonnegotiable certificates of deposit.

The following is considered the most significant risk associated with deposits:

Custodial Credit Risk – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may be lost.

Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The District's deposit policies do not further limit depository choices.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

At year-end, the bank balance of the District's deposits was $9,897,590, all of which were fully covered by federal deposit insurance, surety bonds, or collateral held by the District's agent in the District's name.

C. Investments

The District has the following investments at year-end:

Investment Type	Credit Risk Rating	Credit Risk Agency	Fair Value Measurements	Interest Rate Risk – Maturity in Years: No Maturity	Less Than 1	1 to 5	Total
U.S. treasuries	Not Applicable		Level 1	$ –	$ 1,187,463	$ 1,948,464	$ 3,135,927
State and local bonds (G.O. Bonds)	Aaa	Moody's	Level 2	$ –	$ 500,730	$ –	500,730
State and local bonds (G.O. Bonds)	AA	S&P	Level 2	$ –	$ 496,570	$ 867,385	1,363,955
State and local bonds (G.O. Bonds)	Aa	Moody's	Level 2	$ –	$ 1,531,843	$ –	1,531,843
State and local bonds (G.O. Bonds)	Aa	Fitch	Level 2	$ –	$ 749,760	$ –	749,760
Investment pools/mutual funds							
MNTrust Investment Shares Portfolio	AAA	S&P	Amortized cost	$ 100,375,080	$ –	$ –	100,375,080
MNTrust Limited Term Duration	Not Rated		Amortized cost	$ 14,493,460	$ –	$ –	14,493,460
MNTrust Term Series	Not Rated		Amortized cost	$ –	$ 2,002,374	$ –	2,002,374
MNTrust Full Flex	Not Rated		Amortized cost	$ 23,531,110	$ –	$ –	23,531,110
MSDLAF Liquid Class	AAA	S&P	Amortized cost	$ 14,435,720	$ –	$ –	14,435,720
MSDLAF MAX Class	AAA	S&P	Amortized cost	$ 2,731,012	$ –	$ –	2,731,012
Mutual funds	Not Rated		Level 2	$ 4,204,170	$ –	$ –	4,204,170
Total investments							$ 169,055,141

External investment pools managed by Minnesota Trust (MNTrust) and the Minnesota School District Liquid Asset Fund (MSDLAF), are regulated by Minnesota Statutes and not registered with the Securities and Exchange Commission. These investment pools are reported at the net asset value per share provided by the pools, which are based on amortized cost methods that approximate fair value. There are no restrictions or limitations on withdrawals from the MNTrust Investment Shares Portfolio or MSDLAF Liquid Class investment pools. Investments in the MSDLAF MAX Class must be deposited for a minimum of 14 calendar days with the exception of direct investments of funds distributed by the state of Minnesota. Withdrawals prior to the 14-day restriction period may be subject to a penalty and there is a 24-hour hold on all requests for redemptions. MNTrust Term Series Portfolios are intended to be held until maturity; a participant's withdrawal prior to maturity will require 7-days' notice of redemption and will likely carry a penalty, which could be substantial in that it would be intended to allow the Term Series Portfolio to recoup any associated penalties, charges, losses, or other costs associated with the early redemption of the investments therein. MNTrust Limited Term Duration must be deposited for a minimum of 30 days.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Investments are subject to various risks, the following of which are considered the most significant:

Custodial Credit Risk – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the District would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Although the District's investment policies do not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments, or by the control of who holds the securities.

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the District's investments to direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that receive the highest credit rating, are rated in one of the top two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated "A" or better; revenue obligations rated "AA" or better; general obligations of the Minnesota Housing Finance Agency rated "A" or better; bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts with parties meeting minimum statutory requirements; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000; that are a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; or certain Minnesota securities broker-dealers.

For assets held in the District's irrevocable OPEB trust accounted for in its Post-Employment Benefits Trust Fund, the investment options available to the District are expanded to include the investment types specified in Minnesota Statutes § 356A.06, Subd. 7. The District's investment policies do not further restrict investing in specific financial instruments.

Interest Rate Risk – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The District's investment policies do not limit the maturities of investments; however, when purchasing investments, the District considers such things as interest rates and cash flow needs.

Concentration Risk – This is the risk associated with investing a significant portion of the District's investments (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The District's investment policies do not address concentration risk.

NOTE 3 – CAPITAL ASSETS

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

	Balance – Beginning of Year	Additions	Deletions	Transfers	Balance – End of Year
Capital assets, not depreciated					
Land	$ 12,953,381	$ 502,942	$ –	$ –	$ 13,456,323
Construction in progress	44,712,936	54,434,970	–	(935,604)	98,212,302
Total capital assets, not depreciated	57,666,317	54,937,912	–	(935,604)	111,668,625
Capital assets, depreciated					
Land and building improvements	164,604,585	415,883	–	935,604	165,956,072
Buildings	276,833,746	–	–	–	276,833,746
Furniture and equipment	24,481,311	727,039	(32,930)	–	25,175,420
Total capital assets, depreciated	465,919,642	1,142,922	(32,930)	935,604	467,965,238
Less accumulated depreciation for					
Land and building improvements	(32,650,980)	(7,061,593)	–	–	(39,712,573)
Buildings	(120,517,067)	(3,489,883)	–	–	(124,006,950)
Furniture and equipment	(45,982,639)	(4,276,512)	21,438	–	(50,237,713)
Total accumulated depreciation	(199,150,686)	(14,827,988)	21,438	–	(213,957,236)
Net capital assets, depreciated	266,768,956	(13,685,066)	(11,492)	935,604	254,008,002
Total capital assets, net	$ 324,435,273	$ 41,252,846	$ (11,492)	$ –	$ 365,676,627

Depreciation expense for the year was charged to the following governmental functions:

Administration	$ 6,912
District support services	66,534
Elementary and secondary regular instruction	86,145
Vocational education instruction	4,996
Special education instruction	4,347
Instructional support services	12,512
Pupil support services	109,408
Community service	3,186
Unallocated depreciation expense	14,533,948
Total depreciation and expense	$ 14,827,988

NOTE 4 – INTERFUND BALANCES AND TRANSFERS

At June 30, 2022, the District had a receivable of $600,499 in the Health Benefits Self-Insurance Internal Service Fund due from the Property, Insurance, and Liability Self-Insurance Internal Service Fund for short-term cash flow purposes.

At June 30, 2022, the District had a receivable of $3,000,000 in the Post-Employment Benefits Trust Fiduciary Fund for $2,929,375 of OPEB contributions from the General Fund and $70,625 of OPEB contributions from the Food Service Special Revenue Fund.

Interfund balances and transfers presented in the fund financial statements are eliminated in the government-wide financial statements to the extent possible. Receivable or payable balances between fiduciary funds and other district funds are not eliminated.

NOTE 5 – LONG-TERM LIABILITIES

A. General Obligation Bonds Payable

The District currently has the following general obligation bonds payable outstanding:

General Obligation Bond Issue	Issue Date	Interest Rate	Original Issue	Final Maturity	Principal Outstanding
2009B Capital Facilities	04/01/2009	2.100–4.400%	$ 935,000	02/01/2024	$ 155,000
2015A School Building	02/19/2015	2.000–4.000%	$ 95,995,000	02/01/2033	91,295,000
2015B Alternative Facilities	02/19/2015	2.000–4.000%	$ 13,515,000	02/01/2029	13,515,000
2016A Refunding	11/16/2016	5.000%	$ 44,885,000	02/01/2025	18,540,000
2017A Facilities Maintenance	03/23/2017	3.000–4.000%	$ 14,520,000	02/01/2030	14,520,000
2017B Taxable OPEB Refunding	11/21/2017	2.750–3.100%	$ 2,555,000	02/01/2030	1,850,000
2017C Alternative Facilities Refunding	11/21/2017	3.000–5.000%	$ 6,265,000	02/01/2030	4,925,000
2019A Facilities Maintenance	03/14/2019	3.000–5.000%	$ 16,415,000	02/01/2033	16,415,000
2020A School Building	01/30/2020	2.000–4.000%	$ 112,435,000	02/01/2040	111,075,000
2021A Facilities Maintenance	02/04/2021	1.450–2.000%	$ 16,350,000	02/01/2038	16,350,000
Total general obligation bonds payable					$ 288,640,000

These bonds were issued to finance acquisition, construction, and/or improvements of capital facilities, finance the retirement (refunding) of prior bond issues, or finance OPEB obligations. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated for the retirement of these bonds. Future annual debt levies authorized equal 105 percent of the principal and interest due each year, subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

B. Certificates of Participation Payable

Issue	Issue Date	Interest Rate	Original Issue	Final Maturity	Principal Outstanding
2018A Certificates of Participation	05/10/2018	3.00–3.25%	$ 7,025,000	02/01/2033	$ 5,405,000

In May 2018, the District issued certificates of participation totaling $7,025,000 for construction of an elementary school addition and a new middle school. The certificates will be paid by the General Fund.

C. Financed Purchases Payable

In May 2010, the District entered into an agreement to finance the construction of certain building improvements with a value of $2,700,000, with an interest rate of 4.97 percent and periodic principal and interest payments through March 2025. The 2019 through 2025 payments due on this agreement were refinanced in May of 2019 at an interest rate of 3.25 percent. If the District fails to make the rental payments specified in this agreement or otherwise defaults on the agreement, the lender may 1) enter the property and take possession without terminating the agreement, holding the District responsible for the difference in the net income derived from such possession and the rent due under this agreement, 2) exclude the District from possession of the property and attempt to sell or lease the property, holding the District responsible for the rent due under this agreement until the property is sold or leased, or 3) take legal action to force performance under the terms of the agreement. The lease is being paid through the General Fund.

NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

In June 2016, the District entered into an agreement to finance the purchase of a building valued at $4,646,500 for a new District office site. The agreement bears an interest rate of 2.49 percent and calls for periodic principal and interest payments through June 2031. The agreement is being paid through the General Fund.

D. Other Long-Term Liabilities

The District offers a number of benefits to its employees, including: severance, compensated absences, pension benefits, and OPEB, the details of which are discussed elsewhere in these notes. Such benefits are financed primarily through the General Fund, Food Service Special Revenue Fund, and Community Service Special Revenue Fund. The District has also established a Post-Employment Benefits Trust Fund to finance OPEB obligations.

District employees participate in two state-wide, cost-sharing, multiple-employer defined benefit pension plans administered by the PERA and the TRA. The net pension liabilities, deferred outflows and inflows of resources, and pension expense reported for these plans as of and for the year ended June 30, 2022, are as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
PERA	$ 14,878,241	$ 11,149,699	$ 14,652,069	$ (275,109)
TRA	52,261,763	29,411,930	94,379,309	1,732,858
Total	$ 67,140,004	$ 40,561,629	$ 109,031,378	$ 1,457,749

E. Minimum Debt Payments

Minimum annual principal and interest payments to maturity for general obligation bonds, certificates of participation, and financed purchase payable are as follows:

Year Ending	General Obligation Bonds		Certificates of Participation		Financed Purchases Payable	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2023	$ 13,820,000	$ 8,672,148	$ 420,000	$ 164,931	$ 524,809	$ 93,342
2024	14,770,000	8,183,273	435,000	152,331	539,692	78,459
2025	15,800,000	7,604,990	445,000	139,281	555,004	63,147
2026	16,270,000	6,976,140	460,000	125,931	323,034	49,389
2027	17,245,000	6,356,202	475,000	112,131	331,127	41,295
2028–2032	87,050,000	23,200,464	2,600,000	337,238	1,409,578	80,111
2033–2037	80,465,000	10,826,834	570,000	18,525	–	–
2038–2040	43,220,000	2,312,025	–	–	–	–
	$ 288,640,000	$ 74,132,075	$ 5,405,000	$ 1,050,369	$ 3,683,244	$ 405,743

NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

F. Changes in Long-Term Liabilities

	Balance – Beginning of Year	Additions	Retirements	Balance – End of Year	Due Within One Year
General obligation bonds payable	$ 302,775,000	$ –	$ 14,135,000	$ 288,640,000	$ 13,820,000
Premiums	10,205,198	–	1,789,064	8,416,134	–
Total bonds payable	312,980,198	–	15,924,064	297,056,134	13,820,000
Certificates of participation payable	5,815,000	–	410,000	5,405,000	420,000
Financed purchases payable	4,193,588	–	510,344	3,683,244	524,809
Severance payable	2,020,169	359,328	381,065	1,998,432	381,065
Compensated absences payable	1,501,767	1,959,174	1,939,872	1,521,069	1,521,069
Net OPEB liability	2,450,853	611,304	903,329	2,158,828	–
Net pension liability	109,022,280	15,091,193	56,973,469	67,140,004	–
Total	$ 437,983,855	$ 18,020,999	$ 77,042,143	$ 378,962,711	$ 16,666,943

NOTE 6 – FUND BALANCES

The following is a breakdown of the equity components of the District's governmental funds as of year-end, which are defined earlier in the report:

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Nonmajor Funds	Total
Nonspendable					
Inventory	$ 159,663	$ –	$ –	$ 3,915	$ 163,578
Prepaid items	357,233	–	–	712	357,945
Total nonspendable	516,896	–	–	4,627	521,523
Restricted					
Student activities	404,498	–	–	–	404,498
Scholarships	869,558	–	–	–	869,558
Staff development	3,184,045	–	–	–	3,184,045
Operating capital	7,185,657	–	–	–	7,185,657
Alternative learning center	497,517	–	–	–	497,517
Gifted and talented	34,486	–	–	–	34,486
Basic skills	736,252	–	–	–	736,252
Safe schools levy	263,098	–	–	–	263,098
Long-term facilities maintenance	–	10,845,470	–	–	10,845,470
Building construction	–	37,177,122	–	–	37,177,122
Debt service	–	–	4,804,865	–	4,804,865
Food service	–	–	–	4,852,132	4,852,132
Community education programs	–	–	–	46,335	46,335
Early childhood family education programs	–	–	–	1,017,578	1,017,578
School readiness programs	–	–	–	116,276	116,276
Community service	–	–	–	112,440	112,440
Total restricted	13,175,111	48,022,592	4,804,865	6,144,761	72,147,329
Committed					
Future severance	1,713,171	–	–	–	1,713,171
Assigned					
Building carryover	14,442,532	–	–	–	14,442,532
Curriculum and technology	10,581,913	–	–	–	10,581,913
Strategic planning initiatives	3,000,000	–	–	–	3,000,000
Total assigned	28,024,445	–	–	–	28,024,445
Unassigned	16,598,325	–	–	–	16,598,325
Total	$ 60,027,948	$ 48,022,592	$ 4,804,865	$ 6,149,388	$ 119,004,793

The School Board has formally adopted a fund balance policy regarding the minimum unassigned fund balance for the General Fund. The policy establishes a minimum unassigned General Fund balance of 5.0 percent of the annual projected expenditures. At June 30, 2022, the unassigned fund balance of the General Fund was 7.6 percent of final budgeted expenditures for fiscal 2022.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Descriptions

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

1. General Employees Retirement Fund (GERF)

The PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

Certain full-time and part-time employees of the District other than teachers are covered by the GERF. GERF members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

2. Teachers Retirement Association (TRA)

The TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with Minnesota Statutes, Chapters 354 and 356. The TRA is a separate statutory entity, administered by a Board of Trustees. The Board of Trustees consists of four active members, one retired member, and three statutory officials.

