SPECIAL SCHOOL DISTRICT NO. 6
SOUTH ST. PAUL, MINNESOTA

Financial Statements and
Supplementary Information

Year Ended
June 30, 2022

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SPECIAL SCHOOL DISTRICT NO. 6

Table of Contents

Table of Contents (continued)

Table of Contents (continued)

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INTRODUCTORY SECTION

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SPECIAL SCHOOL DISTRICT NO. 6

School Board and Administration
Year Ended June 30, 2022

SCHOOL BOARD

	Board Position
Linda Diaz	Chair
John Raasch	Vice Chair
Nikki Laliberte	Clerk
Chris Walker	Treasurer
Bill Arend	Inspector
Wendy Felton	Inspector
Monica Weber	Inspector

ADMINISTRATION

Brian Zambreno	Superintendent of Schools
Brady Hoffman	Finance Director
Lynne Welsh	Assistant Business Manager

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FINANCIAL SECTION

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MMKR
CERTIFIED PUBLIC
ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT

To the School Board and Management of
Special School District No. 6
South St. Paul, Minnesota

OPINIONS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Special School District No. 6 (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINIONS

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

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

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

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

(continued)

Malloy, Montague, Karnowski, Radosevich & Co., P.A.
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AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information (RSI), as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

(continued)

Supplementary Information

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

Other Information

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

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

Prior Year Comparative Information

We have previously audited the District's 2021 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated October 6, 2021. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

(continued)

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota
September 30, 2022

This section of Special School District No. 6's (the District) annual financial statements presents management's narrative overview and analysis of the District's financial performance during the fiscal year ended June 30, 2022. Please read it in conjunction with the other components of the District's annual financial statements.

FINANCIAL HIGHLIGHTS

- The District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2022 by $18,326,954 (net position deficit). The District's total net position increased by $7,428,668 during the fiscal year ended June 30, 2022.

- Government-wide revenues totaled $54,209,788 and were $7,428,668 more than expenses of $46,781,120.

- The General Fund's total fund balance (under the governmental fund presentation) increased by $2,128,173 from the prior year, compared to a decrease of $181,637 planned in the budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual financial statements consists of the following parts:

- Independent Auditor's Report;
- Management's discussion and analysis;
- Basic financial statements, including the government-wide financial statements, fund financial statements, and the notes to basic financial statements;
- Required supplementary information; and
- Supplementary information consisting of combining and individual fund financial statements and schedules.

The following explains the two types of statements included in the basic financial statements:

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

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

FUND FINANCIAL STATEMENTS

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

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. For Minnesota schools, funds are established in accordance with Uniform Financial Accounting and Reporting Standards in accordance with statutory requirements and accounting principles generally accepted in the United States of America. Some funds are required by state law and by bond covenants. The District can establish other funds to control and manage money for particular purposes or to show that it is properly using certain revenues.

The District maintains the following kinds of funds:

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

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

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

	2022	2021
Assets		
Current and other assets	$ 38,919,717	$ 35,462,238
Capital assets, net of depreciation	40,748,697	42,801,858
Total assets	$ 79,668,414	$ 78,264,096
Deferred outflows of resources		
Pension plan deferments	$ 10,608,390	$ 13,289,148
OPEB plan deferments	474,413	394,024
Total deferred outflows of resources	$ 11,082,803	$ 13,683,172
Liabilities		
Current and other liabilities	$ 6,152,150	$ 6,686,997
Long-term liabilities, including due within one year	56,161,178	72,581,892
Total liabilities	$ 62,313,328	$ 79,268,889
Deferred inflows of resources		
Property taxes levied for subsequent year	$ 10,636,018	$ 10,648,705
Pension plan deferments	33,401,745	24,698,914
OPEB plan deferments	2,727,080	3,086,382
Total deferred inflows of resources	$ 46,764,843	$ 38,434,001
Net position		
Net investment in capital assets	$ 10,645,136	$ 10,170,549
Restricted	4,022,170	2,163,000
Unrestricted	(32,994,260)	(38,089,171)
Total net position	$ (18,326,954)	$ (25,755,622)

The District's financial position is the product of many factors. For example, the determination of the District's net investment in capital assets involves many assumptions and estimates, such as current and accumulated depreciation amounts. A conservative versus liberal approach to depreciation estimates, as well as capitalization policies, will produce a significant difference in the calculated amounts. Another major factor in determining net position as compared to fund balances are the liabilities for long-term pension and OPEB, which impact the unrestricted portion of net position.

The District's increase in net investment in capital assets is due mostly to the relationship between the rate at which the District's capital assets are being added, depreciated, and how that compares to the rate at which the District is repaying the debt issued to purchase or construct those assets. The District's increase in net position restricted for capital asset acquisition, food service, community service and other state funding restrictions contributed to the change in restricted net position. The change in the District's share of the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) pension plans contributed to the change in deferred outflows, long-term liabilities, deferred inflows, and unrestricted net position. Positive operations in self-insured activities also contributed to the increase in unrestricted net position.

Table 2 presents a summarized version of the District’s Statement of Activities:

Table 2
Summary Statement of Activities
for the Years Ended June 30, 2022 and 2021

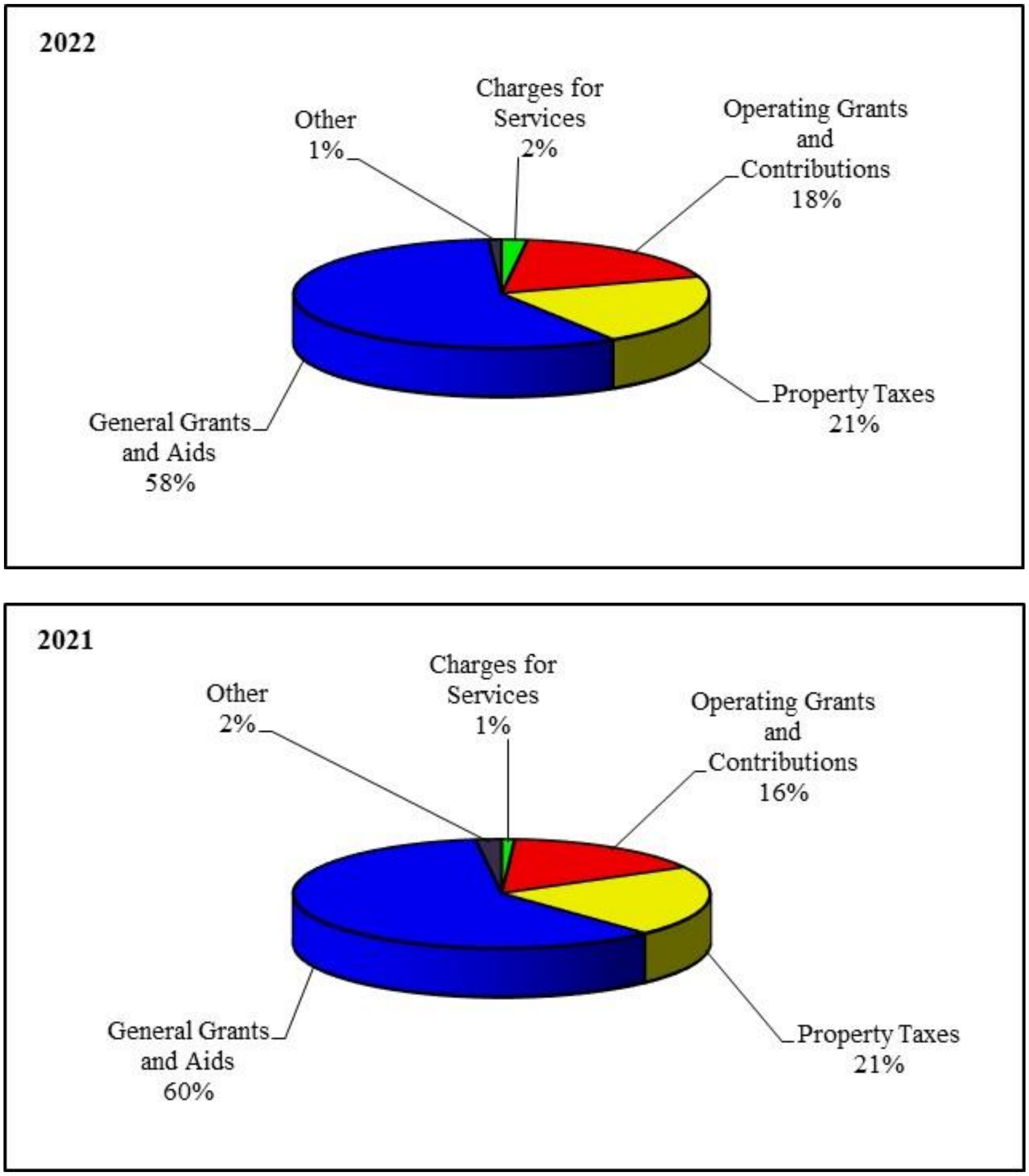
	2022	2021
Revenues		
Program revenues		
Charges for services	$ 1,344,383	$ 656,790
Operating grants and contributions	9,972,164	8,398,875
General revenues		
Property taxes	11,350,714	10,671,559
General grants and aids	31,249,407	30,333,393
Other	293,120	937,358
Total revenues	54,209,788	50,997,975
Expenses		
Administration	1,260,499	1,405,254
District support services	2,170,865	1,961,638
Elementary and secondary regular instruction	18,216,885	20,245,354
Vocational education instruction	157,676	165,690
Special education instruction	7,677,928	8,710,089
Instructional support services	3,136,782	3,818,764
Pupil support services	3,100,032	2,654,632
Sites and buildings	4,435,491	5,036,344
Fiscal and other fixed cost programs	268,937	267,833
Food service	1,999,919	1,468,286
Community service	1,928,293	1,696,144
Depreciation not allocated to other functions	1,439,096	1,446,479
Interest and fiscal charges	988,717	1,120,550
Total expenses	46,781,120	49,997,057
Change in net position	7,428,668	1,000,918
Net position – beginning	(25,755,622)	(26,756,540)
Net position – ending	$ (18,326,954)	$ (25,755,622)

This table is presented on an accrual basis of accounting, and it includes all of the governmental activities of the District. This statement includes depreciation expense, but excludes capital asset purchase costs, debt proceeds, and the repayment of debt principal.

