Financial Statements
June 30, 2022

Independent School District No. 150
Hawley Area Public Schools

EideBailly

Additional Reports

Name	Position	Term Expires
School Board		
Cody Marshall	Chairperson	2023
Jeff Lee	Vice Chairperson	2023
Mark Sellin	Clerk	2025
Steve Olson	Treasurer	2025
Kara Brager	Director	2025
Bobbi Siegel	Director	2023
Theodore "TJ" Tibbetts	Director	2025
Administration		
Phil Jensen	Superintendent	
Maria Beringer	Business Manager	

Independent Auditor's Report

The School Board of
Independent School District No. 150
Hawley Area Public Schools
Hawley, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 150 ("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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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.

Adoption of New Accounting Standard

As discussed in Notes 1 and 11 to the financial statements, the District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2021. Our opinions are not modified with respect to this matter.

Correction of Error

As discussed in Note 11 to the financial statements, certain errors resulting in overstatement of amounts previously reported for revenue as of June 30, 2021, were discovered by management of the District during the current year. Accordingly, a restatement has been made to the Governmental Activities Net Position and Nonmajor Fund Balance as of July 1, 2021, to correct the error. Our opinions are not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

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

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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the District's total OPEB liability and related ratios, and schedule of employer's share of net pension liability and schedule of employer's contributions 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 supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund schedules and the uniform financial accounting and reporting standards compliance table are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund schedules, the uniform financial accounting and reporting standards compliance table, and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 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.

Report on Other Legal and Regulatory Requirements

In accordance with Legal Compliance Audit Guide prepared by the Office of the State Auditor pursuant to Minn. Stat. §6.65, we have also issued a report dated November 8, 2022, on our consideration of the District's compliance with aspects of the provisions of the Minnesota Legal Compliance Audit Guide for School Districts. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not directed primarily toward obtaining knowledge of noncompliance. That report is an integral part of procedures performed in accordance with Office of the State Auditor's Minnesota Legal Compliance Audit Guide for School Districts in considering the District's compliance with certain regulatory requirements pursuant to Minn. Stat. §6.65.

Eide Bailly LLP

Fargo, North Dakota
November 8, 2022

This section of Hawley Area Public Schools – Independent School District No. 150's 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.

Financial Highlights

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

- *General Fund 01* – The overall revenues were $11,867,233 while the overall expenditures were $12,108,689. These, along with net other financing sources of $8,312, decreased the fund balance by $233,144.
- *Food Service Fund 02* – The overall revenues were $838,238 while the overall expenditures were $653,768. These increased the fund balance by $184,470.
- *Community Service Fund 04* – The overall revenues were $645,245 while the overall expenditures were $579,185. These increased the fund balance by $66,060.
- *Capital Projects Fund 06* – The overall revenues were $2,732 while the overall expenditures were $7,380. These decreased the fund balance by $4,648.
- *Debt Service Fund 07* – The overall revenues were $1,287,225 while the overall expenditures were $1,550,598. These decreased the fund balance by $263,373.

Overview of the Financial Statements

Government-Wide Statements

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

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

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

- To assess the overall health of the District you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

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

Fund Financial Statements

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

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

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

The District has two kinds of funds:

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

- *Fiduciary Funds* – The District is the trustee, or fiduciary, for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only by those to whom the assets belong.

Financial Analysis of the District as a Whole

Net Position

The District's combined net position was $5,126,985 on June 30, 2022.

Statement of Net Position
June 30, 2022 and 2021

	2022	2021 (as restated)
Assets		
Current assets	$ 14,533,637	$ 14,432,445
Capital assets	21,289,568	21,634,764
Total assets	35,823,205	36,067,209
Deferred Outflows of Resources	2,893,375	3,246,605
Liabilities		
Other liabilities	978,245	1,544,104
Long-term liabilities	22,559,320	25,686,489
Total liabilities	23,537,565	27,230,593
Deferred Inflows of Resources	10,052,030	7,933,433
Net Position		
Net investment in capital assets	3,888,190	11,094,265
Restricted for specific purposes	8,834,450	8,688,612
Unrestricted	(7,595,655)	(15,633,089)
Total net position	$ 5,126,985	$ 4,149,788

Changes in Net Position – The District's total revenues were approximately $14.7 million for the year ended June 30, 2022. Property taxes and state formula aid accounted for 81.7% of total revenue for the year. Another 17.2% came from program revenues.

The total cost of all programs and services was approximately $13.7 million. The District's expenses are predominantly related to educating and caring for students. The purely administrative activities of the District accounted for just 5.0% of total costs.

The total revenues exceeded expenses, increasing the net position by approximately $1.0 million for fiscal year 2022.

Statement of Activities
Years Ended June 30, 2022 and 2021

	2022	2021 (as restated)
Revenues		
Program revenues		
Charges for service	$ 1,206,923	$ 862,483
Operating grants and contributions	1,313,371	1,347,522
General		
Property taxes	2,093,835	2,236,206
Aids and payments from state and other	9,881,107	9,352,532
Miscellaneous revenues	159,197	15,119
Total revenues	14,654,433	13,813,862
Expenses		
Administration	687,555	635,371
District support services	546,547	413,422
Regular instruction	5,452,272	6,038,478
Vocational instruction	270,538	273,195
Special education instruction	1,468,239	1,312,954
Community education and services	579,187	451,717
Instructional support services	377,536	417,594
Pupil support services	1,343,609	1,136,409
Sites and buildings	2,211,291	2,134,272
Fiscal and other fixed-cost programs	740,462	727,585
Total expenses	13,677,236	13,540,997
Change in Net Position	977,197	272,865
Net Position - Beginning, as Restated for 2022 (Note 11)	4,149,788	3,876,923
Net Position - Ending	$ 5,126,985	$ 4,149,788

General Fund

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

The following schedule presents a summary of General Fund Revenues.

	Year Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2022	2021		
Local property taxes	$ 1,068,346	$ 1,097,972	$ (29,626)	-2.7%
Other local sources	771,263	481,722	289,541	60.1%
State sources	9,557,028	9,274,013	283,015	3.1%
Federal sources	458,323	487,022	(28,699)	-5.9%
Miscellaneous	12,273	6,875	5,398	78.5%
Total general fund revenues	$ 11,867,233	$ 11,347,604	$ 519,629	4.6%

Total General Fund revenue increased by $519,629 or 4.6% from the previous year. Basic general education revenue is determined by a state per student funding formula and consists of an equalized mix of property tax and state aid revenue. The mix of property tax and state aid can change significantly from year to year without any net change on revenue. Federal aid decreased during 2022 as a result of additional grant funding received through the CARES Act in the prior year. Other local sources increased over the prior year due to student activity fundraising in the current year not done in the prior year, most notably the band/choir trip.

The following schedule presents a summary of General Fund expenditures.

	Year Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2022	2021		
Salaries and benefits	$ 8,553,886	$ 8,108,127	$ 445,759	5.5%
Purchased services	1,444,991	1,187,707	257,284	21.7%
Supplies and materials	1,110,752	817,742	293,010	35.8%
Capital expenditures	760,652	623,054	137,598	22.1%
Other expenditures	238,408	264,771	(26,363)	-10.0%
Total general fund expenditures	$ 12,108,689	$ 11,001,401	$ 1,107,288	10.1%

Total General Fund expenditures increased by $1,107,288 or 10.1% from the previous year. The majority of the increase in expenditures for 2022 was for salaries and benefits of district staff. Supplies and materials increased primarily due to increased student activities that could not operate in the prior years due to COVID-19 along with increased inflation.

General Fund Budgetary Highlights

The District's general fund results when compared to the final budget are:

- Actual revenues were $982,623 more than budget, mainly because of an increase in enrollment numbers resulting in higher than anticipated state aids, COVID revenues and band trip fundraising activities not included in the budget.
- Actual expenditures were $1,120,899 more than budget.

Other Non-Major Funds

The Food Service Fund incurred a current year surplus of $184,470. The Community Service Fund incurred a current year surplus of $66,060. From the standpoint of maintaining current operating expenditures within the range of annual revenue, the Community Service Fund and Food Service Fund continue to operate on a sound financial basis. The capital projects fund incurred a current year deficit of $4,648, which is expected to be eliminated through a transfer from the general fund to close the fund.

Capital Assets

By the end of fiscal year 2022, the District had invested approximately $35.4 million in a broad range of capital assets, including school buildings, athletic facilities, computer and audit-visual equipment, and school vehicles. Total depreciation/amortization expense for the year was $1,237,725. Note 5 presents the detail of the District's capital assets.

Capital Assets Governmental Activities
June 30, 2022 and 2021

	2022	2021, as restated
Land	$ 112,700	$ 112,700
Buildings	31,995,599	31,513,255
Improvements	1,186,837	1,093,703
Equipment	1,845,058	1,812,703
Right-to-use Lease Assets	308,009	214,530
Accumulated Depreciation/Amortization	(14,158,635)	(13,112,127)
Total capital assets	$ 21,289,568	$ 21,634,764

Long-Term Liabilities

At year end the District had $17,507,623 of long term debt, excluding pension and OPEB liabilities. This consisted of bonded indebtedness of $16,920,000, unamortized bond premiums of $257,995, leases payable of $223,383 and severance payable of $106,245. Note 7 presents the detail of the District's long-term debt. Note 6 presents the detail of the District's leases. The District has $331,959 in liabilities for other postemployment benefits. See Note 8 for further information on OPEB obligations. The District has $4,719,738 in net pension liability at June 30, 2022. See Note 9 for further information on pensions.

Factors Bearing on the District's Future

With the exception of voter-approved excess operating referendum, the District is dependent on the State of Minnesota for its revenue authority. At the time these financial statements were prepared and audited, the District was aware of the following factors that could significantly affects its financial health in the future.