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

B. Benefits Provided

The PERA and the TRA provide retirement, disability, and death benefits. Benefit provisions are established by state statutes and can only be modified by the State Legislature.

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

1. GERF Benefits

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 the PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated Plan members is 1.2 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated Plan members is 1.7 percent for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at age 66.

Benefit increases are provided to benefit recipients each January. The post-retirement increase is equal to 50.0 percent of the cost of living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.0 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase, will receive the full increase. For recipients receiving the annuity or benefit for at least one month, but less than a full year as of the June 30 before the effective date of the increase, will receive a reduced prorated increase. For members retiring on January 1, 2024 or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

2. TRA Benefits

The 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 Statutes 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 the 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 per Year
Basic Plan	
First 10 years of service	2.2 %
All years after	2.7 %
Coordinated Plan	
First 10 years if service years are up to July 1, 2006	1.2 %
First 10 years if service years are July 1, 2006 or after	1.4 %
All other years of service if service years are up to July 1, 2006	1.7 %
All other years of service if service years are up to July 1, 2006 or after	1.9 %

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) Three 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).

Tier II Benefits

For years of service prior to July 1, 2006, a level formula of 1.7 percent per year for Coordinated Plan members and 2.7 percent per year for Basic Plan members applies. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for Coordinated Plan members and 2.7 percent per year for Basic Plan members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statutes. 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 benefit 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. Contributions

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

1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Coordinated Plan members were required to contribute 6.5 percent of their annual covered salary in fiscal year 2022 and 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 $1,968,331. The District's contributions were equal to the required contributions as set by state statutes.

2. TRA Contributions

Minnesota Statutes, Chapter 354 sets the rates for employer and employee contributions. Rates for each fiscal year were:

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

The District's contributions to the TRA for the plan's fiscal year ended June 30, 2022, were $6,315,912. The District's contributions were equal to the required contributions for each year as set by state statutes.

The following is a reconciliation of employer contributions in the TRA's Comprehensive Annual Financial Report Statement of Changes in Fiduciary Net Position to the employer contributions used in the Schedule of Employer and Nonemployer Pension Allocations:

		in thousands
Employer contributions reported in the TRA's Annual Comprehensive Financial Report Statement of Changes in Fiduciary Net Position	$	448,829
Add employer contributions not related to future contribution efforts		379
Deduct the TRA's contributions not included in allocation		(538)
Total employer contributions		448,670
Total nonemployer contributions		37,840
Total contributions reported in the Schedule of Employer and Nonemployer Allocations	$	486,510

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

D. Pension Costs

1. GERF Pension Costs

At June 30, 2022, the District reported a liability of $14,878,241 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the state of Minnesota's contribution of $16 million. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the District totaled $454,301. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.3484 percent at the end of the measurement period and 0.3653 percent for the beginning of the period.

District's proportionate share of the net pension liability	$	14,878,241
State's proportionate share of the net pension liability associated with the District	$	454,301

For the year ended June 30, 2022, the District recognized negative pension expense of $311,764 for its proportionate share of the GERF's pension expense. In addition, the District recognized $36,655 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's pension expense for the annual $16 million contribution.

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 97,022	$ 457,871
Changes in actuarial assumptions	9,084,346	346,434
Net collective difference between projected and actual investment earnings	–	12,842,782
Changes in proportion	–	1,004,982
District's contributions to the GERF subsequent to the measurement date	1,968,331	–
Total	$ 11,149,699	$ 14,652,069

The $1,968,331 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2023	$ (1,092,250)
2024	$ (519,266)
2025	$ (344,721)
2026	$ (3,514,464)

2. TRA Pension Costs

At June 30, 2022, the District reported a liability of $52,261,763 for its proportionate share of the TRA's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the TRA in relation to total system contributions, including direct aid from the state of Minnesota, City of Minneapolis, and Minneapolis School District. The District's proportionate share was 1.1942 percent at the end of the measurement period and 1.1792 percent for the beginning of the period.

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

District's proportionate share of the net pension liability	$ 52,261,763
State's proportionate share of the net pension liability associated with the District	$ 4,407,634

For the year ended June 30, 2022, the District recognized pension expense of $1,782,210. It also recognized $49,352 as an increase to pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 1,397,701	$ 1,490,373
Changes in actuarial assumptions	19,151,302	47,319,292
Net difference between projected and actual investment earnings on pension plan investments	–	43,886,902
Changes in proportion	2,547,015	1,682,742
District's contributions to the TRA subsequent to the measurement date	6,315,912	–
Total	$ 29,411,930	$ 94,379,309

A total of $6,315,912 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2023	$ (34,072,457)
2024	$ (26,553,373)
2025	$ (6,362,819)
2026	$ (8,168,332)
2027	$ 3,873,690

E. Long-Term Expected Return on Investment

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

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

	Target Allocation		Long-Term Expected
Asset Class	GERF	TRA	Real Rate of Return
Domestic equity	33.50 %	35.50 %	5.10 %
International equity	16.50	17.50	5.30 %
Private markets	25.00	25.00	5.90 %
Fixed income	25.00	20.00	0.75 %
Unallocated cash	–	2.00	– %
Total	100.00 %	100.00 %	

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

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 and the following actuarial assumptions:

Assumptions	GERF	TRA
Inflation	2.25%	2.50%
Wage growth rate		2.85% before July 1, 2028, and 3.25% thereafter
Projected salary increase	3.00%	
Active member payroll growth		2.85% to 8.85% before July 1, 2028, and 3.25% to 9.25% thereafter
Investment rate of return	6.50%	7.00%

1. GERF

The long-term rate of return on pension plan investments used in the determination of the total liability is 6.50 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.50 percent was deemed to be within that range of reasonableness for financial reporting purposes.

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

Salary growth assumptions in the GERF Plan range in annual increments from 10.25 percent after one year of service to 3.00 percent after 29 years of service, and 6.00 percent per year thereafter.

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

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

2. TRA

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP-2014 tables for the TRA for males and females, as appropriate, with slight adjustments to fit the TRA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.00 percent for January 2020 through January 2023, then increasing by 0.10 percent each year, up to 1.50 percent annually.

Actuarial assumptions for the TRA Plan were based on the results of actuarial experience studies. The most recent experience study in the TRA Plan was completed in 2015, with economic assumptions updated in 2017.

The following changes in actuarial assumptions occurred in 2021:

1. **GERF**

   CHANGES IN ACTUARIAL ASSUMPTIONS

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

2. **TRA**

   CHANGES IN ACTUARIAL ASSUMPTIONS

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

G. Discount Rate

1. **GERF**

   The discount rate used to measure the total pension liability in 2021 was 6.50 percent. The discount rate used to measure the total pension liability at the prior measurement date was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the GERF 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.

2. **TRA**

   The discount rate used to measure the total pension liability was 7.00 percent. The discount rate used to measure the total pension liability at the prior measurement date was 7.50 percent. 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.

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

G. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
GERF discount rate	5.50%	6.50%	7.50%
District's proportionate share of the GERF net pension liability	$ 30,344,016	$ 14,878,241	$ 2,187,628
TRA discount rate	6.00%	7.00%	8.00%
District's proportionate share of the TRA net pension liability	$ 105,571,304	$ 52,261,763	$ 8,543,689

H. Pension Plan Fiduciary Net Position

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

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 the TRA at 60 Empire Drive, Suite 400, St. Paul, MN, 55103-4000; or by calling 651-296-2409 or 800-657-3669.

NOTE 8 – DISTRICT – DEFINED CONTRIBUTION PENSION PLAN

The District has established a tax qualified plan under section 403(b) of the IRC, which states that all contributions by or on behalf of employees are tax deferred until time of withdrawal. The plan is offered to all common law employees except student teachers. Employees are immediately eligible to make contributions under the plan. Eligibility for employer matching contributions is based on applicable employment or collective bargaining agreements to which an employee is subject, or as determined by the District from year-to-year. Annual employer contributions for a full-time equivalent vary from $1,000 to $9,000 depending on the applicable employment or collective bargaining agreement. Employer contributions are prorated for employees working less than a full-time equivalent.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Employer and employee contributions are combined and used to purchase various investment options determined by the employees that are included in the District's 403(b) plan document.

The District has defined the organizations that are authorized to offer annuity contracts and/or custodial accounts under its plan. The District has contracted with Educators Benefit Consultants, LLC to act as its third party administrator. At June 30, 2022, there were 964 plan participants. The District has not established a trust to finance these benefits.

Total contributions made by the District during fiscal year ended June 30, 2022 were $1,277,871, which is equal to the required contributions and has been recognized as pension expense in the governmental operating funds.

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

A. Plan Description

The District provides post-employment benefits to certain eligible employees through the OPEB Plan, a single-employer defined benefit plan administered by the District. Management of the plan is vested with the School Board of the District. All post-employment benefits are based on contractual agreements with employee groups, with eligibility based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements.

The assets of the plan are reported in the District's financial report in the Post-Employment Benefits Trust Fund, administered by the District. Plan assets may be used only for the payment of benefits of the plan, in accordance with the terms of the plan. The plan does not issue a publicly available financial report.

B. Benefits Provided

Members of certain employee groups receive at retirement an amount of $12,500 or $40,000 based on their bargaining unit. These benefits are paid into a post-retirement healthcare savings plan administered by the Minnesota State Retirement System. Employees may also elect to receive district matching contributions paid into a tax-deferred matching contribution plan established under IRC Section 403(b). The amount of any post-employment healthcare savings plan benefits due to an individual is reduced by the total matching contributions made by the District to such a plan over the course of that individual's employment, to the extent that such 403(b) contributions exceed any severance (as described earlier in these notes) earned by the individual.

All retirees of the District have the option under state law 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 premiums for medical insurance from the time of retirement until the employee reaches the age of eligibility for Medicare. The District covers the full premium for the most expensive plan for 12 months for certain bargaining groups. If the retiree chooses a lesser cost plan, the savings are accumulated and used for coverage beyond the 12 months. Retirees not eligible for these district-paid premium benefits 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 younger and statistically healthier active employees.

C. Contributions

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the District.

D. Membership

Membership in the plan consisted of the following as of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	79
Active plan members	1,726
Total members	1,805

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

E. Net OPEB Liability of the District

The District's net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The components of the net OPEB liability of the District at year-end were as follows:

Total OPEB liability	$ 9,095,516
Plan fiduciary net position	(6,936,688)
District's net OPEB liability	$ 2,158,828
Plan fiduciary net position as a percentage of the total OPEB liability	76.3%

F. Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial valuation measured as of June 30, 2022 using a valuation date of July 1, 2021, using the entry-age method and the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	4.00%
Expected long-term investment return	4.30% (net of investment expenses)
20-year municipal bond yield	3.80%
Inflation rate	2.50%
Salary increases	Service graded table
Medical trend rate	6.50%, grading to 5.00% over 6 years, then 4% over the next 48 years
Dental trend rate	4.00%

Mortality rates were based on Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables with MP-2020 Generational Improvement Scale. The actuarial assumptions used in the latest valuation were based on those used to value pension liabilities for Minnesota school district employees. The state pension plans base their assumptions on periodic experience studies.

The District's policy in regard to the allocation of invested assets is established and may be amended by the School Board by a majority vote of its members. It is the policy of the School Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes allowable under state statutes.

The long-term expected rate of return on OPEB 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 OPEB 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.

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Domestic equity	33.00 %	5.20 %
Fixed income	50.00	3.40 %
International equity	17.00	5.20 %
Total	100.00 %	4.30 %

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

Changes in plan provisions and actuarial assumption since the previous valuation are as follows:

CHANGES IN ACTUARIAL ASSUMPTIONS

- The inflation rate was changed from 2.00 percent to 2.50 percent.
- The discount rate was changed from 2.20 percent to 4.00 percent.

CHANGES IN PLAN PROVISIONS

- Maximum annual matching contribution amounts to the 403(b) Plan were updated as follows:
  - Principals: From $3,500 to $3,750 as of July 1, 2021, and $4,000 as of July 1, 2022.
  - Directors: From $3,150 to $3,750 as of July 1, 2021, and $4,000 as of July 1, 2022.
  - Paraprofessionals: From $1,000 to $750.

G. Rate of Return

For the current year ended, the annual money-weighted rate of return on investments, net of investment expense, was (12.2) percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

H. Discount Rate

The discount rate used to measure the total OPEB liability was 4.00 percent. The projection of cash flows used to determine the discount rate was determined by projecting forward the fiduciary net position (assets) as of the valuation date, increasing by the investment return assumption, and reducing by benefit payments in each period until assets are exhausted. Expected benefit payments by year were discounted using the expected asset return assumptions for the years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the 20-year municipal bond rate. The equivalent single rate is the discount rate. The contribution and benefit payment history, as well as the funding policy have also been taken into account.

I. Changes in the Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a-b)
Beginning balance – July 1, 2021	$ 6,964,336	$ 4,513,483	$ 2,450,853
Changes for the year			
Service cost	640,739	–	640,739
Interest	157,429	–	157,429
Changes in actuarial assumptions	(813,626)	–	(813,626)
Changes in plan provisions	(74,257)	–	(74,257)
Employer contributions	–	3,903,329	(3,903,329)
Net investment income	–	194,080	(194,080)
Differences between expected and actual economic experience	3,124,224	(746,270)	3,870,494
Benefit payments	(903,329)	(903,329)	–
Administrative expenses	–	(24,605)	24,605
Total net changes	2,131,180	2,423,205	(292,025)
Ending balance – June 30, 2022	$ 9,095,516	$ 6,936,688	$ 2,158,828

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

J. Net OPEB Liability Sensitivity to Discount and Healthcare Cost Trend Rate Changes

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

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
Discount rate	3.00%	4.00%	5.00%
Net OPEB liability	$ 2,713,360	$ 2,158,828	$ 1,625,227

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease in Healthcare Cost Trend Rates	Healthcare Cost Trend Rates	1% Increase in Healthcare Cost Trend Rates
Medical trend rate	5.50% grading to 4.00%, then 3.00%	6.50% grading to 5.00%, then 4.00%	7.50% grading to 6.00%, then 5.00%
Dental trend rate	3.00%	4.00%	5.00%
Net OPEB liability	$ 1,300,603	$ 2,158,828	$ 3,167,842

K. OPEB Expense and Related Deferred Outflows of Resources and Deferred Inflows of Resources

For the current year ended, the District recognized OPEB expense of $729,000. As of year-end, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 2,760,251	$ 133,539
Changes in actuarial assumptions	241,013	697,393
Differences between projected and actual investment earnings	–	150,677
Total	$ 3,001,264	$ 981,609

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

Year Ending June 30,	OPEB Expense Amount
2023	$ 209,577
2024	$ 240,459
2025	$ 337,807
2026	$ 552,755
2027	$ 348,969
Thereafter	$ 330,088

NOTE 10 – FLEXIBLE BENEFIT PLAN

The District has established the Elk River Employees' Flex-Benefits Plan (the Plan). The Plan is a flexible benefit plan classified as a "cafeteria plan" under § 125 of the IRC. Eligible employees can elect to participate by contributing pretax dollars withheld from payroll checks to the Plan for health insurance, healthcare, and dependent care benefits. Payments are made from the Plan to participating employees upon submitting a request for reimbursement of eligible expenses actually incurred by the participant.