The COVID-19 pandemic continued to impact financial activity in in the current year. Revenues shifted in operating grants and contributions and in general grants and aids with more federal revenues recognized through pandemic-related grants. Charges for services were up with less activity restrictions in the current year. Other sources were down with a decrease in investment earnings compared to the prior year. Expenses were down compared to the prior year, due, in part to changes in state-wide pension plans.

Figure A shows further analysis of these revenue sources:

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

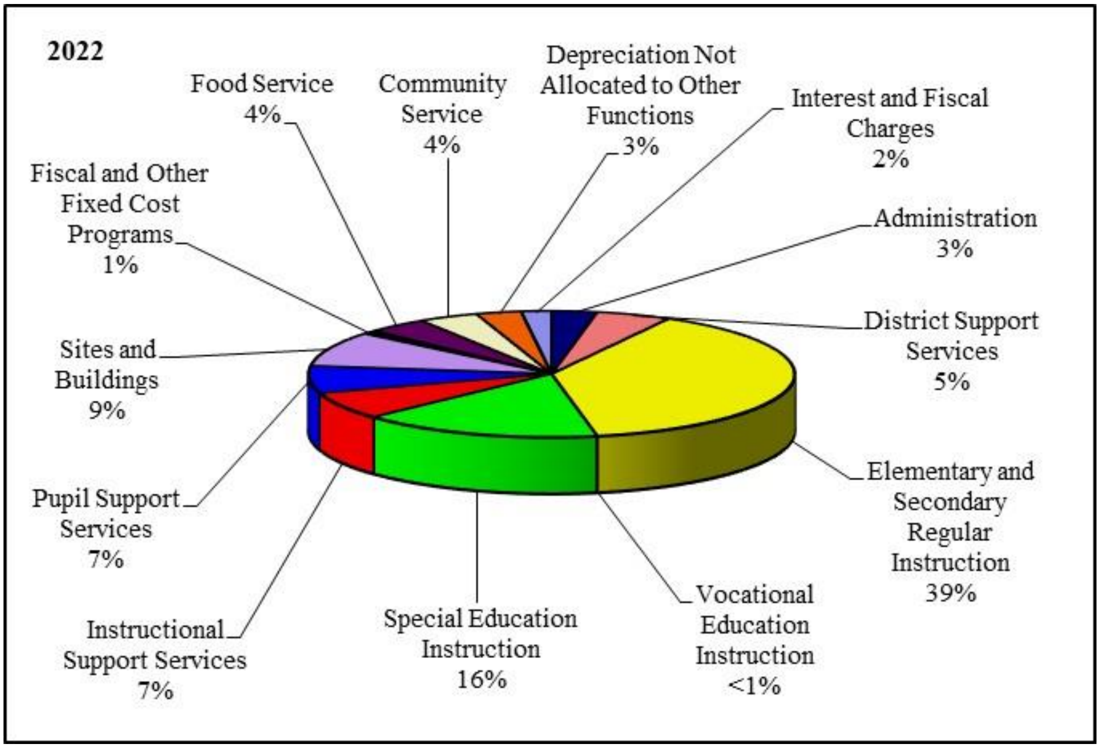


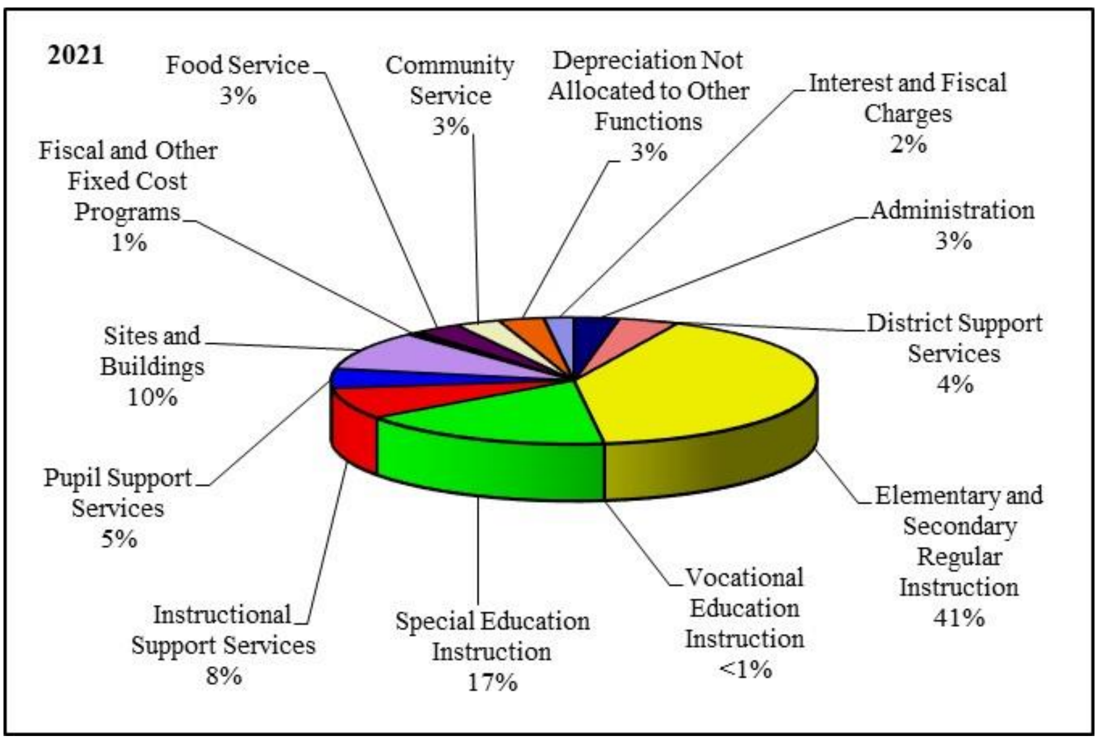
The largest share of the District's revenue is received from the state, including the general education aid formula and most of the operating grants.

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

Figure B shows further analysis of these expense functions:

Figure B – Expenses for Fiscal Years 2022 and 2021





The District's expenses are predominately related to educating students. Programs (or functions), such as elementary and secondary regular instruction, vocational education instruction, special education instruction, and instructional support services, are directly related to classroom instruction, while the rest of the programs support instruction and other necessary costs to operate the District.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

	2022	2021	Change
Major funds			
General	$ 8,268,596	$ 6,140,423	$ 2,128,173
Debt Service	736,221	725,335	10,886
Nonmajor funds			
Food Service Special Revenue	822,309	523,334	298,975
Community Service Special Revenue	549,213	321,789	227,424
Total governmental funds	$ 10,376,339	$ 7,710,881	$ 2,665,458

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance, which has not yet been limited to use for a particular purpose by either an external party, the District itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the District's School Board.

At June 30, 2022, the District's governmental funds reported combined fund balances of $10,376,339, an increase of $2,665,458 in comparison with the prior year. Approximately 46.5 percent of this amount ($4,830,115) constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of the fund balance is either nonspendable, restricted, or assigned to indicate that it is: 1) not in spendable form ($25,793), 2) restricted for particular purposes ($4,472,479), or 3) assigned for particular purposes ($1,047,952).

Changes in the table above are discussed on the following pages.

ANALYSIS OF THE GENERAL FUND

Table 4 summarizes the amendments to the General Fund budget:

Table 4
General Fund
Budget

	Original Budget	Final Budget	Change	Percent Change
Revenue	$ 44,514,664	$ 45,138,287	$ 623,623	1.4%
Expenditures	$ 44,709,829	$ 45,319,924	$ 610,095	1.4%

The District is required to adopt an operating budget prior to the beginning of its fiscal year, referred to above as the original budget. During the year, the District amended the budget for known significant changes in circumstances such as: updated enrollment estimates, legislative changes, additional funding received from grants or other local sources, staffing changes, employee contract settlements, insurance premium changes, special education tuition changes, or for new debt issued.