- The political environment at the state level will have a significant effect on future finances. The state legislature sets the amount of revenue from aids and levies that Minnesota school districts will receive.

- In the fall of 2022, the District will be seeking a voter approved bond referendum for up to $56M to build a new middle school and make improvements to the existing elementary, high school, and physical education and athletic facilities.

- Enrollment fluctuations can have a significant effect on the District's revenue. The District will continue to monitor enrollment closely and adjust budgets as necessary.

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 the Business Office, Independent School District No. 150, Hawley, Minnesota.

Independent School District No. 150
Hawley Area Public Schools
Statement of Net Position
June 30, 2022

Assets	
Cash and cash equivalents	$ 4,098,629
Receivables	
Current property taxes	1,880,058
Delinquent property taxes	33,798
Accounts	108,840
Due from other governmental units	1,361,472
Prepaid items	60,077
Inventories	415,777
Cash held with fiscal agent	6,574,986
	14,533,637
Capital assets	
Capital assets not being depreciated	
Land	112,700
Capital assets, net of accumulated depreciation/amortization	
Buildings and improvements	19,612,512
Land improvements	550,073
Equipment	816,947
Right-to-use assets	197,336
Total capital assets	21,289,568
Total assets	35,823,205
Deferred Outflows of Resources	
Other postemployment benefits	47,294
Pension plans	2,846,081
Total deferred outflows of resources	2,893,375
Liabilities	
Accounts payable	723,043
Salaries payable	48,301
Accrued interest payable	159,069
Unearned revenue	47,832
Long-term liabilities	
Due within one year - other than pensions and OPEB	1,061,242
Due in more than one year - other than pensions and OPEB	16,446,381
Due in more than one year - other postemployment benefits	331,959
Due in more than one year - net pension liability	4,719,738
Total liabilities	23,537,565
Deferred Inflows of Resources	
Property taxes levied for subsequent year	2,188,801
Other postemployment benefits	159,819
Pension plans	7,703,410
Total deferred inflows of resources	10,052,030
Net Position	
Net investment in capital assets	3,888,190
Restricted for specific purposes	8,834,450
Unrestricted	(7,595,655)
Total net position	$ 5,126,985

		Program Revenues			Net (Expense)
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Governmental activities					
Administration	$ 687,555	$ -	$ -	$ -	$ (687,555)
District support services	546,547	-	-	-	(546,547)
Regular instruction	5,452,272	480,372	174,373	-	(4,797,527)
Vocational instruction	270,538	-	-	-	(270,538)
Special education instruction	1,468,239	155,904	6,073	-	(1,306,262)
Community education and services	579,187	522,932	50,067	-	(6,188)
Instructional support services	377,536	-	-	-	(377,536)
Pupil support services	1,343,609	44,983	845,218	-	(453,408)
Sites and buildings	2,211,291	2,732	237,640	-	(1,970,919)
Fiscal and other fixed-cost programs	740,462	-	-	-	(740,462)
Total governmental activities	$ 13,677,236	$ 1,206,923	$ 1,313,371	$ -	(11,156,942)
General Revenues					
Property taxes, levied for general purposes					1,082,106
Property taxes, levied for community education and services					37,354
Property taxes, levied for debt service					974,375
Aids and payments from state sources					9,633,115
Aids and payments from federal sources					227,877
County apportionment					20,115
Unrestricted investment earnings					4,684
Miscellaneous revenues					154,513
Total general revenues					12,134,139
Change in Net Position					977,197
Net Position - Beginning, as Restated (Note 11)					4,149,788
Net Deficit - Ending					$ 5,126,985

Governmental Funds
Balance Sheet
June 30, 2022

	General	Debt Service	Other Governmental Funds	Totals
Assets				
Cash and cash equivalents	$ 2,972,969	$ 433,018	$ 692,642	$ 4,098,629
Cash held with fiscal agent	-	6,574,986	-	6,574,986
Receivables				
Current property taxes	800,389	1,038,305	41,364	1,880,058
Delinquent property taxes	15,608	17,446	744	33,798
Accounts	88,095	-	20,745	108,840
Due from other governmental units	1,325,305	31,085	5,082	1,361,472
Prepaid items	60,077	-	-	60,077
Inventories	392,162	-	23,615	415,777
Total assets	$ 5,654,605	$ 8,094,840	$ 784,192	$ 14,533,637
Liabilities				
Accounts payable	$ 665,751	$ -	$ 57,292	$ 723,043
Salaries payable	48,301	-	-	48,301
Unearned revenue	342	-	47,490	47,832
Total liabilities	714,394	-	104,782	819,176
Deferred Inflows of Resources				
Unavailable revenue-property taxes	6,438	7,196	307	13,941
Property taxes levied for subsequent year	934,671	1,218,405	55,582	2,208,658
Total deferred inflows of resources	941,109	1,225,601	55,889	2,222,599
Fund Balance				
Nonspendable	452,239	-	23,615	475,854
Restricted	1,305,423	7,070,000	599,906	8,975,329
Committed	106,245	-	-	106,245
Assigned	2,375,000	-	-	2,375,000
Unassigned	(239,805)	(200,761)	-	(440,566)
Total fund balance	3,999,102	6,869,239	623,521	11,491,862
Total liabilities, deferred inflows of resources, and fund balance	$ 5,654,605	$ 8,094,840	$ 784,192	$ 14,533,637

Reconciliation of the Balance Sheet to the Statement of Net Position
June 30, 2022

Total Fund Balances - Governmental Funds	$ 11,491,862
Amounts reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources, and, therefore, are not reported as assets in the governmental funds.	21,289,568
Accrued interest payable for long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(159,069)
Delinquent property taxes are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	33,798
Deferred outflows and inflows of resources related to pension and OPEB plans are applicable to future periods and, therefore, are not reported in the funds.	(4,969,854)
Long-term liabilities, including bonds payable, unamortized bond premium, leases, severance payable, other post-employment benefits, and pension liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(22,559,320)
Total Net Position - Governmental Activities	$ 5,126,985

Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2022

	General	Debt Service	Other Governmental Funds	Totals
Revenues				
Local property tax levies	$ 1,068,346	$ 974,375	$ 48,973	$ 2,091,694
Other local and county sources	760,864	-	530,959	1,291,823
Investment earnings	4,684	-	2,732	7,416
Rental income	5,715	-	-	5,715
State sources	9,557,028	312,850	112,278	9,982,156
Federal sources	458,323	-	748,884	1,207,207
Sales and other conversion of assets	12,273	-	42,389	54,662
Total revenues	11,867,233	1,287,225	1,486,215	14,640,673
Expenditures				
Current				
Administration	687,555	-	-	687,555
District support services	494,202	-	-	494,202
Regular instruction	5,978,567	-	-	5,978,567
Vocational instruction	285,980	-	-	285,980
Special education instruction	1,464,788	-	-	1,464,788
Community education and service	-	-	579,185	579,185
Instructional support services	344,967	-	-	344,967
Pupil support services	613,231	-	633,454	1,246,685
Sites and buildings	1,320,315	-	-	1,320,315
Fiscal and other fixed cost programs	62,448	267,792	-	330,240
Debt service				
Principal	84,626	840,000	-	924,626
Interest	11,358	442,806	-	454,164
Capital outlay	760,652	-	27,694	788,346
Total expenditures	12,108,689	1,550,598	1,240,333	14,899,620
Excess (Deficiency) of Revenues Over (Under) Expenditures	(241,456)	(263,373)	245,882	(258,947)
Other Financing Sources				
Leases (as lessee)	8,312		-	8,312
Net Change in Fund Balance	(233,144)	(263,373)	245,882	(250,635)
Fund Balance, Beginning, as Restated (Note 11)	4,232,246	7,132,612	377,639	11,742,497
Fund Balance, End of Year	$ 3,999,102	$ 6,869,239	$ 623,521	$ 11,491,862

Net Change in Fund Balances - Total Governmental Funds	$	(250,635)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives as depreciation expense.		
Capital outlay		892,529
Depreciation expense		(1,237,725)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		13,760
In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.		128,338
In the statement of activities, OPEB liabilities are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.		32,751
In the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. In the governmental funds, however, the contributions are reported as an expense.		534,448
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 of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		863,731
Change in Position of Governmental Activities	$	977,197

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Local property tax levies	$ 1,047,661	$ 1,047,661	$ 1,068,346	$ 20,685
Other local and county sources	453,151	453,151	760,864	307,713
Investment earnings	2,000	2,000	4,684	2,684
Rental income	5,000	5,000	5,715	715
State sources	9,281,950	9,281,950	9,557,028	275,078
Federal sources	94,848	94,848	458,323	363,475
Sales and other conversion of assets	-	-	12,273	12,273
Total revenues	10,884,610	10,884,610	11,867,233	982,623
Expenditures				
Current				
Administration	683,647	683,647	687,555	(3,908)
District support services	443,318	443,318	494,202	(50,884)
Regular instruction	5,441,887	5,449,387	5,978,567	(529,180)
Vocational instruction	210,299	210,299	285,980	(75,681)
Special education instruction	1,414,472	1,414,472	1,464,788	(50,316)
Instructional support services	480,950	471,950	344,967	126,983
Pupil support services	735,657	735,657	613,231	122,426
Sites and buildings	1,203,164	1,203,164	1,320,315	(117,151)
Fiscal and other fixed cost programs	126,500	126,500	62,448	64,052
Debt Service				
Principal	96,524	-	84,626	(84,626)
Interest	28,476	-	11,358	(11,358)
Capital outlay	123,396	249,396	760,652	(511,256)
Total expenditures	10,988,290	10,987,790	12,108,689	(1,120,899)
Deficiency of Revenues under Expenditures	(103,680)	(103,180)	(241,456)	(138,276)
Other Financing Sources				
Leases (as lessee)	-	-	8,312	8,312
Net Change in Fund Balance	$ (103,680)	$ (103,180)	(233,144)	$ (129,964)
Fund Balance, Beginning of Year			4,232,246	
Fund Balance, End of Year			$ 3,999,102	

Statement of Fiduciary Net Position
June 30, 2022

	Custodial Fund
Assets	
Cash and investments	$ -
Net position	
Unrestricted	$ -

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

	Custodial Fund
Additions	
Scholarships	$ 6,633
Deductions	
Scholarships	64,359
Net Change in Net Position	(57,726)
Net Position, Beginning of Year	57,726
Net Position, End of Year	$ -

Note 1 - Summary of Significant Accounting Policies

A. Organization

Independent School District No. 150, Hawley Area Public Schools, Hawley, Minnesota ("the District") was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a School Board elected by voters of the District. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

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

Component units are legally separate entities for which the District (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit include 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 burden or benefit with the potential component unit, or is fiscally depended upon by the potential component unit.