Before the beginning of the Plan year, which is from July 1 to June 30, each participant designates a total amount of pretax dollars to be contributed to the Plan during the year. At June 30, the District is contingently liable for claims against the total amount of participants' annual medical expense contributions to the Plan, whether or not such contributions have been made.

The employee portion of insurance premiums (health, dental, and disability) are withheld and paid by the District directly to the designated insurance companies. The dependent care and medical expense reimbursement portions of the Plan are administered by an independent contract administrator. All plan activity is accounted for in the General Fund.

All property of the Plan and income attributable to that property is solely the property of the District, subject to the claims of the District's general creditors. Participants' rights under the Plan are equal to those of general creditors of the District in an amount equal to the eligible healthcare and dependent care expenses incurred by the participants. The District believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

A. Legal Claims

The District has the usual and customary types of miscellaneous legal claims pending at year-end, mostly of a minor nature and usually covered by insurance carried for that purpose.

B. Federal and State Receivables

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

C. Contract Commitments

The District is committed to a number of contracts awarded for various construction and maintenance projects. The District's commitment for uncompleted work on these contracts at June 30, 2022 was approximately $50,563,379.

THIS PAGE INTENTIONALLY LEFT BLANK

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 728

Public Employees Retirement Association Pension Benefits Plan
Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability
Year Ended June 30, 2022

District Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.3851%	$ 18,090,069	$ –	$ 18,090,069	$ 20,219,457	89.47%	78.70%
06/30/2016	06/30/2015	0.3764%	$ 19,507,002	$ –	$ 19,507,002	$ 22,066,428	88.40%	78.20%
06/30/2017	06/30/2016	0.3678%	$ 29,863,536	$ 390,025	$ 30,253,561	$ 22,848,614	130.70%	68.90%
06/30/2018	06/30/2017	0.3691%	$ 23,563,100	$ 966,510	$ 24,529,610	$ 23,779,807	99.09%	75.90%
06/30/2019	06/30/2018	0.3785%	$ 20,997,627	$ 688,732	$ 21,686,359	$ 25,424,769	82.59%	79.50%
06/30/2020	06/30/2019	0.3698%	$ 20,445,414	$ 635,472	$ 21,080,886	$ 26,165,385	78.14%	80.20%
06/30/2021	06/30/2020	0.3653%	$ 21,901,404	$ 675,425	$ 22,576,829	$ 26,058,011	84.05%	79.10%
06/30/2022	06/30/2021	0.3484%	$ 14,878,241	$ 454,301	$ 15,332,542	$ 25,087,901	59.30%	87.00%

Public Employees Retirement Association Pension Benefits Plan
Schedule of District Contributions
Year Ended June 30, 2022

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	$ 1,632,222	$ 1,632,222	$ –	$ 22,066,428	7.40%
06/30/2016	$ 1,713,651	$ 1,713,651	$ –	$ 22,848,614	7.50%
06/30/2017	$ 1,782,430	$ 1,782,430	$ –	$ 23,779,807	7.50%
06/30/2018	$ 1,906,956	$ 1,906,956	$ –	$ 25,424,769	7.50%
06/30/2019	$ 1,962,608	$ 1,962,608	$ –	$ 26,165,385	7.50%
06/30/2020	$ 1,954,096	$ 1,954,096	$ –	$ 26,058,011	7.50%
06/30/2021	$ 1,881,048	$ 1,881,048	$ –	$ 25,087,901	7.50%
06/30/2022	$ 1,968,331	$ 1,968,331	$ –	$ 26,245,090	7.50%

Note: The District implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2014 measurement date). This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

Teachers Retirement Association Pension Benefits Plan
Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability
Year Ended June 30, 2022

District Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	1.1825%	$ 54,488,749	$ 3,833,249	$ 58,321,998	$ 56,617,686	96.24%	81.50%
06/30/2016	06/30/2015	1.1357%	$ 70,254,277	$ 8,617,327	$ 78,871,604	$ 57,618,323	121.93%	76.80%
06/30/2017	06/30/2016	1.1739%	$ 280,003,159	$ 28,104,382	$ 308,107,541	$ 60,997,945	459.04%	44.88%
06/30/2018	06/30/2017	1.1982%	$ 239,182,455	$ 23,120,540	$ 262,302,995	$ 64,471,194	370.99%	51.57%
06/30/2019	06/30/2018	1.1985%	$ 75,277,018	$ 7,072,472	$ 82,349,490	$ 66,184,537	113.74%	78.07%
06/30/2020	06/30/2019	1.2188%	$ 77,686,568	$ 6,875,233	$ 84,561,801	$ 69,155,985	112.34%	78.21%
06/30/2021	06/30/2020	1.1792%	$ 87,120,876	$ 7,300,865	$ 94,421,741	$ 68,532,623	127.12%	75.48%
06/30/2022	06/30/2021	1.1942%	$ 52,261,763	$ 4,407,634	$ 56,669,397	$ 71,476,510	73.12%	86.63%

Teachers Retirement Association Pension Benefits Plan
Schedule of District Contributions
Year Ended June 30, 2022

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	$ 4,318,601	$ 4,318,601	$ –	$ 57,618,323	7.50%
06/30/2016	$ 4,574,846	$ 4,574,846	$ –	$ 60,997,945	7.50%
06/30/2017	$ 4,837,538	$ 4,837,538	$ –	$ 64,471,194	7.50%
06/30/2018	$ 4,966,291	$ 4,966,291	$ –	$ 66,184,537	7.50%
06/30/2019	$ 5,339,757	$ 5,339,757	$ –	$ 69,155,985	7.72%
06/30/2020	$ 5,428,317	$ 5,428,317	$ –	$ 68,532,623	7.92%
06/30/2021	$ 5,808,375	$ 5,808,375	$ –	$ 71,476,510	8.13%
06/30/2022	$ 6,315,912	$ 6,315,912	$ –	$ 75,725,043	8.34%

Note: The District implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2014 measurement date). This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

Other Post-Employment Benefits Plan
Schedule of Changes in the District's Net
OPEB Liability and Related Ratios
Year Ended June 30, 2022

	Year Ended June 30,					
	2017	2018	2019	2020	2021	2022
Total OPEB liability						
Service cost	$ 524,349	$ 549,500	$ 609,206	$ 691,182	$ 741,260	$ 640,739
Interest	302,006	314,958	286,618	249,896	187,964	157,429
Changes in actuarial assumptions	–	37,774	250,053	18,822	132,224	(813,626)
Changes in plan provisions	–	(59,314)	–	48,410	–	(74,257)
Differences between expected and and actual economic experience	–	(467,389)	–	144,106	–	3,124,224
Benefit payments	(153,005)	(875,078)	(1,080,900)	(1,249,176)	(1,738,095)	(903,329)
Net change in total OPEB liability	673,350	(499,549)	64,977	(96,760)	(676,647)	2,131,180
Total OPEB liability – beginning of year	7,498,965	8,172,315	7,672,766	7,737,743	7,640,983	6,964,336
Total OPEB liability – end of year	8,172,315	7,672,766	7,737,743	7,640,983	6,964,336	9,095,516
Plan fiduciary net position						
Employer contributions	–	–	–	–	–	3,903,329
Investment earnings	582,427	299,444	280,626	251,316	214,721	194,080
Differences between expected and and actual economic experience	–	175,063	154,423	179,847	1,074,791	(746,270)
Benefit payments – employer-financed	(153,005)	(875,078)	(1,080,900)	(1,249,176)	(1,738,095)	(903,329)
Administrative expenses	(33,689)	(37,069)	(35,770)	(33,024)	(31,455)	(24,605)
Net change in plan fiduciary net position	395,733	(437,640)	(681,621)	(851,037)	(480,038)	2,423,205
Plan fiduciary net position						
Beginning of year	6,568,086	6,963,819	6,526,179	5,844,558	4,993,521	4,513,483
End of year	6,963,819	6,526,179	5,844,558	4,993,521	4,513,483	6,936,688
Net OPEB liability	$ 1,208,496	$ 1,146,587	$ 1,893,185	$ 2,647,462	$ 2,450,853	$ 2,158,828
Fiduciary net position as a percentage of the total OPEB liability	85.21%	85.06%	75.53%	65.35%	64.81%	76.26%
Covered-employee payroll	$ 78,139,313	$ 80,883,076	$ 83,309,568	$ 91,804,759	$ 94,558,902	$ 99,669,792
Net OPEB liability as a percentage of the covered-employee payroll	1.55%	1.42%	2.27%	2.88%	2.59%	2.17%

Note: The District implemented GASB Statement Nos. 74 and 75 in fiscal 2017. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 728

Other Post-Employment Benefits Plan
Schedule of Investment Returns
Year Ended June 30, 2022

Year	Annual Money-Weighted Rate of Return, Net of Investment Expense
2017	8.50%
2018	6.80%
2019	6.70%
2020	7.40%
2021	25.80%
2022	(12.20%)

Note: The District implemented GASB Statement Nos. 74 and 75 for the year ended June 30, 2017. This schedule is intended to present 10-year trend information. Additional years will be presented as they become available.

THIS PAGE INTENTIONALLY LEFT BLANK

PERA – GENERAL EMPLOYEES RETIREMENT FUND

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2020 CHANGES IN PLAN PROVISIONS

- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020 through December 31, 2023, and zero percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- 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 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years two through five, and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 Table to the Pub-2010 General Mortality Table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality Table to the Pub-2010 General/Teacher Disabled Annuitant Mortality Table, with adjustments.
- The mortality improvement scale was changed from MP-2018 to 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 100.00 percent joint and survivor option changed from 35.00 percent to 45.00 percent. The assumed number of married female new retirees electing the 100.00 percent joint and survivor option changed from 15.00 percent to 30.00 percent. The corresponding number of married new retirees electing the life annuity option was adjusted accordingly.

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2019 CHANGES IN PLAN PROVISIONS

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

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN PLAN PROVISIONS

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to zero percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.00 percent per year, with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio, to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age. Does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2017 CHANGES IN PLAN PROVISIONS

- The state's contribution for the Minneapolis Employees Retirement Fund equals $16.0 million in 2017 and 2018, and $6.0 million thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from $21.0 million to $31.0 million in calendar years 2019 to 2031. The state's contribution changed from $16.0 million to $6.0 million in calendar years 2019 to 2031.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and nonvested deferred members. The revised CSA loads are now zero percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for nonvested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years, to 1.00 percent per year through 2044, and 2.50 percent per year thereafter.

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035, and 2.50 percent per year thereafter, to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth, and 2.50 percent for inflation.

2015 CHANGES IN PLAN PROVISIONS

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Retirement Fund, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892.0 million. Upon consolidation, state and employer contributions were revised; the state's contribution of $6.0 million, which meets the special funding situation definition, was due September 2015.

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2030, and 2.50 percent per year thereafter, to 1.00 percent per year through 2035, and 2.50 percent per year thereafter.

TEACHERS RETIREMENT ASSOCIATION (TRA)

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN PLAN PROVISIONS

- The cost of living adjustment (COLA) was reduced from 2.00 percent each January 1 to 1.00 percent, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.10 percent each year until reaching the ultimate rate of 1.50 percent on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit, are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.50 percent if the funded ratio was at least 90.00 percent 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 4.00 percent to 3.00 percent, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.50 percent to 7.50 percent, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years, (7.71 percent in 2018, 7.92 percent in 2019, 8.13 percent in 2020, 8.34 percent in 2021, 8.55 percent in 2022, and 8.75 percent in 2023). In addition, the employee contribution rate will increase from 7.50 percent to 7.75 percent on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The investment return assumption was changed from 8.50 percent to 7.50 percent.
- The single discount rate changed from 5.12 percent to 7.50 percent.

TEACHERS RETIREMENT ASSOCIATION (TRA) (CONTINUED)

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The COLA was assumed to increase from 2.00 percent annually to 2.50 percent annually on July 1, 2045.
- The COLA was not assumed to increase to 2.50 percent, but remain at 2.00 percent for all future years.
- Adjustments were made to the CSA loads. The active load was reduced from 1.40 percent to zero percent, the vested inactive load increased from 4.00 percent to 7.00 percent, and the nonvested inactive load increased from 4.00 percent to 9.00 percent.
- The investment return assumption was changed from 8.00 percent to 7.50 percent.
- The price inflation assumption was lowered from 2.75 percent to 2.50 percent.
- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.
- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for 10 years, followed by 3.25 percent thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.
- The single discount rate changed from 4.66 percent to 5.12 percent.

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

- The single discount rate was changed from 8.00 percent to 4.66 percent.

2015 CHANGES IN PLAN PROVISIONS

- The Duluth Teachers Retirement Fund Association was merged into the TRA on June 30, 2015.

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

- The annual COLA for the June 30, 2015 valuation assumed 2.00 percent. The prior year valuation used 2.00 percent, with an increase to 2.50 percent commencing in 2034.
- The discount rate used to measure the total pension liability was 8.00 percent. This is a decrease from the discount rate at the prior measurement date of 8.25 percent.

OTHER POST-EMPLOYMENT BENEFITS PLAN

2022 CHANGES IN PLAN PROVISIONS

- Maximum annual matching contribution amounts to the 403(b) Plan were updated as follows:
  - Principals: $3,500 to $3,750 as of July 1, 2021 and $4,000 as of July 1, 2022.
  - Directors: $3,150 to $3,750 as of July 1, 2021 and $4,000 as of July 1, 2022.
  - Paraprofessionals: $1,000 to $750.

2022 CHANGES IN ACTUARIAL ASSUMPTIONS

- The inflation rate was changed from 2.00 percent to 2.50 percent.
- The discount rate was changed from 2.20 percent to 4.00 percent.

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 2.50 percent to 2.20 percent.

2020 CHANGES IN PLAN PROVISIONS

- The superintendent's unused sick leave benefit is now paid as a lump sum instead of being held by the District to pay medical premiums, so this benefit was removed from the Governmental Accounting Standards Board Statement No. 75. The superintendent will now also receive district-paid medical, dental, and life insurance premiums at the same rate as when actively employed for ten years if the individual has nine years of service accumulated when they terminate employment.

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.20 percent to 2.50 percent.
- Healthcare trend rates were updated to better anticipate short-term and long-term increases.
- Mortality assumptions were updated to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables with MP-2018 Generational Improvement Scale.

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.70 percent to 3.20 percent.

OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

2018 CHANGES IN PLAN PROVISIONS

- The principals' lump sum payment to a healthcare savings plan increased from 50.00 percent to 60.00 percent of the senior high school principal's annual salary. A sunset date of July 2, 2016 was also added, and the annual match amount increased from $3,150 to $3,500, while the total match also increased.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality table was updated from RP-2014 White Collar Mortality Tables (detrended to 2006) and then projected beyond the valuation date using scale MP-2016.
- The discount rate was changed from 3.80 percent to 3.70 percent.
- The percentage of future retirees and their spouses who are assumed to continue on one of the District's medical plans post-employment was increased from 50.00 percent to 100.00 percent for employees eligible for a subsidy based on unused sick days used to pay medical premiums.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality table was updated from the projection of RP-2000 rates in 2013 to the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale.
- The withdrawal table for all employees and retirement tables for only employees eligible to retire with Rule of 90 were also updated.
- The discount rate was changed from 4.00 percent to 3.80 percent.

