

**INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA**

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
JUNE 30, 2022**

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

TABLE OF CONTENTS

|   | <u>Page</u> |
|---|-------------|
| <b>BOARD OF EDUCATION AND ADMINISTRATION</b>  | 1           |
| <b>INDEPENDENT AUDITOR'S REPORT</b>   | 2           |
| <b>MANAGEMENTS DISCUSSION AND ANALYSIS</b>  | 6           |
| <b>BASIC FINANCIAL STATEMENTS</b>   |             |
| District-wide Financial Statements:   |             |
| Statement of Net Position   | 20          |
| Statement of Activities   | 21          |
| Fund Financial Statements:  |             |
| Balance Sheet - Governmental Funds  | 22          |
| Reconciliation of the Balance Sheet to the Statement of Net Position - Governmental Funds   | 24          |
| Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds  | 25          |
| Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities - Governmental Funds | 27          |
| Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:   |             |
| General Fund  | 28          |
| Statement of Fiduciary Net Position   | 29          |
| Statement of Changes in Fiduciary Net Position  | 30          |
| Notes to the Basic Financial Statements   | 32          |
| <b>REQUIRED SUPPLEMENTAL INFORMATION SECTION</b>  |             |
| Schedule of District's Proportionate Share of Net Pension Liability – Public Employee Retirement Association  | 65          |
| Schedule of District's Contributions – Public Employee Retirement Association   | 65          |
| Schedule of District's Proportionate Share of Net Pension Liability – Teachers Retirement Association   | 66          |
| Schedule of District's Contributions – Teachers Retirement Association  | 66          |
| Schedule of Changes in the District's Net OPEB Liability and Related Ratios   | 67          |
| Schedule of District's Contribution   | 68          |
| Schedule of Investment Returns  | 68          |
| Notes to the Required Supplemental Information  | 69          |
| <b>SUPPLEMENTAL INFORMATION SECTION</b>   |             |
| Nonmajor Governmental Funds   |             |
| Combining Balance Sheet   | 75          |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balance   | 76          |
| Debt Service Funds  |             |
| Combining Balance Sheet   | 77          |
| Combining Schedule of Revenues, Expenditures and Changes in Fund Balance  | 78          |
| General Fund  |             |
| Balance Sheet   | 79          |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual   | 80          |
| Food Service Fund   |             |
| Balance Sheet   | 81          |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual   | 82          |
| Community Service Fund  |             |
| Balance Sheet   | 83          |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual   | 84          |
| Uniform Financial Accounting and Reporting Standards Compliance Table   | 85          |

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

TABLE OF CONTENTS

|   | <u>Page</u> |
|---|-------------|
| <b>SINGLE AUDIT AND OTHER REQUIRED REPORTS:</b>   |             |
| Schedule of Expenditures of Federal Awards  | 87          |
| Notes to Schedule of Expenditures of Federal Awards   | 88          |
| Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance  | 89          |
| Independent Auditor's Report on Minnesota Legal Compliance  | 92          |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i> | 93          |
| Schedule of Findings and Questioned Costs in Accordance with Uniform Guidance   | 95          |

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

BOARD OF EDUCATION

| <u>Name</u>      | <u>Term on Board Expires</u> | <u>Position</u>  |
|------------------|------------------------------|------------------|
| Steven Eklund    | January, 2023                | Chairperson      |
| Mike Thompson    | January, 2025                | Vice-Chairperson |
| Allison Londgren | January, 2023                | Secretary        |
| Darrin Davis     | January, 2023                | Treasurer        |
| Kayla Hagfors    | January, 2025                | Director         |
| Katie Kunshier   | January, 2025                | Director         |
| David Shockman   | January, 2025                | Director         |

ADMINISTRATION

|               |                  |
|---------------|------------------|
| Ken Gagner    | Superintendent   |
| Jessica Olson | Business Manager |



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Certified Public Accountants

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Mankato, MN 56001

P: 507.387.1338

F: 507.387.5199

***Experienced...*** Over 40 years combined experience

***Affordable...*** Exceptional value for a reasonable price

***Friendly...*** Family owned and run since 1990

## INDEPENDENT AUDITOR'S REPORT

Members of the School Board  
Independent School District No. 314  
Braham, Minnesota

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Independent School District No. 314, Braham, Minnesota (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 the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 supplemental 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 required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplemental 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 supplemental information, as listed in the table of contents and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Audit Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Burkhardt & Burkhardt, Ltd.*

Burkhardt & Burkhardt, Ltd.  
Mankato, Minnesota  
November 3, 2022

## MANAGEMENT'S DISCUSSION AND ANALYSIS



INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022

This section of Independent School District No. 314 – Braham Public Schools' annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2022. Please read it in conjunction with the District's financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999.

### FINANCIAL HIGHLIGHTS

Key financial highlights for the 2020-21 fiscal year include the following:

- Liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources on June 30, 2022, by \$770,336 (net position). The District's total net position increased by \$1,507,502 during the fiscal year ended June 30, 2022.
- On June 30, 2022, the District's governmental funds reported total fund balances of \$12,790,292. Of this amount, \$1,758,968 (unassigned fund balance) may be used to meet the general District's spending requirements. The unassigned fund balance represents 19% of total General fund expenditures.
- The General fund, Debt Service, Construction, and Food Service balances increased \$653,491, \$285,604, \$9,254,443, and \$158,008, respectively.

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

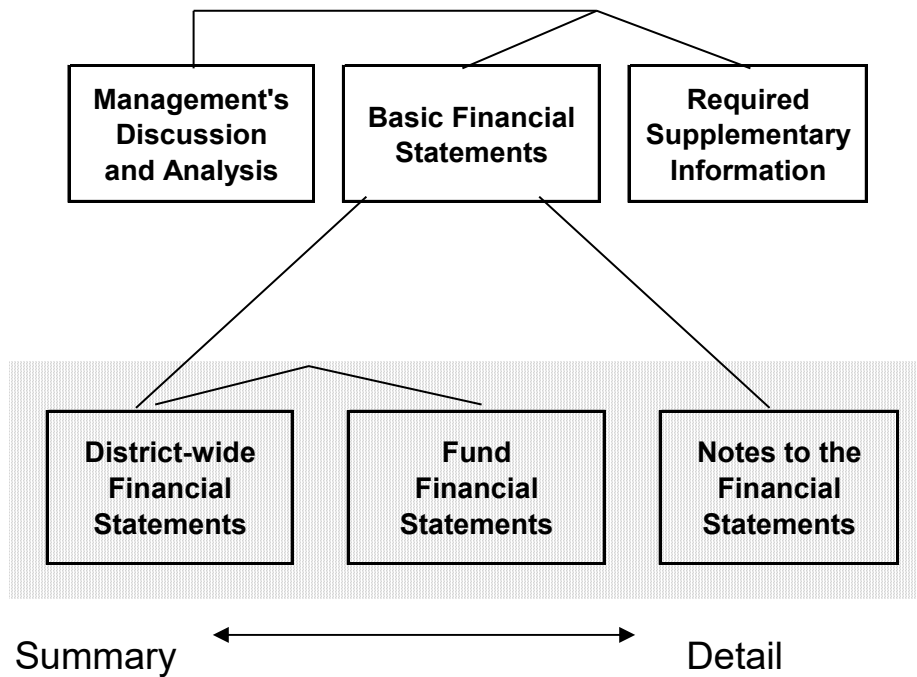
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis serves as an introduction to the District's basic financial statements, which consist of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of combining and individual fund financial statements and schedules that further explain and support the information in the financial statements. Figure 1 shows how the required parts of the annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide details about nonmajor governmental funds, which are added together and presented in single columns in the basic financial statements.

**FIGURE 1 – REQUIRED COMPONENTS OF  
THE DISTRICT'S ANNUAL FINANCIAL REPORT**



INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

MANAGEMENT’S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022

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

**Figure 2**  
**Major features of the Government-wide and Fund Financial Statements**

|  | <b>Fund Financial Statements</b>   |  |   |
|--|--|--|---|
|  | <b>Government-wide Statements</b>  | <b>Governmental Funds</b>  | <b>Proprietary Funds</b>  |
| Scope                                  | Entire District government (except fiduciary funds) and the District’s component units                           | The activities of the District that are not proprietary or fiduciary   | Activities the District operates similar to private businesses  |
| Required financial statements          | <ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul> | <ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenue, Expenditures, and Changes in Fund Balances</li> </ul>  | <ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses and Changes in Net Position</li> <li>• Statement of Cash Flows</li> </ul> |
| Accounting Basis and measurement focus | Accrual accounting and economic resources focus  | Modified accrual accounting and current financial resources focus  | Accrual accounting and economic resources focus   |
| Type of asset/liability information    | All assets and liabilities, both financial and capital, and short-term and long-term                             | Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital asset included   | All assets and liabilities, both financial and capital, and short-term and long-term  |
| Type of inflow/outflow information     | All revenues and expenses during year, regardless of when cash is received or paid                               | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter | All revenues and expenses during the year; regardless of when cash is received or paid  |

**Government-wide Financial Statements**

The Government-wide financial statements are designed to provide readers with a broad overview of the District’s finances, in a manner like a private-sector business.

The *Statement of Net Position* presents information on all the District’s assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and state aids).

In the Government-wide financial statements, the District's activities are shown in one category, governmental activities. Most of the District's base services are included here, such as regular and special education, transportation, administration, food services, and community education. Property taxes and state aids finance most of these activities.

The government wide financial statements can be found on pages 20-21 of this report.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of local governments can be divided into three categories: governmental funds, fiduciary funds, and proprietary funds. The District has two categories of funds, governmental and fiduciary.

### **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financial decisions. The Governmental Funds Balance Sheet and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains six individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General, Debt Service, Construction, Food Service, and Community Service funds. Data from the Food Service and Community Service funds are combined into a single, aggregated presentation called other nonmajor governmental funds. Individual fund data for each of these nonmajor governmental funds are provided in the form of combining statements elsewhere in this report.

The District adopts annual appropriated budgets for its General Fund and Special Revenue Funds. Budgetary comparison statements have been provided for the General fund and the Special Revenue Funds to demonstrate compliance with the budgets.

The basic governmental funds financial statements can be found on pages 22-28 of this report.

### **Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the Government-wide financial statements because the resources of those funds are not available to support the District's own programs.

The basic fiduciary fund financial statements can be found on pages 29-30 of this report.

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 32-63 of this report.

**Required Supplemental Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the District's share of net pension liabilities for defined benefits plans and schedules of contributions and changes in the District's other postemployment benefits and related ratios. Required supplemental information can be found starting on page 65 of this report.

**Other Information**

The combining statements and schedules referred to earlier in connection with nonmajor governmental funds are presented following the required supplementary information. Combining and individual fund financial statements and schedules start on page 75 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a governmental unit's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$770,336 at the close of the most recent fiscal year. \$4,184,864 of this amount represents net investment in capital assets.

By far the largest portion of the District's net position reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022

A condensed version of the Statement of Net Position on June 30, 2022 follows:

**District's Summary of Net Position**

|   | <u>2022</u>                | <u>2021</u>                  | <i>Increase<br/>(Decrease)</i> |
|---|----------------------------|------------------------------|--------------------------------|
| <i>Assets</i>                             |                            |                              |                                |
| Current and other assets                  | \$ 15,877,942              | \$ 5,372,257                 | \$ 10,505,685                  |
| Capital assets                            | 11,956,778                 | 11,431,288                   | 525,490                        |
|   | <u>27,834,720</u>          | <u>16,803,545</u>            | <u>11,031,175</u>              |
| <i>Deferred Outflows of Resources</i>     |                            |                              |                                |
| Pension plan deferments                   | 2,258,737                  | 2,460,364                    | (201,627)                      |
| Other post employment benefits deferments | 114,211                    | 141,933                      | (27,722)                       |
| Deferred refunding debits                 | 2,225                      | 4,451                        | (2,226)                        |
|   | <u>2,375,173</u>           | <u>2,606,748</u>             | <u>(231,575)</u>               |
| <i>Liabilities</i>                        |                            |                              |                                |
| Current liabilities                       | 1,080,401                  | 968,560                      | 111,841                        |
| Long-term liabilities                     | 21,506,901                 | 13,584,542                   | 7,922,359                      |
|   | <u>22,587,302</u>          | <u>14,553,102</u>            | <u>8,034,200</u>               |
| <i>Deferred Inflows of Resources</i>      |                            |                              |                                |
| Unavailable revenue                       | 2,052,997                  | 2,015,209                    | 37,788                         |
| Pension plan deferments                   | 6,193,241                  | 5,017,693                    | 1,175,548                      |
| Other post employment benefits deferments | 146,689                    | 100,127                      | 46,562                         |
|   | <u>8,392,927</u>           | <u>7,133,029</u>             | <u>1,259,898</u>               |
| <i>Net Position</i>                       |                            |                              |                                |
| Net Investment in                         |                            |                              |                                |
| Capital Assets                            | 4,184,864                  | 4,586,667                    | (401,803)                      |
| Restricted                                | 1,065,959                  | 648,908                      | 417,051                        |
| Unrestricted                              | (6,021,159)                | (7,511,413)                  | 1,490,254                      |
| <b>Total net position</b>                 | <u><b>\$ (770,336)</b></u> | <u><b>\$ (2,275,838)</b></u> | <u><b>\$ 1,505,502</b></u>     |

Assets of the District increased during the year by \$11,031,175, this increase is predominantly due to increases in cash and investments from bonds proceeds. The increase in long-term liabilities of the District is associated with issuing bonds to finance a capital project.

A portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The increase in the District's restricted net position of \$417,051 is a function of restricted revenue increases during the year with unspent resources at year-end. The remaining balance of unrestricted net position \$(6,021,159) may be used to meet the District's ongoing obligations to students and creditors.

At the end of the current fiscal year, the District reported an overall deficit amount in net position. Unrestricted net position is a deficit of \$(6,021,159). This deficit is predominantly due to the large liabilities for pensions and other postemployment benefits. The unrestricted deficit improved by \$1,490,254 due to an increase in revenues and a decrease in expenditures in the General and Nonmajor funds.

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022

Governmental activities increased the District's net position by \$1,505,502. Key elements of this increase are as follows:

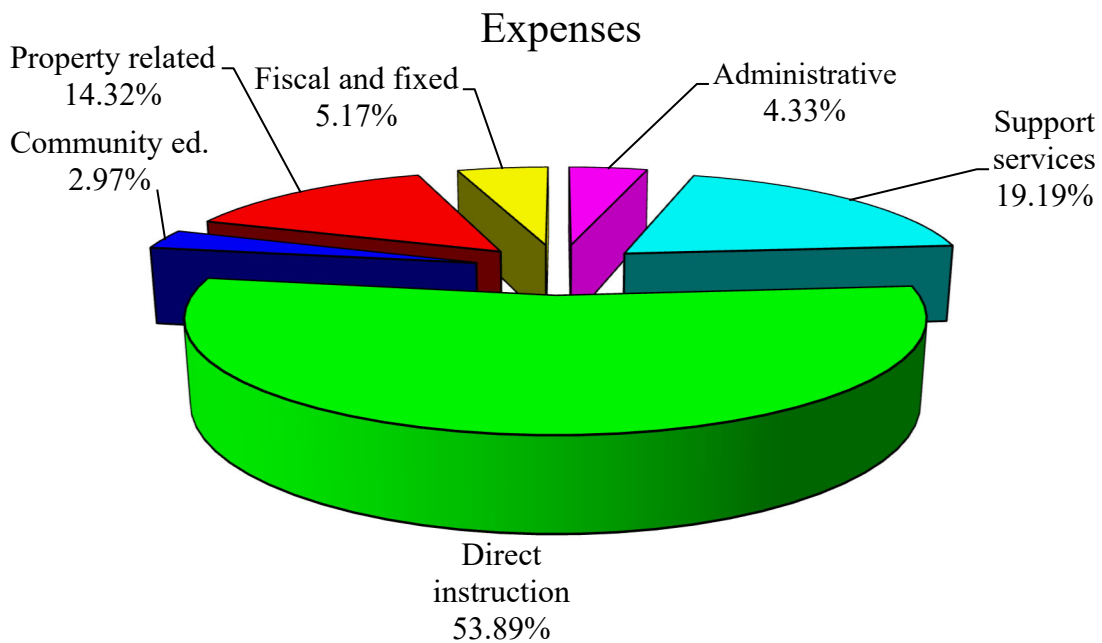
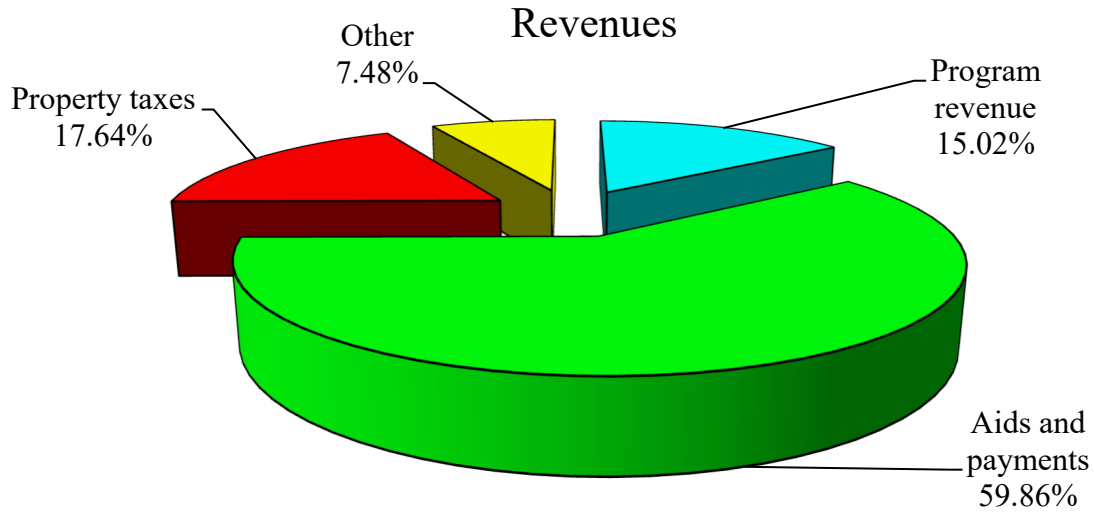
|  | <u>2022</u>                | <u>2021</u>                  | <i>Increase<br/>(Decrease)</i> |
|--|----------------------------|------------------------------|--------------------------------|
| <i>Revenues</i>                        |                            |                              |                                |
| Program revenues                       |                            |                              |                                |
| Charges for services                   | \$ 257,960                 | \$ 172,829                   | \$ 85,131                      |
| Operating grants and contributions     | 1,336,861                  | 1,208,651                    | 128,210                        |
| Capital grants and contributions       | 190,737                    | 169,215                      | 21,522                         |
| General revenues                       |                            |                              |                                |
| Property taxes                         | 2,097,273                  | 2,101,514                    | (4,241)                        |
| Aids and payments from state and other | 7,114,747                  | 6,953,005                    | 161,742                        |
| Other sources                          | 888,868                    | 654,327                      | 234,541                        |
|  | <u>11,886,446</u>          | <u>11,259,541</u>            | <u>626,905</u>                 |
| <i>Expenses</i>                        |                            |                              |                                |
| Administration                         | 463,549                    | 418,739                      | 44,810                         |
| District support services              | 400,470                    | 334,765                      | 65,705                         |
| Regular instruction                    | 4,152,391                  | 3,965,755                    | 186,636                        |
| Vocational instruction                 | 151,096                    | 110,881                      | 40,215                         |
| Special education instruction          | 1,290,974                  | 1,248,891                    | 42,083                         |
| Community education and services       | 308,221                    | 262,280                      | 45,941                         |
| Instructional support services         | 220,245                    | 140,197                      | 80,048                         |
| Pupil support services                 | 1,370,956                  | 1,194,880                    | 176,076                        |
| Sites, buildings and equipment         | 1,159,458                  | 1,360,633                    | (201,175)                      |
| Fiscal and other fixed-cost programs   | 84,701                     | 67,609                       | 17,092                         |
| Depreciation - unallocated             | 326,923                    | 329,353                      | (2,430)                        |
| Interest on long-term debt             | 451,960                    | 229,842                      | 222,118                        |
|  | <u>10,380,944</u>          | <u>9,663,825</u>             | <u>717,119</u>                 |
| Change in net position                 | 1,505,502                  | 1,595,716                    | (90,214)                       |
| Net Position - Beginning               | <u>(2,275,838)</u>         | <u>(3,871,553)</u>           | <u>1,595,715</u>               |
| <b>Net position - Ending</b>           | <u><b>\$ (770,336)</b></u> | <u><b>\$ (2,275,838)</b></u> | <u><b>\$ 1,505,502</b></u>     |

Net position for the District increased \$1,505,502 was attributable to decreased expenses predominately with regular instruction and sites, buildings, and equipment as compared to the prior fiscal year. Other contributing factors included an increase in operating grants and contributions and aids and payments from state and other sources which accounted for most of the increase in revenue from the prior fiscal year.

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022

Below are specific graphs that provide comparisons of the governmental activities' direct program revenues with their expenditures. Any shortfalls in direct revenues are primarily supported by property tax levy or general state aid.





INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022

The net cost of governmental activities is their total costs less program revenues applicable to each category. The table below shows the net costs of these services.

|                                      | <u>2022</u>                | <u>2021</u>                | <i>Increase<br/>(Decrease)</i> |
|--------------------------------------|----------------------------|----------------------------|--------------------------------|
| District and school administration   | \$ 463,549                 | \$ 418,740                 | \$ 44,809                      |
| District support services            | 400,470                    | 334,765                    | 65,705                         |
| Regular instruction                  | 3,853,454                  | 3,718,247                  | 135,207                        |
| Vocational instruction               | 137,088                    | 92,817                     | 44,271                         |
| Special education instruction        | 638,406                    | 598,753                    | 39,653                         |
| Community education and services     | 203,226                    | 175,885                    | 27,341                         |
| Instructional support services       | 220,245                    | 140,197                    | 80,048                         |
| Pupil support services               | 655,979                    | 646,829                    | 9,150                          |
| Sites, buildings and equipment       | 1,159,385                  | 1,360,094                  | (200,709)                      |
| Fiscal and other fixed cost programs | 84,701                     | 67,609                     | 17,092                         |
| Depreciation - unallocated           | 326,923                    | 329,353                    | (2,430)                        |
| Interest on long-term debt           | 451,960                    | 229,843                    | 222,117                        |
| <b>Total</b>                         | <b><u>\$ 8,595,386</u></b> | <b><u>\$ 8,113,132</u></b> | <b><u>\$ 482,254</u></b>       |

**FUND FINANCIAL ANALYSIS**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financial requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As the District completed the fiscal year, its governmental funds reported a combined fund balance of \$12,790,292. This was up from \$2,449,577 at the end of the prior year, an increase of \$10,340,715. The unreserved fund balance constitutes \$1,758,968 of the total combined fund balance. The remainder of the fund balance is either not in spendable form or is reserved and is not available for new spending as it has already been committed to debt service payments or other restricted purposes in the amount of \$11,031,324.

The General fund unassigned fund balance increased \$324,299 from the previous year. The increase in the General fund unassigned fund balance is due to increased revenue from admissions and donations and from Federal sources.

The \$285,604 and \$9,254,443 increases in the Debt Service and Construction funds, respectively, is due to the sale of bonds for a construction project the District started this fiscal year.

The \$158,008 increase in the Food Service fund restricted fund balance is due in part to increased Federal reimbursements from served more meals and more food sales to pupils.

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022

**Revenues and Expenditures**

Revenues of the District's governmental funds totaled \$22,776,791 while total expenditures were \$12,436,077. Summaries of the revenues and other financing sources and expenditures and other financing uses reported on the governmental fund financial statements appear in the tables below.

**Revenues and Other Financing Sources**

|                        | <u>2022</u>                 | <u>2021</u>                 | <i>Increase<br/>(Decrease)</i> |
|------------------------|-----------------------------|-----------------------------|--------------------------------|
| General fund           | \$ 9,825,007                | \$ 9,496,958                | \$ 328,049                     |
| Debt service fund      | 1,299,107                   | 1,044,582                   | 254,525                        |
| Construction fund      | 10,532,328                  | -                           | 10,532,328                     |
| Food service fund      | 791,572                     | 556,900                     | 234,672                        |
| Community service fund | 328,777                     | 360,792                     | (32,015)                       |
| <b>Totals</b>          | <b><u>\$ 22,776,791</u></b> | <b><u>\$ 11,459,232</u></b> | <b><u>\$ 11,317,559</u></b>    |

**Expenditures and Other Financing Uses**

|                        | <u>2022</u>                 | <u>2021</u>                 | <i>Increase<br/>(Decrease)</i> |
|------------------------|-----------------------------|-----------------------------|--------------------------------|
| General fund           | \$ 9,171,516                | \$ 8,903,136                | \$ 268,380                     |
| Debt service fund      | 1,013,503                   | 1,017,840                   | (4,337)                        |
| Construction fund      | 1,277,885                   | -                           | 1,277,885                      |
| Food service fund      | 633,564                     | 457,761                     | 175,803                        |
| Community service fund | 339,608                     | 280,333                     | 59,275                         |
| <b>Totals</b>          | <b><u>\$ 12,436,076</u></b> | <b><u>\$ 10,659,070</u></b> | <b><u>\$ 1,777,006</u></b>     |

Overall revenue and other financing sources of the District increased during fiscal year 2022 by \$11,317,559. This is primarily the result of the sale of bonds to finance a project the District started this fiscal year. The Food Service fund revenue increased due to increased Federal revenue from serving more reimbursable meals along with an increase in the reimbursement rate.

Total expenditures and other financing uses increased by \$1,777,006 due primarily to expenditures in the Construction fund from professional fees and capital outlay relating to a capital project. Expenditures increased in the General fund mainly from spending more on capital outlay.

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022

**BUDGETARY HIGHLIGHTS**

**General Fund**

The original budget was approved in June 2021 using the best-forecasted data at the time. The budget was updated in February 2022 as a result of the following factors: Special Ed changes, changes in staff, ADM's, and federal funding for Covid-19. The original and final budgets each projected a surplus. The June budget forecast a surplus of \$206,447 and the February budget predicted a surplus of \$334,996. The actual change in fund balance of \$653,491 exceeded the budget forecast by \$318,460.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

The District continued to invest in capital equipment to provide the best services for its students. Many donations and grants were obtained to help offset purchase costs. All bonded debt was reduced with annual payments.

The District's investment in capital assets for its governmental activities as of June 30, 2022, amounts to \$11,956,778 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and machinery and equipment.

Major capital asset events during the current fiscal year included the following:

- Water softener
- Playground equipment
- Tank monitor
- Smart TV
- 45-ton ironworker
- Playground shelter
- Two tilting kettles
- Lighting upgrades to elementary and high school

**District's Capital Assets**

|                          | Governmental Activities |                      |                        |
|--------------------------|-------------------------|----------------------|------------------------|
|                          | 2022                    | 2021                 | Increase<br>(Decrease) |
| Land                     | \$ 310,600              | \$ 310,600           | \$ -                   |
| Construction in progress | 1,108,032               | 82,039               | 1,025,993              |
| Land improvements        | 7,031,448               | 7,031,448            | -                      |
| Buildings                | 13,374,901              | 13,360,205           | 14,696                 |
| Machinery and equipment  | 2,207,785               | 2,020,362            | 187,423                |
| Right-to-use assets      | 161,620                 | 161,620              | -                      |
| <b>Total</b>             | <b>\$ 24,194,386</b>    | <b>\$ 22,966,274</b> | <b>\$ 1,228,112</b>    |

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

MANAGEMENT’S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022

**LONG-TERM DEBT**

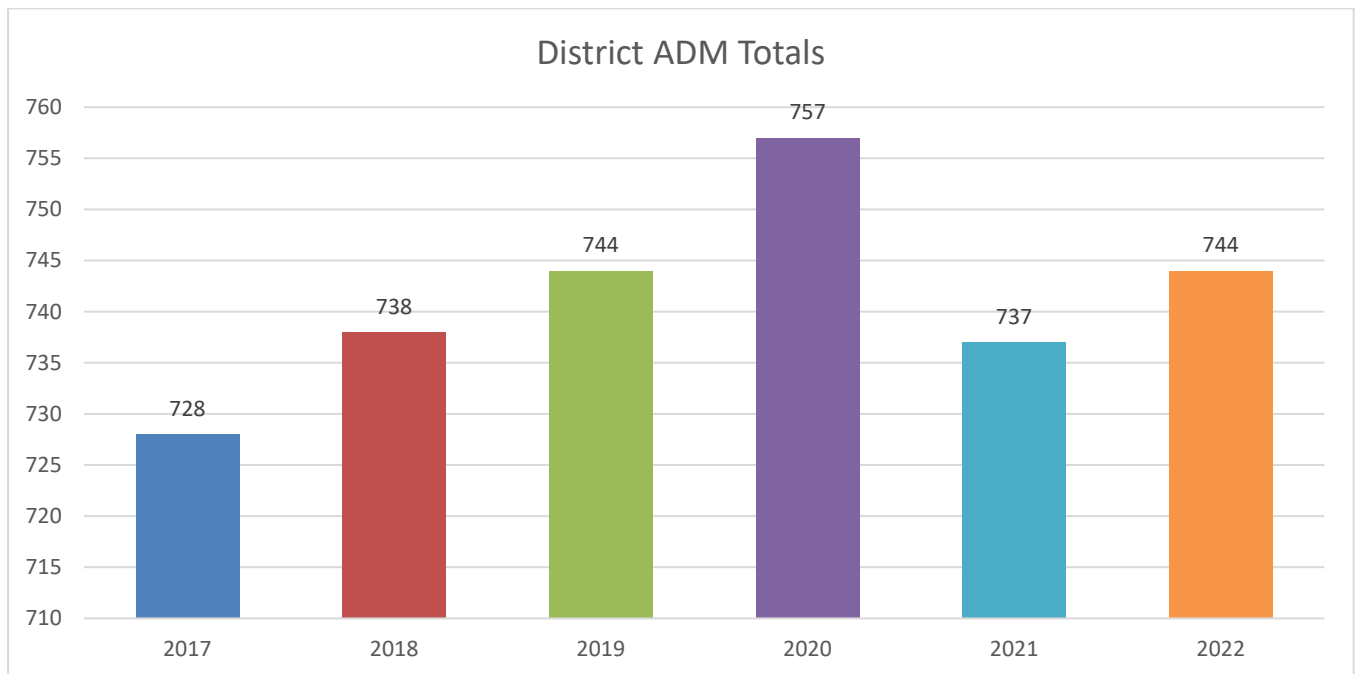
At year-end, the District had \$21,506,901 of long-term debt. This consisted of bonded indebtedness of \$17,008,347, net OPEB liability of \$582,063, net pension liabilities of \$3,314,628, compensated absences payable of \$2,484, severance benefits payable of \$164,182, special assessments payable of \$61,165, financed purchases of \$250,540, and lease liabilities of \$123,492.

Key elements of long-term debt are as follows:

|                             | <u>2022</u>          | <u>2021</u>          | Increase<br>(Decrease) |
|-----------------------------|----------------------|----------------------|------------------------|
| Bonded indebtedness         |                      |                      |                        |
| General Obligation Bonds    | \$ 17,008,347        | \$ 6,944,847         | \$ 10,063,500          |
| Total bonds payable         | 17,008,347           | 6,944,847            | 10,063,500             |
| Other liabilities           |                      |                      |                        |
| Net OPEB liability          | 582,063              | 675,705              | (93,642)               |
| Financed purchases          | 250,540              | 369,687              | (119,147)              |
| Lease liabilities           | 123,492              | 161,620              | (38,128)               |
| Net pension liabilities     | 3,314,628            | 5,352,309            | (2,037,681)            |
| Severance benefits payable  | 164,182              | 157,327              | 6,855                  |
| Special Assessments payable | 61,165               | 73,809               | (12,644)               |
| Compensated absences        | 2,484                | 4,132                | (1,648)                |
| <b>Total Long-Term Debt</b> | <b>\$ 21,506,901</b> | <b>\$ 13,739,435</b> | <b>\$ 7,767,465</b>    |

**FACTORS BEARING ON THE DISTRICT’S FUTURE**

The District counts on enrollment that drives ADM for its financial future. Since Minnesota school districts are paid based on pupil units served, a decline in enrollment results in less revenue being received for operations while increases result in more revenue for operations. The District’s ADM for the past six years are illustrated below. The Enrollment-Table below presents this information.



INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022

Apart from the voter approved excess operating referendum, the District is dependent on the State of Minnesota for its revenue authority. Because of the district's reliance on state funding, and considering the recent volatility in the legislature, the board will need to continue to carefully monitor the budget to ensure efficient and effective management while striving to maintain its long-standing commitment to academic excellence and educational opportunity.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, 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 any questions about this report or would like additional information, contact Jessica Olson, Business Manager, Braham ISD #314, 531 Elmhurst Ave S, Braham, Minnesota, 55006.

## BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

STATEMENT OF NET POSITION  
June 30, 2022

|  | Governmental<br>Activities |
|--|----------------------------|
| <b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>                         |                            |
| <b>Assets:</b>   |                            |
| Cash and Investments   | \$ 13,570,471              |
| Receivables:   |                            |
| Accounts   | 9,729                      |
| Due from Minnesota Department of Education                               | 658,658                    |
| Due from Federal through State   | 184,331                    |
| Property Taxes   | 1,173,676                  |
| Due from Other Governments   | 21,482                     |
| Inventory  | 24,029                     |
| Prepaid Items  | 235,566                    |
| Capital Assets:  |                            |
| Assets Not Being Depreciated   | 1,418,632                  |
| Other Capital Assets, Net of Depreciation/Amortization                   | 10,538,146                 |
| Total Assets   | 27,834,720                 |
| <b>Deferred Outflows of Resources:</b>                                   |                            |
| Pension Plan Deferments  | 2,258,737                  |
| Other Post Employment Benefits Plan Deferments                           | 114,211                    |
| Deferred Refunding Debits  | 2,225                      |
| Total Deferred Outflows of Resources                                     | 2,375,173                  |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>                   | <b>\$ 30,209,893</b>       |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>       |                            |
| <b>Liabilities:</b>  |                            |
| Accrued Expenses   | \$ 1,050,507               |
| Due to Other Governments   | 19,578                     |
| Unearned Revenue   | 10,316                     |
| Noncurrent Liabilities:  |                            |
| Due Within One Year  | 952,308                    |
| Due in More Than One Year  | 20,554,593                 |
| Total Liabilities  | 22,587,302                 |
| <b>Deferred Inflows of Resources:</b>                                    |                            |
| Property Taxes Levied For Subsequent Year                                | 2,052,997                  |
| Pension Plan Deferments  | 6,193,241                  |
| Other Post Employment Benefits Plan Deferments                           | 146,689                    |
| Total Deferred Inflows of Resources                                      | 8,392,927                  |
| <b>Net Position:</b>   |                            |
| Net Investment in Capital Assets   | 4,184,864                  |
| Restricted   | 1,065,959                  |
| Unrestricted   | (6,021,159)                |
| Total Net Position   | (770,336)                  |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b> | <b>\$ 30,209,893</b>       |

The Notes to the Financial Statements are an Integral Part of this Statement.

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

STATEMENT OF ACTIVITIES  
For The Year Ended June 30, 2022

| Functions/Programs                  | Expenses             | Program Revenues        |  |  | Net (Expense)<br>Revenue and<br>Changes in<br>Net Position<br>Governmental<br>Activities |
|-------------------------------------|----------------------|-------------------------|--|--|--|
|                                     |                      | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |  |
| <b>GOVERNMENTAL ACTIVITIES:</b>     |                      |                         |  |  |  |
| District and School Administration  | \$ 463,549           | \$ 0                    | \$ 0                                     | \$ 0                                   | \$ (463,549)   |
| District Support Services           | 400,470              | 0                       | 0  | 0                                      | (400,470)  |
| Regular Instruction                 | 4,152,391            | 58,193                  | 63,517                                   | 177,227                                | (3,853,454)  |
| Vocational Instruction              | 151,096              | 0                       | 498                                      | 13,510                                 | (137,088)  |
| Special Education Instruction       | 1,290,974            | 35,829                  | 616,739                                  | 0                                      | (638,406)  |
| Community Education and Services    | 308,221              | 93,936                  | 11,059                                   | 0                                      | (203,226)  |
| Instructional Support Services      | 220,245              | 0                       | 0  | 0                                      | (220,245)  |
| Pupil Support Services              | 1,370,956            | 69,962                  | 645,015                                  | 0                                      | (655,979)  |
| Sites, Buildings, and Equipment     | 1,159,458            | 40                      | 33                                       | 0                                      | (1,159,385)  |
| Fiscal and Other Fixed Costs        | 84,701               | 0                       | 0  | 0                                      | (84,701)   |
| Unallocated Depreciation            | 326,923              | 0                       | 0  | 0                                      | (326,923)  |
| Interest and Fees on Long-term Debt | 451,960              | 0                       | 0  | 0                                      | (451,960)  |
| Total Governmental Activities       | <u>\$ 10,380,944</u> | <u>\$ 257,960</u>       | <u>\$ 1,336,861</u>                      | <u>\$ 190,737</u>                      | <u>(8,595,386)</u>   |

General Revenues:

Taxes:

|   |                   |
|---|-------------------|
| Property Taxes Levied for General Purposes  | 1,257,022         |
| Property Taxes Levied for Specific Purposes | 840,251           |
| Aids and Payments from the State            | 6,736,350         |
| Aids and Payments from Local Sources        | 378,397           |
| Other General Revenues                      | 941,817           |
| Unrestricted Interest Earnings              | (52,949)          |
| Total General Revenues                      | <u>10,100,888</u> |

Change in Net Position 1,505,502

Net Position - Beginning (2,275,838)

Net Position - Ending \$ (770,336)

The Notes to the Financial Statements are an Integral Part of this Statement.



INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2022

|  | General             | Debt<br>Service     | Building<br>Construction |
|--|---------------------|---------------------|--------------------------|
| <b>ASSETS</b>  |                     |                     |                          |
| Cash and Investments   | \$ 2,892,140        | \$ 880,391          | \$ 9,394,694             |
| Accounts Receivable  | 619                 | 0                   | 0                        |
| Property Taxes Receivable  | 625,024             | 514,606             | 0                        |
| Due from Minnesota Department of Education                               | 629,888             | 22,762              | 0                        |
| Due from Federal Through State   | 161,010             | 0                   | 0                        |
| Due from Other Minnesota School Districts                                | 20,922              | 0                   | 0                        |
| Due from Other Governmental Unit   | 560                 | 0                   | 0                        |
| Inventory  | 0                   | 0                   | 0                        |
| Prepaid Items  | 235,566             | 0                   | 0                        |
| <b>TOTAL ASSETS</b>  | <b>\$ 4,565,729</b> | <b>\$ 1,417,759</b> | <b>\$ 9,394,694</b>      |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>       |                     |                     |                          |
| <b>Liabilities:</b>  |                     |                     |                          |
| Salaries and Benefits Payable  | \$ 739,626          | \$ 0                | \$ 0                     |
| Accounts Payable   | 33,966              | 0                   | 140,251                  |
| Due to Other Minnesota School Districts                                  | 19,578              | 0                   | 0                        |
| Unearned Revenue   | 0                   | 0                   | 0                        |
| Total Liabilities  | 793,170             | 0                   | 140,251                  |
| <b>Deferred Inflows of Resources:</b>                                    |                     |                     |                          |
| Unavailable Revenue - Other Receivables                                  | 0                   | 0                   | 0                        |
| Unavailable Revenue - Delinquent Taxes                                   | 14,646              | 11,600              | 0                        |
| Property Taxes Levied for Subsequent Year                                | 1,077,569           | 910,539             | 0                        |
| Total Deferred Inflows of Resources                                      | 1,092,215           | 922,139             | 0                        |
| <b>Fund Balance:</b>   |                     |                     |                          |
| Nonspendable   | 235,566             | 0                   | 0                        |
| Restricted   | 685,810             | 495,620             | 9,254,443                |
| Unassigned   | 1,758,968           | 0                   | 0                        |
| Total Fund Balance   | 2,680,344           | 495,620             | 9,254,443                |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b> | <b>\$ 4,565,729</b> | <b>\$ 1,417,759</b> | <b>\$ 9,394,694</b>      |

The Notes to the Financial Statements are an Integral Part of this Statement.

| Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|-----------------------------------|--------------------------------|
| \$ 403,246                        | \$ 13,570,471                  |
| 9,110                             | 9,729                          |
| 34,046                            | 1,173,676                      |
| 6,008                             | 658,658                        |
| 23,321                            | 184,331                        |
| 0                                 | 20,922                         |
| 0                                 | 560                            |
| 24,029                            | 24,029                         |
| 0                                 | 235,566                        |
| <u>\$ 499,760</u>                 | <u>\$ 15,877,942</u>           |

|               |                |
|---------------|----------------|
| \$ 54,209     | \$ 793,836     |
| 543           | 174,760        |
| 0             | 19,578         |
| 10,316        | 10,316         |
| <u>65,068</u> | <u>998,489</u> |

|               |                  |
|---------------|------------------|
| 9,110         | 9,110            |
| 808           | 27,054           |
| 64,889        | 2,052,997        |
| <u>74,807</u> | <u>2,089,161</u> |

|                |                   |
|----------------|-------------------|
| 24,029         | 259,595           |
| 335,856        | 10,771,729        |
| 0              | 1,758,968         |
| <u>359,885</u> | <u>12,790,292</u> |

|                   |                      |
|-------------------|----------------------|
| <u>\$ 499,760</u> | <u>\$ 15,877,942</u> |
|-------------------|----------------------|

The Notes to the Financial Statements are an Integral Part of this Statement.