Based on these criteria, there are no organizations considered to be component units of the District.

C. Government-Wide Financial Statement Presentation

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other internally directed revenues are reported 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 the related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amounts advance recognized in accordance with a statutory “tax shift” described later in these notes. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

The District applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available. For capital assets that can be specifically identified with, or allocated to functional areas, depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements.

The fiduciary fund is presented in the fiduciary fund financial statement. The District has one type of fiduciary fund, pension (or other benefit) trust. 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, this fund is excluded from the government-wide 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:

Revenue Recognition – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District generally considers revenues to be available if they are collected within 60 days after year-end. Grants and similar 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 Minnesota Statutes. Federal revenue is recorded in the year in which the related expenditure is made. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Recording of Expenditures – Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt, including lease liabilities, as well as expenditures related to compensated absences, severance, postemployment benefits, and pensions, are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the District the right to use leased assets, are reported as expenditures in the governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

The fiduciary fund financial statement is 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. Each fund is accounted for as an independent entity. Descriptions of the funds included in this report are as follows:

Major Governmental Funds

General Fund – The general fund is used to account for all financial resources except those required to be accounted for in another fund. It includes the general operations and pupil transportation activities of the District, as well as the capital related activities such as maintenance of facilities, equipment purchases, and health and safety projects. The District's Student Activity Funds are under board control and are reported in the general fund.

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

Nonmajor Governmental Funds

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

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

Capital Projects Fund – The capital projects fund is used to account for capital projects within the District.

Fiduciary Fund

Custodial Fund – The Custodial Fund is used to report assets held in a trustee or custodial capacity for others, and therefore cannot be used to support the government's own programs. The District reports the scholarship activities in a custodial fund. The assets are for the benefit of the graduating students and the District does not have administration involvement with the assets or direct the financial involvement with the assets. In addition, the assets are not derived from the District's provision of goods or services to the scholarship activities. The resources of the fund were fully utilized during the year ended June 30, 2022, and the fund was closed as of the end of the year.

E. Other Significant Accounting Policies

Budgeting

An operating budget is adopted by July 1 of each fiscal year for all governmental funds on the same modified accrual basis used to reflect actual revenues and expenditures. The superintendent is authorized to transfer budget amounts within line items; however, supplemental appropriations that amend total appropriations of any fund require a board resolution. Reported budgeted amounts are as originally adopted or as amended by board resolution. Unencumbered appropriations lapse at year-end.

Cash and Cash Equivalents

Cash balances for all district funds are pooled and invested to the extent available in various investment instruments as authorized by state statutes. Earnings from such investments are allocated to each of the funds based on the fund's average monthly cash and cash equivalents balance. Funds that incur a deficit balance in pooled cash and cash equivalents during the year are charged interest.

Deposits and investments consist of deposits, money market accounts, certificates of deposit, monies deposited with the Minnesota School District Liquid Asset Fund (MSDLAF), U.S. Government obligations, and municipal bonds, and are stated at fair value. Fair value is the price that would be received to sell the investment in an orderly transaction at year end.

Cash with Fiscal Agent

Cash with fiscal agent consists of restricted cash from the proceeds of the General Obligation Taxable Crossover Refunding Bonds, Series 2021A, held for refunding of the General Obligation School Building Bonds, Series 2014A. These funds will be held as cash with fiscal agent until the Series 2014A bonds are callable on March 1, 2024.

Receivables

Amounts are shown net of any allowance for uncollectibles. No allowances for uncollectibles have been recorded. The only receivables not expected to be collected within one year are property taxes receivable.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Inventories

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

Property Taxes

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

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the “tax shift,” which periodically changes the District’s recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year’s levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. The remaining portion of the taxes collectible in 2022 is recorded as deferred inflows 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 general remits taxes to the District at periodic intervals as they are collected. A portion of the property taxes levied is paid by the State of Minnesota through various tax credits, which are included in revenue from state sources in the financial statements.

Current property taxes receivable is the uncollected portion of the taxes levied in 2021 and collectible in 2022. This levy is offset with a deferred inflow of resources for property taxes levied for a subsequent year. Delinquent taxes receivable includes the past six years’ uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year-end in the fund financial statements.

Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historic cost is not available (except for intangible right-to-use lease assets, the measurement of which is discussed in Note 6). Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would have been paid to acquire an asset with equivalent service potential on the date of the donation. The District maintains a threshold level of $2,000 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 3 to 50 years. Land is not depreciated.

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

Long-Term Obligations

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

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

Accrued Employee Benefits

Vacation – The District compensates substantially all full-time noncertified employees for unused vacation upon termination; however, no employee is allowed to accumulate more than a one-year vacation allowance. In the fund financial statements, the expenditure for vacation pay is recognized when payment is made, and a liability is recorded only for amounts payable in the current period. In the district-wide statements, vacation expense is recognized as earned and a liability is recorded for all earned vacation pay. Vacation is immaterial as of June 30, 2022, and is not accrued.

Sick Leave – Substantially all District employees are allowed to accrue sick leave at varying amounts each year and accumulate within specified limits. Employees are not compensated for unused sick leave upon termination of employment. Since the employees accumulating rights to receive compensation for future absences being caused by future illnesses such amounts cannot be reasonably estimated, a liability for unused sick leave has not been recorded in the financial statements. In some instances, unused sick leave does enter into the calculation of severance pay for some employees upon termination.

Severance Benefits – The district has a severance pay plan for teachers who have taught at least 10 years of teaching service in the District and 25 years of teaching experience. Eligible teachers, upon resignation, shall receive as severance pay an amount representing a maximum of 108 days of the teacher’s final salary, reduced by the amount of contributions to the teacher’s 403(b) plan made by the District.

Postemployment Benefits Other Than Pensions (OPEB)

Under the provisions of the various employee and union contracts, the District provides certain postemployment benefits other than pensions to eligible retirees. These OPEB obligations are funded on a pay-as-you-go basis. The total OPEB liability, deferred outflows/inflows of resources, and OPEB expense were actuarially determined in accordance with GASB Statement No. 75. Additional information can be found in Note 8.

Pensions

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

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. This direct aid is a result of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015. Additional information can be found in Note 9.

Deferred Outflows of Resources

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

The District has two items that qualify for reporting in this category on the government-wide statement of net position. Deferred outflows of resources related to other postemployment benefits consists of various estimate differences and contributions made to the plan subsequent to the measurement date that will be recognized as expenditures in future years. Deferred outflows of resources related to pension plans consists of various estimate differences and contributions made to the plan subsequent to the measurement date that will be recognized as expenses in future years.

Deferred Inflows of Resources

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

The District has three types of items that qualify for reporting in this category. The first 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 second item is property taxes levied for subsequent years, which represent 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 third item is deferred inflows related to pension and OPEB plans as a result of various estimate differences that will be recognized as expenses in future years, reported in the government-wide statement of net position.

Net Position

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the District's government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund Balance

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called "fund balance." The District's governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes.

- Nonspendable fund balance amounts are comprised of funds that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. They include items that are inherently unspendable, such as, but not limited to, inventories, prepaid items, long-term receivables, non-financial assets held for resale, or the permanent principal of endowment funds.

- Restricted fund balance amounts are comprised of funds that have legally enforceable constraints placed on their use that either are externally imposed by resource providers or creditors (such as through debt covenants), grantors, contributors, voters, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

- Committed fund balance amounts are comprised of unrestricted funds used for specific purposes pursuant to constraints imposed by formal action of the school board and that remain binding unless removed by the school board by subsequent formal action. The formal action to commit a fund balance must occur prior to fiscal year end; however, the specific amounts actually committed can be determined in the subsequent fiscal year. A majority vote of the school board is required to commit a fund balance to a specific purpose and subsequently to remove or change any constraint so adopted by the board. A committed fund balance cannot be a negative number.

- Assigned fund balance amounts are comprised of unrestricted funds constrained by the school district's intent that they be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. In funds other than the general fund, the assigned fund balance represents the remaining amount that is not restricted or committed. The assigned fund balance category will cover the portion of a fund balance that reflects the school district's intended use of those resources. The action to assign a fund balance may be taken after the end of the fiscal year. The school board, by majority vote, may assign fund balances to be used for specific purposes when appropriate. The board also delegates the power to assign fund balances to the following: the Superintendent and School Board Finance Committee. Assignments so made shall be reported to the school board on a monthly basis, either separately or as part of ongoing reporting by the assigning party if other than the school board. An assigned fund balance cannot be a negative number.