Table 5 summarizes the operating results of the General Fund:

Table 5
General Fund
Operating Results

		Over (Under) Final Budget		Over (Under) Prior Year	
	2022 Actual	Amount	Percent	Amount	Percent
Revenue	$ 46,705,145	$ 1,566,858	3.5%	$ 2,283,338	5.1%
Expenditures	45,604,220	284,296	0.6%	1,345,105	3.0%
Excess of revenue over expenditures	1,100,925	1,282,562		938,233	
Other financing sources	1,027,248	1,027,248		1,027,248	
Net change in fund balances	$ 2,128,173	$ 2,309,810		$ 1,965,481	

The fund balance of the General Fund increased $2,128,173, compared to a decrease of $181,637 approved in the final budget.

Several sources contributed to the favorable revenue variance over the amended projection. Property taxes and other local sources were over budget by $266,579, and $280,651, respectively. State sources were over budget by $360,901, while federal sources surpassed projections by $644,727. The favorable variance in revenues was largely due to conservative budgeting and more grant awards than anticipated. The increase in total revenue was largely in new federal grant entitlements in the current year, accounting for the growth in federal sources.

General Fund expenditures were close to budget, as seen in the previous table, with the variance spread across several programs and object categories. Expenditures increased from the prior year, with the majority of the increase in salaries and purchased services, as anticipated in the approved budget.

COMMENTS ON SIGNIFICANT ACTIVITIES IN OTHER FUNDS

Debt Service Fund

The funding of debt service is controlled in accordance with each outstanding debt issue's financing plan. Debt Service Fund revenues and other financing sources exceeded expenditures and other financing uses by $10,886 in the current year. The year-end fund balance of $736,221 at June 30, 2022 is available for meeting future debt service obligations. During fiscal 2022 the District issued refunding bonds that were used to call outstanding bonds in the current year, in order to reduce future debt levies.

Other Governmental Funds

The Food Service Special Revenue Fund ended the year with revenues exceeding expenditures, increasing equity by $298,975, compared to a planned fund balance increase of $105,454.

The Community Service Special Revenue Fund ended the year with revenues exceeding expenditures, increasing equity by $227,424, compared to a planned fund balance increase of $38,559.

Internal Service Funds

Internal service funds are used to account for the financing of goods and services provided by one department or agency of a government to other departments or agencies on a cost-reimbursement basis. The District currently maintains internal service funds to account for the District's self-insured dental plan, the District's self-insured medical plan, and for the District's OPEB obligations.

The combined total net position balance for the internal service funds as of June 30, 2022 was $2,717,063. Current year operations increased net position by $1,389,759, mainly in the Medical Self-Insurance Fund.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

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

Table 6
Capital Assets

	2022	2021	Change
Land	$ 1,646,893	$ 2,444,143	$ (797,250)
Buildings	56,096,093	55,957,097	138,996
Building improvements	6,360,654	6,364,141	(3,487)
Furniture and equipment	5,551,879	5,528,300	23,579
Less accumulated depreciation	(28,906,822)	(27,491,823)	(1,414,999)
Total	$ 40,748,697	$ 42,801,858	$ (2,053,161)
Depreciation expense	$ 1,439,096	$ 1,446,479	$ (7,383)

By the end of 2022, the District had invested in a broad range of capital assets, including school buildings, athletic facilities, and other equipment for various instructional programs (see Table 6).

The changes presented in the table above reflect the ongoing activity and completion of projects at district sites during fiscal year 2022, including the capital spending in the General Fund.

The sale of land in the current year accounted for the decrease in this category in the above table.

The District defines capital assets as those with an initial, individual cost of $3,000 or more, which benefit more than one fiscal year.

Additional details about capital assets can be found in the notes to basic financial statements.

Long-Term Liabilities

Table 7 illustrates the components of the District's long-term liabilities with changes from the prior year:

Table 7
Outstanding Long-Term Liabilities

	2022	2021	Change
General obligation bonds payable	$ 23,015,000	$ 27,065,000	$ (4,050,000)
Certificates of participation	4,745,000	5,030,000	(285,000)
Unamortized premium/discount	2,343,561	536,309	1,807,252
Financed purchase payable	169,446	249,979	(80,533)
Compensated absences payable	149,525	243,186	(93,661)
Severance benefits payable	–	97,681	(97,681)
Net pension liability	18,499,627	32,593,421	(14,093,794)
Total OPEB liability	7,239,019	6,766,316	472,703
Total	$ 56,161,178	$ 72,581,892	$ (16,420,714)

The decreases in bonds, certificates of participation, and financed purchase payable in the table above are primarily due to the planned repayment schedules reflecting principal payments during fiscal year 2022. As previously discussed, the District issued refunding bonds in the current year that were used to call outstanding bonds in advance or their original maturities to reduce future debt levies. This transaction increased unamortized premium that was received and used to reduce outstanding bonds payable.

The difference in the net pension liability reflects the change in the District's proportionate share of the state-wide pension obligations for the PERA and the TRA. The change in the total OPEB liability was due, in part to assumption changes used to calculate this obligation.

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

Table 8
Limitations on Debt

District's market value	$ 1,944,313,925
Limit rate	15.0%
Legal debt limit	$ 291,647,089

Additional details of the District's long-term debt activity can be found in the notes to basic financial statements.

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

The general education program is the method by which school districts receive the majority of their financial support. This source of funding is primarily state aid and, as such, school districts rely heavily on the state of Minnesota for educational resources. The Legislature has added $135, or 2.00 percent, per pupil to the basic general education funding formula for fiscal year 2023.

The amount of funding a district receives is also dependent on the number of students it serves, meaning attracting and retaining students is critical to the District's financial well-being.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

These financial statements are designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Services Department, Special School District No. 6, 104 – 5th Avenue South, South St. Paul, Minnesota 55075.

BASIC FINANCIAL STATEMENTS

SPECIAL SCHOOL DISTRICT NO. 6

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

	Governmental Activities	
	2022	2021
Assets		
Cash and temporary investments	$ 22,002,272	$ 20,195,122
Receivables		
Current taxes	6,708,925	6,465,657
Delinquent taxes	141,868	167,978
Accounts and interest	163,933	67,743
Due from other governmental units	5,303,539	3,563,212
Inventory	25,793	43,801
Prepaid items	–	60,432
Restricted assets		
Cash and investments for OPEB	4,573,387	4,898,293
Capital assets		
Not depreciated	1,646,893	2,444,143
Depreciated, net of accumulated depreciation	39,101,804	40,357,715
Total capital assets, net of accumulated depreciation	40,748,697	42,801,858
Total assets	79,668,414	78,264,096
Deferred outflows of resources		
Pension plan deferments	10,608,390	13,289,148
OPEB plan deferments	474,413	394,024
Total deferred outflows of resources	11,082,803	13,683,172
Total assets and deferred outflows of resources	$ 90,751,217	$ 91,947,268
Liabilities		
Salaries payable	$ 2,822,172	$ 1,800,115
Accounts and contracts payable	1,003,807	2,247,548
Accrued interest payable	544,809	461,914
Due to other governmental units	375,240	548,720
Unearned revenue	1,112,178	1,269,630
Claims incurred, but not reported	293,944	359,070
Long-term liabilities		
Due within one year	2,891,044	3,151,377
Due in more than one year	53,270,134	69,430,515
Total long-term liabilities	56,161,178	72,581,892
Total liabilities	62,313,328	79,268,889
Deferred inflows of resources		
Property taxes levied for subsequent year	10,636,018	10,648,705
Pension plan deferments	33,401,745	24,698,914
OPEB plan deferments	2,727,080	3,086,382
Total deferred inflows of resources	46,764,843	38,434,001
Net position		
Net investment in capital assets	10,645,136	10,170,549
Restricted for		
Capital asset acquisition	1,274,890	8,683
Debt service	255,396	333,049
Food service	822,309	523,334
Community service	553,936	326,308
Other purposes (state funding restrictions)	1,115,639	971,626
Unrestricted	(32,994,260)	(38,089,171)
Total net position	(18,326,954)	(25,755,622)
Total liabilities, deferred inflows of resources, and net position	$ 90,751,217	$ 91,947,268

See notes to basic financial statements

SPECIAL SCHOOL DISTRICT NO. 6

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

	2022				2021
		Program Revenues		Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Governmental Activities
Governmental activities					
Administration	$ 1,260,499	$ –	$ –	$ (1,260,499)	$ (1,405,254)
District support services	2,170,865	–	–	(2,170,865)	(1,961,638)
Elementary and secondary regular instruction	18,216,885	421,707	581,197	(17,213,981)	(19,434,010)
Vocational education instruction	157,676	–	–	(157,676)	(165,690)
Special education instruction	7,677,928	160,886	5,794,896	(1,722,146)	(3,340,015)
Instructional support services	3,136,782	–	–	(3,136,782)	(3,818,764)
Pupil support services	3,100,032	–	151,935	(2,948,097)	(2,510,062)
Sites and buildings	4,435,491	37,440	–	(4,398,051)	(5,014,025)
Fiscal and other fixed cost programs	268,937	–	–	(268,937)	(267,833)
Food service	1,999,919	39,043	2,371,026	410,150	(106,275)
Community service	1,928,293	685,307	1,073,110	(169,876)	(350,797)
Depreciation not allocated to other functions	1,439,096	–	–	(1,439,096)	(1,446,479)
Interest and fiscal charges	988,717	–	–	(988,717)	(1,120,550)
Total governmental activities	$ 46,781,120	$ 1,344,383	$ 9,972,164	(35,464,573)	(40,941,392)
General revenues					
Taxes					
Property taxes, levied for general purposes				7,757,253	7,272,533
Property taxes, levied for community service				597,941	548,454
Property taxes, levied for debt service				2,995,520	2,850,572
General grants and aids				31,249,407	30,333,393
Other general revenues				413,309	524,401
Gain on sale of capital assets				171,449	–
Investment earnings (charges)				(291,638)	412,957
Total general revenues				42,893,241	41,942,310
Change in net position				7,428,668	1,000,918
Net position – beginning				(25,755,622)	(26,756,540)
Net position – ending				$ (18,326,954)	$ (25,755,622)