THIS PAGE INTENTIONALLY LEFT BLANK

SUPPLEMENTARY INFORMATION

THIS PAGE INTENTIONALLY LEFT BLANK

GOVERNMENTAL FUNDS

Governmental fund reporting focuses primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. The governmental funds category for the District includes the General Fund, Food Service Special Revenue Fund, Community Service Special Revenue Fund, Capital Projects – Building Construction Fund, and Debt Service Fund.

The statements and schedules that follow are to provide further detail and support additional analysis for the District's major and nonmajor governmental funds.

INDEPENDENT SCHOOL DISTRICT NO. 728

Nonmajor Governmental Funds
Combining Balance Sheet
as of June 30, 2022
(With Comparative Totals as of June 30, 2021)

	Special Revenue Funds		Totals	
	Food Service	Community Service	2022	2021
Assets				
Cash and temporary investments	$ 5,909,732	$ 2,035,954	$ 7,945,686	$ 4,660,562
Receivables				
Current taxes	–	608,223	608,223	531,708
Delinquent taxes	–	11,147	11,147	10,604
Accounts and interest	14,216	57,851	72,067	117,437
Due from other governmental units	–	430,751	430,751	719,952
Inventory	–	3,915	3,915	–
Prepaid items	–	712	712	1,750
Total assets	$ 5,923,948	$ 3,148,553	$ 9,072,501	$ 6,042,013
Liabilities				
Salaries and compensated absences payable	$ 84,731	$ 442,750	$ 527,481	$ 490,947
Accounts and contracts payable	703,147	183,573	886,720	606,922
Due to other governmental units	–	27	27	9,377
Due to post-employment benefits trust	70,625	–	70,625	–
Unearned revenue	213,313	–	213,313	305,695
Total liabilities	1,071,816	626,350	1,698,166	1,412,941
Deferred inflows of resources				
Property taxes levied for subsequent year	–	1,216,209	1,216,209	1,088,267
Unavailable revenue – delinquent taxes	–	8,738	8,738	8,688
Total deferred inflows of resources	–	1,224,947	1,224,947	1,096,955
Fund balances				
Nonspendable	–	4,627	4,627	1,750
Restricted	4,852,132	1,292,629	6,144,761	3,530,367
Total fund balances	4,852,132	1,297,256	6,149,388	3,532,117
Total liabilities, deferred inflows of resources, and fund balances	$ 5,923,948	$ 3,148,553	$ 9,072,501	$ 6,042,013

INDEPENDENT SCHOOL DISTRICT NO. 728

Nonmajor Governmental Funds
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2022
(With Comparative Totals for the Year Ended June 30, 2021)

	Special Revenue Funds		Totals	
	Food Service	Community Service	2022	2021
Revenue				
Local sources				
Property taxes	$ –	$ 1,086,985	$ 1,086,985	$ 1,026,489
Investment earnings (charges)	(1,348)	(574)	(1,922)	6,623
Other	1,091,832	5,199,813	6,291,645	4,278,973
State sources	262,311	1,567,862	1,830,173	1,698,163
Federal sources	9,009,218	508,949	9,518,167	4,991,880
Total revenue	10,362,013	8,363,035	18,725,048	12,002,128
Expenditures				
Current				
Food service	7,590,681	–	7,590,681	4,832,091
Community service	–	8,257,398	8,257,398	7,628,579
Capital outlay	258,538	1,160	259,698	10,252
Total expenditures	7,849,219	8,258,558	16,107,777	12,470,922
Net change in fund balances	2,512,794	104,477	2,617,271	(468,794)
Fund balances				
Beginning of year	2,339,338	1,192,779	3,532,117	4,000,911
End of year	$ 4,852,132	$ 1,297,256	$ 6,149,388	$ 3,532,117

INDEPENDENT SCHOOL DISTRICT NO. 728

General Fund
Comparative Balance Sheet
as of June 30, 2022 and 2021

	2022	2021
Assets		
Cash and temporary investments	$ 77,361,121	$ 65,012,500
Receivables		
Current taxes	20,111,839	18,336,847
Delinquent taxes	307,277	254,274
Accounts and interest	89,092	302,232
Due from other governmental units	19,735,355	16,668,834
Inventory	159,663	175,983
Prepaid items	357,233	375,959
Total assets	$ 118,121,580	$ 101,126,629
Liabilities		
Salaries and compensated absences payable	$ 12,150,312	$ 11,464,166
Accounts and contracts payable	4,437,987	3,224,635
Due to other governmental units	207,944	1,149,706
Due to post-employment benefits trust	2,929,375	–
Unearned revenue	62,731	20,936
Total liabilities	19,788,349	15,859,443
Deferred inflows of resources		
Property taxes levied for subsequent year	38,079,725	35,457,767
Unavailable revenue – delinquent taxes	225,558	194,495
Total deferred inflows of resources	38,305,283	35,652,262
Fund balances		
Nonspendable		
Inventory	159,663	175,983
Prepaid items	357,233	375,959
Restricted		
Restricted for student activities	404,498	332,845
Restricted for scholarships	869,558	898,129
Restricted for staff development	3,184,045	2,538,628
Restricted for operating capital	7,185,657	7,192,543
Restricted for alternative learning center	497,517	–
Restricted for gifted and talented	34,486	118,922
Restricted for basic skills	736,252	633,817
Restricted for safe schools levy	263,098	367,878
Committed		
Committed for future severance	1,713,171	1,839,829
Assigned		
Assigned for next year's budget	–	4,210,748
Assigned for building carryover	14,442,532	15,948,301
Assigned for curriculum and technology	10,581,913	–
Assigned for strategic planning initiatives	3,000,000	–
Unassigned		
Unassigned	16,598,325	14,981,342
Total fund balances	60,027,948	49,614,924
Total liabilities, deferred inflows of resources, and fund balances	$ 118,121,580	$ 101,126,629

INDEPENDENT SCHOOL DISTRICT NO. 728

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2022
(With Comparative Actual Amounts for the Year Ended June 30, 2021)

	2022			2021
	Final Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 37,614,730	$ 37,863,374	$ 248,644	$ 30,415,305
Investment earnings (charges)	171,356	(106,479)	(277,835)	171,903
Other	3,671,373	5,674,944	2,003,571	3,261,235
State sources	136,418,384	137,908,088	1,489,704	131,109,328
Federal sources	9,900,936	8,351,495	(1,549,441)	8,025,979
Total revenue	187,776,779	189,691,422	1,914,643	172,983,750
Expenditures				
Current				
Administration	6,293,462	6,189,334	(104,128)	5,725,163
District support services	7,084,925	6,607,630	(477,295)	6,073,108
Elementary and secondary regular instruction	81,238,685	73,251,778	(7,986,907)	67,388,581
Vocational education instruction	3,157,178	2,741,057	(416,121)	2,543,802
Special education instruction	35,490,134	34,752,071	(738,063)	32,568,504
Instructional support services	27,696,922	15,410,768	(12,286,154)	14,359,335
Pupil support services	19,803,892	17,859,935	(1,943,957)	15,993,540
Sites and buildings	36,343,970	20,386,083	(15,957,887)	13,554,527
Fiscal and other fixed cost programs	1,044,500	1,062,504	18,004	689,345
Debt service				
Principal	920,344	920,344	–	891,284
Interest and fiscal charges	285,038	285,038	–	310,880
Total expenditures	219,359,050	179,466,542	(39,892,508)	160,098,069
Excess (deficiency) of revenue over expenditures	(31,582,271)	10,224,880	41,807,151	12,885,681
Other financing sources				
Sale of capital assets	114,659	188,144	73,485	52,769
Net change in fund balances	$ (31,467,612)	10,413,024	$ 41,880,636	12,938,450
Fund balances				
Beginning of year		49,614,924		36,676,474
End of year		$ 60,027,948		$ 49,614,924

INDEPENDENT SCHOOL DISTRICT NO. 728

Food Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2022 and 2021

	2022	2021
Assets		
Cash and temporary investments	$ 5,909,732	$ 2,844,427
Receivables		
Accounts and interest	14,216	61,181
Due from other governmental units	–	238,678
Total assets	$ 5,923,948	$ 3,144,286
Liabilities		
Salaries and compensated absences payable	$ 84,731	$ 63,653
Accounts and contracts payable	703,147	455,348
Due to post-employment benefits trust	70,625	–
Unearned revenue	213,313	285,947
Total liabilities	1,071,816	804,948
Fund balances		
Restricted for food service	4,852,132	2,339,338
Total liabilities and fund balances	$ 5,923,948	$ 3,144,286

INDEPENDENT SCHOOL DISTRICT NO. 728

Food Service Special Revenue Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2022
(With Comparative Actual Amounts for the Year Ended June 30, 2021)

	2022			2021
	Final Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings (charges)	$ 4,000	$ (1,348)	$ (5,348)	$ 3,850
Other – primarily meal sales	508,914	1,091,832	582,918	508,575
State sources	52,755	262,311	209,556	–
Federal sources	8,403,479	9,009,218	605,739	4,695,428
Total revenue	8,969,148	10,362,013	1,392,865	5,207,853
Expenditures				
Current				
Salaries	2,192,838	2,345,133	152,295	1,978,236
Employee benefits	662,393	762,550	100,157	579,412
Purchased services	1,685,601	711,379	(974,222)	255,900
Supplies and materials	3,952,881	3,756,812	(196,069)	2,002,463
Other expenditures	20,000	14,807	(5,193)	16,080
Capital outlay	500,000	258,538	(241,462)	10,252
Total expenditures	9,013,713	7,849,219	(1,164,494)	4,842,343
Net change in fund balances	$ (44,565)	2,512,794	$ 2,557,359	365,510
Fund balances				
Beginning of year		2,339,338		1,973,828
End of year		$ 4,852,132		$ 2,339,338

INDEPENDENT SCHOOL DISTRICT NO. 728

Community Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2022 and 2021

	2022	2021
Assets		
Cash and temporary investments	$ 2,035,954	$ 1,816,135
Receivables		
Current taxes	608,223	531,708
Delinquent taxes	11,147	10,604
Accounts and interest	57,851	56,256
Due from other governmental units	430,751	481,274
Inventory	3,915	–
Prepaid items	712	1,750
Total assets	$ 3,148,553	$ 2,897,727
Liabilities		
Salaries and compensated absences payable	$ 442,750	$ 427,294
Accounts and contracts payable	183,573	151,574
Due to other governmental units	27	9,377
Unearned revenue	–	19,748
Total liabilities	626,350	607,993
Deferred inflows of resources		
Property taxes levied for subsequent year	1,216,209	1,088,267
Unavailable revenue – delinquent taxes	8,738	8,688
Total deferred inflows of resources	1,224,947	1,096,955
Fund balances		
Nonspendable		
Inventory	3,915	–
Prepaid items	712	1,750
Restricted		
Restricted for community education programs	46,335	85,952
Restricted for early childhood family education programs	1,017,578	806,717
Restricted for school readiness	116,276	–
Restricted for community service	112,440	298,360
Total fund balances	1,297,256	1,192,779
Total liabilities, deferred inflows of resources, and fund balances	$ 3,148,553	$ 2,897,727

INDEPENDENT SCHOOL DISTRICT NO. 728

Community Service Special Revenue Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2022
(With Comparative Actual Amounts for the Year Ended June 30, 2021)

	2022			2021
	Final Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 1,090,702	$ 1,086,985	$ (3,717)	$ 1,026,489
Investment earnings (charges)	4,000	(574)	(4,574)	2,773
Other – primarily tuition and fees	5,465,720	5,199,813	(265,907)	3,770,398
State sources	1,732,776	1,567,862	(164,914)	1,698,163
Federal sources	408,476	508,949	100,473	296,452
Total revenue	8,701,674	8,363,035	(338,639)	6,794,275
Expenditures				
Current				
Salaries	5,299,509	5,336,045	36,536	5,085,414
Employee benefits	1,444,014	1,396,885	(47,129)	1,333,724
Purchased services	1,144,479	1,071,103	(73,376)	754,339
Supplies and materials	511,109	436,974	(74,135)	445,341
Other expenditures	15,913	16,391	478	9,761
Capital outlay	750	1,160	410	–
Total expenditures	8,415,774	8,258,558	(157,216)	7,628,579
Net change in fund balances	$ 285,900	104,477	$ (181,423)	(834,304)
Fund balances				
Beginning of year		1,192,779		2,027,083
End of year		$ 1,297,256		$ 1,192,779

INDEPENDENT SCHOOL DISTRICT NO. 728

Capital Projects – Building Construction Fund
Comparative Balance Sheet
as of June 30, 2022 and 2021

	2022	2021
Assets		
Cash and temporary investments	$ 58,016,933	$ 111,232,520
Receivables		
Accounts and interest	260,143	553,368
Total assets	$ 58,277,076	$ 111,785,888
Liabilities		
Salaries and compensated absences payable	$ 5,099	$ 1,819
Accounts and contracts payable	10,249,385	16,525,511
Total liabilities	10,254,484	16,527,330
Fund balances		
Restricted		
Restricted for long-term facilities maintenance	10,845,470	23,337,531
Restricted for building construction	37,177,122	71,921,027
Total fund balances	48,022,592	95,258,558
Total liabilities and fund balances	$ 58,277,076	$ 111,785,888

INDEPENDENT SCHOOL DISTRICT NO. 728

Capital Projects – Building Construction Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2022
(With Comparative Actual Amounts for the Year Ended June 30, 2021)

	2022			2021
	Final Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	$ 86,000	$ 430,087	$ 344,087	$ 1,145,855
Other	–	–	–	310,398
Total revenue	86,000	430,087	344,087	1,456,253
Expenditures				
Capital outlay				
Salaries	–	33,241	33,241	18,871
Employee benefits	–	5,419	5,419	2,759
Purchased services	–	113	113	11,979
Supplies and materials	–	311	311	–
Capital expenditures	55,105,601	47,649,140	(7,456,461)	46,927,647
Total expenditures	55,105,601	47,688,224	(7,417,377)	46,961,256
Excess (deficiency) of revenue over expenditures	(55,019,601)	(47,258,137)	7,761,464	(45,505,003)
Other financing sources				
Debt issued	–	–	–	16,350,000
Premium on debt issued	–	–	–	145,412
Insurance recovery	–	22,171	22,171	–
Total other financing sources	–	22,171	22,171	16,495,412
Net change in fund balances	$ (55,019,601)	(47,235,966)	$ 7,783,635	(29,009,591)
Fund balances				
Beginning of year		95,258,558		124,268,149
End of year		$ 48,022,592		$ 95,258,558

INDEPENDENT SCHOOL DISTRICT NO. 728

Debt Service Fund
Comparative Balance Sheet
as of June 30, 2022 and 2021

	2022	2021
Assets		
Cash and temporary investments	$ 15,086,042	$ 16,438,807
Receivables		
Current taxes	10,429,414	10,548,093
Delinquent taxes	241,769	253,426
Due from other governmental units	100,929	124,130
Total assets	$ 25,858,154	$ 27,364,456
Liabilities		
Accounts and contracts payable	$ 4,575	$ 1,800
Deferred inflows of resources		
Property taxes levied for subsequent year	20,854,746	21,589,194
Unavailable revenue – delinquent taxes	193,968	203,128
Total deferred inflows of resources	21,048,714	21,792,322
Fund balances		
Restricted for debt service	4,804,865	5,570,334
Total liabilities, deferred inflows of resources, and fund balances	$ 25,858,154	$ 27,364,456

INDEPENDENT SCHOOL DISTRICT NO. 728

Debt Service Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2022
(With Comparative Actual Amounts for the Year Ended June 30, 2021)

	2022			2021
	Final Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 21,637,508	$ 21,569,672	$ (67,836)	$ 26,434,231
Investment earnings (charges)	5,100	(2,013)	(7,113)	9,247
State sources	1,009,321	1,009,301	(20)	1,241,302
Total revenue	22,651,929	22,576,960	(74,969)	27,684,780
Expenditures				
Debt service				
Principal	14,340,000	14,135,000	(205,000)	17,425,000
Interest and fiscal charges	9,270,624	9,207,429	(63,195)	9,795,788
Total expenditures	23,610,624	23,342,429	(268,195)	27,220,788
Net change in fund balances	$ (958,695)	(765,469)	$ 193,226	463,992
Fund balances				
Beginning of year		5,570,334		5,106,342
End of year		$ 4,804,865		$ 5,570,334

THIS PAGE INTENTIONALLY LEFT BLANK

INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods and services provided by one department or agency of a government to other departments or agencies on a cost-reimbursement basis. The District maintains three internal service funds. These funds are used to account for the District's risk financing activities for self-insured dental benefits; health benefits; and property, casualty, and liability.