- Unassigned fund balance amounts are the residual amounts in the general fund not reported in any other classification. Unassigned amounts in the general fund are technically available for expenditure for any purpose. The general fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.

If resources from more than one fund balance classification could be spent, the school district will strive to spend resources from fund balance classifications in the following order (first to last): restricted, committed, assigned, and unassigned. The school district will strive to maintain a minimum unrestricted (the combined committed, assigned, and unassigned fund balance) general fund balance of three months of operating expenses.

Leases

Lessee: The District is a lessee for noncancellable leases of buses and office equipment. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease(s) and will remeasure the lease asset(s) and liability(ies) if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in fiscal year 2022.

Estimates

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

Implementation of GASB Statement No. 87

As of July 1, 2021, the District adopted GASB Statement No. 87, Leases. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The standard requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The effect of the implementation of this standard on beginning net position is disclosed in Note 11 and the additional disclosures required by this standard is included in Note 6.

Note 2 - Stewardship, Compliance, and Accountability

Expenditures in Excess of Appropriations

Budget control for the fund is established by its total appropriations. The General Fund had expenditures exceeding appropriations in the amount of $1,120,899 for the year ended June 30, 2022. These over expenditures were funded by greater than expected revenues and existing fund balance.

Note 3 - Deposits and Investments

Deposits

In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the District's School Board. All such depositories are members of the Federal Reserve System.

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% of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

At June 30, 2022, all deposits were insured or collateralized by securities held by the District's agent in the District's name.

Investments

The following are considered the most significant risks associated with investments:

Credit Risk - Investments – Minnesota Statutes authorize the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, bankers' acceptances, certain repurchase agreements and commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record.

Custodial Credit Risk - Investments – The investment in the Minnesota School District Liquid Asset Fund is not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement No. 40.

Interest Rate Risk - Investments – The District does not have a formal policy that limits investment maturities.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2022:

- US government obligations of $2,743,463 are valued using quoted market prices (Level 1 inputs)
- Municipal bonds of $3,802,168 are valued using quoted market prices (Level 1 inputs)

The following table presents the District's deposit and investment balances at June 30, 2022:

		Investment Maturities (in Years)		
Type	Fair Value	N/A	< 1	1 - 5
Cash and cash equivalents				
Minnesota School				
District Liquid Asset Fund	$ 3,183,332	$ 3,183,332	$ -	$ -
Deposits	680,786		-	-
Money Market Accounts	209	209	-	-
Certificates of Deposit	263,657			
Investments				
US Government Obligations	2,743,463	-	-	2,743,463
Municipal Bonds	3,802,168	-	3,802,168	-
	$ 10,673,615	$ 3,183,541	$ 3,802,168	$ 2,743,463

The Minnesota School District Liquid Asset Fund is an external investment pool not registered with the Securities and Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The fair value of the position in the pool is the same as the value of the pool's shares.

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

Cash and Cash Equivalents - Statement of Net Position	$ 4,098,629
Cash with Fiscal Agent - Statement of Net Position	6,574,986
	$ 10,673,615

Note 4 - Due from Other Governmental Units

Amounts receivable from other governments as of June 30, 2022, include:

Fund	Federal	State	Total
Major funds			
General	$ 243,215	$ 1,082,090	$ 1,325,305
Debt service	-	31,085	31,085
Non-major funds	-	5,082	5,082
	$ 243,215	$ 1,118,257	$ 1,361,472

Note 5 - Capital Assets

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

	Balance July 1, 2021, as restated	Additions	Deletions	Balance June 30, 2022
Capital assets not being depreciated				
Land	$ 112,700	$ -	$ -	$ 112,700
Capital assets being depreciated/amortized:				
Buildings and improvements	31,513,255	523,812	41,468	31,995,599
Equipment	1,812,703	182,104	149,749	1,845,058
Land improvements	1,093,703	93,134	-	1,186,837
Right-to-use leased assets	214,530	93,479	-	308,009
Total capital assets being depreciated/amortized	34,634,191	892,529	191,217	35,335,503
Less accumulated depreciation/amortization for				
Buildings and improvements	11,487,741	936,814	41,468	12,383,087
Equipment	1,027,955	149,905	149,749	1,028,111
Land improvements	596,431	40,333	-	636,764
Right-to-use leased assets	-	110,673	-	110,673
Total accumulated depreciation/amortization	13,112,127	1,237,725	191,217	14,158,635
Net capital assets, depreciated/amortized	21,522,064	(345,196)	-	21,176,868
Total capital assets, net	$ 21,634,764	$ (345,196)	$ -	$ 21,289,568

Depreciation/amortization expense for the year ended June 30, 2022 was charged to the following functions/programs:

District support services	$	16,553
Regular instruction		30,380
Vocational education instruction		5,221
Special education instruction		3,451
Instructional support services		4,531
Pupil support services		162,098
Sites and buildings		1,015,491
Total depreciation/amortization expense	$	1,237,725

Note 6 - Leases

Lease(s) Payable

During the year ended June 30, 2019, the District entered into a 5-year lease agreement as lessee for the acquisition and use of two buses. An initial lease liability was recorded in the amount of $117,722. As of June 30, 2022, the value of the lease liability was $25,549. The District is required to make annual principal and interest payments of $26,637 with the option to purchase for $77,200 at the end of the fifth year. It is the District's intention to return the buses to the lessor at the end of the fifth year. The lease has an interest rate of 4.260%. The equipment has a 5-year estimated useful life. The carrying value of the right-to-use asset as of the end of the current fiscal year was $50,054 with accumulated amortization of $42,891.

During the year ended June 30, 2020, the District entered into a 5-year lease agreement as lessee for the acquisition and use of two buses. An initial lease liability was recorded in the amount of $103,655. As of June 30, 2022, the value of the lease liability was $43,938. The District is required to make annual principal and interest payments of $23,308 with the option to purchase for $70,178 at the end of the fifth year. It is the District's intention to return the buses to the lessor at the end of the fifth year. The lease has an interest rate of 4.037%. The equipment has a 5-year estimated useful life. The carrying value of the right-to-use asset as of the end of the current fiscal year was $64,637 with accumulated amortization of $28,727.

During the year ended June 30, 2021, the District entered into a 5-year lease agreement as lessee for the acquisition and use of two buses. An initial lease liability was recorded in the amount of $105,535. As of June 30, 2022, the value of the lease liability was $65,520. The District is required to make annual principal and interest payments of $23,412 with the option to purchase for $73,780 at the end of the fifth year. It is the District's intention to return the buses to the lessor at the end of the fifth year. The lease has an interest rate of 3.557%. The equipment has a 5-year estimated useful life. The carrying value of the right-to-use asset as of the end of the current fiscal year was $85,877 with accumulated amortization of $27,116.

During the year ended June 30, 2021, the District entered into a 5-year lease agreement as lessee for the acquisition and use of two printers. An initial lease liability was recorded in the amount of $16,190. As of June 30, 2022, the value of the lease liability was $10,888. The District is required to make monthly principal and interest payments of $298 with the option to purchase for $1 at the end of the fifth year. The lease has an interest rate of 4.0%. The equipment has a 5-year estimated useful life. The carrying value of the right-to-use asset as of the end of the current fiscal year was $13,963 with accumulated amortization of $3,351.

During the year ended June 30, 2022, the District entered into a 5-year lease agreement as lessee for the acquisition and use of two buses. An initial lease liability was recorded in the amount of $80,470. As of June 30, 2022, the value of the lease liability was $65,479. The District is required to make annual principal and interest payments of $17,848 with the option to purchase for $76,442 at the end of the fifth year. It is the District's intention to return the buses to the lessor at the end of the fifth year. The lease has an interest rate of 3.55%. The equipment has a 5-year estimated useful life. The carrying value of the right-to-use asset as of the end of the current fiscal year was $80,470 with accumulated amortization of $7,823.

During the year ended June 30, 2022, the District entered into a 5-year lease agreement as lessee for the acquisition and use of welding tanks. An initial lease liability was recorded in the amount of $4,696. As of June 30, 2022, the value of the lease liability was $3,829. The District is required to make annual principal and interest payments of $1,055 with the option to renew the lease at the end of the fifth year. The lease has an interest rate of 4.0%. The equipment has a 5-year estimated useful life. The carrying value of the right-to-use asset as of the end of the current fiscal year was $4,696 with accumulated amortization of $626.

During the year ended June 30, 2022, the District entered into a 5-year lease agreement as lessee for the acquisition and use of a postage meter. An initial lease liability was recorded in the amount of $8,312. As of June 30, 2022, the value of the lease liability was $8,180. The District is required to make monthly principal and interest payments of $146 with the option to renew the lease at the end of the fifth year. The lease has an interest rate of 2.12%. The equipment has a 5-year estimated useful life. The carrying value of the right-to-use asset as of the end of the current fiscal year was $8,312 with accumulated amortization of $139.

The future principal and interest lease payments as of June 30, 2022, were as follows:

Years Ending June 30,	Principal	Interest
2023	$ 89,386	$ 8,206
2024	66,208	4,746
2025	45,360	2,287
2026	20,839	712
2027	1,590	17
	$ 223,383	$ 15,968

Principal and interest on leases are paid from the general fund. Total interest expense for all leases for the year ended June 30, 2022, was $11,358.