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

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

Total Fund Balance - Governmental Funds \$ 12,790,292

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital and lease assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

|   |              |
|---|--------------|
| Cost of capital and lease assets            | 24,194,386   |
| Less: Accumulated depreciation/amortization | (12,237,608) |

Long-term liabilities, including compensated absences and severance benefits payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.

|                                      |              |
|--------------------------------------|--------------|
| Bonds payable                        | (16,835,000) |
| Unamortized premiums/discounts       | (173,347)    |
| Deferred refunding debit             | 2,225        |
| Obligations under financed purchases | (250,540)    |
| Leases payable                       | (123,492)    |
| Special assessments payable          | (61,165)     |
| Severance benefits payable           | (164,182)    |
| Compensated absences payable         | (2,484)      |

Long-term receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred inflows of resources in the funds.

|                           |        |
|---------------------------|--------|
| Delinquent property taxes | 27,054 |
| Other receivables         | 9,110  |

Net pension liabilities and net other post employment benefits (OPEB) liabilities are not recognized under the current financial resources measurement focus and, therefore, have no effect on fund balance

|   |             |
|---|-------------|
| Net pension liability - Teacher's Retirement Association  | (2,503,243) |
| Net pension liability - General Employees Retirement Plan | (811,385)   |
| Net OPEB liability  | (582,063)   |

Deferred inflows and outflows of resources related to net pension and net OPEB liabilities are not recognized under the current financial resources measurement focus and, therefore, have no effect on fund balance

|  |             |
|--|-------------|
| Deferred outflow of resources related to pensions and OPEB | 2,372,948   |
| Deferred inflows of resources related to pensions and OPEB | (6,339,930) |

Governmental funds do not report a liability for accrued interest payable until due and payable.

(81,911)

Total Net Position - Governmental Activities \$ (770,336)

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INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

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

|  | General      | Debt<br>Service | Building<br>Construction |
|--|--------------|-----------------|--------------------------|
| <b>Revenues:</b>                             |              |                 |                          |
| Local Property Taxes                         | \$ 1,256,590 | \$ 766,618      | \$ 0                     |
| Other Local and County Revenues              | 386,230      | 927             | (58,830)                 |
| Revenues From State Sources                  | 7,069,190    | 229,736         | 0                        |
| Revenues From Federal Sources                | 1,112,545    | 0               | 0                        |
| Sales and Other Conversions of Assets        | 417          | 0               | 0                        |
| Total Revenues                               | 9,824,972    | 997,281         | (58,830)                 |
| <b>Expenditures:</b>                         |              |                 |                          |
| Current:                                     |              |                 |                          |
| District and School Administration           | 508,464      | 0               | 0                        |
| District Support Services                    | 408,857      | 0               | 0                        |
| Regular Instruction                          | 4,086,031    | 0               | 0                        |
| Vocational Instruction                       | 160,922      | 0               | 0                        |
| Special Education Instruction                | 1,410,915    | 0               | 0                        |
| Community Education and Services             | 0            | 0               | 0                        |
| Instructional Support Services               | 234,361      | 0               | 0                        |
| Pupil Support Services                       | 796,876      | 0               | 0                        |
| Site, Buildings, and Equipment               | 737,652      | 0               | 0                        |
| Other Fiscal Expenditures                    | 84,701       | 0               | 0                        |
| Total Current Expenditures                   | 8,428,779    | 0               | 0                        |
| Capital Outlay:                              |              |                 |                          |
| General Government                           | 546,292      | 0               | 0                        |
| Pupil Support Services                       | 0            | 0               | 0                        |
| Site, Buildings, and Equipment               | 0            | 0               | 1,025,993                |
| Debt Service:                                |              |                 |                          |
| Principal                                    | 169,918      | 785,000         | 0                        |
| Interest and Fees                            | 26,527       | 228,503         | 251,892                  |
| Total Expenditures                           | 9,171,516    | 1,013,503       | 1,277,885                |
| Excess of Revenues Over (Under) Expenditures | 653,456      | (16,222)        | (1,336,715)              |
| <b>Other Financing Sources (Uses):</b>       |              |                 |                          |
| Sale of Capital Assets                       | 35           | 0               | 0                        |
| Sale of Bonds                                | 0            | 301,826         | 10,448,174               |
| Bond Premium                                 | 0            | 0               | 142,984                  |
| Total Other Financing Sources (Uses)         | 35           | 301,826         | 10,591,158               |
| Change in Fund Balance                       | 653,491      | 285,604         | 9,254,443                |
| Fund Balance - Beginning                     | 2,026,853    | 210,016         | 0                        |
| Fund Balance - Ending                        | \$ 2,680,344 | \$ 495,620      | \$ 9,254,443             |

The Notes to the Financial Statements are an Integral Part of this Statement.

| Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|-----------------------------------|--------------------------------|
| \$ 63,876                         | \$ 2,087,084                   |
| 161,950                           | 490,277                        |
| 81,114                            | 7,380,040                      |
| 731,101                           | 1,843,646                      |
| 82,308                            | 82,725                         |
| <u>1,120,349</u>                  | <u>11,883,772</u>              |
| 0                                 | 508,464                        |
| 0                                 | 408,857                        |
| 0                                 | 4,086,031                      |
| 0                                 | 160,922                        |
| 0                                 | 1,410,915                      |
| 339,608                           | 339,608                        |
| 0                                 | 234,361                        |
| 587,076                           | 1,383,952                      |
| 0                                 | 737,652                        |
| 0                                 | 84,701                         |
| <u>926,684</u>                    | <u>9,355,463</u>               |
| 0                                 | 546,292                        |
| 46,488                            | 46,488                         |
| 0                                 | 1,025,993                      |
| 0                                 | 954,918                        |
| 0                                 | 506,922                        |
| <u>973,172</u>                    | <u>12,436,076</u>              |
| 147,177                           | (552,304)                      |
| 0                                 | 35                             |
| 0                                 | 10,750,000                     |
| 0                                 | 142,984                        |
| <u>0</u>                          | <u>10,893,019</u>              |
| 147,177                           | 10,340,715                     |
| <u>212,708</u>                    | <u>2,449,577</u>               |
| <u>\$ 359,885</u>                 | <u>\$ 12,790,292</u>           |

The Notes to the Financial Statements are an Integral Part of this Statement.

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

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

Net Change in Fund Balance - Governmental Funds \$ 10,340,715

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are capitalized and allocated over their estimated useful lives and reported as depreciation expense.

|                                   |           |
|-----------------------------------|-----------|
| Capital outlay                    | 1,228,114 |
| Depreciation/amortization expense | (858,515) |

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of discounts, premiums and similar items when the debt is first issued, whereas, these amounts are amortized in the Statement of Activities.

|   |              |
|---|--------------|
| Principal repayments and capital lease retirement | 954,918      |
| Amortization of debt premiums/discounts           | 42,258       |
| Sale of Bonds                                     | (10,892,984) |

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrued, regardless of when it is due.

12,704

Pension and OPEB expense in the Statement of Activities is recognized as the change in net pension and net OPEB liabilities, including the amortization of layered deferred inflows and deferred outflows of resources of the current and prior periods, this does not require the use of current financial resources, and therefore is not reported in the government funds.

|                 |         |
|-----------------|---------|
| Pension expense | 660,506 |
| OPEB expense    | 19,357  |

Certain revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

|                   |         |
|-------------------|---------|
| Delinquent taxes  | 10,188  |
| Other receivables | (7,552) |

Postemployment benefits payable in the Statement of Activities differs from the amount reported in the governmental funds because this benefit is recognized as an expenditure in the funds when due. In the Statement of Activities, postemployment benefits payable is recognized when accrued.

|                      |         |
|----------------------|---------|
| Compensated absences | 1,648   |
| Severance            | (5,855) |

Change in Net Position - Governmental Activities \$ 1,505,502

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

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

|  | Original<br>Budget | Final<br>Budget | Actual<br>Amount | Over<br>(Under)<br>Final<br>Budget |
|--|--------------------|-----------------|------------------|------------------------------------|
| <b>Revenues:</b>                             |                    |                 |                  |                                    |
| Local Property Taxes                         | \$ 1,223,358       | \$ 1,219,744    | \$ 1,256,590     | \$ 36,846                          |
| Other Local and County Revenues              | 267,078            | 395,277         | 386,230          | (9,047)                            |
| Revenues From State Sources                  | 6,876,752          | 7,210,356       | 7,069,190        | (141,166)                          |
| Revenues From Federal Sources                | 269,230            | 956,787         | 1,112,545        | 155,758                            |
| Sales and Other Conversion of Assets         | 800                | 1,850           | 417              | (1,433)                            |
| Total Revenues                               | 8,637,218          | 9,784,014       | 9,824,972        | 40,958                             |
| <b>Expenditures:</b>                         |                    |                 |                  |                                    |
| Current:                                     |                    |                 |                  |                                    |
| District and School Administration           | 492,992            | 491,186         | 508,464          | 17,278                             |
| District Support Service                     | 400,847            | 411,500         | 408,857          | (2,643)                            |
| Regular Instruction                          | 3,991,563          | 4,273,998       | 4,086,031        | (187,967)                          |
| Vocational Instruction                       | 179,833            | 165,073         | 160,922          | (4,151)                            |
| Special Education Instruction                | 1,401,522          | 1,495,849       | 1,410,915        | (84,934)                           |
| Instructional Support Services               | 105,447            | 210,657         | 234,361          | 23,704                             |
| Pupil Support Services                       | 730,254            | 777,692         | 796,876          | 19,184                             |
| Sites, Buildings, and Equipment              | 811,782            | 836,390         | 737,652          | (98,738)                           |
| Other Fiscal Expenditures                    | 67,654             | 92,573          | 84,701           | (7,872)                            |
| Total Current Expenditures                   | 8,181,894          | 8,754,918       | 8,428,779        | (326,139)                          |
| Capital Outlay:                              |                    |                 |                  |                                    |
| General Government                           | 70,181             | 515,404         | 546,292          | 30,888                             |
| Debt Service:                                |                    |                 |                  |                                    |
| Principal                                    | 157,827            | 157,827         | 169,918          | 12,091                             |
| Interest                                     | 20,869             | 20,869          | 26,527           | 5,658                              |
| Total Expenditures                           | 8,430,771          | 9,449,018       | 9,171,516        | (277,502)                          |
| Excess of Revenues Over (Under) Expenditures | 206,447            | 334,996         | 653,456          | 318,460                            |
| <b>Other Financing Sources (Uses):</b>       |                    |                 |                  |                                    |
| Sales of Capital Assets                      | 0                  | 35              | 35               | (35)                               |
| Change in Fund Balance                       | \$ 206,447         | \$ 335,031      | 653,491          | \$ 318,425                         |
| Fund Balance - Beginning                     |                    |                 | 2,026,853        |                                    |
| Fund Balance - Ending                        |                    |                 | \$ 2,680,344     |                                    |

The Notes to the Financial Statements are an Integral Part of this Statement.



INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

STATEMENT OF FIDUCIARY NET POSITION  
June 30, 2022

|  | <u>Private<br/>Purpose<br/>Trust</u> | <u>Other Post-<br/>Employment<br/>Benefit Trust</u> |
|--|--------------------------------------|---|
| <b>Assets:</b>                                     |                                      |   |
| Cash and Investments                               | \$ 658,101                           | \$ 0  |
| Cash and Investment held by Trustee                | 0                                    | 211,235   |
| Interest Receivable                                | 3,471                                | 0   |
| Total Assets                                       | <u>\$ 661,572</u>                    | <u>\$ 211,235</u>                                   |
| <b>Net Position</b>                                |                                      |   |
| Restricted for Private Purposes/OPEB Beneficiaries | <u>\$ 661,572</u>                    | <u>\$ 211,235</u>                                   |

The Notes to the Financial Statements are an Integral Part of this Statement.

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

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

|  | Private<br>Purpose<br>Trust | Other Post-<br>Employment<br>Benefit Trust |
|--|-----------------------------|--|
| <b>Additions:</b>                                    |                             |  |
| Net Increase (Decrease) in Fair Value of Investments | \$ 0                        | \$ 161                                     |
| Implicit Subsidy Benefit Contribution                | 0                           | 78,507                                     |
| Interest Income                                      | 5,136                       | 1  |
| Total Additions                                      | 5,136                       | 78,669                                     |
| <b>Deductions:</b>                                   |                             |  |
| Administrative Expense                               | 0                           | 250  |
| Scholarships   | 6,250                       | 0  |
| Implicit Subsidy Benefit Payment                     | 0                           | 78,507                                     |
| Total Deductions                                     | 6,250                       | 78,757                                     |
| <b>Change in Net Position</b>                        | (1,114)                     | (88)                                       |
| Net Position - Beginning                             | 662,686                     | 211,323                                    |
| Net Position - Ending                                | \$ 661,572                  | \$ 211,235                                 |

The Notes to the Financial Statements are an Integral Part of this Statement.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2022

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**A. Organization**

Independent School District No. 314, Braham, Minnesota (the District), is an instrumentality of the State of Minnesota established to function as an educational institution. The elected School Board (Board) is responsible for legislative and fiscal control of the District. A Superintendent is appointed by the Board and is responsible for administrative control of the District. 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 District's financial statements include all funds, departments, agencies, boards, commissions, and other component units for which the District is considered financially accountable.

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 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. 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 Statement of Changes in Fiduciary Net Position at the fund financial statement 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 and an allocation of indirect administrative and support service expenses. 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. Other internally directed revenues are reported 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. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. The District applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available. Depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. Interest on debt is considered an indirect expense and is reported separately on the Statement of Activities.

The Fiduciary Funds are presented in the fiduciary fund financial statements by type (custodial and trust funds). Since, by definition, these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the District, these funds are not incorporated into the government-wide statements.

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2022

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

**D. Fund Financial Statement Presentation**

Separate fund financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Fiduciary funds are presented in the fiduciary fund financial statements by type: pension (or other benefit) trust, private-purpose trust, and custodial funds. 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. Grants and similar items 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. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within 60 days. Proceeds of long-term debt and acquisitions under leases obligations are reported as other financing sources.

**2. Recording of Expenditures**

Expenditures are generally recorded when a liability is incurred, except for long-term debt, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in the governmental funds. In the General Fund, capital expenditures are included within the applicable functional areas.

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

**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. A description of the funds included in this report is as follows:

**Major Governmental Funds**

**General Fund** – The General Fund is used to account for all financial resources except those required to be accounted for in another fund. The District maintains separate accounts within the General Fund for secondary education, secondary resale activities, special education, special education resale activities, district support services, capital expenditures, and costs to be reimbursed by others.

**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. The regular debt service account is used for all general obligation debt service except for the financial activities of the other post-employment benefits (OPEB) debt service account. The OPEB debt service account is used for the 2018B taxable refunding OPEB bond issue.

**Capital Projects – Building Construction Fund** – The Building Construction Fund is used to account for financial resources used for the acquisition or construction of major capital facilities.

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2022

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

**Nonmajor Governmental Funds**

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

**Special Revenue – Community Service Fund** – This Special Revenue Fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs, K-6 extended day programs or other similar services. Community Service revenues are restricted for use in those activities permitted by state statute.

**Fiduciary Funds**

**Private-Purpose Trust Fund** – The Private-Purpose Trust Fund is used to account for resources held in trust to be used by various third parties to award scholarships to former students.

**Post-Employment Benefits Trust Fund** – The Post-Employment Benefits Trust Fund is used to administer resources received and held by the District as the trustee for others. The Post-Employment Benefits Trust Fund includes assets held in trust to fund post-employment benefits of eligible employees.

**E. Budgetary Information**

Each June, the School Board adopts an annual budget for the following fiscal year for all governmental funds. The budget for each fund is prepared on the same basis of accounting as the financial statements. Legal budgetary control is at the fund level. Budgeted expenditure appropriations lapse at year-end. During the fiscal year ended June 30, 2022, no fund had expenditures in excess of appropriations.

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

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

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

**F. Cash and Investments**

Cash and 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 based on applicable cash balance participation by each fund.

Cash and investments held by trustee include balances held in segregated accounts that are established for specific purposes. 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. Interest earned on these investments is allocated directly to these accounts.

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2022

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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 are also reported at amortized cost. Investment income is accrued at the Balance Sheet date.

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 fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

**Level 1** – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

**Level 2** – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

**Level 3** – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.

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 as of June 30, 2022.

**G. Receivables**

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

**H. Inventories**

Inventories are recorded using the consumption method of accounting and consist of purchased food and surplus commodities received from the federal government. Purchased food inventory is recorded at cost on a first-in, first-out basis. Surplus commodities are stated at standardized costs, as determined by the U.S. Department of Agriculture.

**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 expenditures/expenses at the time of consumption.

**J. Property Taxes**

Most 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.

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2022

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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 \$122,551 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, which 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. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material.

Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the state which will be recognized as revenue in the next fiscal year beginning July 1, 2022, are included in the Property Taxes Levied for Subsequent Year account to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

**K. Capital Assets**

Capital assets are capitalized at historical cost or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$5,000 for equipment and vehicles and \$25,000 for building and improvements and an estimated useful life in excess of two years. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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

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

**L. Leases**

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

Right-to-use assets represent the District’s control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Right-to-use assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Right-to-use assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.



INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2022

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Lease liabilities represent the District's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the commencement date based on the present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term.

The lease term may include options to extend or terminate the lease when it is reasonably certain that the District will exercise that option. The District has recognized payments for short-term leases with a lease term of 12 months or less as expenses as incurred, and these leases are not included as lease liabilities or right-to-use lease assets on the statements of net position.

The District accounts for contracts containing both lease and non-lease components as separate contracts when possible. In cases where the contract does not provide separate price information for lease and non-lease components, and it is impractical to estimate the price of such components, the District treats the components as a single lease unit.

**M. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. If material, 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 as other financing sources or uses, respectively. The face amount of debt issued is reported as other financing sources.

**N. Compensated Absences**

Under the terms of collectively bargained contracts, eligible employees accrue vacation and sick leave at varying rates, portions of which may be carried over to future years. Employees are reimbursed for unused, accrued vacation to the limit specified in their labor contract or School Board policy upon termination. Unused sick leave enters into the calculation of severance benefits for some employees upon termination. Compensated absences are accrued when earned in the government-wide financial statements. 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 due to employee termination or similar circumstances.

**O. Severance**

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 an eligible employee's unused accumulated sick leave. No individual can receive severance benefits in excess of one year's salary.

Severance benefits payable are recorded as a liability in the government-wide financial statements as they are earned, and it becomes probable they will vest at some point in the future. Severance benefits payable are accrued in the governmental fund financial statements as the liability matures due to employee termination.

**P. Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the ISD #314 Retiree Benefits Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2022

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Postemployment healthcare expenditures have been funded through a contribution to an irrevocable trust and are being funded through a pay as you go method under which contributions to the plan are generally made at the same time and amount as retiree benefits and expenses become due.

**Q. 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 Special School District No. 1, Minneapolis Public Schools. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association into the TRA in 2006. A second direct aid source is from the state of Minnesota for the merger of the Duluth Teachers Retirement Fund Association (DTRFA) in 2015.

**R. Deferred Inflows/Outflows of Resources**

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. The first type, related to pensions results from differences between expected and actual experience, changes of assumptions, differences between projected and actual earnings on pension plan investments, and from contributions to the plan subsequent to the measurement date and before the end of the reporting period. The second type, other post-employment related, results from contributions subsequent to the measurement date and before the end of the reporting period. These amounts are deferred and amortized as required under pension and other post-employment benefits standards. The third type relates to a refunding loss on a prior issued general obligation bond. This deferred outflow or resources results from the difference between the carrying amount of the bonds and the reacquisition price of the bonds.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items which qualify for reporting in this category.

The first item is 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 and is reported as a deferred inflow of resources in both the government-wide Statement of Net Position and the governmental funds Balance Sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied and in the governmental fund financial statements during the year for which they are levied, if available.

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

The third item, deferred inflows of resources related to pensions, is reported in the government-wide Statement of Net Position. This deferred inflow results from differences between expected and actual experience, changes of assumptions, and differences between projected and actual earnings on pension plan investments. These amounts are deferred and amortized as required under pension standards.

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2022

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

**S. Net Position**

In the government-wide and internal service fund 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 acquire 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.

**T. 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 Board Chair, Superintendent, Finance Committee, or Finance Director 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.

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2022

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

**U. Risk Management**

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

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

**V. Use of Estimates**

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

**W. Unearned Revenue**

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred inflows of resources in the fund financial statements.

**X. Summarized Comparative Data**

The basic financial statements include certain prior year summarized 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.

Note 2 DEPOSITS AND INVESTMENTS

**A. Deposits**

In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the School Board, including checking accounts, savings accounts, and non-negotiable 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.

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2022

Note 2 DEPOSITS AND INVESTMENTS – (Continued)

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.

At year-end, the carrying amount of the District's deposits was \$764,854, while the balance on the bank records was \$889,579. On June 30, 2022, all deposits were fully covered by federal depository insurance, surety bonds, or by collateral held by the District's agent in the District's name.

**B. Investments**

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. Investments in investment pools and money markets are not evidenced by securities that exist in physical or book entry form and, therefore, are not subject to custodial credit risk disclosures. 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 the following:

- 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 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 guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories;
- 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 Post-Employment Benefits Trust Fund, the investment options available to the District are expanded to include the investment types specified in Minnesota Statute § 356A.06, Subd. 7. The District's investment policies do not further restrict investing in specific financial instruments.