See notes to basic financial statements

SPECIAL SCHOOL DISTRICT NO. 6

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

	General Fund	Debt Service Fund	Nonmajor Funds
Assets			
Cash and temporary investments	$ 9,915,658	$ 1,940,842	$ 1,639,383
Receivables			
Current taxes	4,609,032	1,794,300	305,593
Delinquent taxes	93,208	41,204	7,456
Accounts and interest	35,989	–	13,550
Due from other governmental units	5,085,386	–	218,153
Inventory	–	–	25,793
Total assets	$ 19,739,273	$ 3,776,346	$ 2,209,928
Liabilities			
Salaries payable	$ 2,769,518	$ –	$ 52,654
Accounts and contracts payable	977,631	–	26,176
Due to other governmental units	193,435	–	181,805
Due to other funds	–	–	–
Unearned revenue	360,806	–	59,895
Total liabilities	4,301,390	–	320,530
Deferred inflows of resources			
Unavailable revenue – delinquent taxes	59,512	27,035	4,723
Property taxes levied for subsequent year	7,109,775	3,013,090	513,153
Total deferred inflows of resources	7,169,287	3,040,125	517,876
Fund balances			
Nonspendable	–	–	25,793
Restricted	2,390,529	736,221	1,345,729
Assigned	1,047,952	–	–
Unassigned	4,830,115	–	–
Total fund balances	8,268,596	736,221	1,371,522
Total liabilities, deferred inflows of resources, and fund balances	$ 19,739,273	$ 3,776,346	$ 2,209,928

Total Governmental Funds			
2022		2021	
$	13,495,883	$	13,448,308
	6,708,925		6,465,657
	141,868		167,978
	49,539		4,246
	5,303,539		3,563,212
	25,793		43,801
$	25,725,547	$	23,693,202
$	2,822,172	$	1,800,115
	1,003,807		2,247,548
	375,240		548,720
	–		164,558
	420,701		481,084
	4,621,920		5,242,025
	91,270		91,591
	10,636,018		10,648,705
	10,727,288		10,740,296
	25,793		43,801
	4,472,479		2,506,966
	1,047,952		1,345,563
	4,830,115		3,814,551
	10,376,339		7,710,881
$	25,725,547	$	23,693,202

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SPECIAL SCHOOL DISTRICT NO. 6

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

	2022	2021
Total fund balances – governmental funds	$ 10,376,339	$ 7,710,881
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets are included in net position, but are excluded from fund balances because they do not represent financial resources.		
Cost of capital assets	69,655,519	70,293,681
Accumulated depreciation	(28,906,822)	(27,491,823)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable. Debt issuance premiums and discounts are excluded from net position until amortized, but are included in fund balances upon issuance as other financing sources and uses.		
General obligation bonds payable	(23,015,000)	(27,065,000)
Certificates of participation	(4,745,000)	(5,030,000)
Unamortized premium/discount	(2,343,561)	(536,309)
Financed purchase payable	(169,446)	(249,979)
Compensated absences payable	(149,525)	(243,186)
Severance benefits payable	–	(97,681)
Net pension liability	(18,499,627)	(32,593,421)
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.	(544,809)	(461,914)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.	2,717,063	1,327,304
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – pension plan deferments	10,608,390	13,289,148
Deferred inflows of resources – pension plan deferments	(33,401,745)	(24,698,914)
Deferred inflows of resources – unavailable revenue – delinquent taxes	91,270	91,591
Total net position – governmental activities	$ (18,326,954)	$ (25,755,622)

SPECIAL SCHOOL DISTRICT NO. 6

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

	General Fund	Debt Service Fund	Nonmajor Funds
Revenue			
Local sources			
Property taxes	$ 7,756,124	$ 2,997,174	$ 597,737
Investment earnings	14,000	4,867	2,915
Other	1,000,983	–	724,350
State sources	33,603,981	–	987,544
Federal sources	4,330,057	–	2,456,592
Total revenue	46,705,145	3,002,041	4,769,138
Expenditures			
Current			
Administration	1,604,709	–	–
District support services	2,381,164	–	–
Elementary and secondary regular instruction	20,350,908	–	–
Vocational education instruction	178,954	–	–
Special education instruction	8,683,754	–	–
Instructional support services	3,520,581	–	–
Pupil support services	3,242,525	–	–
Sites and buildings	4,849,740	–	–
Fiscal and other fixed cost programs	268,937	–	–
Food service	–	–	2,086,892
Community service	–	–	2,112,752
Capital outlay	–	–	43,095
Debt service			
Principal	365,533	1,975,000	–
Interest and fiscal charges	157,415	1,118,199	–
Total expenditures	45,604,220	3,093,199	4,242,739
Excess (deficiency) of revenue over expenditures	1,100,925	(91,158)	526,399
Other financing sources (uses)			
Refunding debt issued	–	12,610,000	–
Premium on issuance of debt	–	2,177,044	–
Payments to refunded bond escrow agent	–	(14,685,000)	–
Insurance recovery	32,359	–	–
Sale of capital assets	994,889	–	–
Total other financing sources (uses)	1,027,248	102,044	–
Net change in fund balances	2,128,173	10,886	526,399
Fund balances			
Beginning of year	6,140,423	725,335	845,123
End of year	$ 8,268,596	$ 736,221	$ 1,371,522

See notes to basic financial statements

Total Governmental Funds	
2022	2021
$ 11,351,035	$ 10,692,453
21,782	32,819
1,725,333	1,181,191
34,591,525	34,978,144
6,786,649	3,690,632
54,476,324	50,575,239
1,604,709	1,394,814
2,381,164	2,038,010
20,350,908	19,715,733
178,954	164,582
8,683,754	8,680,368
3,520,581	3,764,591
3,242,525	2,630,715
4,849,740	5,079,931
268,937	267,833
2,086,892	1,456,220
2,112,752	1,704,370
43,095	2,461,183
2,340,533	2,357,863
1,275,614	1,271,512
52,940,158	52,987,725
1,536,166	(2,412,486)
12,610,000	–
2,177,044	–
(14,685,000)	–
32,359	–
994,889	–
1,129,292	–
2,665,458	(2,412,486)
7,710,881	10,123,367
$ 10,376,339	$ 7,710,881

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

	2022	2021
Total net change in fund balances – governmental funds	$ 2,665,458	$ (2,412,486)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are recorded as net position and the cost is allocated over their estimated useful lives as depreciation expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase.		
Capital outlays	209,375	2,388,507
Depreciation expense	(1,439,096)	(1,446,479)
A gain or loss on the disposal of capital assets, including the difference between the carrying value and any related sale proceeds, is included in the change in net position. However, only the sale proceeds are included in the change in fund balances.	(823,440)	–
The amount of debt issued is reported in the governmental funds as a source of financing. Debt obligations are not revenues in the Statement of Activities, but rather constitute long-term liabilities.	(12,610,000)	–
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds payable	16,660,000	2,045,000
Certificates of participation	285,000	235,000
Financed purchase payable	80,533	77,863
Debt issuance premiums and discounts are included in the change in net position as they are amortized over the life of the debt. However, they are included in the change in fund balances upon issuance as other financing sources and uses.	(1,807,252)	89,270
Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.		
Compensated absences payable	93,661	(11,591)
Severance benefits payable	97,681	10,499
Net pension liability	14,093,794	(3,698,620)
Interest on long-term debt is included in the change in net position as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due.	(82,895)	61,692
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is included in the governmental activities in the Statement of Activities.	1,389,759	1,550,991
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – pension plan deferments	(2,680,758)	(9,066,695)
Deferred inflows of resources – pension plan deferments	(8,702,831)	11,198,861
Deferred inflows of resources – unavailable revenue – delinquent taxes	(321)	(20,894)
Change in net position – governmental activities	$ 7,428,668	$ 1,000,918

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SPECIAL SCHOOL DISTRICT NO. 6