The statements that follow are to provide further detail and support additional analysis for the District's internal service funds.

Internal Service Funds
Combining Statement of Net Position
as of June 30, 2022
(With Comparative Totals as of June 30, 2021)

	Dental Benefits Self-Insurance	Health Benefits Self-Insurance	Property, Casualty, and Liability Self-Insurance	Totals 2022	Totals 2021
Assets					
Current assets					
Cash and temporary investments	$ 569,860	$ 12,686,022	$ –	$ 13,255,882	$ 10,878,772
Receivables					
Accounts and interest	–	550	5,000	5,550	132,981
Due from other funds	–	600,499	–	600,499	–
Due from post-employment benefits trust	–	–	–	–	1,676,664
Prepaid items	–	–	831,423	831,423	–
Total current assets	569,860	13,287,071	836,423	14,693,354	12,688,417
Liabilities					
Current liabilities					
Salaries and compensated absences payable	513	3,657	–	4,170	3,071
Claims payable	103,409	1,997,937	549	2,101,895	1,841,066
Due to other funds	–	–	600,499	600,499	–
Unearned revenue	54,836	1,883,125	–	1,937,961	1,982,454
Total current liabilities	158,758	3,884,719	601,048	4,644,525	3,826,591
Net position					
Unrestricted	$ 411,102	$ 9,402,352	$ 235,375	$ 10,048,829	$ 8,861,826

Internal Service Funds
Combining Statement of Revenue, Expenses, and Changes in Net Position
Year Ended June 30, 2022
(With Comparative Totals for the Year Ended June 30, 2021)

	Dental Benefits Self-Insurance	Health Benefits Self-Insurance	Property, Casualty, and Liability Self-Insurance	Totals 2022	Totals 2021
Operating revenue					
Charges for services	$ 1,342,389	$ 19,452,109	$ 905,582	$ 21,700,080	$ 20,394,985
Insurance recovery	–	–	5,000	5,000	66,213
Total operating revenue	1,342,389	19,452,109	910,582	21,705,080	20,461,198
Operating expenses					
Dental benefit claims	1,300,828	–	–	1,300,828	1,251,542
Health benefit claims	–	17,236,337	–	17,236,337	14,263,399
Insurance premiums	–	–	760,394	760,394	675,113
Insurance claims	–	–	27,117	27,117	75,912
Administrative charges	86,680	1,111,229	–	1,197,909	1,233,273
Total operating expenses	1,387,508	18,347,566	787,511	20,522,585	17,499,239
Operating income (loss)	(45,119)	1,104,543	123,071	1,182,495	2,961,959
Nonoperating revenue					
Investment earnings (charges)	(182)	4,690	–	4,508	14,772
Change in net position	(45,301)	1,109,233	123,071	1,187,003	2,976,731
Net position					
Beginning of year	456,403	8,293,119	112,304	8,861,826	5,885,095
End of year	$ 411,102	$ 9,402,352	$ 235,375	$ 10,048,829	$ 8,861,826

INDEPENDENT SCHOOL DISTRICT NO. 728

Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2022
(With Comparative Totals for the Year Ended June 30, 2021)

	Dental Benefits Self-Insurance	Health Benefits Self-Insurance	Property, Casualty, and Liability Self-Insurance	Totals	
				2022	2021
Cash flows from operating activities					
Charges for services	$ 1,356,771	$ 21,137,131	$ 965,780	$ 23,459,682	$ 20,021,616
Insurance recovery	–	–	5,000	5,000	66,213
Payments for claims	(1,298,649)	(16,978,236)	(26,568)	(18,303,453)	(15,942,771)
Payments for insurance premiums	–	–	(1,591,817)	(1,591,817)	(675,113)
Payments for administrative charges	(86,258)	(1,110,552)	–	(1,196,810)	(1,235,589)
Net cash flows from operating activities	(28,136)	3,048,343	(647,605)	2,372,602	2,234,356
Cash flows from noncapital financing activities					
Cash received from other funds	–	–	600,499	600,499	–
Cash paid to other funds	–	(600,499)	–	(600,499)	–
Net cash flows from noncapital financing activities	–	(600,499)	600,499	–	–
Cash flows from investing activities					
Investment income received (charged)	(182)	4,690	–	4,508	14,772
Net change in cash and cash equivalents	(28,318)	2,452,534	(47,106)	2,377,110	2,249,128
Cash and cash equivalents					
Beginning of year	598,178	10,233,488	47,106	10,878,772	8,629,644
End of year	$ 569,860	$ 12,686,022	$ –	$ 13,255,882	$ 10,878,772
Reconciliation of operating income (loss) to net cash flows from operating activities					
Operating income (loss)	$ (45,119)	$ 1,104,543	$ 123,071	$ 1,182,495	$ 2,961,959
Adjustments to reconcile operating income (loss) to net cash flows from operating activities					
Changes in assets and liabilities					
Accounts receivable	–	67,233	60,198	127,431	(54,225)
Prepaid items	–	–	(831,423)	(831,423)	–
Due from post-employment benefits trust	17,516	1,659,148	–	1,676,664	(427,488)
Salaries and compensated absences payable	422	677	–	1,099	(2,316)
Claims payable	2,179	258,101	549	260,829	(351,918)
Unearned revenue	(3,134)	(41,359)	–	(44,493)	108,344
Net cash flows from operating activities	$ (28,136)	$ 3,048,343	$ (647,605)	$ 2,372,602	$ 2,234,356

EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS

Extracurricular student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside of school hours. This activity is reported within the District's General Fund.

The schedule that follows is to provide further detail and support additional analysis for the District's extracurricular student activity accounts.

INDEPENDENT SCHOOL DISTRICT NO. 728

Extracurricular Student Activity Accounts
Schedule of Cash Receipts and Disbursements
(Included in General Fund Activity)
Year Ended June 30, 2022

	Balance – July 1, 2021	Receipts	Disbursements	Balance – June 30, 2022
Elk River Senior High School	$ 129,120	$ 244,961	$ 200,298	$ 173,783
Rogers High School	121,156	179,850	153,449	147,557
Zimmerman Middle/High School	62,168	31,883	29,096	64,955
Prairie View Middle School	7,463	2,496	1,016	8,943
Rogers Middle School	7,184	(2)	1,363	5,819
Salk Middle School	3,104	4,056	557	6,603
VandenBerge Middle School	3,035	856	508	3,383
Total – all school sites	$ 333,230	$ 464,100	$ 386,287	$ 411,043

SECTION III

STATISTICAL SECTION

(UNAUDITED)

STATISTICAL SECTION

This section of Independent School District No. 728's (the District) Annual Comprehensive Financial Report (ACFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the District's most significant local revenue source, property taxes.

Debt Capacity

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

Operating Indicators

These schedules contain service and infrastructure data to help the reader understand how the information in the District's Comprehensive Annual Financial Report relates to the services the District provides, and the activities it

Sources: Unless otherwise noted, the information in these schedules is derived from the District's ACFR for the relevant year.

Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year			
	2013	2014	2015	2016
Governmental activities				
Net investment in capital assets	$ 20,713,844	$ 35,182,237	$ 48,804,992	$ 58,162,321
Restricted for				
Capital asset acquisition	5,345,796	3,596,248	3,397,188	5,045,201
Debt service	2,843,734	2,638,489	821,243	–
Food service	926,955	878,178	550,263	589,721
Community service	1,491,805	1,429,603	823,862	843,522
Other purposes	1,849,739	1,425,473	1,936,070	2,283,516
Unrestricted	16,514,300	16,341,242	(66,194,357)	(61,733,675)
Total governmental activities net position	$ 49,686,173	$ 61,491,470	$ (9,860,739)	$ 5,190,606

Note 1: The District implemented GASB Statement No. 68 in fiscal 2015. The District reported a change in accounting principle as a result of implementing this standard that decreased net position by approximately $87.7 million. Prior year amounts have not been restated.

Note 2: The District implemented GASB Statement Nos. 74 and 75 in fiscal 2017. The District reported a change in accounting principle as a result of implementing this standard that decreased net position by approximately $5.6 million. Prior year amounts have not been restated.

Note 3: The District implemented GASB Statement No. 84 in fiscal 2020. The District reported a change in accounting principle as a result of implementing this standard, that increased net position by approximately $0.5 million. Prior year amounts have not been restated.

2017	2018	2019	2020	2021	2022
$ 66,281,539	$ 74,119,525	$ 80,365,796	$ 85,211,130	$ 92,342,255	$102,533,182
5,771,115	4,580,621	7,102,264	10,731,811	13,623,821	14,069,193
433,910	13,925	2,056,507	1,165,442	1,900,844	1,350,055
829,495	928,461	1,324,022	1,987,635	2,321,339	4,828,786
1,366,123	1,477,413	1,639,944	2,048,603	1,022,373	1,132,082
1,583,880	1,795,766	1,662,262	3,782,664	4,890,219	5,989,454
(103,947,489)	(142,987,251)	(111,129,021)	(111,862,664)	(104,541,601)	(83,805,822)
$(27,681,427)	$(60,071,540)	$(16,978,226)	$ (6,935,379)	$ 11,559,250	$ 46,096,930

INDEPENDENT SCHOOL DISTRICT NO. 728

Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year			
	2013	2014	2015	2016
Governmental activities				
Expenses				
Administration	$ 4,439,423	$ 4,477,269	$ 4,566,912	$ 4,852,055
District support services	4,458,754	4,227,758	4,368,396	4,513,228
Elementary and secondary regular instruction	56,903,682	59,147,183	58,073,108	60,441,983
Vocational education instruction	826,407	915,575	875,753	1,245,464
Special education instruction	24,287,002	25,110,940	25,967,716	27,363,640
Instructional support services	6,980,861	7,729,852	8,206,849	12,354,581
Pupil support services	9,787,678	10,479,878	11,192,519	11,469,338
Sites and buildings	11,127,531	10,455,494	12,482,666	12,468,197
Fiscal and other fixed cost programs	425,000	425,000	396,000	396,000
Food service	5,731,600	5,850,661	5,876,540	6,163,276
Community service	5,682,999	5,743,691	6,317,800	6,427,472
Unallocated depreciation expense	7,562,355	7,578,308	7,642,598	8,352,486
Interest and fiscal charges on debt	10,178,914	8,892,618	7,225,662	7,699,565
Total expenses	148,392,206	151,034,227	153,192,519	163,747,285
Program revenues				
Charges for services				
Administration	–	62,549	–	–
District support services	61,580	26,793	52,913	59,777
Elementary and secondary regular instruction	959,494	2,444,347	1,926,840	1,972,051
Vocational education instruction	26,092	16,389	7,895	8,325
Special education instruction	642,848	687,752	557,187	748,731
Instructional support services	–	–	29,099	22,891
Pupil support services	–	–	–	102
Sites and buildings	49,478	173,423	177,913	202,213
Food service	3,761,898	3,904,683	3,553,840	3,856,137
Community education and services	4,397,467	4,429,263	4,017,924	4,214,442
Operating grants and contributions	20,765,802	21,565,847	24,699,108	28,699,456
Total program revenues	30,664,659	33,311,046	35,022,719	39,784,125
Net (expense) revenue	(117,727,547)	(117,723,181)	(118,169,800)	(123,963,160)
General revenues				
Taxes				
Property taxes, levied for general purposes	13,369,224	6,035,606	11,670,128	15,687,941
Property taxes, levied for community service	835,796	438,959	887,094	939,407
Property taxes, levied for facility improvements	5,395,000	5,395,000	7,004,845	–
Property taxes, levied for debt service	18,569,851	19,623,871	19,193,320	22,522,066
General grants and aids	84,893,697	95,011,442	93,521,879	97,390,356
Other general revenues	2,745,830	1,417,745	1,983,405	1,761,520
Investment earnings	2,238,747	1,605,855	253,974	713,215
Total general revenues	128,048,145	129,528,478	134,514,645	139,014,505
Change in net position	$ 10,320,598	$ 11,805,297	$ 16,344,845	$ 15,051,345

2017	2018	2019	2020	2021	2022
$ 6,498,715	$ 6,543,951	$ 3,986,941	$ 5,770,100	$ 6,013,698	$ 5,776,146
5,255,078	5,342,508	5,242,645	5,591,373	5,983,180	5,719,248
88,112,683	90,206,138	45,257,393	69,638,393	70,286,591	67,686,692
2,371,357	2,620,603	1,758,415	2,598,107	2,618,779	2,547,450
37,313,269	37,691,970	22,098,847	32,244,552	33,411,907	32,115,155
14,780,996	14,730,422	10,713,207	11,229,891	14,587,405	14,730,892
13,980,405	15,562,129	13,575,592	15,511,111	16,171,085	17,265,987
14,029,604	14,892,985	12,724,498	12,856,566	7,225,957	12,341,899
386,858	433,697	398,054	571,410	689,345	1,062,504
6,391,792	6,340,469	6,341,908	5,878,931	9,561,318	7,604,178
7,319,200	8,081,308	7,568,145	8,581,004	7,470,419	7,698,823
8,863,300	10,523,228	12,456,000	13,875,792	14,210,696	14,533,948
7,456,682	6,670,481	5,613,683	6,202,888	7,672,307	7,479,563
212,759,939	219,639,889	147,735,328	190,550,118	195,902,687	196,562,485
–	52,220	162,364	92,865	8,893	8,666
90,007	180,679	137,917	73,119	107,756	246,131
1,857,482	1,885,844	1,626,694	1,135,946	818,609	1,298,206
9,379	43,391	65,395	26,888	33,435	53,967
885,711	715,570	980,160	1,019,250	1,077,574	1,710,888
27,520	18,474	13,329	15,947	24,796	16,407
295	539	456	37	–	–
549,308	156,421	175,024	845,096	342,083	155,618
4,054,362	4,133,585	4,163,643	3,177,448	425,915	995,391
4,709,132	5,081,241	5,591,249	4,413,619	3,769,625	5,194,568
26,453,313	29,093,063	30,954,119	32,978,126	35,557,385	43,092,603
38,636,509	41,361,027	43,870,350	43,778,341	42,166,071	52,772,445
(174,123,430)	(178,278,862)	(103,864,978)	(146,771,777)	(153,736,616)	(143,790,040)
15,892,638	17,248,167	19,564,694	20,350,000	30,421,718	37,894,437
922,043	972,724	994,342	1,054,075	1,025,355	1,087,035
–	–	–	–	–	–
22,603,880	22,024,355	22,376,435	22,547,403	26,419,288	21,560,512
104,696,993	103,552,726	101,399,807	108,748,032	112,117,237	116,341,096
1,848,649	1,195,901	1,006,624	1,190,296	899,247	1,120,459
923,649	894,876	1,616,390	2,421,093	1,348,400	324,181
146,887,852	145,888,749	146,958,292	156,310,899	172,231,245	178,327,720
$(27,235,578)	$(32,390,113)	$ 43,093,314	$ 9,539,122	$ 18,494,629	$ 34,537,680