**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. On June 30, 2022, the District's investment portfolio did not have individual holdings that exceeded the 5 percent threshold for concentration risk disclosure.

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2022

Note 2 DEPOSITS AND INVESTMENTS – (Continued)

**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.

The following table presents the District’s deposits and investments at year-end:

| Deposits/Investments                                  | Credit Risk |        | Fair Value Measurements Using | Interest Risk - Maturity Duration in Years |           | Total                |
|---|-------------|--------|-------------------------------|--|-----------|----------------------|
|   | Rating      | Agency |                               | Less Than 1                                | 1 to 5    |                      |
| Negotiable certificates of deposit                    | N/R         | N/R    | Level 2                       | \$ 210,083                                 | \$ -      | \$ 210,083           |
| Non-negotiable certificates of deposit                | N/R         | N/R    | Cost                          | 619,996                                    | -         | 619,996              |
| Cash and cash alternatives                            | N/R         | N/R    | NAV                           | N/A  | N/A       | 2,581,829            |
| Municipal bonds                                       | AA          | S&P    | Level 2                       | 143,796                                    | 120,263   | 264,059              |
| U.S. Treasury bills/notes                             | N/A         | N/R    | Level 1                       | 2,300,622                                  | 3,882,352 | 6,182,974            |
| Commercial paper                                      | N/R         | N/R    | Cost                          | 99,996                                     | -         | 99,996               |
| Federal government bonds                              | A-1         | S&P    | Level 1                       | 318,092                                    | 249,532   | 567,624              |
| Investment pools/mutual funds:                        |             |        |                               |  |           |                      |
| Minnesota School District                             |             |        |                               |  |           |                      |
| Liquid Asset Fund                                     | AAA         | S&P    | NAV                           | N/A  | N/A       | 3,767,237            |
| MNTrust Investment Shares Portfolio                   | AAA         | S&P    | Cost                          | N/A  | N/A       | 1,151                |
| Total investments                                     |             |        |                               |  |           | 14,294,947           |
| Deposits, less non-negotiable certificates of deposit |             |        |                               |  |           | 144,860              |
| <b>Total deposits and investments</b>                 |             |        |                               |  |           | <b>\$ 14,439,807</b> |

NAV - Investments measured at the net asset value

N/A - Not applicable

N/R - Not rated

Cash and investments are included on the basic financial statements as follows:

Statement of Net Position:

Cash and investments \$ 13,570,471

Statement of Fiduciary Net Position:

Cash and investments - Private Purpose Trust Fund 658,101

Cash and investments - Post-Employment Benefits Trust Fund 211,235

**Total deposits and investments** **\$ 14,439,807**

The Minnesota School District Liquid Asset Fund (MSDLAF) and the MNTrust Investment Shares Portfolio are regulated by Minnesota Statutes and are external investment pools not registered with the Securities Exchange Commission (SEC). The District’s investment in the MSDLAF is measured at the net asset value (NAV) per share provided by the pool, which approximates fair value in accordance with Rule 2a-7 of the Investment Company Act of 1940. The NAV method of valuation values a security at its cost on the date of purchase and thereafter assumes a constant amortization to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the market value of the investments. For MSDLAF investments valued at the NAV, there are no unfunded commitments, redemption frequency is daily, and there is no redemption notice for the Liquid Class; the redemption notice period is 14 days for the MAX Class.

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2022

Note 3 CAPITAL ASSETS

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

|  | Beginning<br>Balance<br>As Restated | Increases         | Decreases   | Ending<br>Balance    |
|--|-------------------------------------|-------------------|-------------|----------------------|
| Capital assets not being depreciated                             |                                     |                   |             |                      |
| Land   | \$ 310,600                          | \$ -              | \$ -        | \$ 310,600           |
| Construction in progress   | 82,039                              | 1,025,993         |             | 1,108,032            |
| <b>Total capital assets not being depreciated</b>                | <b>392,639</b>                      | <b>1,025,993</b>  | <b>-</b>    | <b>1,418,632</b>     |
| Capital assets being depreciated/amortized                       |                                     |                   |             |                      |
| Land improvements  | 7,031,448                           | -                 | -           | 7,031,448            |
| Buildings  | 13,360,203                          | 14,698            | -           | 13,374,901           |
| Machinery and equipment  | 2,020,362                           | 187,423           | -           | 2,207,785            |
| Right-to-use assets  | 161,620                             | -                 | -           | 161,620              |
| <b>Total capital assets<br/>being depreciated/amortized</b>      | <b>22,573,632</b>                   | <b>202,121</b>    | <b>-</b>    | <b>22,775,753</b>    |
| Less accumulated depreciation/amortization for                   |                                     |                   |             |                      |
| Land improvements  | (2,735,315)                         | (341,758)         | -           | (3,077,073)          |
| Buildings  | (7,311,248)                         | (367,854)         | -           | (7,679,102)          |
| Machinery and equipment  | (1,332,529)                         | (107,229)         | -           | (1,439,758)          |
| Right-to-use assets  | -                                   | (41,674)          | -           | (41,674)             |
| <b>Total accumulated<br/>depreciation/amortization</b>           | <b>(11,379,092)</b>                 | <b>(858,515)</b>  | <b>-</b>    | <b>(12,237,607)</b>  |
| <b>Total capital assets<br/>being depreciated/amortized, net</b> | <b>11,194,540</b>                   | <b>(656,394)</b>  | <b>-</b>    | <b>10,538,146</b>    |
| <b>Capital assets, net</b>                                       | <b>\$ 11,587,179</b>                | <b>\$ 369,599</b> | <b>\$ -</b> | <b>\$ 11,956,778</b> |

Depreciation/amortization expense was charged to the following governmental functions:

|  |                   |
|--|-------------------|
| Administration                                 | \$ 1,756          |
| District support                               | 12,159            |
| Regular instruction                            | 39,022            |
| Vocational support                             | 4,152             |
| Special Education                              | 1,041             |
| Community education                            | 73                |
| Instructional support                          | -                 |
| Pupil support                                  | 16,020            |
| Sites, buildings and equipment                 | 457,369           |
| Unallocated                                    | 326,923           |
| <b>Total depreciation/amortization expense</b> | <b>\$ 858,515</b> |

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2022

Note 4 LONG-TERM LIABILITIES

**A. Components of Long-Term Liabilities**

The District currently has the following long-term obligations outstanding:

| Issue   | Issue Date | Interest Rate | Face/<br>Par Value | Final Maturity | Principal Outstanding |
|---|------------|---------------|--------------------|----------------|-----------------------|
| General obligation bonds                                  |            |               |                    |                |                       |
| 2015A School building                                     | 7/23/2015  | 2.25-3.50%    | \$ 4,950,000       | 2/1/2036       | \$ 4,950,000          |
| 2018A Facilities Refunding Bonds                          | 11/7/2018  | 4.00          | 2,595,000          | 2/1/2024       | 720,000               |
| 2018A GO Taxable Refunding                                |            |               |                    |                |                       |
| OPEB Bonds  | 11/7/2018  | 3.00-3.55     | 785,000            | 2/1/2025       | 415,000               |
| 2022A Facilities Maint and Facilities                     |            |               |                    |                |                       |
| Tax Abatement Bonds                                       | 5/19/2022  | 3.00-5.00     | 10,750,000         | 2/1/2044       | 10,750,000            |
| Total general obligation bonds payable                    |            |               |                    |                | 16,835,000            |
| Unamortized premium/discount                              |            |               |                    |                | 173,347               |
| Special assessments payable                               |            |               |                    |                | 61,165                |
| Financed purchases  |            |               |                    |                | 250,540               |
| Lease liabilities   |            |               |                    |                | 123,492               |
| Net pension liability - Teacher's Retirement Association  |            |               |                    |                | 2,503,243             |
| Net pension liability - General Employees Retirement Fund |            |               |                    |                | 811,385               |
| Net OPEB liability  |            |               |                    |                | 582,063               |
| Severance benefits payable                                |            |               |                    |                | 164,182               |
| Compensated absences payable                              |            |               |                    |                | 2,484                 |
| <b>Total long-term obligations</b>                        |            |               |                    |                | <b>\$ 21,506,901</b>  |

**B. Descriptions of Long-Term Liabilities**

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

**Financed Purchases** – The District has purchased assets through capitalized financed purchase agreements. Annual principal and interest on these leases will be paid from the General Fund.



INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2022

Note 4 LONG-TERM LIABILITIES – (Continued)

**Lease Liabilities** – The District has entered into various lease agreements for equipment. Annual principal and interest on these leases will be paid from the General Fund.

| Asset Leased      | Asset Value<br>Capitalized | Interest<br>Rate | Lease<br>Date | Final<br>Maturity | Principal<br>Outstanding |
|-------------------|----------------------------|------------------|---------------|-------------------|--------------------------|
| Floor sweeper     | \$ 5,728                   | 4.90%            | 11/15/2009    | 2/15/2025         | \$ 2,932                 |
| 2020 copier lease | 152,637                    | 5.00%            | 5/4/2020      | 5/4/2025          | 117,897                  |
| 2021 copier lease | 3,255                      | 5.00%            | 5/6/2021      | 5/6/2026          | 2,663                    |
|                   | <u>\$ 161,620</u>          |                  |               |                   | <u>\$ 123,492</u>        |

Amortization of assets capitalized through these lease agreements are included in depreciation expense in the government-wide financial statements. The amount charged to depreciation for the year ended June 30, 2022, was \$41,674.

The assets acquired through these lease arrangements are reported as follows:

| Asset                         | Amount                   |
|-------------------------------|--------------------------|
| Equipment                     | \$ 161,620               |
| Less accumulated amortization | <u>(41,674)</u>          |
| <b>Total</b>                  | <b><u>\$ 119,946</u></b> |

**Net Pension Liability – PERA and TRA** – The District offers a number of benefits to its employees, including pensions. The details of these benefit liabilities are discussed elsewhere in these notes. The amounts reported as long-term debt represent the District’s proportionate share of the obligations of their respective plans. Such benefits are financed primarily from the General Fund and special revenue funds.

**Severance Benefits Payable** – Severance benefits payable consist of early retirement incentive pay or convertible sick leave benefits payable to employees upon retirement. Severance benefits are paid by the General Fund and special revenue funds. Annual payments to retire the severance benefits liability have not been determined and will depend on actual employee turnover.

**Severance Pay Non-Certified Staff** – Severance pay shall be paid to all employees who have provided 20 years of uninterrupted service to the District. Payment shall be at 50% of unused sick leave at the hourly rate in effect the year prior to the year of severance. Payment shall be in two equal installments with the first payment made in January immediately following the date of severance.

**Severance Pay Certified Staff** – Certified District employees are not eligible for severance benefits.

**Compensated Absences Payable** – Under the terms of union contracts, certain employees accrue vacation at varying rates, portions of which may be carried over to future years. Employees are reimbursed for any unused, accrued vacation and related benefits upon termination. Compensated absence benefits are paid by the General Fund and special revenue funds. Annual payments to retire this liability have not been determined and will depend on actual employee utilization and turnover.

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2022

Note 4 LONG-TERM LIABILITIES – (Continued)

**Special Assessment Payable** – The City of Braham completed a street reconstruction project and has levied special assessments to the District of \$137,374, payable over 11 years. Annual payments are \$16,601 with the final payment due in 2027. As of June 30, 2022, the remaining principal balance of the special assessment was \$61,165.

**Non-exchange financial guaranteed obligations** - The District has non-exchange financial guaranteed obligations outstanding during the year on its general obligation bonds. The state of Minnesota through their department of education (MDE) has guaranteed to make all required payments that the District is unable to make. The District is required to repay MDE with interest for any payments MDE makes pursuant to the guarantees. As of June 30, 2022, the District has made all required debt service payments on the guaranteed debt. On June 30, 2022, the outstanding principal amount of the guaranteed debt was \$16,835,000.

**C. Changes in Long-Term Liabilities**

|                                    | Beginning<br>Balance<br>(As Restated) | Additions                   | Reductions                   | Ending<br>Balance           | Due Within<br>One Year   |
|------------------------------------|---------------------------------------|-----------------------------|------------------------------|-----------------------------|--------------------------|
| General obligation bonds           | \$ 6,870,000                          | \$ 10,750,000               | \$ (785,000)                 | \$ 16,835,000               | \$ 810,000               |
| Discount/Premium                   | 74,847                                | 142,984                     | (44,484)                     | 173,347                     | -                        |
| Total bonds payable                | <u>6,944,847</u>                      | <u>10,892,984</u>           | <u>(829,484)</u>             | <u>17,008,347</u>           | <u>810,000</u>           |
| Financed purchases                 | 369,687                               | -                           | (119,147)                    | 250,540                     | 87,015                   |
| Lease liabilities                  | 161,620                               | -                           | (38,128)                     | 123,492                     | 39,705                   |
| Special assessments payable        | 73,809                                | -                           | (12,644)                     | 61,165                      | 13,104                   |
| Severance benefits payable         | 158,327                               | 5,855                       | -                            | 164,182                     | -                        |
| Compensated absences               | 4,132                                 | 24,804                      | (26,452)                     | 2,484                       | 2,484                    |
| Net OPEB liability                 | 675,705                               | 58,070                      | (151,712)                    | 582,063                     | -                        |
| Net pension liability - TRA        | 4,285,118                             | 2,652,097                   | (4,433,972)                  | 2,503,243                   | -                        |
| Net pension liability - GERS       | 1,067,191                             | 918,044                     | (1,173,850)                  | 811,385                     | -                        |
| <b>Total long-term liabilities</b> | <b><u>\$ 13,740,436</u></b>           | <b><u>\$ 14,551,854</u></b> | <b><u>\$ (6,785,389)</u></b> | <b><u>\$ 21,506,901</u></b> | <b><u>\$ 952,308</u></b> |

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2022

Note 4 LONG-TERM LIABILITIES – (Continued)

**D. Minimum Debt Payments**

Minimum annual principal and interest to maturity for general obligation bonds and other long-term debt outstanding as follows:

| Year Ending<br>June 30 | General Obligation Bonds |                     |                      | Financed Purchases |                  |                   |
|------------------------|--------------------------|---------------------|----------------------|--------------------|------------------|-------------------|
|                        | Principal                | Interest            | Total                | Principal          | Interest         | Total             |
| 2023                   | \$ 810,000               | \$ 483,658          | \$ 1,293,658         | \$ 87,015          | \$ 11,350        | \$ 98,365         |
| 2024                   | 325,000                  | 575,098             | 900,098              | 91,629             | 6,736            | 98,365            |
| 2025                   | 545,000                  | 564,323             | 1,109,323            | 71,896             | 1,877            | 73,773            |
| 2026                   | 390,000                  | 542,225             | 932,225              | -                  | -                | -                 |
| 2027                   | 590,000                  | 527,600             | 1,117,600            | -                  | -                | -                 |
| 2028-2032              | 3,290,000                | 2,301,977           | 5,591,977            | -                  | -                | -                 |
| 2033-2037              | 4,375,000                | 1,695,857           | 6,070,857            | -                  | -                | -                 |
| 2038-2042              | 4,525,000                | 866,331             | 5,391,331            | -                  | -                | -                 |
| 2043-2044              | 1,985,000                | 111,000             | 2,096,000            | -                  | -                | -                 |
| <b>Total</b>           | <b>\$ 16,835,000</b>     | <b>\$ 7,668,069</b> | <b>\$ 24,503,069</b> | <b>\$ 250,540</b>  | <b>\$ 19,963</b> | <b>\$ 270,503</b> |

| Year Ending<br>June 30 | Special Assessments Payable |                 |                  | Lease Liabilities |                  |                   |
|------------------------|-----------------------------|-----------------|------------------|-------------------|------------------|-------------------|
|                        | Principal                   | Interest        | Total            | Principal         | Interest         | Total             |
| 2023                   | \$ 13,103                   | \$ 2,102        | \$ 15,205        | \$ 39,705         | \$ 5,337         | \$ 45,042         |
| 2024                   | 13,579                      | 1,626           | 15,205           | 38,655            | 3,311            | 41,966            |
| 2025                   | 14,072                      | 1,133           | 15,205           | 40,632            | 1,334            | 41,966            |
| 2026                   | 14,584                      | 622             | 15,206           | 4,500             | 37               | 4,537             |
| 2027                   | 5,827                       | 113             | 5,940            | -                 | -                | -                 |
| <b>Total</b>           | <b>\$ 61,165</b>            | <b>\$ 5,596</b> | <b>\$ 66,761</b> | <b>\$ 123,492</b> | <b>\$ 10,019</b> | <b>\$ 133,511</b> |

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2022

Note 5 FUND BALANCES

The Uniform Financial Accounting and Reporting Standards (UFARS) fund balance reporting standards are slightly different than the reporting standards under GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. Below is a reconciliation between the fund balances following GASB standards and UFARS reporting standards:

**A. Classifications**

|                                  | GASB<br>Balance      | Reconciling<br>Transfer | UFARS<br>Balance     |
|----------------------------------|----------------------|-------------------------|----------------------|
| Nonspendable:                    |                      |                         |                      |
| Inventory                        | \$ 24,029            | \$ -                    | \$ 24,029            |
| Prepaid items                    | 235,566              | -                       | 235,566              |
| Total nonspendable               | 259,595              | -                       | 259,595              |
| Restricted:                      |                      |                         |                      |
| Extra curricular                 | 67,061               | -                       | 67,061               |
| Scholarships                     | 48,482               | -                       | 48,482               |
| Staff development                | 45,609               | -                       | 45,609               |
| Operating capital                | 90,848               | -                       | 90,848               |
| Safe school                      | 860                  | -                       | 860                  |
| Unspent Federal awards           | 10,621               | -                       | 10,621               |
| Long-term facilities maintenance | 305,574              | -                       | 305,574              |
| Medical assistance               | 116,755              | -                       | 116,755              |
| Food service                     | 263,869              | -                       | 263,869              |
| Community education              | -                    | 36,192                  | 36,192               |
| ECFE                             | -                    | (56,695)                | (56,695)             |
| School readiness                 | 71,988               | 9,002                   | 80,990               |
| Community education programs     | -                    | 11,501                  | 11,501               |
| Debt service                     | 495,620              | -                       | 495,620              |
| Construction                     | 9,254,442            | -                       | 9,254,442            |
| Total restricted                 | 10,771,729           | -                       | 10,771,729           |
| Unassigned                       | 1,758,968            | -                       | 1,758,968            |
| <b>Total fund balance</b>        | <b>\$ 12,790,292</b> | <b>\$ -</b>             | <b>\$ 12,790,292</b> |

**B. Minimum Unassigned Fund Balance Policy**

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 not less than 10% or more than 30% of the annual budget. On June 30, 2022, the unassigned fund balance (excluding restricted account deficits) was 19 percent of fiscal 2022 budgeted expenditures.

**C. Deficit Fund Equity**

As of June 30, 2022, no fund had a deficit fund equity.

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2022

Note 6 DEFINED BENEFIT PENSION PLANS – STATEWIDE

Substantially all employees of the District are required by state law to belong to pension plans administered by Teachers' Retirement Association (TRA) or Public Employees' Retirement Association (PERA), all of which are administered on a statewide basis. Disclosures relating to these plans follow:

**A. Plan Descriptions**

The District participates in the following multiple-employer, cost-sharing, 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.

**1. General Employees Retirement Plan (GERP)**

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

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

**2. Teachers Retirement Association (TRA)**

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

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

**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. 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.

- PERA – PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested Terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.
- TRA – Post-retirement benefit increases are provided to eligible benefit recipients each January. The TRA increase is 2.2 percent. After the TRA funded ratio exceeds 90.0 percent for two consecutive years, the annual post-retirement benefit will increase to 2.7 percent.

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2022

Note 6 DEFINED BENEFIT PENSION PLANS – STATE-WIDE – (Continued)

**1. GERP Benefits**

General Employees Plan benefits are based on a member’s highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated 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 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 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 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. 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**

| Tier I      | Step Rate Formula   | Percentage    |
|-------------|---|---------------|
| Basic       | First 10 years of service   | 2.2% per year |
|             | All years after   | 2.7% per year |
| Coordinated | First 10 years if service years are up to July 1, 2006                | 1.2% per year |
|             | First 10 years if service years are July 1, 2006 or after             | 1.4% per year |
|             | All other years of service if service years are up to July 1, 2006    | 1.7% per year |
|             | All other years of service if service years are July 1, 2006 or after | 1.9% per year |

With these provisions:

- (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).

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2022

Note 6 DEFINED BENEFIT PENSION PLANS – STATE-WIDE – (Continued)

**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. 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 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. GERP Contributions**

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2022. The District was required to contribute 7.50% for Coordinated Plan members in fiscal year 2022. The District's contributions to the GERP for the year ended June 30, 2022, were \$109,026. The District contributions were equal to the required contributions as set by state statute.