Note 7 - Long-Term Liabilities

Changes in long-term liabilities during the year ended June 30, 2022 are as follows:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022	Due Within One Year
Bonds payable	$ 17,760,000	$ -	$ 840,000	$ 16,920,000	$ 920,000
Unamortized bond premium	279,495	-	21,500	257,995	21,500
Leases	214,530	93,479	84,626	223,383	89,386
Severance payable	234,583	-	128,338	106,245	30,356
	$ 18,488,608	$ 93,479	$ 1,074,464	$ 17,507,623	$ 1,061,242

Bonds Payable

Following is a summary of bonds payable as of June 30, 2022:

Bond Description	Final Maturity	Interest Rate	Original Principal	Outstanding Balance
General Obligation Building Bonds, Series 2014A	2024	2.00%-4.00%	$ 10,000,000	$ 7,985,000
General Obligation Facilities Maintenance Bonds, Series 2019A	2024	2.25%-4.00%	2,125,000	1,865,000
General Obligation Taxable Crossover Refunding Bonds, Series 2021A	2034	0.73%-2.03%	7,070,000	7,070,000
				$ 16,920,000

The bonds are general obligations of the District for which the full faith and credit and unlimited taxing powers of the district are pledged. Bond principal and interest payments are made by the debt service fund.

The Taxable Crossover Refunding Bonds, Series 2021A, were issued to refund the Building Bonds of 2014A on the call date of March 1, 2024. The refunded bonds resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $350,511. This also resulted in a net cash flow difference between the old and new cash flows of $397,175.

Severance Payable

Vacation and sick leave consists of vested severance benefits as discussed in Note 1. These expenses are paid out of the general fund.

Remaining principal and interest payments on bonds and severance payable are as follows:

Years Ending	Bonds Payable		Severance Payable	
June 30,	Principal	Interest	Principal	Interest
2023	$ 920,000	$ 462,049	$ 30,356	$ -
2024	7,370,000	427,174	30,356	-
2025	825,000	150,624	30,356	-
2026	845,000	139,533	15,177	-
2027	850,000	126,949	-	-
2028-2032	4,315,000	388,953	-	-
2033-2034	1,795,000	55,044	-	-
	$ 16,920,000	$ 1,750,326	$ 106,245	$ -

Note 8 - Other Post-Employment Benefits

A. Plan Description

All employees are allowed upon meeting the eligibility requirements under Minn. Stat. 471.61 subd, 2b, to participate in the District's health insurance plan after retirement. This plan covers active and retired employees who have reached age 55, with teachers needing at least 3 years of service and all other district employees needing 5 years of service. Benefit provisions are established through negotiations between the District and the union representing District employees and are renegotiated at the end of each contract period. A separately issued report is not available.

B. Benefits Provided

The contract groups have access to other post-retirement benefits of blended medical premiums of $571 for single and $1,428 for family coverage. The implicit rate subsidy is only until Medicare eligibility. There are no subsidized post-employment medical, dental, or life insurance benefits.

C. Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefit payments	7
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	137
	144

D. Total OPEB Liability

The District's total OPEB liability of $331,959 was measured as of July 1, 2022, and was determined by an actuarial valuation of July 1, 2021.

E. Actuarial Assumptions

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

Inflation	2.00 percent
Salary increases	Service graded table, based on years of service
Healthcare cost trend rates	6.50 percent, grading to 5.00 percent over 6 years, and then to 4.00 percent over the next 48 years
Retiree plan participation	Future retirees electing coverage
Pre-65 subsidy available:	N/A
Pre-65 subsidy not available:	Business manager, teachers, and admin - 50% All others - 5%
Percent of married retirees electing spouse coverage	
Spouse subsidy available:	N/A
Spouse subsidy not available:	25%

Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-Year Municipal Bond Yield.

Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale.

The actuarial assumptions used in the July 1, 2021, valuation were based on inputs from a variety of published sources of historical and projected future financial data.

Since the previous valuation dated July 1, 2019, the following changes have been made:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale.
- The salary increase rates for non-teachers were updated to reflect the latest experience study.
- The withdrawal rates were updated to reflect the latest experience study.
- The inflation rate was changed from 2.50% to 2.00%.
- The discount rate was changed from 3.10% to 2.10%.

F. Changes in the Total OPEB Liability

Balance at June 30, 2021	$	402,417
Changes from the Prior Year:		
Service cost		23,903
Interest cost		12,664
Assumption changes		21,012
Difference between expected and actual experience		(92,155)
Benefit payments		(35,882)
Total Net Changes		(70,458)
Balance at June 30, 2022	$	331,959

The measurement date of the OPEB liability was July 1, 2021; the date of the actuarial valuation on which the total OPEB liability is based was July 1, 2021.

G. Sensitivity of the Total OPEB Liability to Changes in Discount Rate and the Healthcare Cost Trend Rates

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Discount rate	1.10%	2.10%	3.10%
Total OPEB Liability	$ 347,889	$ 331,959	$ 316,179

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

	1% Decrease in Healthcare Trend Rate	Selected Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Medical trend rate	5.50%, grading to 4.00% over 6 years, then to 3.00% over the next 48 years	6.50%, grading to 5.00% over 6 years, then to 4.00% over the next 48 years	7.50%, grading to 6.00% over 6 years, then to 5.00% over the next 48 years
Total OPEB Liability	$ 304,204	$ 331,959	$ 364,526

H. OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB

For the year ended June 30, 2022, the District recognized OPEB revenue of $2,967. At June 30, 2022, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability gains	$ -	$ 154,992
Assumption changes	17,510	4,827
Employer contributions made after the measurement date	29,784	-
	$ 47,294	$ 159,819

The $29,784 reported as deferred outflows of resources related to OPEB resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expenses as follows:

Years Ended June 30,	OPEB Expense Amount
2023	$ (39,534)
2024	(39,534)
2025	(39,530)
2026	(11,858)
2027	(11,853)

Note 9 - Defined Benefit Pension Plans

Substantially all employees of the District are required by state law to belong to defined benefit, multi-employer, cost-sharing pension plans administered by the Public Employees' Retirement Association (PERA) or the Teachers' Retirement Association (TRA), both of which are administered on a state-wide basis.

For the year ended June 30, 2022, the District reported its proportionate share of deferred outflows of resources, net pension liabilities, deferred inflows of resources, and pension expense for each of the plans as follows:

	Deferred Outflows of Resources	Net Pension Liability	Deferred Inflows of Resources	Pension Expense (Income)
PERA	$ 633,577	$ 798,574	$ 808,012	$ 41,609
TRA	2,212,504	3,921,164	6,895,398	(24,514)
Total all plans	$ 2,846,081	$ 4,719,738	$ 7,703,410	$ 17,095

Disclosures relating to these plans are as follows:

Public Employees Retirement Association (PERA)

A. Plan Descriptions

The District participates in the General Employees Retirement Plan, a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (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.

B. Benefits Provided

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

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.

C. Contribution Rate

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2021 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2021, were $113,250. The District's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

At June 30, 2022, the District reported a liability of $798,574 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled $24,423.

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0187 percent at the end of the measurement period and 0.0204 percent for the beginning of the period.

District's proportionate share of net pension liability	$ 798,574
State of Minnesota's proportionate share of the net pension liability associated with the District	24,423
Total	$ 822,997

For the year ended June 30, 2022, the District recognized pension expense of $41,609 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized $1,971 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the annual $16 million contribution.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 5,090	$ 24,696
Changes in actuarial assumptions	487,593	18,970
Net collective difference between projected and actual investment earnings	-	685,130
Change in proportion	27,644	79,216
Contributions paid to PERA subsequent to the measurement date	113,250	-
Total	$ 633,577	$ 808,012

The $113,250 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,	Pension Expense Amount
2023	$ (48,008)
2024	(21,802)
2025	(29,239)
2026	(188,636)

E. Long-Term Expected Return on Investment

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

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

F. Actuarial Methods and Assumptions

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

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

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

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

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. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation.

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

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.

G. Discount Rate

The discount rate used to measure the total pension liability in 2021 was 6.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Pension Liability Sensitivity

The following presents the District's proportionate share of the net pension liability for the plan 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:

Sensitivity Analysis

Net Pension Liability (Asset) at Different Discount Rates

	General Employees Fund	
1% Lower	5.50%	$ 1,628,683
Current Discount Rate	6.50%	$ 798,574
1% Higher	7.50%	$ 117,419

I. Pension Plan Fiduciary Net Position

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

Teachers Retirement Association (TRA)

A. Plan Descriptions

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

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

B. Benefits Provided

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

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

Tier I Benefits

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

With these provisions:

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

or

Tier II Benefits

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

Members first employed after June 30, 1989, receive only the Tier II 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. Contribution Rate

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

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

The following is a reconciliation of employer contributions in TRA's fiscal year 2021 Comprehensive Annual Financial Report "Statement of Changes in Fiduciary Net Position" to the employer contributions used in Schedule of Employer and Non-Employer Pension Allocations.

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

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

D. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Actuarial Information	
Valuation Date	July 1, 2021
Measurement Date	June 30, 2021
Experience Study	June 5, 2019 (demographic assumptions) November 6, 2017 (economic assumptions)
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment rate of return	7.00%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028, and 3.25% after June 30, 2028
Projected salary increase	2.85% to 8.85% before July 1, 2028, and 3.25% to 9.25% after June 30, 2028
Cost of living adjustment	1.0% for January 2020 through January 2023, then increasing by 0.1% each year up to 1.5% annually
Mortality Assumptions	
Pre-retirement	RP-2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP-2015 scale.
Post-retirement	RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
Post-disability	RP-2014 disabled retiree mortality table, without adjustment.

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

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

Asset Class	Target Allocations	Long-Term Expected Real Rate of Return
Domestic Equity	35.5%	5.10%
International Equity	17.5%	5.30%
Private Markets	25.0%	5.90%
Fixed Income	20.0%	0.75%
Unallocated Cash	2.0%	0.00%
Total	**100.0%**	

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

Changes in actuarial assumptions since the 2020 valuation

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

E. Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent. The discount rate used to measure the TPL at the Prior Measurement Date was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2021 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

F. Net Pension Liability

On June 30, 2022, the District reported a liability of $3,921,164 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. District proportionate share was 0.0896 percent at the end of the measurement period and 0.0875 percent for the beginning of the year.