INDEPENDENT SCHOOL DISTRICT NO. 728

Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	2013	2014	2015	2016
General Fund				
Nonspendable	$ 455,726	$ 595,344	$ 732,362	$ 851,793
Restricted	4,492,627	4,540,897	5,318,923	6,751,601
Committed	2,226,703	2,066,163	2,741,647	3,379,328
Assigned	5,020,338	5,230,725	4,158,943	8,409,015
Unassigned	8,509,165	7,794,602	10,226,697	8,377,500
Total General Fund	$ 20,704,559	$ 20,227,731	$ 23,178,572	$ 27,769,237
All other governmental funds				
Nonspendable	$ 27,089	$ 8,137	$ 22,934	$ 17,766
Restricted	46,383,827	52,487,850	114,545,785	74,691,744
Total all other governmental funds	$ 46,410,916	$ 52,495,987	$ 114,568,719	$ 74,709,510

2017	2018	2019	2020	2021	2022
$ 791,951	$ 682,727	$ 656,961	$ 452,903	$ 551,942	$ 516,896
5,903,188	4,679,125	5,162,336	9,539,450	12,082,762	13,175,111
2,923,520	2,406,128	2,232,217	2,012,855	1,839,829	1,713,171
10,788,043	8,831,074	8,252,244	11,894,762	20,159,049	28,024,445
7,531,820	9,376,564	9,682,728	12,776,504	14,981,342	16,598,325
$ 27,938,522	$ 25,975,618	$ 25,986,486	$ 36,676,474	$ 49,614,924	$ 60,027,948
$ 29,113	$ 400	$ 9,362	$ 5,256	$ 1,750	$ 4,627
32,221,893	29,944,076	27,205,060	133,370,146	104,359,259	58,972,218
$ 32,251,006	$ 29,944,476	$ 27,214,422	$ 133,375,402	$ 104,361,009	$ 58,976,845

INDEPENDENT SCHOOL DISTRICT NO. 728

Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	2013	2014	2015	2016
Revenues				
Local sources				
Taxes	$ 38,344,162	$ 31,636,781	$ 38,862,906	$ 39,268,210
Investment earnings	2,238,676	1,605,722	252,119	697,118
Other	13,332,372	13,162,944	12,307,016	12,846,189
State sources	99,727,737	111,235,939	112,544,645	120,580,678
Federal sources	5,244,077	5,341,350	5,509,125	5,509,134
Total revenues	158,887,024	162,982,736	169,475,811	178,901,329
Expenditures				
Current				
Administration	4,405,449	4,506,334	4,744,359	4,691,018
District support services	4,772,752	4,138,745	4,301,929	4,778,935
Elementary and secondary regular instruction	57,026,776	59,443,451	59,657,694	61,523,013
Vocational education instruction	859,606	915,575	858,866	1,297,044
Special education instruction	24,365,343	25,047,713	26,522,109	27,684,346
Instructional support services	6,971,568	7,754,801	8,434,012	12,555,697
Pupil support services	9,911,815	10,457,567	11,264,569	11,523,309
Sites and buildings	11,560,115	10,952,275	11,461,600	17,064,490
Fiscal and other fixed cost programs	425,000	425,000	396,000	396,000
Food service	5,732,212	5,857,911	5,849,970	6,125,658
Community service	5,714,784	5,754,127	6,130,969	6,498,080
Capital outlay	3,242,140	8,213,946	12,366,619	39,775,504
Debt service				
Principal	10,766,891	12,618,779	14,071,014	15,308,613
Interest and fiscal charges	11,578,203	9,912,216	8,073,175	9,770,651
Total expenditures	157,332,654	165,998,440	174,132,885	218,992,358
Excess of revenues over (under) expenditures	1,554,370	(3,015,704)	(4,657,074)	(40,091,029)
Other financing sources (uses)				
Transfers in	5,395,000	5,395,000	7,304,845	–
Transfers out	(5,395,000)	(5,395,000)	(7,143,053)	–
Refunding debt issued	31,195,000	7,855,000	–	37,785,000
Bonds issued	–	–	109,510,000	–
Premium (discount) on bonds issued	3,104,587	749,267	4,535,528	4,853,253
Payments to refunded bond escrow agent	(61,065,000)	–	(44,555,000)	(42,500,000)
Capital leases and other loans	–	–	–	4,646,500
Insurance Recovery	–	–	–	–
Sale of capital assets	–	19,680	28,327	37,732
Total other financing sources (uses)	(26,765,413)	8,623,947	69,680,647	4,822,485
Net change in fund balances	$(25,211,043)	$ 5,608,243	$ 65,023,573	$(35,268,544)
Debt service as a percentage of noncapital expenditures	14.6%	14.3%	13.6%	14.4%

2017	2018	2019	2020	2021	2022
$ 39,894,942	$ 40,589,014	$ 42,971,822	$ 43,904,042	$ 57,876,025	$ 60,520,031
875,336	799,579	1,480,856	2,309,234	1,333,628	319,673
13,985,351	14,394,407	14,825,886	12,040,813	7,850,606	11,966,589
122,255,328	126,276,929	131,254,573	134,730,079	134,048,793	140,747,562
5,336,409	5,349,809	5,369,194	6,125,658	13,017,859	17,869,662
182,347,366	187,409,738	195,902,331	199,109,826	214,126,911	231,423,517
4,972,810	5,057,376	5,340,819	5,350,441	5,725,163	6,189,334
4,889,632	5,074,443	5,366,476	5,421,217	6,073,108	6,607,630
63,839,023	67,687,696	67,742,129	65,281,284	67,388,581	73,251,778
1,812,325	1,898,045	2,408,895	2,440,281	2,543,802	2,741,057
28,251,499	29,494,460	30,345,152	30,690,379	32,568,504	34,752,071
12,174,740	12,377,859	12,928,374	10,681,974	14,359,335	15,410,768
12,391,422	14,148,885	15,076,154	15,195,997	15,993,540	17,859,935
12,174,098	13,909,499	15,762,726	12,758,703	13,554,527	20,386,083
415,000	437,863	400,000	571,410	689,345	1,062,504
6,151,923	6,123,598	6,279,478	5,774,262	4,832,091	7,590,681
6,577,975	7,376,703	8,037,288	8,463,355	7,628,579	8,257,398
60,123,517	16,570,115	15,861,852	10,223,106	46,971,508	47,947,922
16,658,702	16,464,991	15,250,435	16,614,734	18,316,284	15,055,344
9,577,798	9,522,377	8,487,050	7,940,078	10,106,668	9,492,467
240,010,464	206,143,910	209,286,828	197,407,221	246,751,035	266,604,972
(57,663,098)	(18,734,172)	(13,384,497)	1,702,605	(32,624,124)	(35,181,455)
–	–	–	1,540,451	–	–
–	–	–	(1,540,451)	–	–
44,885,000	8,820,000	1,336,894	–	–	–
14,520,000	7,025,000	16,415,000	112,435,000	16,350,000	–
8,287,385	818,177	805,651	1,426,565	145,412	–
(52,365,000)	(2,325,000)	(8,024,010)	–	–	–
–	–	–	–	–	–
–	–	–	–	–	22,171
46,494	126,561	131,776	783,073	52,769	188,144
15,373,879	14,464,738	10,665,311	114,644,638	16,548,181	210,315
$ (42,289,219)	$ (4,269,434)	$ (2,719,186)	$ 116,347,243	$ (16,075,943)	$ (34,971,140)
14.5%	13.7%	12.5%	13.1%	14.3%	11.7%

Governmental Activities Tax Revenues by Source and Levy Type
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Property Tax				
Fiscal Year	General Purposes	Community Service	Facility Improvement	Debt Service	Total
2013	$ 13,369,224	$ 835,796	$ 5,395,000	$ 18,569,851	$ 38,169,871
2014	6,035,606	438,959	5,395,000	19,623,871	31,493,436
2015	11,670,128	887,094	7,004,845	19,193,320	38,755,387
2016	15,687,941	939,407	–	22,522,066	39,149,414
2017	15,892,638	922,043	–	22,603,880	39,418,561
2018	17,248,167	972,724	–	22,024,355	40,245,246
2019	19,564,694	994,342	–	22,376,435	42,935,471
2020	20,350,000	1,054,075	–	22,547,403	43,951,478
2021	30,421,718	1,025,355	–	26,419,288	57,866,361
2022	37,894,437	1,087,035	–	21,560,512	60,541,984

Note: Legislative changes in the “tax shift” had a significant impact on the amount of tax revenue recognized in fiscal year 2014. The changes were offset by equal adjustments to state aid payments.

INDEPENDENT SCHOOL DISTRICT NO. 728

General Governmental Tax Revenues by Source and Levy Type
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Property Tax				
Fiscal Year	General Purposes	Community Service	Facility Improvement	Debt Service	Total
2013	$ 13,429,525	$ 839,423	$ 5,395,000	$ 18,680,214	$ 38,344,162
2014	6,102,509	441,835	5,395,000	19,697,437	31,636,781
2015	11,715,679	889,364	7,004,845	19,253,018	38,862,906
2016	15,759,038	941,452	–	22,567,720	39,268,210
2017	16,121,952	932,102	–	22,840,888	39,894,942
2018	17,400,625	980,283	–	22,208,106	40,589,014
2019	19,580,403	995,207	–	22,396,212	42,971,822
2020	20,327,280	1,052,782	–	22,523,980	43,904,042
2021	30,415,305	1,026,489	–	26,434,231	57,876,025
2022	37,863,374	1,086,985	–	21,569,672	60,520,031

Note: Legislative changes in the "tax shift" had a significant impact on the amount of tax revenue recognized in fiscal year 2014. The changes were offset by equal adjustments to state aid payments.

INDEPENDENT SCHOOL DISTRICT NO. 728

Tax Capacity and Estimated Market Value of Property
Last Ten Fiscal Years

	Tax Capacity (1)				
				Tax Rate Determining Value Subtotal	
Tax Collection Calendar Year	Real and Personal Property	Fiscal Disparities Contribution	Tax Increment	Amount	Percent Increase (Decrease)
2013	$ 62,248,699	$ (4,001,741)	$ (677,708)	$ 57,569,250	(5.1) %
2014	62,861,106	(4,096,902)	(585,011)	58,179,193	1.1
2015	67,609,867	(4,165,752)	(622,491)	62,821,624	8.0
2016	72,925,115	(4,290,299)	(604,014)	68,030,802	8.3
2017	77,494,751	(4,770,812)	(639,253)	72,084,686	6.0
2018	83,414,827	(4,667,760)	(778,180)	77,968,887	8.2
2019	90,240,059	(5,153,789)	(762,229)	84,324,041	8.2
2020	97,821,572	(5,266,246)	(1,000,497)	91,554,829	8.6
2021	105,325,902	(5,670,473)	(1,379,965)	98,275,464	7.3
2022	113,951,520	(6,302,741)	(1,593,223)	106,055,556	7.9

(1) Tax capacity is calculated by applying class rates (for specific property classifications such as residential, commercial, etc.) to the assessed market value. Class rates are periodically changed by the state.

Source: State of Minnesota School Tax Report

		Referendum Market Value	
Fiscal Disparities Distribution	Total Tax Capacity	Amount	Percent Increase (Decrease)
$ 1,074,954	$ 59,312,238	$ 5,279,456,425	(6.5) %
1,111,680	59,861,669	5,358,039,125	1.5
1,096,396	64,527,812	5,785,021,550	8.0
1,723,408	69,754,210	6,233,475,910	7.8
1,849,202	73,933,888	6,626,384,872	6.3
1,957,105	79,925,992	7,142,158,499	7.8
2,135,003	86,459,044	7,767,231,977	8.8
2,339,793	100,615,257	8,418,039,564	8.4
2,414,959	100,690,423	9,045,428,845	7.5
2,532,370	108,587,926	9,808,678,758	8.4

INDEPENDENT SCHOOL DISTRICT NO. 728

Property Tax Rates
Direct and Overlapping (1) Governments
Last Ten Fiscal Years

		Independent School District No. 728 (f)			
Rate	Year Collectible	General Fund	Community Service Special Revenue Fund	Debt Service Fund	Total
Tax capacity rate	2013	15.251	1.459	33.348	50.058
Market value rate	2013	0.175	–	–	0.175
Tax capacity rate	2014	17.670	1.485	32.194	51.349
Market value rate	2014	0.141	–	–	0.141
Tax capacity rate	2015	5.976	1.462	35.045	42.483
Market value rate	2015	0.194	–	–	0.194
Tax capacity rate	2016	4.775	1.353	33.139	39.267
Market value rate	2016	0.194	–	–	0.194
Tax capacity rate	2017	5.860	1.333	30.004	37.197
Market value rate	2017	0.194	–	–	0.194
Tax capacity rate	2018	6.752	1.250	28.135	36.137
Market value rate	2018	0.194	–	–	0.194
Tax capacity rate	2019	5.383	1.227	26.255	32.865
Market value rate	2019	0.194	–	–	0.194
Tax capacity rate	2020	4.842	1.104	28.425	34.371
Market value rate	2020	0.300	–	–	0.300
Tax capacity rate	2021	9.163	1.082	21.472	31.717
Market value rate	2021	0.306	–	–	0.306
Tax capacity rate	2022	10.539	1.121	19.229	30.889
Market value rate	2022	0.287	–	–	0.287

N/A – Not Available

(1) Overlapping rates are those of local and county governments that apply to property owners within the District. Not all overlapping rates apply to all the District's property owners.