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

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Final Budget
Revenue				
Local sources				
Property taxes	$ 7,489,545	$ 7,489,545	$ 7,756,124	$ 266,579
Investment earnings	–	–	14,000	14,000
Other	720,332	720,332	1,000,983	280,651
State sources	32,781,307	33,243,080	33,603,981	360,901
Federal sources	3,523,480	3,685,330	4,330,057	644,727
Total revenue	44,514,664	45,138,287	46,705,145	1,566,858
Expenditures				
Current				
Administration	1,428,826	1,403,300	1,604,709	201,409
District support services	1,988,500	2,297,114	2,381,164	84,050
Elementary and secondary regular instruction	20,189,631	20,329,116	20,350,908	21,792
Vocational education instruction	–	–	178,954	178,954
Special education instruction	8,794,748	8,753,337	8,683,754	(69,583)
Instructional support services	3,458,910	3,532,817	3,520,581	(12,236)
Pupil support services	3,227,596	3,296,761	3,242,525	(54,236)
Sites and buildings	5,321,618	4,972,885	4,849,740	(123,145)
Fiscal and other fixed cost programs	300,000	300,000	268,937	(31,063)
Debt service				
Principal	–	285,000	365,533	80,533
Interest and fiscal charges	–	149,594	157,415	7,821
Total expenditures	44,709,829	45,319,924	45,604,220	284,296
Excess (deficiency) of revenue over expenditures	(195,165)	(181,637)	1,100,925	1,282,562
Other financing sources				
Insurance recovery	–	–	32,359	32,359
Sale of capital assets	–	–	994,889	994,889
Total other financing sources	–	–	1,027,248	1,027,248
Net change in fund balances	$ (195,165)	$ (181,637)	2,128,173	$ 2,309,810
Fund balances				
Beginning of year			6,140,423	
End of year			$ 8,268,596	

SPECIAL SCHOOL DISTRICT NO. 6

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

	2022	2021
Assets		
Current assets		
Cash and temporary investments	$ 8,506,389	$ 6,746,814
Receivables		
Accounts and interest	114,394	63,497
Due from other funds	–	164,558
Prepaid items	–	60,432
Total current assets	8,620,783	7,035,301
Non-current assets		
Restricted assets		
Cash and cash equivalents	1,462,043	1,579,168
Investments	3,111,344	3,319,125
Total non-current assets	4,573,387	4,898,293
Total assets	13,194,170	11,933,594
Deferred outflows of resources		
OPEB plan deferments	474,413	394,024
Liabilities		
Current liabilities		
Unearned revenue	691,477	788,546
Claims incurred, but not reported	293,944	359,070
Total OPEB liability	508,224	567,658
Total current liabilities	1,493,645	1,715,274
Non-current liabilities		
Total OPEB liability (net of current portion)	6,730,795	6,198,658
Total liabilities	8,224,440	7,913,932
Deferred inflows of resources		
OPEB plan deferments	2,727,080	3,086,382
Net position		
Unrestricted	$ 2,717,063	$ 1,327,304

See notes to basic financial statements

SPECIAL SCHOOL DISTRICT NO. 6

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

	2022	2021
Operating revenue		
Contributions from governmental funds	$ 7,435,671	$ 7,167,297
Operating expenses		
Dental benefit claims	270,948	293,648
Medical benefit claims	5,187,546	5,366,629
OPEB	273,998	336,167
Total operating expenses	5,732,492	5,996,444
Operating income	1,703,179	1,170,853
Nonoperating revenue		
Investment earnings (charges)	(313,420)	380,138
Change in net position	1,389,759	1,550,991
Net position		
Beginning of year	1,327,304	(223,687)
End of year	$ 2,717,063	$ 1,327,304

SPECIAL SCHOOL DISTRICT NO. 6

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

	2022	2021
Cash flows from operating activities		
Received from assessments made to other funds	$ 7,287,705	$ 7,012,182
Payment for dental claims	(266,926)	(299,213)
Payment for medical claims	(5,196,262)	(5,462,570)
Post-employment benefit payments	(240,986)	(235,442)
Net cash flows from operating activities	1,583,531	1,014,957
Cash flows from noncapital financing activities		
Cash received from (paid to) other funds	164,558	(164,558)
Cash flows from investing activities		
Purchase of investments	(357,212)	(258,673)
Sale of investments	152,009	65,775
Interest on investments	99,564	380,138
Net cash flows from investing activities	(105,639)	187,240
Net change in cash and cash equivalents	1,642,450	1,037,639
Cash and cash equivalents		
Beginning of year	8,325,982	7,288,343
End of year	$ 9,968,432	$ 8,325,982
Reconciliation of operating income to net cash flows from operating activities		
Operating income	$ 1,703,179	$ 1,170,853
Adjustments to reconcile operating income to cash flows from operating activities		
Changes in assets, liabilities, and deferred outflows/inflows		
Accounts and interest receivable	(50,897)	(42,942)
Prepaid items	60,432	2,844
Deferred outflows – OPEB plan deferments	(80,389)	246,196
Unearned revenue	(97,069)	(112,173)
Claims incurred, but not reported	(65,126)	(104,350)
Total OPEB liability	472,703	(1,905,932)
Deferred inflows – OPEB plan deferments	(359,302)	1,760,461
Net cash flows from operating activities	$ 1,583,531	$ 1,014,957

Cash and cash equivalents are reported on the Statement of Net Position as follows:

	2022	2021
Cash and temporary investments	$ 8,506,389	$ 6,746,814
Cash and cash equivalents	1,462,043	1,579,168
Total cash and cash equivalents	$ 9,968,432	$ 8,325,982

See notes to basic financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Special School District No. 6 (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 District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The District's boundaries and the City of South St. Paul's boundaries are nearly the same, fostering a feeling of family, with many opportunities for parent and community involvement. The mission of the District is delivering lifelong education by providing opportunities for learners of all ages, backgrounds, and needs. In 2009, the District became Minnesota's first K–12 International Baccalaureate (IB) World Schools District after successfully being authorized in the IB Middle Years Program, serving all students in Grades 7–10, and the Primary Years Program, which serves all students in Grades K–6. The District has been offering the IB Diploma Program at the high school since 1986.

B. Reporting Entity

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

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

C. Government-Wide Financial Statement Presentation

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District. Generally, the effect of material interfund activity has been removed from the government-wide financial statements. Transactions representing interfund services provided and used are not eliminated in the consolidation process to the government-wide financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other internally directed revenues are reported instead as general revenues.

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

For capital assets that can be specifically identified with, or allocated to functional areas, depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. For capital assets that essentially serve all functional areas, depreciation expense is reported as "depreciation not allocated to other functions." Interest is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

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

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

1. **Revenue Recognition** – Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District generally considers revenues, including property taxes, 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 funding formulas established by Minnesota Statutes. Proceeds of long-term debt and acquisitions under leases are reported as other financing sources.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The proprietary (internal service funds) are presented in the proprietary fund financial statements. Because the principal users of internal services are the District's governmental activities, the internal service funds are consolidated into the governmental activities column when presented in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity.

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

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

Description of Funds

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

Major Governmental Funds

General Fund – The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

Nonmajor Governmental Funds

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

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

Proprietary Funds

Internal Service Funds – Internal service funds account for the financing of goods or services provided by one department to other departments or agencies of the District, or to other governments, on a cost reimbursement basis. The District's internal service funds are used to account for dental and medical insurance benefits offered by the District to its employees as a self-insured plan and for the payment and financing of its OPEB liabilities, including the administration of assets held in a revocable trust to finance these liabilities.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Information

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

Actual expenditures exceeded final appropriations in the current year by $284,296 in the General Fund, by $123,600 in the Food Service Special Revenue Fund, and by $162,688 in the Community Service Special Revenue Fund. These variances were funded by revenues and other financing sources in excess of budget, along with available fund balance.

F. Cash and Temporary Investments

Cash and temporary investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

Cash and investments held by trustee include balances held in segregated accounts that are established for specific purposes. In the Internal Service Fund, this represents assets held in a revocable trust established to finance the District's liability for other post-employment insurance benefits. Interest earned on these investments is allocated directly to these accounts.

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

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

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

Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Receivables

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

H. Inventories

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

I. Property Taxes

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

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes $583,681 of the property tax levy collectible in 2022 as revenue to the District in fiscal year 2021–2022. The remaining portion of the taxes collectible in 2022 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets

Capital assets that are purchased or constructed by the District are recorded at historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation. The District defines capital assets as those with an initial, individual cost of $3,000 or more, which benefit more than one fiscal year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide financial statements, but are not reported in the governmental fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are generally sold for an immaterial amount or scrapped when declared as no longer fit or needed for public school purposes by the District, no salvage value is considered for depreciation purposes. Useful lives vary from 20 to 50 years for buildings and building improvements, and 5 to 20 years for furniture and equipment. Land and construction in progress are not depreciated.

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

K. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period as other financing sources or uses, respectively. The face amount of debt issued is reported as other financing sources.

L. Compensated Absences

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

M. Severance

The District provides lump sum severance benefits to eligible employees in accordance with provisions in certain collectively bargained contracts. Eligibility for these benefits is based on years of service and/or minimum age requirements. Severance benefits are calculated by converting a portion of an eligible employee's unused accumulated sick leave. No individual can receive severance benefits in excess of one year's salary. Members of certain employee groups may elect to receive district matching contributions paid into tax deferred matching contribution plans. The amount of any severance or retirement benefit due to an individual is reduced by the total matching contributions made by the District to such a plan over the course of that individual's employment.

Severance payable and the District's share of related benefits are recorded as a liability in the government-wide financial statements as it is earned and it becomes probable that it will vest at some point in the future. Severance pay is accrued in the governmental fund financial statements when the liability matures, due to employee termination.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. State-Wide Pension Plans

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

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

O. Deferred Outflows/Inflows of Resources

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Net Position

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

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

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

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

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

Q. Fund Balance Classifications

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

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.