**2. TRA Contributions**

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

|                  | Year Ended June 30, |          |          |          |          |          |
|------------------|---------------------|----------|----------|----------|----------|----------|
|                  | 2020                |          | 2021     |          | 2022     |          |
|                  | Employee            | Employer | Employee | Employer | Employee | Employer |
| Basic Plan       | 11.0%               | 11.92%   | 11.0%    | 12.13%   | 11.0%    | 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 year ended June 30, 2022 were \$309,256. The District's contributions were equal to the required contributions for each year as set by state statutes.

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2022

Note 6 DEFINED BENEFIT PENSION PLANS – STATE-WIDE – (Continued)

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

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

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. GERP Pension Costs**

On June 30, 2022, the District reported a liability of \$811,385 for its proportionate share of the GERP's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2021. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$24,803. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all PERA's participating employers. On June 30, 2021, the District's proportion was 0.0190% which was an increase of 0.0012% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the District recognized pension expense of \$(135,928) for its proportionate share of GERP's pension expense. In addition, the District recognized an additional \$2,001 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

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



INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2022

Note 6 DEFINED BENEFIT PENSION PLANS – STATE-WIDE – (Continued)

| Description  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience  | \$ 5,073                             | \$ 24,508                           |
| Differences between projected and actual investment earnings | 83,496                               | 791,340                             |
| Changes in actuarial assumptions                             | 496,611                              | 15,294                              |
| Changes in proportion  | 54,783                               | 26,724                              |
| District's contributions subsequent to the measurement date  | 109,026                              | -                                   |
| <br>Total  | <br><u>\$ 748,989</u>                | <br><u>\$ 857,866</u>               |

A total of \$109,026 reported as deferred outflows of resources related to pensions resulting from district contributions to the GERP subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to the GERP pensions will be recognized in pension expense as follows:

| Year Ending<br>June 30, | Pension<br>Expense<br>Amount |
|-------------------------|------------------------------|
| 2023                    | \$ (44,908)                  |
| 2024                    | 5,528                        |
| 2025                    | 13,601                       |
| 2026                    | (192,124)                    |
| 2027                    | -                            |
| Thereafter              | \$ -                         |

**2. TRA Pension Costs**

On June 30, 2022, the District reported a liability of \$2,503,243 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. On June 30, 2021, the District's proportionate share was 0.0572%, which was a decrease of 0.0008% from its proportionate share measured as of June 30, 2020.

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

| Description   | Amount       |
|---|--------------|
| District's proportionate share of net pension liability                               | \$ 2,503,243 |
| State's proportionate share of the net pension liability associated with the District | \$ 211,038   |

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2022

Note 6 DEFINED BENEFIT PENSION PLANS – STATE-WIDE – (Continued)

For the year ended June 30, 2022, the District recognized pension expense of \$(515,850). It also recognized \$2,363 as pension expense for the support provided by direct aid.

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

| Description  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience  | \$ 66,052                            | \$ 74,208                           |
| Differences between projected and actual investment earnings | 263,792                              | 2,373,584                           |
| Changes in actuarial assumptions                             | 782,962                              | 2,446,688                           |
| Changes in proportion  | 87,686                               | 440,895                             |
| District's contributions subsequent to the measurement date  | 309,256                              | -                                   |
| <br>Total  | <br><u>\$ 1,509,748</u>              | <br><u>\$ 5,335,375</u>             |

A total of \$309,256 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to TRA will be recognized in pension expense as follows:

| Year Ending<br>June 30, | Pension<br>Expense<br>Amount |
|-------------------------|------------------------------|
| 2023                    | \$ (2,134,830)               |
| 2024                    | (1,468,034)                  |
| 2025                    | (309,239)                    |
| 2026                    | (385,516)                    |
| 2027                    | 162,736                      |
| Thereafter              | \$ -                         |

**E. Actuarial Assumptions**

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

| Assumptions                  | GERF                               | TRA  |
|------------------------------|------------------------------------|--|
| Inflation                    | 2.25% per year                     | 2.50% per year   |
| Active member payroll growth | 3.00% after 26 years<br>of service | 2.85% to 8.85%<br>before July 1, 2028<br>and 3.25% to 9.25%<br>after June 30, 2028 |
| Investment rate of return    | 6.50%                              | 7.00%  |

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2022

Note 6 DEFINED BENEFIT PENSION PLANS – STATE-WIDE – (Continued)

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The tables are adjusted slightly to fit PERA’s experience. Cost of living benefit increases for retirees are assumed 1.0% per year through January 2023, then increasing 0.1% for all future years up to 1.5% annually for the TRA.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019 and in 2015 for TRA. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions for the GERP and in 2017 for TRA.

The following changes in actuarial assumptions occurred during the year:

**General Employee Retirement Plan:**

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.

Changes in Plan Provisions:

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

**Teacher’s Retirement Association:**

Changes in Actuarial Assumptions:

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

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

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

| Asset Class          | Target<br>Allocation | Long-Term Expected<br>Rate of Return |
|----------------------|----------------------|--------------------------------------|
| Domestic stocks      | 36%                  | 5.10%                                |
| International stocks | 18%                  | 5.30%                                |
| Private markets      | 25%                  | 5.90%                                |
| Fixed income         | 20%                  | 0.75%                                |
| Unallocated cash     | 2%                   | 0.00%                                |
| Total                | 100%                 |                                      |

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2022

Note 6 DEFINED BENEFIT PENSION PLANS – STATE-WIDE – (Continued)

**F. Discount Rate**

The discount rate used to measure the total pension liability was 6.50 percent for GERP and 7.00 percent for TRA. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2021 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

**G. Pension Liability Sensitivity**

The following presents the District’s proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding 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 one percentage point lower or one percentage point higher than the current discount rate:

| Description   | 1% Decrease in<br>Discount Rate | Discount<br>Rate | 1% Increase in<br>Discount Rate |
|---|---------------------------------|------------------|---------------------------------|
| GERF discount rate  | 5.50%                           | 6.50%            | 7.50%                           |
| District's proportionate share of<br>the GERP net pension liability | \$ 1,654,811                    | \$ 811,385       | \$ 119,302                      |
| TRA discount rate   | 6.00%                           | 7.00%            | 8.00%                           |
| District's proportionate share of<br>the TRA net pension liability  | \$ 5,056,673                    | \$ 2,503,243     | \$ 409,227                      |

**H. Pension Plan Fiduciary Net Position**

Detailed information about GERP’s fiduciary net position is available in a separately issued PERA financial report. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org); by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

Detailed information about TRA’s fiduciary net position is available in a separately issued TRA financial report. That report can be obtained at [www.MinnesotaTRA.org](http://www.MinnesotaTRA.org); by writing to TRA at 60 Empire Drive #400, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-2409 or 1-800-652-9026.

Note 7 OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

**A. Plan Description**

The District provides post-employment benefits to certain eligible employees through its OPEB Plan, a single-employer defined benefit plan administered by the District. All post-employment benefits are based on contractual agreements with employee groups. Eligibility for these benefits is 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 Other 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.

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2022

Note 7 OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN – (Continued)

**B. Benefits Provided**

Eligible participants and their dependents are allowed access to the health plans. Participants meeting additional requirements are eligible for a direct subsidy of the premium paid by the District as described in below.

All retirees of the District have the option under state law to continue their medical insurance coverage through the District from the time of retirement. 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 or a limited number of years depending on contractual language.

Benefits paid by the District differ by bargaining unit and date of hire, with some contracts specifying a certain dollar amount per month, and some covering premium costs as defined within each collective bargaining agreement. 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**

Postemployment healthcare expenditures are being funded through a contribution to an irrevocable trust and are being funded through a pay as you go method under which contributions to the plan are generally made at the same time and amount as retiree benefits and expenses become due.

The implicit subsidy is provided to all retirees and dependents who elect non-Medicare medical coverage, provided the retiree has satisfied the applicable pension plan requirements and is eligible. The implicit subsidy is the difference between the actual and apparent cost of OPEB coverage. The actual cost for early retirees is usually higher than the average per person premium for the active/retiree group. Plans in which retirees pay the average active/retiree rate (the apparent cost) give rise to an implicit rate subsidy: the employer pays the difference between the actual and apparent cost.

The direct subsidies (i.e., fringe benefit amounts) amounts increased 0% from 2016 to 2017 and 2.44% from 2017 to 2018. The fringe benefit amount is assumed to increase 3% annually after 2018.

**D. Membership**

On June 30, 2022, the following employees were covered by the benefit terms:

|                                    |                   |
|------------------------------------|-------------------|
| Active employees electing coverage | 73                |
| Active employees waiving coverage  | 28                |
| Retirees electing coverage         | <u>8</u>          |
| Total                              | <u><u>109</u></u> |

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2022

Note 7 OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN – (Continued)

**E. Net OPEB Liability**

The components of the District's Net OPEB liability on June 30, 2022, were as follows:

|  |                   |
|--|-------------------|
| Total OPEB liability   | \$ 793,297        |
| Plan fiduciary net position  | <u>(211,234)</u>  |
| District's Net OPEB liability  | <u>\$ 582,063</u> |
| Plan fiduciary net position as a percentage<br>of total OPEB liability | 26.63%            |

**F. Actuarial Assumptions**

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

|                             |   |
|-----------------------------|---|
| Inflation                   | 2.25 percent  |
| Salary increases            | 3.50 percent, average, including inflation  |
| Investment rate of return   | 2.00 percent  |
| Healthcare cost trend rates | 6.70 percent for FY2021, gradually decreasing over several decades to<br>an ultimate rate of 3.80% in FY2076 and later years. |

Mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2015, and other adjustments.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period July 1, 2005–April 30, 2017.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best estimates 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 asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage (or target allocation, if available) and by adding expected inflation (2.25%). All results are then rounded to the nearest quarter percentage point.

The best estimates of expected future asset class returns were published in the 2017 Survey of Capital Market Assumptions produced by Horizon Actuarial Services. These expected returns, along with expected asset class standard deviations and correlation coefficients, are based on Horizon's annual survey of investment advisory firms. The expected inflation assumption was developed based on an analysis of historical experience blended with forward-looking expectations available in market data.

The following changes in actuarial assumptions for OPEB occurred in 2022:

- The discount rate was changed from 1.94% to 3.18% based on updated expectations of long-term returns on trust assets and 20-year municipal bond rates.

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2022

Note 7 OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN – (Continued)

**G. Rate of Return**

For the current year ended, the annual money-weighted rate of return on investments, net of investment expense, was 2.00 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

| Asset Class                              | Allocation at<br>Measurement Date | Long-Term Expected<br>Real Rate of Return | Long-Term Expected<br>Nominal Rate of Return |
|--|-----------------------------------|---|--|
| Domestic equity                          | 0%                                | 4.42%                                     | 6.67%  |
| International equity                     | 0%                                | 4.91%                                     | 7.16%  |
| Fixed income                             | 0%                                | 1.00%                                     | 3.25%  |
| Real estate and alternative              | 0%                                | 3.98%                                     | 6.23%  |
| Cash and equivalents                     | 100%                              | -0.33%                                    | 1.92%  |
| <br>                                     |                                   |   |  |
| Total                                    | 100%                              |   | 1.92%  |
| Reduction for assumed investment expense |                                   |   | 0.00%  |
| Net assumed investment return            |                                   |   | 2.00%  |

**H. Discount rate**

The discount rate used to measure the total OPEB liability was 3.18 percent. The projection of cash flows and OPEB trust assets used to determine the discount rate were based on recent employer contribution history and their stated funding policy (if any). The OPEB trust's long-term assumed investment return was used to discount projected benefit payments for as long as projected trust assets are available to fund OPEB payments. Once projected trust assets are exhausted, 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. The District discount rate used in the prior measurement date was 1.94 percent.

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2022

Note 7 OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN – (Continued)

**I. Changes in the Net OPEB Liability**

The following table presents the changes in net pension liability during the year:

|  | Increase (Decrease)         |                                    |                                       |
|--|-----------------------------|------------------------------------|---------------------------------------|
|  | Total OPEB Liability<br>(a) | Plan Fiduciary Net Position<br>(b) | Net OPEB Liability<br>(c) = (a) - (b) |
| <b>Balance at Previous<br/>Fiscal Year 6/30/2021</b>       | \$ 887,028                  | \$ 211,323                         | \$ 675,705                            |
| <b>Changes for the year:</b>                               |                             |                                    |                                       |
| Service cost   | 40,586                      | -                                  | 40,586                                |
| Interest   | 17,234                      | -                                  | 17,234                                |
| Differences between expected<br>and actual experience      | (12,854)                    | -                                  | (12,854)                              |
| Changes of assumptions                                     | (60,190)                    | -                                  | (60,190)                              |
| Changes of benefit terms                                   | -                           | -                                  | -                                     |
| Employer contributions                                     | -                           | 78,507                             | (78,507)                              |
| Net investment incomes                                     | -                           | 161                                | (161)                                 |
| Other additions (e.g. receivables)                         | -                           | -                                  | -                                     |
| Benefit payments, including<br>member contribution refunds | (78,507)                    | (78,507)                           | -                                     |
| Administrative expense                                     | -                           | (250)                              | 250                                   |
| Other deductions (e.g. payables)                           | -                           | -                                  | -                                     |
| <b>Net changes</b>   | <b>(93,731)</b>             | <b>(89)</b>                        | <b>(93,642)</b>                       |
| <b>Balance at Current<br/>Fiscal Year 6/30/2022</b>        | <b>\$ 793,297</b>           | <b>\$ 211,234</b>                  | <b>\$ 582,063</b>                     |

**J. Sensitivity of the Net OPEB Liability to changes in the discount rate and healthcare cost trend rates**

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 (2.18 percent) or 1-percentage-point higher (4.18 percent) than the current discount rate:

| Description                   | Changes in the Discount Rate    |                  |                                 |
|-------------------------------|---------------------------------|------------------|---------------------------------|
|                               | 1% Decrease in<br>Discount Rate | Discount<br>Rate | 1% Increase in<br>Discount Rate |
| OPEB discount rate            | 2.18%                           | 3.18%            | 4.18%                           |
| District's Net OPEB liability | \$ 630,524                      | \$ 582,063       | \$ 534,709                      |



INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2022

Note 7 OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN – (Continued)

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 (6.90 percent decreasing to 4.00 percent) or 1-percentage-point higher (7.90 percent decreasing to 4.00 percent) than the current healthcare cost trend rates:

| Changes in Trend Rates        |                       |                               |
|-------------------------------|-----------------------|-------------------------------|
| 1 percent<br>decrease in rate | Current Trend<br>Rate | 1 percent<br>increase in rate |
| \$ 503,758                    | \$ 582,063            | \$ 674,193                    |

**K. OPEB expense and deferred outflows and deferred inflows of resources related to OPEB**

For the year ended June 30, 2022, the District recognized OPEB expense of \$(19,357). On June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| Description  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience  | \$ 57,099                            | \$ 87,718                           |
| Differences between projected and actual investment earnings | 7,404                                | -                                   |
| Changes in actuarial assumptions                             | 49,708                               | 58,971                              |
| Total  | \$ 114,211                           | \$ 146,689                          |

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<br>June 30, | OPEB<br>Expense<br>Amount |
|-------------------------|---------------------------|
| 2023                    | \$ 5,259                  |
| 2024                    | 7,361                     |
| 2025                    | 7,423                     |
| 2026                    | (2,289)                   |
| 2027                    | (20,620)                  |
| Thereafter              | (29,612)                  |

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2022

Note 8 COMMITMENTS AND CONTINGENCIES

**A. Federal and State Programs**

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 fund. 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.

**B. Contingencies**

The District has the usual and customary types of legal claims pending at year-end, mostly of a minor nature and usually covered by insurance carried for that purpose. The District's management believes that the District will not incur any material liabilities relating to these claims, and none have been accrued at year-end.

**C. Commitments**

*Construction commitments*

As of June 30, 2022, the District has signed contracts in place for one construction project. The following summarizes this commitment:

| Project   | Spent<br>to Date | Remaining<br>Commitment |
|---|------------------|-------------------------|
| Lighting upgrades to elementary and high school | \$ 160,991       | \$ 131,857              |

Note 9 JOINT VENTURES

**A. Special Education Cooperative**

Pursuant to an agreement authorized by state statutes, the District joined with six other Districts to establish the Rum River Special Education Cooperative (RRSEC), an entity through which the member District's may jointly and cooperatively share services that no one District could efficiently provide. One member of the School Board of each member District serves on the governing Board of the RRSEC. The operating and capital budget are charged to member Districts based on the annual assessment manual which allocates costs based on enrollment and program usage. RRSEC is an agency of seven-member school districts that have joined to provide services to students ages B-21, identified as having a disability. The RRSEC also provides resources and staff development to school staff, administrators and parents/guardians. This technical assistance helps support districts in their efforts to provide appropriate services to all children with disabilities that might otherwise be difficult for an individual school district to provide. For the year ended June 30, 2022, the cost of services provided to the District by RRSEC was \$170,364. RRSEC is separately audited from the District's complete financial statements can be obtained by contacting the RRSEC business office, Rum River Special Education Cooperative District 6079, 140 Buchanan Street North, Suite 150 Cambridge, MN 55008.

**B. Distance Learning Cooperative**

Pursuant to an agreement authorized by state statutes, the District joined several other districts to establish a joint powers board called Infinity to organize, manage, undertake, implement and accomplish all of the programs, purposes and functions designed and intended to establish and provide accredited on-line or distance learning opportunities and programs for member students who seek educational experience and credits outside of the traditional learning environment. The Infinity joint powers board shall consist of no less than six (6) and no more than fifteen (15) members, with one member being selected and appointed by the governing board of each school district represented on the executive council.

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2022

Note 9 JOINT VENTURES – (Continued)

Funding and revenue for the Infinity joint powers entity may come from various sources. Including but not limited to, grants and gifts. However, it shall be the primary responsibility of the parties to this agreement to fund the Infinity joint powers board and its programs. The total amount necessary to fund the Infinity joint powers shall be decided on an annual basis but may be examined and readjusted as necessary as determined by the joint powers board.

Note 10 ADOPTION OF NEW STANDARD

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, Leases. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The District adopted the requirements of the guidance effective July 1, 2021, and has applied the provisions of this standard to the beginning of the period of adoption. Beginning fund balance/net position was not restated due to the implementation of GASB 87. The implementation of this standard resulted in the District reporting a right-to-use asset and a lease liability as disclosed in Note 3 and Note 4.