Sources:

(a) Wright County Auditor
(b) Sherburne County Auditor
(c) Anoka County Auditor
(d) Hennepin County Auditor
(e) Isanti County Auditor
(f) State of Minnesota School Tax Report

Overlapping Rates						
City of						
Albertville (a)	Dayton (a)	Elk River (b)	Nowthen (c)	Otsego (a)	Ramsey (c)	Rogers (d)
51.945	64.169	50.373	27.040	46.229	44.290	38.291
–	–	–	–	–	–	–
51.092	65.600	48.544	29.454	44.575	44.236	40.541
–	–	–	–	–	–	–
51.396	57.029	47.190	26.104	41.202	42.257	40.377
–	–	–	–	–	–	–
52.370	57.150	46.170	28.749	37.921	43.316	37.879
–	–	–	–	–	–	–
51.586	55.467	46.193	26.417	37.852	42.454	38.308
–	–	–	–	–	–	–
49.158	55.664	46.011	27.151	36.556	41.730	36.810
–	–	–	–	–	–	–
47.294	55.212	45.907	24.165	36.060	40.355	35.917
–	–	–	–	–	–	–
47.067	54.139	46.241	24.288	35.099	39.592	35.859
–	–	–	–	–	–	–
46.801	51.378	44.556	24.680	34.653	39.251	33.396
–	–	–	–	–	–	–
46.355	47.733	43.967	22.238	34.545	42.239	28.689
–	–	–	–	–	–	–

(continued)

Property Tax Rates
Direct and Overlapping (1) Governments (continued)
Last Ten Fiscal Years

Overlapping Rates (continued)					
City of (continued)				Township of	
St. Michael (a)	Zimmerman (b)	Big Lake (b)	Baldwin (b)	Hassan (d)	Livonia (b)
43.968	35.268	16.079	21.356	N/A	29.606
–	–	–	–	–	–
41.843	34.327	15.525	22.861	N/A	30.072
–	–	–	–	–	–
38.657	45.044	14.159	21.184	N/A	29.511
–	–	–	–	–	–
37.772	49.933	19.004	19.774	N/A	27.124
–	–	–	–	–	–
37.496	47.469	20.540	20.201	N/A	26.573
–	–	–	–	–	–
37.060	45.656	N/A	24.405	N/A	24.674
–	–	–	–	–	–
36.939	44.578	N/A	21.226	N/A	21.971
–	–	–	–	–	–
36.691	41.239	22.801	21.026	N/A	22.522
–	–	–	–	–	–
35.817	41.624	23.668	19.019	N/A	24.665
–	–	–	–	–	–
33.909	42.697	20.803	16.590	N/A	22.113
–	–	–	–	–	–

Orrock (b)	Stanford (e)
6.775	28.973
–	–
18.790	29.099
–	–
15.283	26.302
–	–
25.916	22.178
–	–
29.701	22.511
–	–
27.609	21.831
–	–
26.992	20.428
–	–
24.635	18.050
–	–
24.041	16.792
–	–
22.187	16.101
–	–

INDEPENDENT SCHOOL DISTRICT NO. 728

Principal Property Taxpayers
Current Year and Nine Years Ago

	Taxes Collectible Calendar Year					
	2022			2013		
Taxpayer	Net Tax Capacity	Rank	Percent of Taxable Net Tax Capacity	Net Tax Capacity	Rank	Percent of Taxable Net Tax Capacity
Duke Realty LP	$ 1,112,750	1	1.0 %	$ –	–	– %
CPG Partners LP	1,055,704	2	0.9	–	–	–
Great River Energy	584,543	3	0.5	1,204,244	1	1.9
Graco Minnesota Inc	555,250	4	0.5	–	–	–
Stag GI Rogers LLC	522,050	5	0.5	–	–	–
Fedex Ground, Inc.	499,250	6	0.4	–	–	–
Centerpoint Energy	396,778	7	0.3	–	–	–
Medline Industries, Inc.	375,450	8	0.3	–	–	–
JPM Capital Corporation	375,170	9	0.3	392,850	2	0.6
Sukkot Realty (I-94 MN) ADA	363,430	10	0.3	392,850	2	0.6
Bre Retail Residual Owner 5 LLC	–	–	–	287,846	4	0.5
Walmart Stores, Inc.	–	–	–	281,032	5	0.5
Minnegasco	–	–	–	270,790	6	0.4
Target Corporation	–	–	–	270,230	7	0.4
Menards, Inc.	–	–	–	181,902	8	0.3
Phoenix Enterprises, LLC	–	–	–	146,693	9	0.2
Home Depot USA, Inc.	–	–	–	138,090	10	0.2
Total	$ 5,840,375		5.1 %	$ 3,566,527		5.7 %

Source: Sherburne County Auditor/Treasurer, Wright County Auditor/Treasurer, Anoka County Auditor/Treasurer

INDEPENDENT SCHOOL DISTRICT NO. 728

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year		Total Tax Levy for Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount (2)	Percentage of Levy		Amount	Percentage of Levy
2013		$ 39,113,426	$ 38,681,425	98.90 %	$ 410,572	$ 39,091,997	99.95 %
2014		38,497,961	38,131,759	99.05	282,416	38,414,175	99.78
2015		38,982,448	38,696,525	99.27	265,688	38,962,213	99.95
2016		39,871,802	39,718,370	99.62	148,498	39,866,868	99.99
2017		40,318,333	40,135,182	99.55	176,347	40,311,529	99.98
2018		43,113,114	42,484,891	98.54	580,151	43,065,042	99.89
2019		43,824,662	41,946,368	95.71	1,778,445	43,724,813	99.77
2020		57,710,221	55,752,055	96.61	1,854,720	57,606,775	99.82
2021		58,847,621	58,135,228	98.79	435,114	58,570,342	99.53
2022	(1)	62,292,902	31,143,426	50.00	–	31,143,426	50.00

(1) Only a portion of the calendar year 2022 taxes are collected by June 30, 2022.

(2) A portion of the total levy is paid through various property tax credits for residential homestead properties, which are paid through state aids.

Sources: State of Minnesota School Tax Report (levies) and
State Auditor Form 51 – Tax Receivable Report (collections)

INDEPENDENT SCHOOL DISTRICT NO. 728

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Unamortized Net Premiums (Discounts)	Certificates of Participation	Financed Purchases	Total
2013	$ 202,835,000	$ 4,294,475	$ 1,145,000	$ 2,292,767	$ 210,567,242
2014	198,385,000	4,372,893	975,000	2,148,987	205,881,880
2015	249,595,000	7,948,096	800,000	1,997,973	260,341,069
2016	229,915,000	10,573,792	615,000	6,485,860	247,589,652
2017	220,925,000	16,793,831	420,000	6,052,158	244,190,989
2018	211,600,000	15,306,065	7,240,000	5,612,167	239,758,232
2019	207,155,000	13,489,771	6,595,000	5,179,616	232,419,387
2020	303,850,000	12,207,794	6,210,000	4,689,872	326,957,666
2021	302,775,000	10,205,198	5,815,000	4,193,588	322,988,786
2022	288,640,000	8,416,134	5,405,000	3,683,244	306,144,378

N/A – Not Available

Note: Details regarding the District’s outstanding debt can be found in the notes to basic financial statements.

(1) See the Schedule of Demographic and Economic Statistics for Sherburne County’s personal income and the District’s population data.

Percentage of Personal Income (1)	Per Capita (1)
6.4 %	$ 3,113
5.7	3,038
6.8	3,804
6.1	3,532
5.7	3,483
5.3	3,360
5.0	3,236
6.5	4,378
N/A	4,158
N/A	3,757

INDEPENDENT SCHOOL DISTRICT NO. 728

Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Less Amounts Available in Debt Service Fund	Net Bonded Debt	Tax Capacity Value	Percent Net Debt to Tax Capacity Value
2013	$ 207,129,475	$ 41,408,698	$ 165,720,777	$ 59,312,238	279.4 %
2014	202,757,893	49,780,597	152,977,296	59,861,669	255.6
2015	257,543,096	3,972,219	253,570,877	64,527,812	393.0
2016	240,488,792	3,282,275	237,206,517	69,754,210	340.1
2017	237,718,831	3,975,352	233,743,479	73,933,888	316.2
2018	226,906,065	9,880,039	217,026,026	79,925,992	271.5
2019	220,644,771	4,959,306	215,685,465	86,459,044	249.5
2020	316,057,794	5,106,342	310,951,452	100,615,257	309.1
2021	312,980,198	5,570,334	307,409,864	100,690,423	305.3
2022	297,056,134	4,804,865	292,251,269	108,587,926	269.1

(1) See the Schedule of Demographic and Economic Statistics for Sherburne County’s personal income and the District’s population data.

Population (1)	Net Debt per Capita
67,631	$ 2,450
67,777	2,257
68,446	3,705
70,094	3,384
70,106	3,334
71,367	3,041
71,815	3,003
74,687	4,163
77,674	3,958
81,480	3,587

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT SCHOOL DISTRICT NO. 728

Direct and Overlapping Debt
as of June 30, 2022

Taxing Unit (a)	Taxable Net Tax Capacity	General Obligation Bonded Debt		Debt Applicable to Tax Capacity in ISD No. 728 Percent (d)	Amount
Direct debt					
ISD No. 728	$ 108,587,944	$ 288,640,000		100.000%	$ 288,640,000
Overlapping debt					
Counties					
Anoka	481,942,381	49,315,000		1.364%	672,509
Hennepin	2,336,109,511	1,065,595,000	(b)	1.122%	11,952,779
Isanti	43,144,215	7,005,000		1.730%	121,187
Sherburne	124,521,376	40,125,000		38.952%	15,629,450
Wright	199,120,589	91,145,000		13.081%	11,922,951
Cities					
Albertville	9,778,185	4,992,000		30.126%	1,503,895
Big Lake	10,637,679	11,375,000		31.463%	3,578,859
Dayton	13,067,150	17,878,000		8.771%	1,568,097
Elk River	31,581,676	31,360,000		100.000%	31,360,000
Nowthen	7,649,962	388,000		40.627%	157,632
Otsego	24,852,871	5,075,000		86.899%	4,410,124
Ramsey	36,620,351	14,585,000		10.462%	1,525,883
Rogers	27,319,684	8,020,000		93.886%	7,529,633
St. Francis	9,140,278	5,745,000		2.620%	150,519
St. Michael	22,926,019	10,670,000		10.292%	1,098,167
Zimmerman	5,090,704	5,156,212		100.000%	5,156,212
Townships					
Baldwin	8,237,181	1,256,569		0.285%	3,581
Special districts					
Three Rivers Park District	1,563,968	68,996,289		1.620%	1,117,740
Metropolitan Council	5,286,410	193,320,000	(c)	0.646%	1,248,654
Total overlapping debt					100,707,872
Total direct and overlapping debt					$ 389,347,872

(a) Only those taxing units with general obligation debt outstanding are included in this section. Does not include nongeneral obligation debt, self-supporting general obligation revenue debt, short-term general obligation debt, or general obligation tax/aid anticipation certificates of indebtedness.

(b) Hennepin County also has general obligation solid waste revenue bonds outstanding, which are payable entirely from the county's Solid Waste Enterprise Fund; general obligation bonds (Century Plaza Debt), which are expected to be paid from building rental fees from county departments and noncounty tenants; and General Obligation Ice Arena Revenue Bonds, which are expected to be paid from building rental payments from Augsburg College. These issues have not been included in the overlapping debt or debt ratios.

(c) The above debt includes all outstanding general obligation debt supported by taxes of the Metropolitan Council. The Metropolitan Council also has general obligation sewer revenue, wastewater revenue, and radio revenue bonds and lease obligations outstanding, all of which are supported entirely by revenues and have not been included in the overlapping debt or debt ratios.

(d) The percentage of overlapping debt applicable is estimated using taxable net tax capacity values. Applicable percentages were estimated by determining the portion of the overlapping entity's taxable net tax capacity value that is within the District's boundaries and dividing it by the overlapping government's total taxable net tax capacity value.

Source: Counties' 2021 ACFR, Three Rivers Park District and Metropolitan Council 2021 ACFR, Minnesota Department of Revenue Tax Capacity Numbers, Ehlers Inc.

INDEPENDENT SCHOOL DISTRICT NO. 728

Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year			
	2013	2014	2015	2016
Debt limit	$ 791,918,464	$ 803,705,869	$ 867,753,233	$ 935,021,387
Total net debt applicable to the limit	161,426,302	148,604,403	245,622,781	226,632,725
Legal debt margin	$ 630,492,162	$ 655,101,466	$ 622,130,452	$ 708,388,662
Total net debt applicable to the limit as a percentage of debt limit	20.38%	18.49%	28.31%	24.24%

2017	2018	2019	2020	2021	2022
$ 993,957,731	$1,071,323,775	$1,165,084,797	$1,262,705,935	$1,356,814,327	$1,471,252,542
217,369,648	217,026,026	215,685,465	310,951,452	307,409,864	292,251,269
$ 776,588,083	$ 854,297,749	$ 949,399,331	$ 951,754,483	$1,049,404,463	$1,179,001,273
21.87%	20.26%	18.51%	24.63%	22.66%	19.86%

Legal Debt Margin Calculation for Fiscal Year 2022	
Estimated market value – 2022	$9,808,350,280
Debt limit (15% of market value)	1,471,252,542
Debt applicable to limit	
General obligation bonds	297,056,134
Less amount set aside for repayment of general obligation debt	4,804,865
Total net debt applicable to the limit	292,251,269
Legal debt margin	$ 1,179,001,273

INDEPENDENT SCHOOL DISTRICT NO. 728

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	ISD No. 728 Population (1)	Personal Income (2)	Per Capita Personal Income (2)	Unemployment Rate (3)
2013	67,631	$ 3,277,997	$ 36,358	4.70 %
2014	67,777	3,593,327	39,433	3.80
2015	68,446	3,804,126	41,482	3.30
2016	70,094	4,027,966	43,067	3.60
2017	70,106	4,270,498	45,157	5.70
2018	71,367	4,516,630	47,031	4.80
2019	71,815	4,639,466	47,712	3.30
2020	74,687	5,010,700	50,710	7.80
2021	77,674	N/A	N/A	4.20
2022	81,480	N/A	N/A	1.90

N/A – Not Available

Data sources:

(1) District population is based upon an annual school district census; Ehlers Inc. estimate used for 2018; 2022 population estimate based off Sherburne County projected growth of 4.9 percent

(2) U.S. Department of Commerce: Bureau of Economic Analysis – Sherburne County

(3) Minnesota Department of Employment and Economic Development

Principal Employers
Current Year and Nine Years Ago

	2022			2013		
Employer	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
ISD No. 728, Elk River (1)	2,422	1	4.82 %	2,358	1	4.74 %
Accurate Home Care	1,247	2	2.48	–	–	–
Sherburne County	700	3	1.39	598	3	1.20
Graco	619	4	1.23	394	8	0.79
Albertville Premium Outlets	500	5	0.99	1,000	2	2.01
Cretex, Inc.	500	5	0.99	–	–	–
Sportech Inc.	420	7	0.84	–	–	–
Crestliner, Inc.	350	8	0.70	–	–	–
Guardian Angels of Elk River	340	9	0.68	340	10	0.68
Walmart	316	10	0.63	400	7	0.80
Veit & Company, Inc.	–	–	–	500	4	1.00
Target Corporation	–	–	–	500	4	1.00
Cabela’s	–	–	–	450	6	0.90
Archway Marketing Services	–	–	–	350	9	0.70
Total	7,414		14.75 %	6,890		13.85 %

Note: Total Sherburne County workforce was estimated to be 50,277 for 2022 and 49,742 for 2013.

(1) Number of W-2s issued for 2021 and 2012 calendar years, respectively.