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

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

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

- **Unassigned** – The residual classification for the General Fund, which also reflects negative residual amounts in other funds.

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

When committed, assigned, or unassigned resources are available for use, it is the District's policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned. The District's policy includes an exception to defer spending out of other categories and spend unassigned resources first if fund balances need to be preserved to facilitate future expenditure plans.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Restricted Assets

Restricted assets are cash and cash equivalents whose use is limited by legal requirements, such as a trust agreement. Restricted assets are reported only in the government-wide and proprietary (internal service) fund financial statements.

S. Risk Management and Self-Insurance

1. **General Insurance** – 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 the current fiscal year.

2. **Self-Insurance** – The District has established two internal service funds to account for and finance its self-insured risk of loss for respective employee dental and health insurance plans. Under these plans, the internal service funds provide coverage to participating employees and their dependents for various dental and healthcare costs as described in the plans.

   The District makes premium payments that include both employer and employee contributions to the internal service funds on behalf of program participants based on rates determined by insurance company estimates of monthly claims paid for each coverage class, plus the stop-loss health insurance premium costs and administrative service charges.

   District claim liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred, but not reported. Because actual claim liabilities depend on complex factors such as inflation, changes in legal doctrines, and damage awards, the process used in computing a claim liability does not necessarily result in an exact amount. Claim liabilities are evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

   Changes in the balance of dental claim liabilities for the past two years were as follows:

	Balance – Beginning of Year	Charges and Changes in Estimates	Claim Payments	Balance – End of Year
2021	$ 16,132	$ 293,648	$ 299,413	$ 10,367
2022	$ 10,367	$ 270,948	$ 268,945	$ 12,370

   Changes in the balance of health claim liabilities for the past two years were as follows:

	Balance – Beginning of Year	Charges and Changes in Estimates	Claim Payments	Balance – End of Year
2021	$ 447,288	$ 5,366,629	$ 5,465,214	$ 348,703
2022	$ 348,703	$ 5,187,546	$ 5,254,675	$ 281,574

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Use of Estimates

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

U. Prior Period Comparative Financial Information/Reclassification

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

V. Deficit Net Position

As of June 30, 2022, the District has a net position deficit of $4,918,299 in its Other Post-Employment Benefits Internal Service Fund. This deficit will be eliminated through contributions and investment earnings.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

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

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

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

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

At year-end, the carrying amount of the District's deposits was $3,315,605, while the balance on the bank records was $4,094,351. At June 30, 2022, all deposits were fully covered by federal deposit insurance, surety bonds, or by collateral held by the District's agent in the District's name.

B. Investments

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

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

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the District's investments to direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that receive the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated "A" or better; revenue obligations rated "AA" or better; general obligations of the Minnesota Housing Finance Agency rated "A" or better; bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000; that are a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; or certain Minnesota securities broker-dealers. For assets held in the District's revocable OPEB trust accounted for in its OPEB Internal Service Fund, the investment options available to the District are expanded to include the investment types specified in Minnesota Statutes § 356A.06, Subd. 7. The District's investment policies do not further restrict investing in specific financial instruments.

The following table presents the District's deposit and investment balances, and information relating to potential investment risks:

	Credit Risk		Fair Value	Interest Risk – Maturity Duration in Years			
Investment Type	Rating	Agency	Measurements	Less Than 1	1 to 5	5 to 10	Total
U.S. treasury note	N/A	N/A	Level 1	$ –	$ 1,277,535	$ –	$ 1,277,535
U.S. agency security	AA	S&P	Level 1	$ –	$ 70,133	$ –	70,133
Corporate obligations	AA	S&P	Level 1	$ –	$ 137,184	$ 80,073	217,257
Corporate obligations	A	S&P	Level 1	$ –	$ 820,027	$ 152,649	972,676
Corporate obligations	BBB	S&P	Level 1	$ –	$ 385,424	$ 106,489	491,913
Corporate obligations	BAA	Moody's	Level 1	$ –	$ 81,831	$ –	81,831
Equities	N/R	N/R	Level 1	N/A	N/A	N/A	788,875
Investment pools/mutual funds							
OPEB mutual funds	N/R	N/R	Level 1	N/A	N/A	N/A	339,610
Real estate investment trust	N/R	N/R	Level 1	N/A	N/A	N/A	7,789
Real asset funds	N/R	N/R	Level 2	N/A	N/A	N/A	325,768
Minnesota School District Liquid Asset Fund (MSDLAF)							
Liquid Class	AAA	S&P	Amortized cost	N/A	N/A	N/A	15,078,110
MAX Class	AAA	S&P	Amortized cost	N/A	N/A	N/A	3,608,557
Total investments							23,260,054
Total deposits							3,315,605
Total deposits and investments							$ 26,575,659

N/A – Not Applicable
N/R – Not Rated

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

The Minnesota School District Liquid Asset Fund (MSDLAF) is regulated by Minnesota Statutes and is an external investment pool, which is not registered with the Securities and Exchange Commission (SEC) that follows the same regulatory rules of the SEC. The District's investment in this pool is measured at the net asset value per share provided by the pool, which is based on an amortized cost method that approximates fair value. There are no restrictions or limitations on withdrawals from the MSDLAF Liquid Class investment pool. Investments in the MSDLAF MAX Class must be deposited for a minimum of 14 calendar days with the exception of direct investments of funds distributed by the state of Minnesota. Withdrawals prior to the 14-day restriction period may be subject to a penalty and there is a 24-hour hold on all requests for redemptions. MSDLAF+ Term investments have a maturity of 60 days to 1 year and early withdrawal may result in substantial early redemption penalties.

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

Statement of Net Position	
Cash and temporary investments	$ 22,002,272
Restricted assets	
Cash and investments for OPEB	4,573,387
Total deposits and investments	$ 26,575,659

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the current year ended is as follows:

	Balance – Beginning of Year	Additions	Deletions	Balance – End of Year
Capital assets, not depreciated				
Land	$ 2,444,143	$ –	$ (797,250)	$ 1,646,893
Capital assets, depreciated				
Buildings	55,957,097	138,996	–	56,096,093
Building improvements	6,364,141	–	(3,487)	6,360,654
Furniture and equipment	5,528,300	70,379	(46,800)	5,551,879
Total capital assets, depreciated	67,849,538	209,375	(50,287)	68,008,626
Less accumulated depreciation for				
Buildings	(21,318,428)	(926,595)	–	(22,245,023)
Building improvements	(3,097,013)	(246,929)	697	(3,343,245)
Furniture and equipment	(3,076,382)	(265,572)	23,400	(3,318,554)
Total accumulated depreciation	(27,491,823)	(1,439,096)	24,097	(28,906,822)
Net capital assets, depreciated	40,357,715	(1,229,721)	(26,190)	39,101,804
Total capital assets, net	$ 42,801,858	$ (1,229,721)	$ (823,440)	$ 40,748,697

Capital assets of the District are used by multiple functions, therefore depreciation expense for the year is reported as depreciation not allocated to other functions in the Statement of Activities.

NOTE 4 – LONG-TERM LIABILITIES

A. General Obligation Bonds Payable

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

Issue	Issue Date	Interest Rate	Face/Par Value	Final Maturity	Principal Outstanding
General obligation bonds payable					
Series 2014A – Building	01/29/2014	1.00–3.75%	$ 10,000,000	02/01/2033	$ 9,920,000
Series 2015A – Capital Facilities	04/09/2015	2.00%	$ 1,520,000	02/01/2025	485,000
Series 2021A – Refunding	12/02/2021	5.00%	$ 12,610,000	02/01/2029	12,610,000
Total general obligation bonds payable					$ 23,015,000

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

In December 2021, the District issued $12,610,000 of General Obligation Refunding Bonds, Series 2021A. In February 2022, the proceeds of this issue, including debt issue premium, were used to refund, in advance of their stated maturities, the 2023 through 2029 maturities of the District's 2013B General Obligation School Building Bonds totaling $14,685,000. This refunding will reduce the District's total future debt service payments by $1,783,538 and will result in a present value savings of $1,706,622.

B. Certificates of Participation Payable

The District currently has the following certificates of participation outstanding:

Issue	Issue Date	Interest Rate	Face/Par Value	Final Maturity	Principal Outstanding
2019A Certificates of participation	12/30/2019	2.00–4.00%	$ 5,265,000	04/01/2035	$ 4,745,000

The certificates of participation were issued to finance the acquisition and renovation of a building for educational programing purposes. Scheduled future ad valorem lease obligation tax levies will be made to finance the retirement of principal and interest payments on the certificates. The certificates of participation are being paid by the General Fund.

C. Financed Purchase Payable

The District has one financed purchase outstanding at year-end for computers. The agreement has a five-year term, bears an interest rate of 3.40 percent, and has a final maturity of February 2024. This obligation will be repaid by the General Fund. The District did not capitalize the computers as the cost of each individual computer did not meet the capitalization threshold policy.

D. Other Long-Term Liabilities

The District offers a number of benefits to its employees, including: compensated absences, severance benefits, pensions, and OPEB. The details of these various benefit liabilities are discussed elsewhere in these notes. Such benefits are financed primarily from the General Fund. The District has also established an Internal Service Fund to finance OPEB obligations.