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

District's proportionate share of net pension liability	$ 3,921,164
State's proportionate share of the net pension liability associated with the district	$ 330,853

For the year ended June 30, 2022, the District recognized pension revenue of $24,514. It also recognized $3,705 as a decrease to pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 103,713	$ 109,728
Net difference between projected and actual investment earnings on pension plan investments	-	3,294,983
Changes of assumptions	1,436,866	3,453,843
Changes in proportion	211,321	36,844
District's contributions to TRA subsequent to the measurement date	460,604	-
Total	$ 2,212,504	$ 6,895,398

The $460,604 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 ended June 30, 2023.

Other amounts reported as deferred outflows and inflows of resources related to TRA pensions will be recognized in pension expense as follows:

Years Ended June 30,	Pension Expense Amount
2023	$ (2,540,488)
2024	(1,925,929)
2025	(437,309)
2026	(554,315)
2027	314,543

G. Pension Liability Sensitivity

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent as well what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate.

Sensitivity of Net Pension Liability (NPL) to changes in the discount rate

1% decrease (6.00%)	**Current (7.00%)**	**1% increase (8.00%)**
$ 7,920,942	$ 3,921,164	$ 641,027

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

H. Pension Plan Fiduciary Net Position

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

Note 10 - Fund Balance

Certain portions of fund balances are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities, or as required by other outside parties.

The following is a summary of fund balances as of June 30, 2022:

	General	Debt Service	Other Government Funds	Totals
Nonspendable				
Inventories	$ 392,162	$ -	$ 23,615	$ 415,777
Prepaids	60,077	-	-	60,077
Total nonspendable	452,239	-	23,615	475,854
Restricted				
Student activities	142,859	-	-	142,859
Staff development	14,903	-	-	14,903
Bond refunding	-	7,070,000	-	7,070,000
Community education	-	-	83,375	83,375
Early childhood and family education	-	-	57,568	57,568
School readiness	-	-	65,117	65,117
Food service	-	-	248,993	248,993
Long-term facilities maintenance	1,033,083	-	144,853	1,177,936
Medical assistance	114,578	-	-	114,578
Total restricted	1,305,423	7,070,000	599,906	8,975,329
Committed	106,245	-	-	106,245
Assigned				
Capital projects	2,131,000	-	-	2,131,000
Technology	74,000	-	-	74,000
Academic innovaion projects	170,000	-	-	170,000
Total assigned	2,375,000	-	-	2,375,000
Unassigned	(239,805)	(200,761)	-	(440,566)
Total fund balance	$ 3,999,102	$ 6,869,239	$ 623,521	$ 11,491,862

The 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 balance reporting under GASB 54 and UFARS reporting standards:

	GASB Balance	Reconciling Items	UFARS Balance
Nonspendable			
Inventory	$ 415,777	$ -	$ 415,777
Prepaids	60,077	-	60,077
Total nonspendable	475,854	-	475,854
Restricted			
Student activities	142,859	-	142,859
Staff development	14,903	-	14,903
Bond refunding	7,070,000	-	7,070,000
Community education	83,375	-	83,375
Early childhood and family education	57,568	-	57,568
School readiness	65,117	-	65,117
Safe schools levy	-	(186,774)	(186,774)
Food service	248,993	-	248,993
Long-term facilities maintenance			
General fund	1,033,083	-	1,033,083
Capital projects fund	144,853	-	144,853
Medical assistance	114,578	-	114,578
Total restricted	8,975,329	(186,774)	8,788,555
Committed	106,245	-	106,245
Assigned			
Capital projects	2,131,000	-	2,131,000
Technology	74,000	-	74,000
Academic innovation projects	170,000	-	170,000
Total assigned	2,375,000	-	2,375,000
Unassigned	(440,566)	186,774	(253,792)
Total fund balance	$ 11,491,862	$ -	$ 11,491,862

Note 11 - Adoption of New Standard and Correction of Error

As of July 1, 2021, the District adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

During 2022, the District identified misstatements within the 2021 financial statements' nonmajor funds related to food service revenue that was incorrectly recognized during the year instead of recorded as a deferred balance.

Beginning net position and fund balance was restated to retroactively adopt the provisions of GASB Statement No. 87 and correct the error as follows:

	Governmental Activities	Total Nonmajor Funds
Net Position/Fund Balance at June 30, 2021, as previously reported	$ 4,234,288	$ 439,931
GASB-87 Implementation		
Remove assets under capital lease previously reported as equipment, net of accumulated depreciation	(294,577)	-
Remove previously recorded capital lease liability	272,369	-
Add right-to-use intangible asset, net of amortization under GASB Statement No. 87 at June 30, 2021	214,530	-
Add lease liability under GASB Statement No. 87 at June 30, 2021	(214,530)	-
Correction of an error		
To remove revenue previously recognized in error	(62,292)	(62,292)
Net Deficit/Fund Balance at July 1, 2021, as adjusted	$ 4,149,788	$ 377,639

Note 12 - Flexible Benefit Plan

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

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

Payment of insurance premiums (health, dental, life, and disability) are made by the District directly to the designated insurance companies. These payments are made monthly and are accounted for in the General Fund and special revenue funds.

Amounts withheld for medical reimbursement and dependent care are paid by the District to an outside administrator upon an employee submitting a request for reimbursement. Payments are made by the outside administrator to participating employees upon submitting a request for reimbursement of eligible expenses actually incurred by the employee.

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

Note 13 - Employee Benefit Plan 403(b)

Contracted District employees are eligible to participate in the 403(b) program as described by the District. Employee's participation in the 403(b) program and 403(b) matching program is in accordance with the Master Agreement between Independent School District No. 150, Hawley Area Public Schools and Education Minnesota Hawley. The District contributions for the years ended June 30, 2022, 2021, and 2020 were $117,644, $90,265 and $92,567, respectively.

Note 14 - Commitments and Contingencies

Federal and State Revenue

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

Litigation and Potential Exposure

In the ordinary course of its operations, the District is party to legal proceedings as a plaintiff or defendant. The financial impact of remaining actions is not determinable at June 30, 2022, but, in the opinion of management and legal counsel, the ultimate disposition of any or all of these proceedings will not have a material effect on the District's financial position.

Note 15 - Related Organizations

The District, in conjunction with five other school districts, is a member district of Lake Agassiz Education Cooperative, Joint Power District No. 397. The Cooperative is governed by a Governing Board appointed by the District they represent. The purpose of the Joint Powers Board is to provide by cooperative effort a comprehensive special education program for the member districts. Contributions of $93,320 were made by the District to the related organization for the year ended June 30, 2022. The contributions are based on the operating budget of the Cooperative and allocated per agreement to the member districts. Lake Agassiz Education Cooperative is separately audited from the District. Complete financial statements for the Cooperative can be obtained from its administrative office at PO Box 628, Hawley, Minnesota 56549.

Required Supplementary Information
June 30, 2022

Independent School District No. 150
Hawley Area Public Schools

Schedule of Changes in the District's Total OPEB Liability and Related Ratios, Last 10 Fiscal Years*

	2022	2021	2020	2019	2018
Service cost	$ 23,903	$ 26,050	$ 25,291	$ 29,221	$ 28,370
Interest	12,664	12,541	19,016	18,705	18,209
Changes of assumptions	21,012	-	(9,657)	-	-
Differences between expected and actual experience	(92,155)	-	(156,395)	-	-
Benefit payments	(35,882)	(29,129)	(38,268)	(31,477)	(34,220)
Net change in total OPEB liability	(70,458)	9,462	(160,013)	16,449	12,359
Total OPEB liability - beginning	402,417	392,955	552,968	536,519	524,160
Total OPEB liability - ending	$ 331,959	$ 402,417	$ 392,955	$ 552,968	$ 536,519
Covered payroll	$ 6,631,198	$ 6,270,832	$ 6,088,186	$ 5,888,367	$ 5,716,861
District's total OPEB liability as a percentage of covered payroll	5.01%	6.42%	6.45%	9.39%	9.38%

*GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Notes to the Schedule of Changes in the District's Total OPEB Liability and Related Ratios

Changes in Actuarial Assumptions for the fiscal year ending June 30, 2022:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale.
- The salary increase rates for non-teachers were updated to reflect the latest experience study.
- The withdrawal rates were updated to reflect the latest experience study.
- The inflation rate was changed from 2.50% to 2.00%.
- The discount rate was changed from 3.10% to 2.10%.

Changes in Actuarial Assumptions for the fiscal year ending June 30, 2020:

- Health care trend rates, mortality tables, and salary increase rates were updated.
- The discount rate was changed from 3.40% to 3.10%.

There have been no changes in plan provisions.