Source: Minnesota Department of Employment and Economic Development; Sherburne County, Ehlers

INDEPENDENT SCHOOL DISTRICT NO. 728

Employees by Classification (1)
Last Ten Fiscal Years

	Fiscal Year				
	2013	2014	2015	2016	2017
Administrators/principals (2)	36	37	40	41	40
Supervisors/special staff	13	11	12	16	11
Teachers/nurses	781	787	787	820	846
Clerical	96	93	93	96	95
Building chiefs and custodians	69	72	73	77	78
Food service	56	55	55	54	53
Nonlicensed specialists	337	367	392	390	386
Total	1,387	1,421	1,450	1,496	1,510

(1) This schedule is full-time equivalency based on assignment. All nonteaching assignments are based on 2,088 hours.

(2) District office cabinet, principals, secondary school building assistant principals, and principals on special assignment.

(3) IT specialist classification changed from supervisors/special staff to nonlicensed specialists in 2018.

Source: Minnesota Department of Education Star Report

2018 (3)	2019	2020	2021	2022
46	53	58	59	63
4	6	10	9	11
867	871	857	826	850
98	89	93	91	105
80	86	82	80	94
58	52	74	79	97
422	427	438	546	665
1,575	1,585	1,611	1,690	1,885

INDEPENDENT SCHOOL DISTRICT NO. 728
Operating Indicators
Standardized Testing, Attendance, and Graduation Rates
Last Ten Fiscal Years

	Fiscal Year			
	2013	2014	2015	2016
Standardized tests				
LOCAL reading (1)				
Grade 3	51.00 %	53.00 %	57.00 %	61.00 %
Grade 4	61.00 %	54.00 %	57.00 %	61.00 %
Grade 5	57.00 %	60.00 %	56.00 %	56.00 %
Grade 6	60.00 %	59.00 %	62.00 %	N/A
Grade 7	58.00 %	60.00 %	62.00 %	N/A
Grade 8	N/A	N/A	N/A	N/A
LOCAL math (1)				
Grade 3	53.00 %	51.00 %	54.00 %	67.00 %
Grade 4	65.00 %	55.00 %	57.00 %	59.00 %
Grade 5	58.00 %	59.00 %	59.00 %	51.00 %
Grade 6	56.00 %	60.00 %	63.00 %	N/A
Grade 7	61.00 %	60.00 %	61.00 %	N/A
Grade 8	N/A	N/A	N/A	N/A
MCA reading (2)				
Grade 3	63.00 %	66.00 %	72.00 %	67.00 %
Grade 4	60.00 %	60.00 %	67.00 %	70.00 %
Grade 5	69.00 %	78.00 %	74.00 %	77.00 %
Grade 6	60.00 %	66.00 %	70.00 %	74.00 %
Grade 7	62.00 %	59.00 %	60.00 %	73.00 %
Grade 8	58.00 %	60.00 %	61.00 %	69.00 %
Grade 10	64.00 %	65.00 %	66.00 %	67.00 %
MCA math (2)				
Grade 3	79.00 %	82.00 %	82.00 %	79.00 %
Grade 4	79.00 %	78.00 %	81.00 %	79.00 %
Grade 5	66.00 %	71.00 %	69.00 %	68.00 %
Grade 6	61.00 %	66.00 %	72.00 %	77.00 %
Grade 7	65.00 %	67.00 %	68.00 %	81.00 %
Grade 8	75.00 %	72.00 %	79.00 %	81.00 %
Grade 11	60.00 %	59.00 %	63.00 %	59.00 %
ACT (5)				
Average composite score	22.80	23.10	23.20	21.90
National Merit Scholars				
Commended	1	2	–	7
Finalists and semifinalists	1	1	3	2

2017	2018	2019	2020	2021	2022
65.00 %	68.00 %	68.00 %	62.00 %	68.00 %	69.00 %
64.00 %	69.00 %	64.00 %	69.00 %	75.00 %	72.00 %
69.00 %	71.00 %	66.00 %	63.00 %	70.00 %	71.00 %
66.00 %	74.00 %	69.00 %	66.00 %	80.00 %	76.00 %
N/A	N/A	N/A	N/A	73.00 %	75.00 %
N/A	N/A	N/A	N/A	62.00 %	64.00 %
63.00 %	57.00 %	67.00 %	64.00 %	77.00 %	79.00 %
70.00 %	70.00 %	67.00 %	70.00 %	69.00 %	71.00 %
65.00 %	63.00 %	65.00 %	67.00 %	68.00 %	72.00 %
70.00 %	71.00 %	68.00 %	75.00 %	81.00 %	79.00 %
N/A	N/A	N/A	N/A	79.00 %	78.00 %
N/A	N/A	N/A	N/A	76.00 %	75.00 %
70.00 %	65.00 %	71.00 %	N/A	61.00 %	58.00 %
67.00 %	68.00 %	64.00 %	N/A	59.00 %	62.00 %
77.00 %	77.00 %	77.00 %	N/A	71.00 %	69.00 %
68.00 %	74.00 %	73.00 %	N/A	60.00 %	62.00 %
67.00 %	65.00 %	68.00 %	N/A	56.00 %	51.00 %
69.00 %	71.00 %	66.00 %	N/A	54.00 %	53.00 %
63.00 %	67.00 %	70.00 %	N/A	60.00 %	62.00 %
82.00 %	76.00 %	79.00 %	N/A	66.00 %	71.00 %
81.00 %	81.00 %	78.00 %	N/A	66.00 %	70.00 %
68.00 %	66.00 %	64.00 %	N/A	51.00 %	52.00 %
72.00 %	70.00 %	67.00 %	N/A	45.00 %	55.00 %
72.00 %	74.00 %	71.00 %	N/A	51.00 %	50.00 %
80.00 %	77.00 %	76.00 %	N/A	52.00 %	60.00 %
61.00 %	57.00 %	64.00 %	N/A	60.00 %	54.00 %
21.90	21.80	21.40	21.80	21.50	20.90
7	6	8	5	2	4
3	2	6	7	3	–

(continued)

INDEPENDENT SCHOOL DISTRICT NO. 728
Operating Indicators
Standardized Testing, Attendance, and Graduation Rates (continued)
Last Ten Fiscal Years

	Fiscal Year			
	2013	2014	2015	2016
Attendance Rate (3)				
Kindergarten	95.60 %	95.50 %	94.90 %	95.50 %
1st grade	95.60 %	95.60 %	95.00 %	95.66 %
2nd grade	95.70 %	95.80 %	95.30 %	96.17 %
3rd grade	95.90 %	96.00 %	95.40 %	96.10 %
4th grade	96.00 %	95.90 %	95.50 %	96.06 %
5th grade	95.70 %	96.00 %	95.30 %	95.95 %
6th grade	95.90 %	96.20 %	95.90 %	95.80 %
7th grade	95.80 %	95.70 %	95.50 %	95.30 %
8th grade	95.60 %	95.50 %	95.00 %	95.21 %
9th grade	95.30 %	95.90 %	95.80 %	95.13 %
10th grade	94.40 %	94.60 %	95.50 %	94.01 %
11th grade	93.50 %	92.90 %	93.00 %	94.41 %
12th grade	91.80 %	91.80 %	92.50 %	92.67 %
All grades	**94.70** %	**94.70** %	**94.50** %	**95.23** %
Four-Year Graduation Rate (4)				
District graduation rates	90.10 %	90.10 %	89.50 %	88.90 %
State graduation rate	79.80 %	81.20 %	81.90 %	82.20 %

N/A – Not Available or Not Applicable

(1) Average percentile: for NWEA MAP (2013–2015) and FAST for 2016–2022
(2) Percent of students scoring at or above proficiency on the Minnesota Comprehensive Assessments
(3) Attendance is based on average daily attendance according to the MARSS
(4) Graduation data for 2022 is not finalized until the spring of 2023
(5) ACT results are for the graduating class in each year

2017	2018	2019	2020	2021	2022
95.57 %	95.01 %	94.98 %	95.90 %	96.00 %	92.10 %
95.61 %	95.18 %	95.37 %	96.30 %	96.00 %	92.30 %
95.92 %	95.51 %	95.34 %	96.30 %	96.30 %	92.60 %
95.83 %	95.49 %	95.57 %	96.40 %	96.20 %	92.70 %
95.63 %	95.34 %	95.37 %	96.30 %	95.60 %	92.50 %
95.78 %	95.31 %	95.40 %	96.30 %	95.70 %	91.90 %
95.77 %	95.37 %	95.29 %	96.90 %	92.70 %	92.80 %
94.84 %	94.53 %	94.94 %	96.40 %	91.90 %	92.40 %
94.80 %	94.24 %	94.35 %	96.60 %	90.90 %	92.10 %
94.56 %	93.83 %	94.02 %	96.20 %	90.80 %	91.60 %
93.53 %	93.61 %	93.16 %	95.60 %	90.30 %	90.80 %
93.23 %	92.86 %	93.03 %	95.10 %	89.20 %	89.70 %
90.36 %	90.80 %	90.75 %	95.10 %	88.60 %	89.10 %
94.73 %	**94.39** %	**94.43** %	**96.10** %	**93.09** %	**91.10** %
91.00 %	91.00 %	91.40 %	92.70 %	86.30 %	N/A
82.70 %	83.20 %	83.70 %	83.80 %	83.30 %	N/A

INDEPENDENT SCHOOL DISTRICT NO. 728

Expenditures per Student (Average Daily Membership)
Last Ten Fiscal Years

	Fiscal Year 2013	2014	2015	2016
Administration	$ 354	$ 351	$ 370	$ 364
District support services	383	323	336	371
Elementary and secondary regular instruction	4,578	4,636	4,656	4,779
Vocational education instruction	69	71	67	101
Special education instruction	1,956	1,953	2,070	2,150
Instructional support services	560	605	658	975
Pupil support services	796	816	879	895
Sites and buildings	928	854	895	1,325
Fiscal and other fixed cost programs	34	33	31	31
Food service	460	457	457	476
Community service	459	449	479	505
Capital outlay	260	641	965	3,090
Debt service	1,794	1,757	1,728	1,948
Total expenditures	$ 12,630	$ 12,946	$ 13,590	$ 17,010
Average daily membership	12,457	12,822	12,813	12,874

Note: Includes all governmental fund expenditures.

Source: The Minnesota Department of Education School ADM Report

2017	2018	2019	2020	2021	2022
$ 384	$ 384	$ 400	$ 394	$ 435	$ 454
378	386	402	400	461	484
4,936	5,146	5,070	4,812	5,115	5,371
140	144	180	180	193	201
2,184	2,242	2,271	2,262	2,472	2,548
941	941	968	787	1,090	1,130
958	1,076	1,128	1,120	1,214	1,309
941	1,057	1,180	940	1,029	1,495
32	33	30	42	52	78
476	466	470	426	367	557
509	561	601	624	579	605
4,649	1,260	1,187	753	3,566	3,516
2,029	1,976	1,776	1,810	2,158	1,800
$ 18,557	$ 15,671	$ 15,663	$ 14,550	$ 18,730	$ 19,547
12,934	13,154	13,362	13,568	13,174	13,639

INDEPENDENT SCHOOL DISTRICT NO. 728

School Facilities
as of June 30, 2022

Facility	Use	Constructed	Acres
Elementary schools			
Hassan	School	2005	28.60
Lincoln	School	1956	12.00
Meadowvale	School	1992	39.50
Online 728	School	2021	N/A
Otsego	School	1995	52.40
Parker	School	1973	10.50
Rogers	School	1968	18.00
Twin Lakes	School	2007	21.60
Westwood	School	2003	26.80
Zimmerman	School	1956	24.40
Elementary/Middle school			
Prairie View (4)	School	2017	80.00
Middle schools			
Online 728	School	2021	N/A
Rogers	School	1998	41.30
Salk	School	1979	39.00
VandenBerge	School	1961	37.00
Middle/High school			
Zimmerman (3)	School	1998	48.75
High schools			
Elk River	School	1970	44.00
Ivan Sand	School	1998	4.00
Rogers	School	2003	71.90
Online 728	School	2016	N/A
District Office	Office/COMPASS	2011	3.77
Handke	ECFE/ECSE	1930	6.90
Educational Technology Center	Office	1976	3.00
District Service Center	Warehouse	1996	5.00

N/A – Not Available or Not Applicable

(1) All rooms dedicated for instructional purposes, including regular classrooms, portable classrooms, computer labs, art rooms, band/choir/music rooms, special services rooms, science rooms, FACS rooms, and industrial technology rooms.

(2) Enrollment is defined as the adjusted ADMs served, excluding resident students tuitioned out to other Minnesota school districts. Students served by the school of environmental studies are included in the students' home high school.

(3) Joint middle school and high school site.

(4) Joint elementary and middle school site.

	Classrooms (1)	Square Footage	Capacity	Enrollment (2)
	37	96,250	700	755
	39	86,747	700	521
	31	78,988	625	546
	N/A	N/A	N/A	82
	36	83,428	700	631
	33	69,630	600	506
	36	90,929	700	685
	39	98,200	775	676
	25	80,989	650	553
	38	81,362	700	534
	50	123,787	1,158	1,308
	N/A	N/A	N/A	49
	55	142,502	1,071	746
	40	146,534	969	720
	44	165,130	892	538
	50	217,432	1,402	1,213
	111	350,987	1,836	1,506
	9	16,221	153	126
	75	326,157	1,912	1,561
	N/A	N/A	66	183
	2	31,000	20	31
	22	75,805	200	156
	N/A	9,006	N/A	–
	N/A	34,294	N/A	–
Total		2,405,378	15,829	13,626

Students – Average Daily Membership (ADM)
Last Ten Fiscal Years

Year Ended June 30,	ADM (for Students Served or Tuition Paid) Early Childhood and Kindergarten – Handicapped	Kindergarten	Elementary	Secondary	Total Number	Total Percent Increase (Decrease)
2013	173.24	791.48	5,826.62	5,666.05	12,457.39	(0.2) %
2014	222.57	885.14	5,959.67	5,754.63	12,822.01	2.9
2015	222.83	768.48	6,015.95	5,805.58	12,812.84	(0.1)
2016	234.48	783.49	6,019.88	5,836.33	12,874.18	0.5
2017	263.97	801.81	5,918.07	5,950.07	12,933.92	0.5
2018	282.45	856.81	6,029.21	5,985.96	13,154.43	1.7
2019	307.82	879.71	6,144.84	6,029.90	13,362.27	1.6
2020	336.26	876.25	6,218.86	6,136.14	13,567.51	1.5
2021	264.35	842.90	5,950.70	6,115.82	13,173.77	(2.9)
2022	305.79	897.23	6,235.97	6,199.98	13,638.97	3.5

Note 1: Enrollment numbers are estimated for the most recent fiscal year.

Note 2: ADM is weighted as follows in computing pupil units:

	Early Childhood and Kindergarten – Handicapped	Kindergarten	Elementary 1–3	Elementary 4–6	Secondary
Fiscal 2013 through 2015	Various	0.612	1.115	1.060	1.300
Fiscal 2016 through 2022	Various	1.000	1.000	1.000	1.200

Source: The Minnesota Department of Education School ADM Report

Total Pupil Units	
Number	Percent Increase (Decrease)
14,387.05	0.1 %
14,752.16	2.5
13,973.97	(5.3)
14,041.44	0.5
14,123.94	0.6
14,351.60	1.6
14,568.26	1.5
14,794.74	1.5
14,396.91	(2.7)
14,878.96	3.3

THIS PAGE INTENTIONALLY LEFT BLANK