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY  
PUBLIC EMPLOYEE RETIREMENT ASSOCIATION  
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 | State's Proportionate Share of the Net Pension Liability Associated with the District | Total        | 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 |
|-------------------------------|--|--|---|---|--------------|----------------------------|--|--|
| 6/30/2022                     | 6/30/2021                                    | 0.0190%  | \$ 811,385  | \$ 24,803   | \$ 836,188   | \$ 1,453,805               | 57.5%  | 87.0%  |
| 6/30/2021                     | 6/30/2020                                    | 0.0178%  | \$ 1,067,191  | \$ 32,821   | \$ 1,100,012 | \$ 1,326,144               | 82.9%  | 79.1%  |
| 6/30/2020                     | 6/30/2019                                    | 0.0180%  | \$ 995,180  | \$ 30,999   | \$ 1,026,179 | \$ 1,373,651               | 74.7%  | 80.2%  |
| 6/30/2019                     | 6/30/2018                                    | 0.0193%  | \$ 1,070,685  | \$ 35,238   | \$ 1,105,923 | \$ 1,273,458               | 86.8%  | 79.5%  |
| 6/30/2018                     | 6/30/2017                                    | 0.0193%  | \$ 1,232,099  | \$ 15,492   | \$ 1,247,591 | \$ 1,296,998               | 96.2%  | 75.9%  |
| 6/30/2017                     | 6/30/2016                                    | 0.0225%  | \$ 1,826,888  | \$ 23,866   | \$ 1,850,754 | \$ 1,394,880               | 132.7%   | 68.9%  |
| 6/30/2016                     | 6/30/2015                                    | 0.0236%  | \$ 1,223,074  | \$ -  | \$ 1,223,074 | \$ 1,365,960               | 89.5%  | 78.2%  |
| 6/30/2015                     | 6/30/2014                                    | 0.0246%  | \$ 1,155,585  | \$ -  | \$ 1,155,585 | \$ 1,398,206               | 82.6%  | 78.7%  |

SCHEDULE OF DISTRICT'S CONTRIBUTIONS  
PUBLIC EMPLOYEE RETIREMENT ASSOCIATION  
Year Ended June 30, 2022

| District Fiscal Year-End Date | PERA Fiscal Year-End Date (Measurement Date) | Statutorily Required Contributions | Contributions in Relation to the Statutorily Required Contributions | Contribution Deficiency (Excess) | District's Covered Payroll | Contributions as a Percentage of Covered Payroll |
|-------------------------------|--|------------------------------------|---|----------------------------------|----------------------------|--|
| 6/30/2022                     | 6/30/2021                                    | \$ 102,837                         | \$ 102,837  | \$ -                             | \$ 1,371,160               | 7.50%  |
| 6/30/2021                     | 6/30/2020                                    | \$ 95,096                          | \$ 95,096   | \$ -                             | \$ 1,267,947               | 7.50%  |
| 6/30/2020                     | 6/30/2019                                    | \$ 95,510                          | \$ 95,510   | \$ -                             | \$ 1,273,467               | 7.50%  |
| 6/30/2019                     | 6/30/2018                                    | \$ 97,463                          | \$ 97,463   | \$ -                             | \$ 1,299,507               | 7.50%  |
| 6/30/2018                     | 6/30/2017                                    | \$ 93,248                          | \$ 93,248   | \$ -                             | \$ 1,243,307               | 7.50%  |
| 6/30/2017                     | 6/30/2016                                    | \$ 104,616                         | \$ 104,616  | \$ -                             | \$ 1,394,880               | 7.50%  |
| 6/30/2016                     | 6/30/2015                                    | \$ 102,447                         | \$ 102,447  | \$ -                             | \$ 1,365,960               | 7.50%  |
| 6/30/2015                     | 6/30/2014                                    | \$ 93,471                          | \$ 93,471   | \$ -                             | \$ 1,246,280               | 7.50%  |

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY  
TEACHERS RETIREMENT ASSOCIATION  
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 | State's Proportionate Share of the Net Pension Liability Associated with the District | Total         | 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 |
|-------------------------------|---|--|---|---|---------------|----------------------------|--|--|
| 6/30/2022                     | 6/30/2021                                   | 0.0572%  | \$ 2,503,243  | \$ 211,038  | \$ 2,714,281  | \$ 3,695,484               | 73.4%  | 86.6%  |
| 6/30/2021                     | 6/30/2020                                   | 0.0580%  | \$ 4,285,118  | \$ 359,331  | \$ 4,644,449  | \$ 3,431,537               | 135.3%   | 75.5%  |
| 6/30/2020                     | 6/30/2019                                   | 0.0567%  | \$ 3,614,070  | \$ 319,742  | \$ 3,933,812  | \$ 3,853,527               | 102.1%   | 78.2%  |
| 6/30/2019                     | 6/30/2018                                   | 0.0590%  | \$ 3,705,752  | \$ 347,934  | \$ 4,053,686  | \$ 3,228,277               | 125.6%   | 78.1%  |
| 6/30/2018                     | 6/30/2017                                   | 0.0629%  | \$ 12,555,981   | \$ 1,214,092  | \$ 13,770,073 | \$ 3,245,298               | 424.3%   | 51.6%  |
| 6/30/2017                     | 6/30/2016                                   | 0.0698%  | \$ 16,648,965   | \$ 1,670,989  | \$ 18,319,954 | \$ 3,629,867               | 504.7%   | 44.9%  |
| 6/30/2016                     | 6/30/2015                                   | 0.0706%  | \$ 4,367,308  | \$ 535,964  | \$ 4,903,272  | \$ 3,581,147               | 136.9%   | 76.8%  |
| 6/30/2015                     | 6/30/2014                                   | 0.0787%  | \$ 3,626,439  | \$ 255,005  | \$ 3,881,444  | \$ 3,666,125               | 105.9%   | 81.5%  |

SCHEDULE OF DISTRICT'S CONTRIBUTIONS  
TEACHERS RETIREMENT ASSOCIATION  
Year Ended June 30, 2022

| District Fiscal Year-End Date | TRA Fiscal Year-End Date (Measurement Date) | Statutorily Required Contributions | Contributions in Relation to the Statutorily Required Contributions | Contribution Deficiency (Excess) | District's Covered Payroll | Contributions as a Percentage of Covered Payroll |
|-------------------------------|---|------------------------------------|---|----------------------------------|----------------------------|--|
| 6/30/2022                     | 6/30/2021                                   | \$ 278,473                         | \$ 278,473  | \$ -                             | \$ 3,425,252               | 8.34%  |
| 6/30/2021                     | 6/30/2020                                   | \$ 266,875                         | \$ 266,875  | \$ -                             | \$ 3,282,595               | 8.13%  |
| 6/30/2020                     | 6/30/2019                                   | \$ 248,165                         | \$ 248,165  | \$ -                             | \$ 3,133,396               | 7.92%  |
| 6/30/2019                     | 6/30/2018                                   | \$ 244,638                         | \$ 244,638  | \$ -                             | \$ 3,172,996               | 7.71%  |
| 6/30/2018                     | 6/30/2017                                   | \$ 254,110                         | \$ 254,110  | \$ -                             | \$ 3,388,133               | 7.50%  |
| 6/30/2017                     | 6/30/2016                                   | \$ 272,240                         | \$ 272,240  | \$ -                             | \$ 3,629,867               | 7.50%  |
| 6/30/2016                     | 6/30/2015                                   | \$ 268,586                         | \$ 268,586  | \$ -                             | \$ 3,581,147               | 7.50%  |
| 6/30/2015                     | 6/30/2014                                   | \$ 251,353                         | \$ 251,353  | \$ -                             | \$ 3,351,373               | 7.50%  |

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

SCHEDULE OF CHANGES IN THE DISTRICT'S  
NET OPEB LIABILITY AND RELATED RATIOS  
Year Ended June 30, 2022

| <b>Total OPEB Liability</b>  | <b>2022</b>         | <b>2021</b>         | <b>2020</b>         | <b>2019</b>         | <b>2018</b>         | <b>2017</b>         |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Service cost   | \$ 40,586           | \$ 49,313           | \$ 43,929           | \$ 37,588           | \$ 35,551           | \$ 36,893           |
| Interest   | 17,234              | 25,550              | 31,323              | 31,452              | 31,851              | 29,238              |
| Difference between expected<br>and actual experience                   | (12,854)            | (102,374)           | -                   | 119,503             | -                   | -                   |
| Changes of assumptions   | (60,190)            | (1,713)             | 20,578              | 73,220              | 7,102               | (29,640)            |
| Changes in benefit terms   | -                   | (558)               | (8,429)             | (10,827)            | -                   | -                   |
| Benefit payments, including<br>member contribution refunds             | (78,507)            | (111,773)           | (97,304)            | (101,905)           | (134,780)           | (166,002)           |
| <b>Net change in total OPEB liability</b>                              | <b>(93,731)</b>     | <b>(141,555)</b>    | <b>(9,903)</b>      | <b>149,031</b>      | <b>(60,276)</b>     | <b>(129,511)</b>    |
| <b>Total OPEB Liability - beginning of year</b>                        | <b>887,028</b>      | <b>1,028,583</b>    | <b>1,038,486</b>    | <b>889,455</b>      | <b>949,731</b>      | <b>1,079,242</b>    |
| <b>Total OPEB Liability - end of year</b>                              | <b>\$ 793,297</b>   | <b>\$ 887,028</b>   | <b>\$ 1,028,583</b> | <b>\$ 1,038,486</b> | <b>\$ 889,455</b>   | <b>\$ 949,731</b>   |
| <b>Plan Fiduciary Net Position</b>                                     |                     |                     |                     |                     |                     |                     |
| Employer Contributions   | \$ 78,507           | \$ 111,773          | \$ 97,304           | \$ 101,905          | \$ 59,338           | \$ -                |
| Net investment income  | 161                 | 1,217               | 4,035               | 337                 | 6,660               | 337                 |
| Other additions (e.g. receivable)                                      | -                   | -                   | -                   | -                   | -                   | -                   |
| Benefit payments, including member<br>contribution refunds             | (78,507)            | (111,773)           | (97,304)            | (101,905)           | (134,780)           | (166,002)           |
| Administrative expenses  | (250)               | (250)               | (250)               | (250)               | (250)               | (250)               |
| Other deductions (e.g. payables)                                       | -                   | -                   | -                   | -                   | -                   | -                   |
| <b>Net change in plan fiduciary net position</b>                       | <b>(89)</b>         | <b>967</b>          | <b>3,785</b>        | <b>87</b>           | <b>(69,032)</b>     | <b>(165,915)</b>    |
| <b>Plan Fiduciary Net Position - beginning of year</b>                 | <b>211,323</b>      | <b>210,356</b>      | <b>206,571</b>      | <b>206,484</b>      | <b>275,516</b>      | <b>441,431</b>      |
| <b>Plan Fiduciary Net Position - end of year</b>                       | <b>\$ 211,234</b>   | <b>\$ 211,323</b>   | <b>\$ 210,356</b>   | <b>\$ 206,571</b>   | <b>\$ 206,484</b>   | <b>\$ 275,516</b>   |
| <b>Net OPEB (Asset) Liability - end of year</b>                        | <b>\$ 582,063</b>   | <b>\$ 675,705</b>   | <b>\$ 818,227</b>   | <b>\$ 831,915</b>   | <b>\$ 682,971</b>   | <b>\$ 674,215</b>   |
| <b>FNP as a percentage of the NOL</b>                                  | <b>26.63%</b>       | <b>23.82%</b>       | <b>20.45%</b>       | <b>19.89%</b>       | <b>23.21%</b>       | <b>29.01%</b>       |
| <b>Covered employee payroll</b>  | <b>\$ 4,672,351</b> | <b>\$ 4,434,356</b> | <b>\$ 4,440,730</b> | <b>\$ 4,181,163</b> | <b>\$ 4,250,892</b> | <b>\$ 4,322,281</b> |
| <b>Net OPEB Liability as a<br/>percent of covered employee payroll</b> | <b>12.46%</b>       | <b>15.24%</b>       | <b>18.43%</b>       | <b>19.90%</b>       | <b>16.07%</b>       | <b>15.60%</b>       |

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

SCHEDULE OF DISTRICT'S CONTRIBUTIONS  
OTHER POST-EMPLOYMENT BENEFITS  
Year Ended June 30, 2022

|  | Fiscal Year Ending June 30, |      |      |      |      |      |      |
|--|-----------------------------|------|------|------|------|------|------|
|  | 2022                        | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
| Actuarially determined contribution (ADC)  | N/A                         | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |
| Contributions in relation to the ADC       | N/A                         | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |
| Contribution deficiency (excess)           | N/A                         | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |
| Payroll for reporting period (fiscal year) | N/A                         | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |
| Contributions as a percent of payroll      | N/A                         | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |

SCHEDULE OF INVESTMENT RETURNS  
OTHER POST-EMPLOYMENT BENEFITS  
Year Ended June 30, 2022

| Fiscal Year<br>Ending June 30, | Annual money-weighted rate of return,<br>net investment expense |
|--------------------------------|---|
| 2022                           | 0.08%   |
| 2021                           | 0.58%   |
| 2020                           | 1.95%   |
| 2019                           | 0.16%   |
| 2018                           | 2.42%   |
| 2017                           | 0.80%   |
| 2016                           | N/A   |



INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION  
June 30, 2022

Note 1 CHANGE IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS

**A. Public Employees Retirements Association**

2021 changes:

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

**Changes in Plan Provisions.** There were no changes in plan provisions since the previous valuation.

2020 changes:

**Changes in Actuarial Assumptions.** The price inflation assumption was decreased from 2.50% to 2.25%. The payroll growth assumption was decreased from 3.25% to 3.00%. Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates. Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter. Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019. The assumed spouse age difference was changed from two years older for females to one year older. The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

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

2019 changes:

**Changes in Actuarial Assumptions.** The mortality projection scale was changed from MP-2017 to MP-2018.

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

2018 changes:

**Change of 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.

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION  
June 30, 2022

Note 1 CHANGE IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS – (Continued)

**A. Public Employees Retirements Association – (Continued)**

2017 changes:

**Change of Assumptions.** The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. 2) The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2 044 and 2.5 percent per year thereafter.

2016 changes:

**Changes in Actuarial Assumptions:** 1) the assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years. 2) The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%. 3) Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 changes:

**Changes in Plan Provisions:** On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

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

**B. Teacher's Retirement Association**

2021 changes:

**Changes in Benefit and Funding Terms.** None.

**Change of Assumptions.** The investment return assumption was changed from 7.50 percent to 7.00 percent

2020 changes:

**Changes in Benefit and Funding Terms.** None.

**Change of Assumptions.** Assumed termination rates were changed to reflect actual experience more closely. The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back 5 years and female rates set back 7 years. Generational projection uses the MP-2015 scale. Assumed form of annuity election proportions were changed to reflect actual experience more closely for female retirees.

2019 changes

None

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION  
June 30, 2022

Note 1 CHANGE IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS – (Continued)

**B. Teacher's Retirement Association – (Continued)**

2018 changes:

**Changes in Benefit and Funding Terms:** The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% on January 1, 2028. Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt. The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.

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

The investment return assumption was reduced from 8.5% to 7.5% and the price inflation assumption was reduced from 3.0% to 2.5%. The payroll growth assumption was reduced from 3.5% to 3.0% while the wage inflation assumption (above price inflation) was reduced from 0.75% to 0.35% for the next 10 years, and 0.75% thereafter. The total salary increase assumption was adjusted by the wage inflation change.

2017 changes:

**Changes of Benefit Terms.** The Duluth Teachers Retirement Fund Association was merged into the TRA on June 30, 2015.

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

2016 changes:

**Changes of benefit terms.** The Duluth Teacher's Retirement Association was merged into TRA on June 30, 2015.

**Changes of assumptions.** The annual COLA for the June 30, 2015 valuation assumed 2%. The prior year valuation used 2% with an increase to 2.5% commencing in 2034. The discount rate used to measure the total pension liability was 8.0%. This is a decrease from the discount rate at the prior measurement date of 8.25%. Details, if necessary, can be obtained from the TRA CAFR.

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION  
June 30, 2022

Note 1 CHANGE IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS – (Continued)

**B. Teacher's Retirement Association – (Continued)**

2015 changes:

There are no factors that affect trends in the amounts reported, such as change of benefit terms or assumptions. With only one year reported in the RSI, there is no additional information to include in notes. Details, if necessary, can be obtained from the TRA CAFR.

**C. Other Post-Employment Benefits**

2022 changes:

**Change of Assumptions.** The discount rate was increased to 3.18 percent from 1.94 percent

2021 changes:

**Change of Assumptions.** The discount rate was changed from 2.50% to 1.94% based on updated expectations of long-term returns on trust assets and 20-year municipal bond rates. Long-term expected rate of return on OPEB plan assets increased from 2.75% to 2.00% based on updated capital market assumptions. Healthcare trend rates were reset to reflect updated cost increase expectations. The District's fringe benefit increase rate was changed from 3.00% to general inflation rates to reflect recent experience. Medical per capita claims costs were updated to reflect recent experience and new plan offerings, including an adjustment to reflect age/gender-based risk scores published by the Society of Actuaries. Withdrawal, retirement, mortality, and salary increase rates were updated from the PERA General Employees Plan and 7/1/2018 Teachers Retirement Association valuations to the rates used in the 7/1/2020 valuations.

2021 changes (continued):

The percent of future non Medicare eligible retiree selecting each medical plan changed to reflect recent plan experience and new plan offerings. PEIP Advantage, Value and H.S.A. saw increases of 60%, 30%, and 10%, respectively. While \$200 PPO, \$3,375 H.S.A, and \$6,650 H.S.A saw decreases of 50%, 35%, and 15%, respectively.

The inflation assumption was changed from 2.50% to 2.25% based on an updated historical analysis of inflation rates and forward-looking market expectations. The payroll growth assumption was changed from 3.50% to 3.00% based on the 7/1/2020 Teachers Retirement Association valuation.

2020 changes:

**Change of Assumptions.** The discount rate was lowered from 3.03% to 2.50% and the long-term expected rate of return on OPEB plan assets increased from 2.50% to 2.75%. Index rate for 20-year, tax-exempt municipal bonds decreased from 3.13% to 2.45% and the medical trend rates were updated to exclude the Affordable Care Act's Excise Tax on high-cost health insurance plan due to its repeal. The fringe benefits for Teachers in 2019 and 2020 were updated from \$8,714 and \$8,914 to \$8,415 and \$8,665, respectively.

2019 changes:

**Change of Assumptions.** The discount rate was changed from 3.47% to 3.59% based on updated expectations of long-term returns on trust assets and 20-year municipal bond rates. Healthcare trend rates were reset to reflect updated cost increase expectations, including an adjustment to reflect the impact of the Affordable Care Act's Excise Tax on high-cost health insurance plans. Medical per capita claims costs were updated to reflect recent experience. The spouse age assumption was changed from assuming husbands are the same age as wives to assuming husbands are 3 years older than wives. This assumption change had no impact on liabilities.

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION  
June 30, 2022

Note 1 CHANGE IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS – (Continued)

**C. Other Post-Employment Benefits – (Continued)**

2018 changes:

**Change of Assumptions.** The actuarial cost method changed from using the Projected Unit Credit cost method to the Entry Age Normal level percent of pay cost method due to new GASB 74/75 accounting rules. The discount rate was changed from 3.00% to 3.47% based on updated expectations of long-term returns on trust assets and 20-year municipal bond rates. Healthcare trend rates were reset to reflect updated cost increase expectations, including an adjustment to reflect the impact of the Affordable Care Act's Excise Tax on high-cost health insurance plans. Medical per capita claims costs were updated to reflect recent experience. The spouse age assumption was changed from assuming husbands are the same age as wives to assuming husbands are 3 years older than wives. This assumption change had no impact on liabilities.

2017 changes:

**Change of Assumptions.** The discount rate was changed from 2.60% to 3.00% based on blend of expected asset class returns using historical market experience and current investment policy for the trust. Healthcare trend rates were reset to reflect updated cost increase expectations.

SUPPLEMENTAL INFORMATION SECTION

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2022

|  | Food<br>Service   | Community<br>Service | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|-------------------|----------------------|--|
| <b>ASSETS</b>  |                   |                      |  |
| Cash and Investments   | \$ 292,521        | \$ 110,725           | \$ 403,246                                 |
| Accounts Receivable  | 0                 | 9,110                | 9,110                                      |
| Property Taxes Receivable  | 0                 | 34,046               | 34,046                                     |
| Due from Minnesota Department of Education                               | 0                 | 6,008                | 6,008                                      |
| Due from Federal Through State   | 3,585             | 19,736               | 23,321                                     |
| Inventory  | 24,029            | 0                    | 24,029                                     |
| <b>TOTAL ASSETS</b>  | <b>\$ 320,135</b> | <b>\$ 179,625</b>    | <b>\$ 499,760</b>                          |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>       |                   |                      |  |
| <b>Liabilities:</b>  |                   |                      |  |
| Salaries and Benefits Payable  | \$ 21,378         | \$ 32,831            | \$ 54,209                                  |
| Accounts Payable   | 543               | 0                    | 543  |
| Unearned Revenue   | 10,316            | 0                    | 10,316                                     |
| Total Liabilities  | 32,237            | 32,831               | 65,068                                     |
| <b>Deferred Inflows of Resources:</b>                                    |                   |                      |  |
| Unavailable Revenue - Other Receivables                                  | 0                 | 9,110                | 9,110                                      |
| Unavailable Revenue - Delinquent Taxes                                   | 0                 | 808                  | 808  |
| Property Taxes Levied for Subsequent Year                                | 0                 | 64,889               | 64,889                                     |
| Total Deferred Inflows of Resources                                      | 0                 | 74,807               | 74,807                                     |
| <b>Fund Balance:</b>   |                   |                      |  |
| Nonspendable   | 24,029            | 0                    | 24,029                                     |
| Restricted   | 263,869           | 71,987               | 335,856                                    |
| Total Fund Balance   | 287,898           | 71,987               | 359,885                                    |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b> | <b>\$ 320,135</b> | <b>\$ 179,625</b>    | <b>\$ 499,760</b>                          |

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

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

|                                       | Food<br>Service | Community<br>Service | Total<br>Nonmajor<br>Governmental<br>Funds |
|---------------------------------------|-----------------|----------------------|--|
| <b>Revenues:</b>                      |                 |                      |  |
| Local Property Taxes                  | \$ 0            | \$ 63,876            | \$ 63,876                                  |
| Other Local and County Revenues       | 369             | 161,581              | 161,950                                    |
| Revenues From State Sources           | 20,356          | 60,758               | 81,114                                     |
| Revenues From Federal Sources         | 688,539         | 42,562               | 731,101                                    |
| Sales and Other Conversions of Assets | 82,308          | 0                    | 82,308                                     |
| Total Revenues                        | 791,572         | 328,777              | 1,120,349                                  |
| <b>Expenditures:</b>                  |                 |                      |  |
| Current:                              |                 |                      |  |
| Community Education and Services      | 0               | 339,608              | 339,608                                    |
| Pupil Support Services                | 587,076         | 0                    | 587,076                                    |
| Capital Outlay                        | 46,488          | 0                    | 46,488                                     |
| Total Expenditures                    | 633,564         | 339,608              | 973,172                                    |
| Change in Fund Balance                | 158,008         | (10,831)             | 147,177                                    |
| Fund Balance - Beginning              | 129,890         | 82,818               | 212,708                                    |
| Fund Balance - Ending                 | \$ 287,898      | \$ 71,987            | \$ 359,885                                 |



INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

COMBINING BALANCE SHEET - DEBT SERVICE FUNDS  
June 30, 2022

|   | General<br>Debt<br>Service | Other Post-<br>Employment<br>Benefit Bonds | Total<br>Debt Service<br>Funds |
|---|----------------------------|--|--------------------------------|
| <b>ASSETS</b>   |                            |  |                                |
| Cash and Cash Equivalents                                       | \$ 780,224                 | \$ 100,167                                 | \$ 880,391                     |
| Property Taxes Receivable                                       | 434,222                    | 80,384                                     | 514,606                        |
| Due From Minnesota Department of Revenue                        | 22,416                     | 346  | 22,762                         |
| <b>TOTAL ASSETS</b>   | <b>\$ 1,236,862</b>        | <b>\$ 180,897</b>                          | <b>\$ 1,417,759</b>            |
| <b>DEFERRED INFLOWS OF RESOURCES<br/>AND FUND BALANCE</b>       |                            |  |                                |
| <b>Deferred Inflows of Resources:</b>                           |                            |  |                                |
| Unavailable Revenue - Delinquent Property Taxes                 | \$ 9,664                   | \$ 1,936                                   | \$ 11,600                      |
| Property Taxes Levied For Subsequent Year                       | 756,773                    | 153,766                                    | 910,539                        |
| Total Deferred Inflows of Resources                             | 766,437                    | 155,702                                    | 922,139                        |
| <b>Fund Balance:</b>  |                            |  |                                |
| Restricted for Debt Service                                     | 470,425                    | 25,195                                     | 495,620                        |
| <b>TOTAL DEFERRED INFLOWS OF<br/>RESOURCES AND FUND BALANCE</b> | <b>\$ 1,236,862</b>        | <b>\$ 180,897</b>                          | <b>\$ 1,417,759</b>            |

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCE - DEBT SERVICE FUNDS  
For the Year Ended June 30, 2022

|  | General<br>Debt<br>Service | Other Post-<br>Employment<br>Benefit Bonds | Total<br>Debt Service<br>Funds |
|--|----------------------------|--|--------------------------------|
| <b>Revenues:</b>                             |                            |  |                                |
| Local Property Taxes                         | \$ 625,951                 | \$ 140,667                                 | \$ 766,618                     |
| Other Local and County Revenues              | 786                        | 141  | 927                            |
| Revenues From State Sources                  | 226,278                    | 3,458                                      | 229,736                        |
| Total Revenues                               | 853,015                    | 144,266                                    | 997,281                        |
| <b>Expenditures:</b>                         |                            |  |                                |
| Principal                                    | 655,000                    | 130,000                                    | 785,000                        |
| Interest and Other Fiscal Expenditures       | 209,275                    | 19,228                                     | 228,503                        |
| Total Expenditures                           | 864,275                    | 149,228                                    | 1,013,503                      |
| Excess of Revenues Over (Under) Expenditures | (11,260)                   | (4,962)                                    | (16,222)                       |
| <b>Other Financing Sources (Uses):</b>       |                            |  |                                |
| Sale of Bonds                                | 301,826                    | 0  | 301,826                        |
| Change in Fund Balance                       | 290,566                    | (4,962)                                    | 285,604                        |
| Fund Balance - Beginning                     | 179,859                    | 30,157                                     | 210,016                        |
| Fund Balance - Ending                        | \$ 470,425                 | \$ 25,195                                  | \$ 495,620                     |

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

BALANCE SHEET  
GENERAL FUND  
June 30, 2022

(With Comparative Amounts for June 30, 2021)

|  | 2022                | 2021                |
|--|---------------------|---------------------|
| <b>ASSETS</b>  |                     |                     |
| Cash and Investments   | \$ 2,892,140        | \$ 2,087,965        |
| Accounts Receivable  | 619                 | 7,105               |
| Property Taxes Receivable  | 625,024             | 624,406             |
| Due from Minnesota Department of Education                               | 629,888             | 751,179             |
| Due from Federal Through State   | 161,010             | 275,598             |
| Due from Other Minnesota School Districts                                | 20,922              | 31,098              |
| Due from Other Governmental Unit   | 560                 | 22,704              |
| Prepaid Items  | 235,566             | 157,742             |
| <b>TOTAL ASSETS</b>  | <b>\$ 4,565,729</b> | <b>\$ 3,957,797</b> |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>       |                     |                     |
| <b>Liabilities:</b>  |                     |                     |
| Salaries and Benefits Payable  | \$ 739,626          | \$ 714,516          |
| Accounts Payable   | 33,966              | 25,791              |
| Due to Other Minnesota School Districts                                  | 19,578              | 66,231              |
| Total Liabilities  | 793,170             | 806,538             |
| <b>Deferred Inflows of Resources:</b>                                    |                     |                     |
| Unavailable Revenue - Other Receivables                                  | 0                   | 13,966              |
| Unavailable Revenue - Delinquent Taxes                                   | 14,646              | 14,214              |
| Property Taxes Levied for Subsequent Year                                | 1,077,569           | 1,096,225           |
| Total Deferred Inflows of Resources                                      | 1,092,215           | 1,124,405           |
| <b>Fund Balance:</b>   |                     |                     |
| Nonspendable   | 235,566             | 157,742             |
| Restricted   | 685,810             | 433,350             |
| Unassigned   | 1,758,968           | 1,435,762           |
| Total Fund Balance   | 2,680,344           | 2,026,854           |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b> | <b>\$ 4,565,729</b> | <b>\$ 3,957,797</b> |

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND  
For the Year Ended June 30, 2022  
(With Comparative Amounts for the Year Ended June 30, 2021)

|  | 2022               |                   | Amount              | Over<br>(Under)   | 2021<br>Amount      |
|--|--------------------|-------------------|---------------------|-------------------|---------------------|
|  | Original<br>Budget | Final<br>Budget   |                     | Final<br>Budget   |                     |
| <b>Revenues:</b>                             |                    |                   |                     |                   |                     |
| Local Property Taxes                         | \$ 1,223,358       | \$ 1,219,744      | \$ 1,256,590        | \$ 36,846         | \$ 1,279,836        |
| Other Local and County Revenues              | 267,078            | 395,277           | 386,230             | (9,047)           | 264,457             |
| Revenues From State Sources                  | 6,876,752          | 7,210,356         | 7,069,190           | (141,166)         | 7,141,638           |
| Revenues From Federal Sources                | 269,230            | 956,787           | 1,112,545           | 155,758           | 735,910             |
| Sales and Other Conversion of Assets         | 800                | 1,850             | 417                 | (1,433)           | 884                 |
| Total Revenues                               | <u>8,637,218</u>   | <u>9,784,014</u>  | <u>9,824,972</u>    | <u>40,958</u>     | <u>9,422,725</u>    |
| <b>Expenditures:</b>                         |                    |                   |                     |                   |                     |
| Current:                                     |                    |                   |                     |                   |                     |
| District and School Administration           | 492,992            | 491,186           | 508,464             | 17,278            | 449,502             |
| District Support Service                     | 400,847            | 411,500           | 408,857             | (2,643)           | 350,415             |
| Regular Instruction                          | 3,991,563          | 4,273,998         | 4,086,031           | (187,967)         | 4,153,387           |
| Vocational Instruction                       | 179,833            | 165,073           | 160,922             | (4,151)           | 117,538             |
| Special Education Instruction                | 1,401,522          | 1,495,849         | 1,410,915           | (84,934)          | 1,326,797           |
| Instructional Support Services               | 105,447            | 210,657           | 234,361             | 23,704            | 147,576             |
| Pupil Support Services                       | 730,254            | 777,692           | 796,876             | 19,184            | 750,526             |
| Sites, Buildings, and Equipment              | 811,782            | 836,390           | 737,652             | (98,738)          | 970,423             |
| Other Fiscal Expenditures                    | 67,654             | 92,573            | 84,701              | (7,872)           | 67,609              |
| Total Current Expenditures                   | <u>8,181,894</u>   | <u>8,754,918</u>  | <u>8,428,779</u>    | <u>(326,139)</u>  | <u>8,333,773</u>    |
| Capital Outlay:                              |                    |                   |                     |                   |                     |
| General Government                           | 70,181             | 515,404           | 546,292             | 30,888            | 254,678             |
| Debt Service:                                |                    |                   |                     |                   |                     |
| Principal                                    | 157,827            | 157,827           | 169,918             | 12,091            | 170,322             |
| Interest                                     | 20,869             | 20,869            | 26,527              | 5,658             | 25,890              |
| Total Expenditures                           | <u>8,430,771</u>   | <u>9,449,018</u>  | <u>9,171,516</u>    | <u>(277,502)</u>  | <u>8,784,663</u>    |
| Excess of Revenues Over (Under) Expenditures | 206,447            | 334,996           | 653,456             | 318,460           | 638,062             |
| <b>Other Financing Sources (Uses):</b>       |                    |                   |                     |                   |                     |
| Issuance of Capital Lease                    | 0                  | 0                 | 0                   | 0                 | 74,233              |
| Sale of Capital Assets                       | 0                  | 35                | 35                  | (35)              | 0                   |
| Transfers Out                                | 0                  | 0                 | 0                   | 0                 | (118,473)           |
| Total Other Financing Sources (Uses)         | <u>0</u>           | <u>35</u>         | <u>35</u>           | <u>(35)</u>       | <u>(44,240)</u>     |
| Change in Fund Balance                       | <u>\$ 206,447</u>  | <u>\$ 335,031</u> | 653,491             | <u>\$ 318,425</u> | <u>593,822</u>      |
| Fund Balance - Beginning                     |                    |                   | <u>2,026,853</u>    |                   | <u>1,433,032</u>    |
| Fund Balance - Ending                        |                    |                   | <u>\$ 2,680,344</u> |                   | <u>\$ 2,026,854</u> |

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

BALANCE SHEET  
FOOD SERVICE FUND

June 30, 2022

(With Comparative Amounts for June 30, 2021)

|   | 2022              | 2021              |
|---|-------------------|-------------------|
| <b>ASSETS</b>                             |                   |                   |
| Cash and Investments                      | \$ 292,521        | \$ 61,823         |
| Accounts Receivable                       | 0                 | 155               |
| Due from Federal Through State            | 3,585             | 76,872            |
| Inventory                                 | 24,029            | 18,580            |
| <b>TOTAL ASSETS</b>                       | <b>\$ 320,135</b> | <b>\$ 157,430</b> |
| <b>LIABILITIES AND FUND BALANCE</b>       |                   |                   |
| <b>Liabilities:</b>                       |                   |                   |
| Salaries and Benefits Payable             | \$ 21,378         | \$ 13,597         |
| Accounts Payable                          | 543               | 0                 |
| Unearned Revenue                          | 10,316            | 13,943            |
| Total Liabilities                         | 32,237            | 27,540            |
| <b>Fund Balance:</b>                      |                   |                   |
| Nonspendable                              | 24,029            | 18,580            |
| Restricted                                | 263,869           | 111,310           |
| Total Fund Balance                        | 287,898           | 129,890           |
| <b>TOTAL LIABILITIES AND FUND BALANCE</b> | <b>\$ 320,135</b> | <b>\$ 157,430</b> |

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - FOOD SERVICE FUND  
For the Year Ended June 30, 2022  
(With Comparative Amounts for the Year Ended June 30, 2021)

|                                      | 2022               |                  | Amount            | Over<br>(Under)   | 2021<br>Amount    |
|--------------------------------------|--------------------|------------------|-------------------|-------------------|-------------------|
|                                      | Original<br>Budget | Final<br>Budget  |                   | Final<br>Budget   |                   |
| <b>Revenues:</b>                     |                    |                  |                   |                   |                   |
| Other Local and County Revenues      | \$ 250             | \$ 1,000         | \$ 369            | \$ (631)          | \$ 8              |
| Revenues From State Sources          | 27,800             | 94,564           | 20,356            | (74,208)          | 10,028            |
| Revenues From Federal Sources        | 366,575            | 463,351          | 688,539           | 225,188           | 530,907           |
| Sales and Other Conversion of Assets | 111,800            | 113,300          | 82,308            | (30,992)          | 15,957            |
| Total Revenues                       | <u>506,425</u>     | <u>672,215</u>   | <u>791,572</u>    | <u>119,357</u>    | <u>556,900</u>    |
| <b>Expenditures:</b>                 |                    |                  |                   |                   |                   |
| Current:                             |                    |                  |                   |                   |                   |
| Pupil Support Services               | 514,818            | 569,784          | 587,076           | 17,292            | 457,761           |
| Capital Outlay                       | 6,500              | 49,522           | 46,488            | (3,034)           | 0                 |
| Total Expenditures                   | <u>521,318</u>     | <u>619,306</u>   | <u>633,564</u>    | <u>14,258</u>     | <u>457,761</u>    |
| Change in Fund Balance               | <u>\$ (14,893)</u> | <u>\$ 52,909</u> | 158,008           | <u>\$ 105,099</u> | 99,139            |
| Fund Balance - Beginning             |                    |                  | <u>129,890</u>    |                   | <u>30,751</u>     |
| Fund Balance - Ending                |                    |                  | <u>\$ 287,898</u> |                   | <u>\$ 129,890</u> |

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

BALANCE SHEET  
COMMUNITY SERVICE FUND

June 30, 2022

(With Comparative Amounts for June 30, 2021)

|  | 2022              | 2021              |
|--|-------------------|-------------------|
| <b>ASSETS</b>  |                   |                   |
| Cash and Investments   | \$ 110,725        | \$ 147,909        |
| Accounts Receivable  | 9,110             | 2,697             |
| Property Taxes Receivable  | 34,046            | 33,673            |
| Due from Minnesota Department of Education                               | 6,008             | 6,699             |
| Due from Federal Through State   | 19,736            | 0                 |
| <b>TOTAL ASSETS</b>  | <b>\$ 179,625</b> | <b>\$ 190,978</b> |
| <br><b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>   |                   |                   |
| <b>Liabilities:</b>  |                   |                   |
| Salaries and Benefits Payable  | \$ 32,831         | \$ 28,619         |
| Unearned Revenue   | 0                 | 11,245            |
| Total Liabilities  | 32,831            | 39,864            |
| <br><b>Deferred Inflows of Resources:</b>                                |                   |                   |
| Unavailable Revenue - Other Receivables                                  | 9,110             | 2,697             |
| Unavailable Revenue - Delinquent Taxes                                   | 808               | 153               |
| Property Taxes Levied for Subsequent Year                                | 64,889            | 65,447            |
| Total Deferred Inflows of Resources                                      | 74,807            | 68,297            |
| <br><b>Fund Balance:</b>   |                   |                   |
| Restricted   | 71,987            | 82,817            |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b> | <b>\$ 179,625</b> | <b>\$ 190,978</b> |

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - COMMUNITY SERVICE FUND  
For the Year Ended June 30, 2022  
(With Comparative Amounts for the Year Ended June 30, 2021)

|  | 2022               |                 | Amount    | Over<br>(Under) | 2021<br>Amount |
|--|--------------------|-----------------|-----------|-----------------|----------------|
|  | Original<br>Budget | Final<br>Budget |           | Final<br>Budget |                |
| <b>Revenues:</b>                             |                    |                 |           |                 |                |
| Local Property Taxes                         | \$ 65,447          | \$ 64,042       | \$ 63,876 | \$ (166)        | \$ 53,209      |
| Other Local and County Revenues              | 103,615            | 123,615         | 161,581   | 37,966          | 105,903        |
| Revenues From State Sources                  | 73,242             | 68,571          | 60,758    | (7,813)         | 72,827         |
| Revenues From Federal Sources                | 0                  | 37,149          | 42,562    | 5,413           | 10,380         |
| Total Revenues                               | 242,304            | 293,377         | 328,777   | 35,400          | 242,319        |
| <b>Expenditures:</b>                         |                    |                 |           |                 |                |
| Community Education and Services             | 289,097            | 327,561         | 339,608   | 12,047          | 280,333        |
| Excess of Revenues Over (Under) Expenditures | (46,793)           | (34,184)        | (10,831)  | 23,353          | (38,014)       |
| <b>Other Financing Sources:</b>              |                    |                 |           |                 |                |
| Transfers In                                 | 0                  | 0               | 0         | 0               | 118,473        |
| Change in Fund Balance                       | \$ (46,793)        | \$ (34,184)     | (10,831)  | \$ 23,353       | 80,459         |
| Fund Balance - Beginning                     |                    |                 | 82,818    |                 | 2,358          |
| Fund Balance - Ending                        |                    |                 | \$ 71,987 |                 | \$ 82,817      |



INDEPENDENT SCHOOL DISTRICT NO. 314  
 BRAHAM, MINNESOTA  
 UNIFORM ACCOUNTING AND REPORTING STANDARDS  
 For the Year Ended June 30, 2022