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

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

Pension Plans	Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
PERA	$ 3,843,402	$ 2,940,496	$ 4,438,496	$ (356,239)
TRA	14,656,225	7,667,894	28,963,249	(179,752)
Total	$ 18,499,627	$ 10,608,390	$ 33,401,745	$ (535,991)

E. Minimum Debt Payments

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

Year Ending	General Obligation Bonds Payable		Certificates of Participation		Financed Purchase Payable	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2023	$ 1,855,000	$ 1,115,532	$ 295,000	$ 138,194	$ 83,295	$ 5,059
2024	2,045,000	924,250	305,000	126,394	86,151	2,203
2025	2,045,000	826,800	320,000	114,194	–	–
2026	1,710,000	729,500	335,000	101,394	–	–
2027	1,725,000	644,000	345,000	87,994	–	–
2028–2032	10,995,000	1,875,688	1,900,000	267,381	–	–
2033–2035	2,640,000	99,000	1,245,000	56,475	–	–
	$ 23,015,000	$ 6,214,770	$ 4,745,000	$ 892,026	$ 169,446	$ 7,262

F. Changes in Long-Term Liabilities

	Balance – Beginning of Year	Additions	Deletions	Balance – End of Year	Due Within One Year
General obligation bonds payable	$ 27,065,000	$ 12,610,000	$ 16,660,000	$ 23,015,000	$ 1,855,000
Certificates of participation	5,030,000	–	285,000	4,745,000	295,000
Unamortized premium/discount	536,309	2,177,044	369,792	2,343,561	–
Financed purchase payable	249,979	–	80,533	169,446	83,295
Compensated absences payable	243,186	492,905	586,566	149,525	149,525
Severance benefits payable	97,681	26,079	123,760	–	–
Net pension liability	32,593,421	3,612,135	17,705,929	18,499,627	–
Total OPEB liability	6,766,316	708,145	235,442	7,239,019	508,224
	$ 72,581,892	$ 19,626,308	$ 36,047,022	$ 56,161,178	$ 2,891,044

NOTE 5 – FUND BALANCES

The following is a breakdown of equity components of governmental funds, which are defined earlier in the report. When applicable, certain restrictions, which have an accumulated deficit balance at June 30 are included in unassigned fund balance in the District's financial statements in accordance with accounting principles generally accepted in the United States of America. A description of these deficit balance restrictions is included herein since the District has specific authority to future resources for such deficits.

A. Classifications

At year-end, a summary of the District's governmental fund balance classifications are as follows:

	General Fund	Debt Service Fund	Nonmajor Funds	Total
Nonspendable				
Inventory	$ –	$ –	$ 25,793	$ 25,793
Restricted				
Student activities	239,317	–	–	239,317
Staff development	106,017	–	–	106,017
Capital projects levy	61,918	–	–	61,918
Operating capital	1,080,235	–	–	1,080,235
Gifted and talented	125,540	–	–	125,540
Safe schools levy	232,460	–	–	232,460
Long-term facilities maintenance	132,737	–	–	132,737
Medical Assistance	153,852	–	–	153,852
Debt reduction	223,171	–	–	223,171
Flexible benefits	35,282	–	–	35,282
Debt service	–	736,221	–	736,221
Food service	–	–	796,516	796,516
Community education programs	–	–	396,476	396,476
Early childhood family education programs	–	–	52,840	52,840
School readiness	–	–	37,146	37,146
Adult basic education	–	–	62,751	62,751
Total restricted	2,390,529	736,221	1,345,729	4,472,479
Assigned				
Alternative Teacher Performance Pay System	87,952	–	–	87,952
Separation benefits	335,000	–	–	335,000
Curriculum	250,000	–	–	250,000
Staff development	75,000	–	–	75,000
Construction	200,000	–	–	200,000
Building maintenance	100,000	–	–	100,000
Total assigned	1,047,952	–	–	1,047,952
Unassigned	4,830,115	–	–	4,830,115
Total	$ 8,268,596	$ 736,221	$ 1,371,522	$ 10,376,339

NOTE 5 – FUND BALANCES (CONTINUED)

B. Minimum Fund Balance Policy

The School Board has formally adopted a fund balance policy regarding the minimum unassigned fund balance for the General Fund. The policy establishes that the District will strive to maintain a minimum unassigned General Fund balance of 8.0 percent of the annual budget. At June 30, 2022, the unassigned fund balance of the General Fund was 10.6 percent of fiscal 2022 actual expenditures.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Descriptions

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

1. General Employees Retirement Fund (GERF)

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

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

2. Teachers Retirement Association (TRA)

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

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

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

B. Benefits Provided

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

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

1. GERF Benefits

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

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

2. TRA Benefits

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

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

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Tier I Benefits

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

With these provisions:

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

(b) Three percent per year early retirement reduction factor for all years under normal retirement age.

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

Tier II Benefits

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

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

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

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

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

C. Contributions

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

1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Coordinated Plan members were required to contribute 6.5 percent of their annual covered salary in fiscal year 2022 and the District was required to contribute 7.5 percent for Coordinated Plan members. The District's contributions to the GERF for the year ended June 30, 2022, were $524,137. The District's contributions were equal to the required contributions as set by state statutes.

2. TRA Contributions

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

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

The District's contributions to the TRA for the plan's fiscal year ended June 30, 2022, were $1,655,615. The District's contributions were equal to the required contributions for each year as set by state statutes.

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

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

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

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

D. Pension Costs

1. GERF Pension Costs

At June 30, 2022, the District reported a liability of $3,843,402 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the state of Minnesota's contribution of $16 million. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the District totaled $117,435. 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 the 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 the PERA's participating employers. The District's proportionate share was 0.0900 percent at the end of the measurement period and 0.1095 percent for the beginning of the period.

District's proportionate share of the net pension liability	$	3,843,402
State's proportionate share of the net pension liability associated with the District	$	117,435

For the year ended June 30, 2022, the District recognized negative pension expense of $365,704 for its proportionate share of the GERF's pension expense. In addition, the District recognized an additional $9,465 as pension expense (and 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 GERF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 29,437	$ 120,569
Changes in actuarial assumptions	2,346,702	104,250
Net collective difference between projected and actual investment earnings	–	3,262,202
Changes in proportion	40,220	951,475
District's contributions to the GERF subsequent to the measurement date	524,137	–
Total	$ 2,940,496	$ 4,438,496

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

The $524,137 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 ending June 30, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount	
2023	$	(455,450)
2024	$	(364,846)
2025	$	(293,971)
2026	$	(907,870)

2. TRA Pension Costs

At June 30, 2022, the District reported a liability of $14,656,225 for its proportionate share of the TRA's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the TRA in relation to total system contributions, including direct aid from the state of Minnesota, City of Minneapolis, and Minneapolis Public Schools. The District's proportionate share was 0.3349 percent at the end of the measurement period and 0.3523 percent for the beginning of the period.

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

District's proportionate share of the net pension liability	$	14,656,225
State's proportionate share of the net pension liability associated with the District	$	1,235,935

For the year ended June 30, 2022, the District recognized negative pension expense of $165,913. It also recognized $13,839 as a decrease to pension expense for the support provided by direct aid.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 417,580	$ 432,362
Changes in actuarial assumptions	5,371,729	13,876,461
Net collective difference between projected and actual investment earnings on pension plan investments	–	12,224,236
Changes in proportion	222,970	2,430,190
District's contributions to the TRA subsequent to the measurement date	1,655,615	–
Total	$ 7,667,894	$ 28,963,249

A total of $1,655,615 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2023	$ (10,979,929)
2024	$ (8,399,614)
2025	$ (1,920,243)
2026	$ (2,471,458)
2027	$ 820,274

E. Long-Term Expected Return on Investment

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

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

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

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

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

1. GERF

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

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

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

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

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

2. TRA

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

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

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

The following changes in actuarial assumptions occurred in 2021:

1. GERF

CHANGES IN ACTUARIAL ASSUMPTIONS

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

2. TRA

CHANGES IN ACTUARIAL ASSUMPTIONS

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

G. Discount Rate

1. GERF

The discount rate used to measure the total pension liability in 2021 was 6.50 percent. The discount rate used to measure the total pension liability at the prior measurement date was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the GERF was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

2. TRA

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

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

H. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
GERF discount rate	5.50%	6.50%	7.50%
District's proportionate share of the GERF net pension liability	$ 7,838,581	$ 3,843,402	$ 565,116
TRA discount rate	6.00%	7.00%	8.00%
District's proportionate share of the TRA net pension liability	$ 29,606,289	$ 14,656,225	$ 2,395,982

I. Pension Plan Fiduciary Net Position

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

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

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

A. Plan Description

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

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

B. Benefits Provided

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

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

C. Contributions

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the District. The District's contributions in the current year totaled $240,986 as required on a pay-as-you-go basis to finance current year benefits as described in the previous section. The District has established a separate Internal Service Fund to finance these OPEB obligations.

D. Membership

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

Retirees and beneficiaries receiving benefits	71
Active plan members	417
Total members	488

E. Total OPEB Liability of the District

The District's total OPEB liability of $7,239,019 as of year-end was measured as of July 1, 2021 and was determined by an actuarial valuation as of July 1, 2020.