Schedule of Employer’s Share of Net Pension Liability
Last 10 Fiscal Years *

Pension Plan	Measurement Date	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated With District (b)	Total (d) (a+b)	Employer's Covered Payroll (e)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/e)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
PERA	6/30/2014	0.0209%	$ 981,777	N/A	$ 981,777	$ 1,118,551	87.8%	78.8%
PERA	6/30/2015	0.0203%	1,052,051	N/A	1,052,051	1,126,499	93.4%	78.2%
PERA	6/30/2016	0.0213%	1,729,454	22,610	1,752,064	1,229,800	140.6%	68.9%
PERA	6/30/2017	0.0193%	1,232,099	15,453	1,247,552	1,188,298	103.7%	75.9%
PERA	6/30/2018	0.0196%	1,087,328	35,591	1,122,919	1,234,568	88.1%	79.5%
PERA	6/30/2019	0.0194%	1,072,583	33,499	1,106,082	1,265,608	84.7%	80.2%
PERA	6/30/2020	0.0204%	1,222,073	37,663	1,259,736	1,366,546	89.4%	79.1%
PERA	6/30/2021	0.0187%	798,574	24,423	822,997	1,264,373	63.2%	87.0%
TRA	6/30/2014	0.0930%	$ 4,285,373	$ 301,342	$ 4,586,715	$ 4,246,288	100.9%	81.5%
TRA	6/30/2015	0.0870%	5,381,810	660,324	6,042,134	4,413,680	121.9%	76.8%
TRA	6/30/2016	0.0876%	20,894,690	2,097,439	22,992,129	4,554,493	458.8%	44.9%
TRA	6/30/2017	0.0882%	17,606,320	1,701,489	19,307,809	4,747,133	370.9%	51.6%
TRA	6/30/2018	0.0874%	5,486,780	541,567	6,028,347	4,826,333	113.7%	78.1%
TRA	6/30/2019	0.0873%	5,564,520	492,310	6,056,830	4,954,047	112.3%	78.1%
TRA	6/30/2020	0.0875%	6,464,617	541,567	7,006,184	5,085,316	127.1%	75.5%
TRA	6/30/2021	0.0896%	3,921,164	330,853	4,252,017	5,361,747	73.1%	86.6%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10- year trend is compiled, the District will present information for those years for which information is available.

Schedule of Employer's Contributions
Last 10 Fiscal Years *

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
PERA	6/30/2015	$ 84,487	$ 84,487	$ -	$ 1,126,499	7.5%
PERA	6/30/2016	92,235	92,235	-	1,229,800	7.5%
PERA	6/30/2017	89,122	89,122	-	1,188,298	7.5%
PERA	6/30/2018	92,593	92,593	-	1,234,568	7.5%
PERA	6/30/2019	94,921	94,921	-	1,265,608	7.5%
PERA	6/30/2020	102,491	102,491	-	1,366,546	7.5%
PERA	6/30/2021	94,828	94,828	-	1,264,373	7.5%
PERA	6/30/2022	113,250	113,250	-	1,510,000	7.5%
TRA	6/30/2015	$ 331,026	$ 331,026	$ -	$ 4,413,680	7.5%
TRA	6/30/2016	341,587	341,587	-	4,554,493	7.5%
TRA	6/30/2017	356,035	356,035	-	4,747,133	7.5%
TRA	6/30/2018	361,975	361,975	-	4,826,333	7.5%
TRA	6/30/2019	381,957	381,957	-	4,954,047	7.7%
TRA	6/30/2020	402,757	402,757	-	5,085,316	7.9%
TRA	6/30/2021	435,910	435,910	-	5,361,747	8.1%
TRA	6/30/2022	460,604	460,604	-	5,522,830	8.3%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10- year trend is compiled, the District will present information for those years for which information is available.

Notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions

PERA

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

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

- The combined service annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA load are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals $16,000,000 in 2017 and 2018, and $6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from $21,000,000 to $31,000,000 in calendar years 2019 to 2031. The state's contribution changed from $16,000,000 to $6,000,000 in calendar years 2019 to 2031.

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

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

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 increase the fiduciary plan net position by $892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of $6.0 million, which meets the special funding situation definition, was due September 2015.

TRA

2021 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions

- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019 Changes

Changes in Actuarial Assumptions

- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 6 years, (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018 Changes

Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 8.0%.
- The cost of living adjustment (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 July 1, 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% 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 was reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six 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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2017 Changes

Changes in Actuarial Assumptions

- The discount rate was decreased to 5.12% from 4.66%.
- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5% but remain at 2.0% for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 2.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for ten years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016 Changes

Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 8.0%.
- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- The price inflation assumption was lowered from 3% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.

- The post-retirement mortality assumption was changed to the RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP 2015 scale.
- The post-disability mortality assumption was changed to the RP 2014 disabled retiree mortality table, without adjustment.
- Augmentation in the early retirement reduction factors is phased out o Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes of benefit terms

- The DTRFA was merged into TRA on June 30, 2015.

Changes in Actuarial 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 Comprehensive Annual Financial Report.

PERA's Comprehensive Annual Financial Report may be obtained on the PERA's website at www.mnpera.org for notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions.

Additional financial and actuarial information can be found in TRA's GASB 67-68 report. Both reports can be obtained at https://minnesotatra.org.

Combining and Individual Fund Schedules
June 30, 2022

Independent School District No. 150
Hawley Area Public Schools

	Fund Balance (Deficit), Beginning of Year	Net Change in Fund Balance (Deficit)	Fund Balance (Deficit), End of Year
Nonspendable	$ 83,631	$ 368,608	$ 452,239
Restricted for student activities	144,097	(1,238)	142,859
Restricted for staff development	10,508	4,395	14,903
Restricted for safe schools levy	(120,289)	(66,485)	(186,774)
Restricted for long term facilities maintenance	923,836	109,247	1,033,083
Restricted for medical assistance	91,210	23,368	114,578
Committed for severance	234,583	(128,338)	106,245
Assigned for capital projects	2,326,000	(195,000)	2,131,000
Assigned for staff development	74,000	-	74,000
Assigned for Qcomp	170,000	-	170,000
Unassigned	294,670	(347,701)	(53,031)
	$ 4,232,246	$ (233,144)	$ 3,999,102

Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2022

	Food Service	Community Service	Capital Projects	Totals
Assets				
Cash and cash equivalents	$ 311,273	$ 236,516	$ 144,853	$ 692,642
Receivables				
Current property taxes	-	41,364	-	41,364
Delinquent property taxes	-	744	-	744
Accounts	-	20,745	-	20,745
Due from other governmental units	-	5,082	-	5,082
Inventories	23,615	-	-	23,615
Total assets	$ 334,888	$ 304,451	$ 144,853	$ 784,192
Liabilities				
Accounts payable	$ 14,790	$ 42,502	$ -	$ 57,292
Unearned revenue	47,490	-	-	47,490
Total liabilities	62,280	42,502	-	104,782
Deferred Inflows of Resources				
Unavailable revenue-property taxes	-	307	-	307
Property taxes levied for subsequent year	-	55,582	-	55,582
Total deferred inflows of resources	-	55,889	-	55,889
Fund Balance				
Nonspendable	23,615	-	-	23,615
Restricted	248,993	206,060	144,853	599,906
Total fund balance	272,608	206,060	144,853	623,521
Total liabilities, deferred inflows of resources, and fund balance	$ 334,888	$ 304,451	$ 144,853	$ 784,192

Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2022

	Food Service	Community Service	Capital Projects	Totals
Revenues				
Local property tax levies	$ -	$ 48,973	$ -	$ 48,973
Other local and county sources	631	530,328	-	530,959
Investment earnings	-	-	2,732	2,732
State sources	46,334	65,944	-	112,278
Federal sources	748,884	-	-	748,884
Sales and other conversion of assets	42,389	-	-	42,389
Total revenues	838,238	645,245	2,732	1,486,215
Expenditures				
Current				
Community education and service	-	579,185	-	579,185
Pupil support services	633,454	-	-	633,454
Capital outlay	20,314	-	7,380	27,694
Total expenditures	653,768	579,185	7,380	1,240,333
Net Change in Fund Balance	184,470	66,060	(4,648)	245,882
Fund Balance, Beginning, as Restated (Note 11)	88,138	140,000	149,501	377,639
Fund Balance, End of Year	$ 272,608	$ 206,060	$ 144,853	$ 623,521

Other Supplementary Information
June 30, 2022

Independent School District No. 150
Hawley Area Public Schools

Fiscal Compliance Report - 6/30/2022

Help Logoff

District: HAWLEY (150-1)

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	Audit	UFARS	Audit - UFARS
01 GENERAL FUND			
Total Revenue	$11,867,233	$11,867,233	$0
Total Expenditures	$12,108,689	$12,108,688	$1
Non Spendable:			
4.60 Non Spendable Fund Balance	$452,239	$452,239	$0
Restricted / Reserved:			
4.01 Student Activities	$142,859	$142,859	$0
4.02 Scholarships	$0	$0	$0
4.03 Staff Development	$14,903	$14,903	$0
4.07 Capital Projects Levy	$0	$0	$0
4.08 Cooperative Revenue	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.14 Operating Debt	$0	$0	$0
4.16 Levy Reduction	$0	$0	$0
4.17 Taconite Building Maint	$0	$0	$0
4.24 Operating Capital	$0	$0	$0
4.26 $25 Taconite	$0	$0	$0
4.27 Disabled Accessibility	$0	$0	$0
4.28 Learning & Development	$0	$0	$0
4.34 Area Learning Center	$0	$0	$0
4.35 Contracted Alt. Programs	$0	$0	$0
4.36 State Approved Alt. Program	$0	$0	$0
4.38 Gifted & Talented	$0	$0	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.41 Basic Skills Programs	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.49 Safe School Crime - Crime Levy	($186,774)	($186,774)	$0
4.51 QZAB Payments	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.53 Unfunded Sev & Retiremt Levy	$0	$0	$0
4.59 Basic Skills Extended Time	$0	$0	$0
4.67 LTFM	$1,033,083	$1,033,083	$0
4.72 Medical Assistance	$114,578	$114,578	$0
4.73 PPP Loan	$0	$0	$0
4.74 EIDL Loan	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
4.75 Title VII Impact Aid	$0	$0	$0
4.76 Payments in Lieu of Taxes	$0	$0	$0
Committed:			
4.18 Committed for Separation	$106,245	$106,245	$0
4.61 Committed Fund Balance	$0	$0	$0
Assigned:			
4.62 Assigned Fund Balance	$2,375,000	$2,375,000	$0
Unassigned:			
4.22 Unassigned Fund Balance	($53,031)	($53,028)	($3)
02 FOOD SERVICES			
Total Revenue	$838,238	$838,238	$0
Total Expenditures	$653,768	$653,770	($2)
Non Spendable:			
4.60 Non Spendable Fund Balance	$23,615	$23,615	$0
Restricted / Reserved:			
4.52 OPEB Liab Not In Trust			