|   | Audit       | UFARS              | Audit - UFARS |   | Audit       | UFARS              | Audit - UFARS |
|---|-------------|--------------------|---------------|---|-------------|--------------------|---------------|
| <b>01 GENERAL FUND</b>                  |             |                    |               | <b>06 BUILDING CONSTRUCTION</b>           |             |                    |               |
| Total Revenue                           | \$9,824,972 | <u>\$9,824,968</u> | \$4           | Total Revenue                             | (\$58,830)  | <u>(\$58,830)</u>  | \$0           |
| Total Expenditures                      | \$9,171,516 | <u>\$9,171,516</u> | \$0           | Total Expenditures                        | \$1,277,885 | <u>\$1,277,885</u> | \$0           |
| <i>Non Spendable:</i>                   |             |                    |               | <i>Non Spendable:</i>                     |             |                    |               |
| 4.60 Non Spendable Fund Balance         | \$235,566   | <u>\$235,566</u>   | \$0           | 4.60 Non Spendable Fund Balance           | \$0         | <u>\$0</u>         | \$0           |
| <i>Restricted / Reserved:</i>           |             |                    |               | <i>Restricted / Reserved:</i>             |             |                    |               |
| 4.01 Student Activities                 | \$67,061    | <u>\$67,061</u>    | \$0           | 4.07 Capital Projects Levy                | \$0         | <u>\$0</u>         | \$0           |
| 4.02 Scholarships                       | \$48,482    | <u>\$48,482</u>    | \$0           | 4.13 Project Funded by COP                | \$0         | <u>\$0</u>         | \$0           |
| 4.03 Staff Development                  | \$45,609    | <u>\$45,609</u>    | \$0           | 4.67 LTFM                                 | \$5,415,348 | <u>\$5,415,348</u> | \$0           |
| 4.07 Capital Projects Levy              | \$0         | <u>\$0</u>         | \$0           | <i>Restricted:</i>                        |             |                    |               |
| 4.08 Cooperative Revenue                | \$0         | <u>\$0</u>         | \$0           | 4.64 Restricted Fund Balance              | \$3,839,094 | <u>\$3,839,094</u> | \$0           |
| 4.13 Project Funded by COP              | \$0         | <u>\$0</u>         | \$0           | <i>Unassigned:</i>                        |             |                    |               |
| 4.14 Operating Debt                     | \$0         | <u>\$0</u>         | \$0           | 4.63 Unassigned Fund Balance              | \$0         | <u>\$0</u>         | \$0           |
| 4.16 Levy Reduction                     | \$0         | <u>\$0</u>         | \$0           |   |             |                    |               |
| 4.17 Taconite Building Maint            | \$0         | <u>\$0</u>         | \$0           | <b>07 DEBT SERVICE</b>                    |             |                    |               |
| 4.24 Operating Capital                  | \$90,848    | <u>\$90,848</u>    | \$0           | Total Revenue                             | \$853,015   | <u>\$853,016</u>   | (\$1)         |
| 4.26 \$25 Taconite                      | \$0         | <u>\$0</u>         | \$0           | Total Expenditures                        | \$864,275   | <u>\$864,275</u>   | \$0           |
| 4.27 Disabled Accessibility             | \$0         | <u>\$0</u>         | \$0           | <i>Non Spendable:</i>                     |             |                    |               |
| 4.28 Learning & Development             | \$0         | <u>\$0</u>         | \$0           | 4.60 Non Spendable Fund Balance           | \$0         | <u>\$0</u>         | \$0           |
| 4.34 Area Learning Center               | \$0         | <u>\$0</u>         | \$0           | <i>Restricted / Reserved:</i>             |             |                    |               |
| 4.35 Contracted Alt. Programs           | \$0         | <u>\$0</u>         | \$0           | 4.25 Bond Refundings                      | \$0         | <u>\$0</u>         | \$0           |
| 4.36 State Approved Alt. Program        | \$0         | <u>\$0</u>         | \$0           | 4.33 Maximum Effort Loan Aid              | \$0         | <u>\$0</u>         | \$0           |
| 4.38 Gifted & Talented                  | \$0         | <u>\$0</u>         | \$0           | 4.51 QZAB Payments                        | \$0         | <u>\$0</u>         | \$0           |
| 4.40 Teacher Development and Evaluation | \$0         | <u>\$0</u>         | \$0           | 4.67 LTFM                                 | \$0         | <u>\$0</u>         | \$0           |
| 4.41 Basic Skills Programs              | \$0         | <u>\$0</u>         | \$0           | <i>Restricted:</i>                        |             |                    |               |
| 4.48 Achievement and Integration        | \$0         | <u>\$0</u>         | \$0           | 4.64 Restricted Fund Balance              | \$470,425   | <u>\$470,425</u>   | \$0           |
| 4.49 Safe School Crime - Crime Levy     | \$860       | <u>\$860</u>       | \$0           | <i>Unassigned:</i>                        |             |                    |               |
| 4.51 QZAB Payments                      | \$0         | <u>\$0</u>         | \$0           | 4.63 Unassigned Fund Balance              | \$0         | <u>\$0</u>         | \$0           |
| 4.52 OPEB Liab Not In Trust             | \$0         | <u>\$0</u>         | \$0           |   |             |                    |               |
| 4.53 Unfunded Sev & Retirement Levy     | \$0         | <u>\$0</u>         | \$0           | <b>08 TRUST</b>                           |             |                    |               |
| 4.59 Basic Skills Extended Time         | \$0         | <u>\$0</u>         | \$0           | Total Revenue                             | \$5,136     | <u>\$5,136</u>     | \$0           |
| 4.67 LTFM                               | \$305,574   | <u>\$305,574</u>   | \$0           | Total Expenditures                        | \$6,250     | <u>\$6,250</u>     | \$0           |
| 4.72 Medical Assistance                 | \$116,755   | <u>\$116,755</u>   | \$0           | <i>Restricted / Reserved:</i>             |             |                    |               |
| 4.73 PPP Loan                           | \$0         | <u>\$0</u>         | \$0           | 4.01 Student Activities                   | \$0         | <u>\$0</u>         | \$0           |
| 4.74 EIDL Loan                          | \$0         | <u>\$0</u>         | \$0           | 4.02 Scholarships                         | \$0         | <u>\$0</u>         | \$0           |
| <i>Restricted:</i>                      |             |                    |               | 4.22 Unassigned Fund Balance (Net Assets) | \$661,572   | <u>\$661,572</u>   | \$0           |
| 4.64 Restricted Fund Balance            | \$10,621    | <u>\$10,621</u>    | \$0           |   |             |                    |               |
| 4.75 Title VII Impact Aid               | \$0         | <u>\$0</u>         | \$0           | <b>18 CUSTODIAL</b>                       |             |                    |               |
| 4.76 Payments in Lieu of Taxes          | \$0         | <u>\$0</u>         | \$0           | Total Revenue                             | \$0         | <u>\$0</u>         | \$0           |
| <i>Committed:</i>                       |             |                    |               | Total Expenditures                        | \$0         | <u>\$0</u>         | \$0           |
| 4.18 Committed for Separation           | \$0         | <u>\$0</u>         | \$0           | <i>Restricted / Reserved:</i>             |             |                    |               |
| 4.61 Committed Fund Balance             | \$0         | <u>\$0</u>         | \$0           | 4.01 Student Activities                   | \$0         | <u>\$0</u>         | \$0           |
| <i>Assigned:</i>                        |             |                    |               | 4.02 Scholarships                         | \$0         | <u>\$0</u>         | \$0           |
| 4.62 Assigned Fund Balance              | \$0         | <u>\$0</u>         | \$0           | 4.48 Achievement and Integration          | \$0         | <u>\$0</u>         | \$0           |
| <i>Unassigned:</i>                      |             |                    |               | 4.64 Restricted Fund Balance              | \$0         | <u>\$0</u>         | \$0           |
| 4.22 Unassigned Fund Balance            | \$1,758,968 | <u>\$1,758,966</u> | \$2           |   |             |                    |               |
|   |             |                    |               | <b>20 INTERNAL SERVICE</b>                |             |                    |               |
| <b>02 FOOD SERVICES</b>                 |             |                    |               | Total Revenue                             | \$0         | <u>\$0</u>         | \$0           |
| Total Revenue                           | \$791,572   | <u>\$791,571</u>   | \$1           | Total Expenditures                        | \$0         | <u>\$0</u>         | \$0           |
| Total Expenditures                      | \$633,564   | <u>\$633,565</u>   | (\$1)         | 4.22 Unassigned Fund Balance (Net Assets) | \$0         | <u>\$0</u>         | \$0           |
| <i>Non Spendable:</i>                   |             |                    |               |   |             |                    |               |
| 4.60 Non Spendable Fund Balance         | \$24,029    | <u>\$24,029</u>    | \$0           | <b>25 OPEB REVOCABLE TRUST</b>            |             |                    |               |
| <i>Restricted / Reserved:</i>           |             |                    |               | Total Revenue                             | \$0         | <u>\$0</u>         | \$0           |
| 4.52 OPEB Liab Not In Trust             | \$0         | <u>\$0</u>         | \$0           | Total Expenditures                        | \$0         | <u>\$0</u>         | \$0           |
| 4.74 EIDL Loan                          | \$0         | <u>\$0</u>         | \$0           | 4.22 Unassigned Fund Balance (Net Assets) | \$0         | <u>\$0</u>         | \$0           |
| <i>Restricted:</i>                      |             |                    |               |   |             |                    |               |
| 4.64 Restricted Fund Balance            | \$263,869   | <u>\$263,868</u>   | \$1           | <b>45 OPEB IRREVOCABLE TRUST</b>          |             |                    |               |
| <i>Unassigned:</i>                      |             |                    |               | Total Revenue                             | \$78,669    | <u>\$78,669</u>    | \$0           |
| 4.63 Unassigned Fund Balance            | \$0         | <u>\$0</u>         | \$0           | Total Expenditures                        | \$78,757    | <u>\$78,757</u>    | \$0           |
|   |             |                    |               | 4.22 Unassigned Fund Balance (Net Assets) | \$211,235   | <u>\$211,234</u>   | \$1           |
| <b>04 COMMUNITY SERVICE</b>             |             |                    |               |   |             |                    |               |
| Total Revenue                           | \$328,777   | <u>\$328,779</u>   | (\$2)         | <b>47 OPEB DEBT SERVICE</b>               |             |                    |               |
| Total Expenditures                      | \$339,608   | <u>\$339,608</u>   | \$0           | Total Revenue                             | \$144,266   | <u>\$144,264</u>   | \$2           |
| <i>Non Spendable:</i>                   |             |                    |               | Total Expenditures                        | \$149,228   | <u>\$149,228</u>   | \$0           |
| 4.60 Non Spendable Fund Balance         | \$0         | <u>\$0</u>         | \$0           | <i>Non Spendable:</i>                     |             |                    |               |
| <i>Restricted / Reserved:</i>           |             |                    |               | 4.60 Non Spendable Fund Balance           | \$0         | <u>\$0</u>         | \$0           |
| 4.26 \$25 Taconite                      | \$0         | <u>\$0</u>         | \$0           | <i>Restricted:</i>                        |             |                    |               |
| 4.31 Community Education                | \$36,192    | <u>\$36,192</u>    | \$0           | 4.25 Bond Refundings                      | \$0         | <u>\$0</u>         | \$0           |
| 4.32 E.C.F.E                            | (\$56,695)  | <u>(\$56,695)</u>  | \$0           | 4.64 Restricted Fund Balance              | \$25,195    | <u>\$25,194</u>    | \$1           |
| 4.40 Teacher Development and Evaluation | \$0         | <u>\$0</u>         | \$0           | <i>Unassigned:</i>                        |             |                    |               |
| 4.44 School Readiness                   | \$80,990    | <u>\$80,990</u>    | \$0           | 4.63 Unassigned Fund Balance              | \$0         | <u>\$0</u>         | \$0           |
| 4.47 Adult Basic Education              | \$0         | <u>\$0</u>         | \$0           |   |             |                    |               |
| 4.52 OPEB Liab Not In Trust             | \$0         | <u>\$0</u>         | \$0           |   |             |                    |               |
| 4.73 PPP Loan                           | \$0         | <u>\$0</u>         | \$0           |   |             |                    |               |
| 4.74 EIDL Loan                          | \$0         | <u>\$0</u>         | \$0           |   |             |                    |               |
| <i>Restricted:</i>                      |             |                    |               |   |             |                    |               |
| 4.64 Restricted Fund Balance            | \$11,501    | <u>\$11,501</u>    | \$0           |   |             |                    |               |
| <i>Unassigned:</i>                      |             |                    |               |   |             |                    |               |
| 4.63 Unassigned Fund Balance            | \$0         | <u>\$0</u>         | \$0           |   |             |                    |               |

SINGLE AUDIT AND OTHER REQUIRED REPORTS

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2022

| Federal Agency/Pass-Through<br>Grantor/Program Title   | Federal<br>Assistance<br>Listing<br>Number | Agency or<br>Pass-Through<br>Number | Expenditures       |
|--|--|-------------------------------------|--------------------|
| <b>U.S. Department of Agriculture:</b>   |  |                                     |                    |
| Passed Through Minnesota Department of Education:  |  |                                     |                    |
| Child Nutrition Cluster:   |  |                                     |                    |
| School Breakfast Program   | 10.553                                     | 01-0314-000                         | \$ 158,847         |
| Commodities Program (Noncash)  | 10.555                                     | 01-0314-000                         | 35,198             |
| National School Lunch Program  | 10.555                                     | 01-0314-000                         | 427,656            |
| Covid-19 - Supply Chain Assistance Funding   | 10.555C                                    | 01-0314-000                         | <u>17,277</u>      |
| Total Child Nutrition Cluster and U.S. Department of Agriculture   |  |                                     | <u>638,978</u>     |
| <b>U.S. Department of Treasury:</b>  |  |                                     |                    |
| Passed Through Minnesota Department of Education:  |  |                                     |                    |
| Covid-19 - Coronavirus State and Local Fiscal Recovery Funds   | 21.027C                                    | Unknown                             | <u>15,229</u>      |
| <b>U.S. Department of Education:</b>   |  |                                     |                    |
| Passed Through Minnesota Department of Education:  |  |                                     |                    |
| Title I - Grants to Local Education Agencies   | 84.010                                     | S010A20023A                         | 204,816            |
| Title II - Support Effective Instruction State Grants  | 84.367                                     | S367A200022                         | 29,383             |
| Education Stabilization Fund Cluster:  |  |                                     |                    |
| Covid-19 - 90% Elementary and Secondary School<br>Emergency Relief Fund (ESSER II)                           | 84.425D                                    | S425D210045                         | 552,901            |
| Covid-19 - 90% Elementary and Secondary School<br>Emergency Relief Fund (ESSER III)                          | 84.425U                                    | S425U210045                         | 297,434            |
| Covid-19 - Elementary and Secondary School Emergency<br>Relief Fund (American Rescue Plan (ARP) Homeless II) | 84.425W                                    | S425W210024                         | <u>5,752</u>       |
| Total Education Stabilization Fund Cluster   |  |                                     | 856,087            |
| Passed Through Special Education Cooperative District 6079:  |  |                                     |                    |
| Special Education Cluster:   |  |                                     |                    |
| Special Education Grants to States   | 84.027                                     | H027A200087                         | 20,000             |
| Special Education Grants to States (ARP)   | 84.027X                                    | H027A210087                         | 7,056              |
| Special Education Preschool Grants   | 84.173                                     | H173A200086                         | 304                |
| Special Education Infants and Toddlers Program   | 84.181                                     | H181A200029                         | <u>666</u>         |
| Total Special Education Cluster  |  |                                     | 28,026             |
| Passed Through Independent School District 139:  |  |                                     |                    |
| Carl Perkins Basic Grant Program   | 84.048                                     | Unknown                             | <u>13,510</u>      |
| Total U.S. Department of Education   |  |                                     | <u>1,131,822</u>   |
| <b>U.S. Department of Health and Human Services:</b>   |  |                                     |                    |
| Passed Through Minnesota Department of Education:  |  |                                     |                    |
| Epidemiology and Laboratory Capacity for Infectious Diseases   | 93.323                                     | Unknown                             | 40,000             |
| Passed Through Minnesota Depart. of Health & Human Services:   |  |                                     |                    |
| Child Care and Development Block Grant   | 93.575                                     | Unknown                             | <u>9,120</u>       |
| Total U.S. Department of Health and Human Services   |  |                                     | <u>49,120</u>      |
| Total Federal Expenditures   |  |                                     | <u>\$1,835,149</u> |

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
June 30, 2022

Note 1 REPORTING ENTITY

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Independent School District No. 314, Braham, Minnesota. The District's reporting entity is defined in Note 1 to the financial statements.

Note 2 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the District under programs of the federal government for the year ended June 30, 2022. The information is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

Note 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the Schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in Title 2 *U.S. Code of Federal Regulations* Part 200, Subpart E – Cost Principles, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Note 4 FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed.

Note 5 SUBRECIPIENTS

No federal financial assistance has been provided to a subrecipient.

Note 6 DE MINIMIS COST RATE

The District elected not to charge the de minimis indirect cost rate of 10% to federal programs.



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

Members of the School Board  
Independent School District No. 314  
Braham, Minnesota

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the Independent School District No. 314, Braham, Minnesota, (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District’s major federal programs for the year ended June 30, 2022. The District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

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

***Basis for Opinion on Each Major Federal Program***

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

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

***Responsibilities of Management for Compliance***

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

### *Auditor's Responsibilities for the Audit of Compliance*

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

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

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

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

### **Report on Internal Control over Compliance**

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

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

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

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

*Burkhardt & Burkhardt, Ltd.*

Burkhardt & Burkhardt, Ltd.  
Mankato, Minnesota  
November 3, 2022



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## MINNESOTA LEGAL COMPLIANCE

### Independent Auditor's Report

Members of the School Board  
Independent School District No. 314  
Braham, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 314, Braham, Minnesota, (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, and have issued our report thereon dated November 3, 2022.

The *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat. §6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards for school districts.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for School Districts*, except as noted in the schedule of findings and questioned costs. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions.

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

*Burkhardt & Burkhardt, Ltd.*

Burkhardt & Burkhardt, Ltd.  
Mankato, Minnesota  
November 3, 2022





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

Members of the School Board  
Independent School District No. 314  
Braham, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 314, Braham, Minnesota (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 3, 2022.

### Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we identified a deficiency in internal control that we consider to be a material weakness. However, other material weaknesses may exist that have not been identified.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. As described in the accompanying schedule of findings and responses, we consider the following deficiency in internal control to be a material weakness as item 2022-001.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, that we consider to be significant deficiencies as items 2022-002 and 2022-003.

**Compliance and Other Matters**

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

**District’s Response to Findings**

The District’s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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

*Burkhardt & Burkhardt, Ltd.*

Burkhardt & Burkhardt, Ltd.  
Mankato, Minnesota  
November 3, 2022

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2022

**Part I Summary of Audit Results**

1. The auditor's report expresses an unmodified opinion on the basic financial statements of the District.
2. One material weakness and two significant deficiencies were disclosed during the audit of the basic financial statements of the District.
3. No instances of noncompliance material to the basic financial statements of the District were disclosed during the audit.
4. The auditor's report on compliance for the major federal programs of the District expresses an unmodified opinion.
5. Audit findings relative to the major federal programs for the District are reported in Part III of this schedule.
6. The following were tested as major programs:
  - a. School Breakfast Program – Assistance Listing Number 10.553
  - b. National School Lunch Program – Assistance Listing Number 10.555
  - c. National School Lunch Program – Supply Chain Assistance – Assistance Listing Number 10.555C
  - d. Title I, Part A – Assistance Listing Number 84.010
7. The dollar threshold for distinguishing between Type A and Type B programs was \$750,000.
8. The District does not qualify as low-risk auditee.

**Part II Findings - Financial Statements Audit**

**CURRENT YEAR FINDINGS**

Material Weakness

**2022-001. Adjusting journal entries**

- Condition:* The audit firm proposed, and the District posted to its general ledger journal entries to correct certain year-end account balances and reclass transactions to their correct accounts.
- Criteria:* The District should have controls in place to adjust year-end balances to the correct amounts and ensure transactions are recorded appropriately.
- Cause:* Limited resources of the District.
- Effect:* The potential exists that a material misstatement could exist in the financial statements and not be prevented or detected by the District's internal controls.
- Recommendation:* The District should continue to evaluate their internal processes to determine if additional internal control procedures should be implemented to ensure that accounts are adjusted to their appropriate year-end balances in accordance with GAAP.

Corrective Action Plan (CAP)

- a) *Actions Planned in Response to the Finding:* The District will consider putting new procedures in place to ensure that all balances are properly adjusted at year-end in the District's general ledger. The District will review all adjusting entries posted this year and make all such necessary adjustments in the future. The business manager will continue to monitor all financial activity and adjust account balances as needed throughout the year and at year end to prevent material misstatements from occurring.

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2022

**2022-001. Adjusting journal entries – (Continued)**

Corrective Acton Plan (CAP) – (Continued)

- b) *Official Responsible for Ensuring Corrective Action:* Jessica Olson, the business manager, will monitor the effectiveness of the above actions and make changes as considered appropriate.
- c) *Planned Completion Date for the Corrective Action:* The corrective action plan for this finding will be completed by June 30, 2023.
- d) *Explanation of Disagreement:* There is no disagreement with the audit finding.
- e) *Plan to Monitor Completion of Corrective Action:* The School Board will be monitoring this corrective action plan to review the recommendations and take appropriate action.

Significant Deficiencies

**2022-002. Preparation of financial statements and related footnotes**

- Condition:* We were requested to assist in drafting the financial statements and related footnote disclosures as part of our regular audit services.
- Criteria:* Management is responsible for the preparation and fair presentation of the financial statements.
- Cause:* The District has informed us they do not have ability to prepare the annual financial statements.
- Effect:* By having someone other than management prepare the financial statements, transactions or disclosures could be excluded or included that could materially affect the report.
- Recommendation:* The District should accept this risk and continue to have their audit firm prepare the financial statements as the cost to correct this deficiency outweighs the benefit.

Corrective Acton Plan (CAP)

- a) *Actions Planned in Response to the Finding:* The District does not plan to take any action but is aware of the condition. Based on the cost of correcting this deficiency, the District has decided to accept the risk associated with this deficiency.
- b) *Official Responsible for Ensuring Corrective Action:* Jessica Olson, the business manager, and Ken Gagner, the superintendent, will review the financial statements and related footnotes and approve them.
- c) *Planned Completion Date for the Corrective Action:* The corrective action plan for this finding will be completed by June 30, 2023.
- d) *Explanation of Disagreement:* There is no disagreement with the audit finding.
- e) *Plan to Monitor Completion of Corrective Action:* The School Board will be monitoring this corrective action plan.

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2022

**2022-003. Segregation of Duties**

- Condition:* During our audit, we reviewed internal control procedures over receipts and disbursements, and found the District to have limited segregation of duties in these areas.
- Criteria:* There are four general categories of duties: authorization, custody, record keeping, and reconciliation. No one person should have control over more than two of these four responsibilities.
- Cause:* As a result of limited staff, the Business Manager performs too many accounting duties for the District.
- Effect:* The existence of limited segregation of duties increases the risk of fraud.
- Recommendation:* While we recognize the inability to eliminate this deficiency due to limited staff, we recommend that an individual, separate from the Business Manager, review check images on the bank statement, investigate voided checks, inconsistent check sequences, and unusual payees.

Corrective Action Plan (CAP)

- a) *Actions Planned in Response to the Finding:* The District has determined the benefit of adequately segregating duties is less than the cost. Based on this assessment, the District is accepting the risk posed by the deficiency while also evaluating mitigating controls that will help reduce the risk of material misstatement of the financial statements. Management is attempting to mitigate the associated risks by doing the following:
1. Identifying areas lacking segregation of duties and where there are higher risks of fraud occurring.
  2. Implementing limited segregation to the extent possible to reduce risks without impairing efficiency.
  3. Using the knowledge of management and the School Board to review accounting records and reports.
- b) *Official Responsible for Ensuring Corrective Action:* Jessica Olson, the business manager, will monitor the effectiveness of the above actions and make changes as considered appropriate.
- c) *Planned Completion Date for the Corrective Action:* The corrective action plan for this finding will be completed by June 30, 2023.
- d) *Explanation of Disagreement:* There is no disagreement with the audit finding.
- e) *Plan to Monitor Completion of Corrective Action:* The School Board will be monitoring this corrective action plan to review the recommendations and take appropriate action.

INDEPENDENT SCHOOL DISTRICT NO. 314  
BRAHAM, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2022

**Part III Findings and Questioned Costs - Major Federal Programs Audit**

No findings or questioned costs were noted relating to Federal Award Programs.

**Part IV Minnesota Legal Compliance**

**2022-004. Miscellaneous Provisions**

Minnesota Statute §465.03 requires all acceptance of gifts made by resolution of the governing board adopted by a two-third majority of its members.

During 2022, the District did not accept all gifts by passing a resolution of the Boards.

District's response:

The District will ensure all acceptances of gifts are made as stated in Minnesota Statute §465.03.

**STATUS OF PRIOR AUDIT FINDINGS**

The prior audit contained three findings:

**2021-001. Preparation of financial statements and related footnotes**

*Condition:* The District does not have an internal control system designed to provide for the preparation of the financial statements being audited.

*Current status:* This condition is noted during the current year audit of the financial statements.

**2021-002. Segregation of Duties**

*Condition:* The District has a limited number of office personnel and, accordingly, does not have adequate internal controls in certain areas because of a lack of segregation of duties. This finding was again noted for the current year.

*Current status:* This condition is noted during the current year audit of the financial statements.

**2021-003. Adjusting Journal Entries**

*Condition:* The audit firm proposed, and the District posted to its general ledger, journal entries to correct certain year-end general ledger balances.

*Current status:* This condition is noted during the current year audit of the financial statements.