	Audit	UFARS	Audit - UFARS
06 BUILDING CONSTRUCTION			
Total Revenue	$2,732	$2,732	$0
Total Expenditures	$7,380	$7,380	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.07 Capital Projects Levy	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.67 LTFM	$144,853	$144,853	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0
07 DEBT SERVICE			
Total Revenue	$1,287,225	$1,287,225	$0
Total Expenditures	$1,550,598	$1,550,598	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.25 Bond Refundings	$7,070,000	$7,070,000	$0
4.33 Maximum Effort Loan Aid	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	($200,761)	($200,760)	($1)
08 TRUST			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Restricted / Reserved:			
4.01 Student Activities	$0	$0	$0
4.02 Scholarships	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0
18 CUSTODIAL			
Total Revenue	$6,633	$6,633	$0
Total Expenditures	$64,359	$64,360	($1)
Restricted / Reserved:			
4.01 Student Activities	$0	$0	$0
4.02 Scholarships	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.64 Restricted Fund Balance	$0	$0	$0
20 INTERNAL SERVICE			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0
25 OPEB REVOCABLE TRUST			
Total Revenue	$0	$0	$0
Total Expenditures			

	$0	$0	$0
4.74 EIDL Loan	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$248,993	$248,992	$1
Unassigned:			
4.63 Unassigned Fund Balancee	$0	$0	$0

04 COMMUNITY SERVICE

Total Revenue	$645,245	$645,245	$0
Total Expenditures	$579,185	$579,186	($1)
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.26 $25 Taconite	$0	$0	$0
4.31 Community Education	$83,375	$83,375	$0
4.32 E.C.F.E	$57,568	$57,570	($2)
4.40 Teacher Development and Evaluation	$0	$0	$0
4.44 School Readiness	$65,117	$65,117	$0
4.47 Adult Basic Education	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.73 PPP Loan	$0	$0	$0
4.74 EIDL Loan	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

45 OPEB IRREVOCABLE TRUST

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

47 OPEB DEBT SERVICE

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures		
Department of Agriculture					
Passed through Minnesota Department of Education					
Non-Cash Assistance (Commodities):					
Child and Adult Care Food Program	10.558	0150-01-000 FIN 701		$ 59,237	
Child Nutrition Cluster					
School Breakfast Program	10.553	0150-01-000 FIN 705	115,005		
National School Lunch Program	10.555	0150-01-000 FIN 701	571,929		
COVID-19 Supply Chain Assistance Funds	10.555C	0150-01-000 FIN 710	25,246		
Total Child Nutrition Cluster				712,180	
COVID-19 Pandemic EBT Food Benefit Program	10.649C	0150-01-000 FIN 174		1,031	
Total Department of Agriculture					$ 772,448
Department of Treasury					
Passed through Minnesota Department of Education					
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	0150-01-000 FIN 150			7,402
Department of Education					
Passed through Minnesota Department of Education					
Title I Grants to Local Educational Agencies	84.010A	0150-01-000 FIN 401		87,317	
Supporting Effection Instruction State Grants	84.367A	0150-01-000 FIN 414		28,820	
COVID-19 Education Stabilization Fund	84.425D	0150-01-000 FIN 155		217,001	
Passed through Lake Agassiz Education Cooperative					
Special Education Cluster					
Special Education Grants to States	84.027	0150-01-000 FIN 619		969	
Total Department of Education					334,107
Department of Health and Human Services					
Passed through Minnesota Department of Education					
Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	0150-01-000 FIN 372		40,000	
Passed through Lake Agassiz Education Cooperative					
Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	0150-01-000 FIN 372		10,000	
Total Department of Health and Human Services					50,000
Total Federal Financial Assistance					$ 1,163,957

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award 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 2 – 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Note 3 – Indirect Cost Rate

The District has not elected to use the 10% de minimis cost rate.

Note 4 – Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of commodities received and disbursed. At June 30, 2022 the District had food commodities totaling $23,615 in inventory.

Additional Reports
June 30, 2022

Independent School District No. 150
Hawley Area Public Schools

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*

The School Board of
Independent School District No. 150
Hawley Area Public Schools
Hawley, 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 Independent School District No. 150, Hawley Area Public Schools ("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 8, 2022.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2022-001, 2022-002, and 2022-003, that we consider to be material weaknesses.

Report on Compliance and Other Matters

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

Response to Findings

Government Auditing Standards requires the auditor to perform procedures on the District's responses to findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Eide Bailly LLP

Fargo, North Dakota
November 8, 2022

Independent Auditor's Report on Compliance for the Major Federal Program; Report on Internal Control over Compliance Required by the Uniform Guidance

The School Board of
Independent School District No. 150
Hawley Area Public Schools
Hawley, Minnesota

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Independent School District No. 150's ("the District") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2022. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 the 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

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

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

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

Report on Internal Control over Compliance

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

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-004 to be a significant deficiency.

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.

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

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

Eide Bailly LLP

Fargo, North Dakota
November 8, 2022

Independent Auditor's Report on *Minnesota Legal Compliance*

The School Board of
Independent School District No. 150
Hawley Area Public Schools
Hawley, 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 Independent School District No. 150, Hawley Area Public Schools ("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 8, 2022.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat. §6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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

Eide Bailly LLP

Fargo, North Dakota
November 8, 2022

Section I – Summary of Auditor's Results

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

Identification of major programs:

Name of Federal Program	Federal Financial Assistance Listing/CFDA Number
Child Nutrition Cluster	10.553/10.555/10.555C

Dollar threshold used to distinguish between type A and type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

2022-001 Preparation of Financial Statements, Including Restatement and Schedule of Expenditures of Federal Awards
Material Weakness

Criteria – A good system of internal accounting control contemplates an adequate system for internally preparing the District's financial statements without requiring restatements to be made and for the preparation of the schedule of expenditures of federal awards.

Condition – The District does not have an internal control system designed to provide for the preparation of the financial statements without restatements and schedule of expenditures of federal awards (SEFA) being audited. The auditors were requested to, and did, draft the financial statements and SEFA and accompanying notes to the financial statements and SEFA.

Cause – The District does not have an internal control system designed to provide for the preparation of the financial statements without restatements and SEFA being audited.

Effect – The disclosures in the financial statements and SEFA could be incomplete and a correction of an error restatement was required to be disclosed in the current year.

Recommendation – It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials – There is no disagreement with the audit finding.

2022-002 **Material Journal Entries**
Material Weakness

Criteria – A good system of internal accounting control contemplates an adequate system for recording and processing entries material to the financial statements.

Condition – During the course of our engagement, we proposed material audit adjustments that were not identified as a result of the District's existing internal controls, and therefore could have resulted in a material misstatement of the District's financial statements.

Cause – The District does not have an internal control system designed to identify all necessary adjustments.

Effect – This deficiency could result in a misstatement to the financial statements that would not be prevented or detected.

Recommendation – A thorough review and reconciliation of accounts in each fund should take place prior to the beginning of the audit. This review should be done at both the accounting staff and accounting supervisor levels.

Views of Responsible Officials – There is no disagreement with the audit finding.

2022-003 Segregation of Duties
Material Weakness

Criteria – A good system of internal control requires an adequate segregation of duties so that no one individual has incompatible responsibilities. No one person should have more than one duty relating to the authorization (approval), custody of assets (check signers), record keeping and reconciliation functions.

Condition – The District does not adequately separate duties in cash receipts and journal entry posting.

Cause – One individual is responsible for receipting cash, preparing the deposit slip, making the deposit in the financial institution, and entering the transaction into the accounting system. Also, there is no formal process to review journal entries that are posted into the accounting system.

Effect – Inadequate segregation of duties could adversely affect the District's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

Recommendation – The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the District. Segregation of authorization, custody of assets, record keeping and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements.

Views of Responsible Officials – There is no disagreement with the audit finding.

Section III – Federal Award Findings and Questioned Costs

2022-004 Reporting
Significant Deficiency in Internal Control over Compliance – Lack of report review

Federal program information:

Federal Agency and Pass-Through Entity	CFDA Number	Program Title	Contract Number	Award Year
Department of Education, passed through the State of Minnesota	10.553, 10.555	Child Nutrition Cluster	0150-01-000	2021

Criteria – Uniform Guidance set forth the standards that non-federal entities other than states must follow when operating federal programs and the required procedures.

Condition – In our testing of reporting, it was identified that there is no formal review of the meal claim summary reports that are submitted on a monthly basis for meal reimbursement.

Cause – One individual is responsible for preparing the reports and submitting them to the state. Also, there is no formal process to review the monthly reports before submission.

Questioned Costs – None reported

Repeat Finding from Prior Years – Not a repeat finding

Effect – No formal review could adversely affect the District's ability to detect misstatements in claim counts that could result in monetary corrections being necessary.

Recommendation – We recommend that management establish a formal process to review the meal claims summary report on a monthly basis before submission in order to verify the meal counts and ensure there are no errors.

Views of Responsible Officials – There is no disagreement with the audit finding.

Section IV – Minnesota Legal Compliance Findings

None reported