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

F. Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial study with a valuation date as of July 1, 2020 and measurement date as of July 1, 2021, using the entry-age method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	2.10%
20-year municipal bond yield	2.10%
Inflation rate	2.50%
Salary increases	Service graded table
Medical trend rate	6.25% grading to 5.00% over 5 years, and then 4.00% over the next 48 years

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 with MP-2019 Generational Improvement Scale.

The retirement and withdrawal assumptions used to value GASB Statement No. 75 liabilities are similar to those used to value pension liabilities for Minnesota school district employees. The rates are based on the TRA of Minnesota actuarial experience study for the period July 1, 2008 through June 30, 2014.

The actuarial assumptions used in the latest valuation were based on those used to value pension liabilities for Minnesota school district employees. The state pension plans base their assumptions on periodic experience studies.

G. Changes in the Total OPEB Liability

	Total OPEB Liability
Beginning balance	$ 6,766,316
Changes for the year	
Service cost	435,373
Interest	170,032
Assumption changes	102,740
Benefit payments	(235,442)
Total net changes	472,703
Ending balance	$ 7,239,019

Assumption changes since the prior measurement date include the following:

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

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

H. Total OPEB Liability Sensitivity to Discount and Healthcare Cost Trend Rate Changes

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

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
OPEB discount rate	1.10%	2.10%	3.10%
Total OPEB liability	$ 7,660,916	$ 7,239,019	$ 6,836,538

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 healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease in Healthcare Cost Trend Rate	Healthcare Cost Trend Rate	1% Increase in Healthcare Cost Trend Rate
Medical trend rate	5.25% grading to 4.00%, then 3.00%	6.25% grading to 5.00%, then 4.00%	7.25% grading to 6.00%, then 5.00%
Total OPEB liability	$ 6,746,830	$ 7,239,019	$ 7,823,656

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

For the current year ended, the District recognized OPEB expense of $273,998. As of year-end, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ –	$ 2,008,494
Changes in actuarial assumptions	233,427	718,586
District's contributions subsequent to the measurement date	240,986	–
Total	$ 474,413	$ 2,727,080

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

A total of $240,986 reported as deferred outflows of resources related to OPEB contributions, subsequent to the measurement date, will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	OPEB Expense Amount	
2023	$	(331,407)
2024	$	(331,407)
2025	$	(331,407)
2026	$	(331,407)
2027	$	(331,407)
Thereafter	$	(836,618)

NOTE 8 – FLEXIBLE BENEFIT PLAN

The District has a flexible benefit plan, which is classified as a cafeteria plan (the Plan) under § 125 of the IRC. 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 pretax dollars withheld from payroll checks to the Plan for healthcare and dependent care benefits. Payments are made from the Plan to participating employees upon submitting a request for reimbursement of eligible expenses actually incurred by the participant.

Before the beginning of the plan year, which is from January 1 to December 31, each participant designates a total amount of pretax dollars to be contributed to the Plan during the year. At June 30, the District is contingently liable for claims against the total amount of participants' annual contributions to the Plan, whether or not such contributions have been made.

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

Amounts withheld for medical reimbursement and dependent care are accounted for by a district employee who serves as the plan administrator. Payments are made to participating employees upon submitting a request for reimbursement of eligible expenses actually incurred by the employee. The medical reimbursement and dependent care activity are included in the General Fund.

All property of the Plan and income attributable to that property is solely the property of the District, subject to the claims of the District's general creditors. Participants' rights under the Plan are equal to those of general creditors of the District in an amount equal to 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 9 – COMMITMENTS AND CONTINGENCIES

A. Federal and State Programs

Amounts received or receivable from federal and state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable 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.

B. Legal Claims

The District had the usual and customary types of miscellaneous legal claims pending at year-end, mostly of a minor nature and usually covered by insurance carried for that purpose. Although the outcomes of these lawsuits are not presently determinable, the District believes that the resolution of these matters will not have a material adverse effect on its financial position.

C. Purchase Power Commitment

Solar Gardens

During fiscal year 2021, the District entered into a solar power purchase agreement with IPS Solar DG Solar A, LLC. The District is committed to purchasing all of the annual delivered energy generated by the system for a period of 20 years and additional 3 terms of 5 years from the commercial operation date and continues for the duration of the initial term and any additional terms. In return, the District will receive bill credits associated with the energy production.

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REQUIRED SUPPLEMENTARY INFORMATION

SPECIAL SCHOOL DISTRICT NO. 6

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

District Fiscal Year-End	PERA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.1107%	$ 5,200,131	$ –	$ 5,200,131	$ 5,796,603	89.71%	78.70%
06/30/2016	06/30/2015	0.1091%	$ 5,654,128	$ –	$ 5,654,128	$ 6,430,677	87.92%	78.20%
06/30/2017	06/30/2016	0.1074%	$ 8,720,346	$ 113,888	$ 8,834,234	$ 6,666,940	130.80%	68.90%
06/30/2018	06/30/2017	0.1108%	$ 7,073,396	$ 88,931	$ 7,162,327	$ 7,141,483	99.05%	75.90%
06/30/2019	06/30/2018	0.1093%	$ 6,063,516	$ 198,744	$ 6,262,260	$ 7,332,178	82.70%	79.50%
06/30/2020	06/30/2019	0.1122%	$ 6,203,286	$ 192,825	$ 6,396,111	$ 7,939,979	78.13%	80.20%
06/30/2021	06/30/2020	0.1095%	$ 6,565,025	$ 202,484	$ 6,767,509	$ 7,816,070	83.99%	79.10%
06/30/2022	06/30/2021	0.0900%	$ 3,843,402	$ 117,435	$ 3,960,837	$ 6,488,932	59.23%	87.00%

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

District Fiscal Year-End	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	$ 474,641	$ 474,641	$ –	$ 6,430,677	7.38%
06/30/2016	$ 499,908	$ 499,908	$ –	$ 6,666,940	7.50%
06/30/2017	$ 535,497	$ 535,497	$ –	$ 7,141,483	7.50%
06/30/2018	$ 549,688	$ 549,688	$ –	$ 7,332,178	7.50%
06/30/2019	$ 595,495	$ 595,495	$ –	$ 7,939,979	7.50%
06/30/2020	$ 585,902	$ 585,902	$ –	$ 7,816,070	7.50%
06/30/2021	$ 486,506	$ 486,506	$ –	$ 6,488,932	7.50%
06/30/2022	$ 524,137	$ 524,137	$ –	$ 6,989,076	7.50%

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

SPECIAL SCHOOL DISTRICT NO. 6

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

District Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.3819%	$ 17,597,677	$ 1,238,076	$ 18,835,753	$ 17,434,323	100.94%	81.50%
06/30/2016	06/30/2015	0.3716%	$ 22,987,135	$ 2,819,725	$ 25,806,860	$ 18,878,949	121.76%	76.80%
06/30/2017	06/30/2016	0.3670%	$ 87,538,256	$ 8,785,747	$ 96,324,003	$ 19,304,901	453.45%	44.88%
06/30/2018	06/30/2017	0.3669%	$ 73,239,894	$ 7,080,446	$ 80,320,340	$ 19,744,761	370.93%	51.57%
06/30/2019	06/30/2018	0.3489%	$ 21,914,186	$ 2,059,012	$ 23,973,198	$ 19,279,005	113.67%	78.07%
06/30/2020	06/30/2019	0.3560%	$ 22,691,515	$ 2,008,105	$ 24,699,620	$ 20,206,696	112.30%	78.21%
06/30/2021	06/30/2020	0.3523%	$ 26,028,396	$ 2,181,119	$ 28,209,515	$ 20,470,746	127.15%	75.48%
06/30/2022	06/30/2021	0.3349%	$ 14,656,225	$ 1,235,935	$ 15,892,160	$ 20,040,978	73.13%	86.63%

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

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	$ 1,415,929	$ 1,415,929	$ –	$ 18,878,949	7.50%
06/30/2016	$ 1,448,037	$ 1,448,037	$ –	$ 19,304,901	7.50%
06/30/2017	$ 1,481,077	$ 1,481,077	$ –	$ 19,744,761	7.50%
06/30/2018	$ 1,445,979	$ 1,445,979	$ –	$ 19,279,005	7.50%
06/30/2019	$ 1,557,835	$ 1,557,835	$ –	$ 20,206,696	7.71%
06/30/2020	$ 1,621,284	$ 1,621,284	$ –	$ 20,470,746	7.92%
06/30/2021	$ 1,629,325	$ 1,629,325	$ –	$ 20,040,978	8.13%
06/30/2022	$ 1,655,615	$ 1,655,615	$ –	$ 19,851,392	8.34%

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

SPECIAL SCHOOL DISTRICT NO. 6

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

	District Fiscal Year-End Date				
	2018	2019	2020	2021	2022
Total OPEB liability					
Service cost	$ 442,920	$ 444,251	$ 489,454	$ 403,634	$ 435,373
Interest	311,019	316,347	292,396	274,215	170,032
Assumption changes	–	(218,512)	193,824	(724,418)	102,740
Plan changes	–	337,912	–	–	–
Differences between expected and actual experience	–	(1,402,059)	–	(1,395,345)	–
Benefit payments	(586,475)	(610,891)	(333,430)	(464,018)	(235,442)
Net change in total OPEB liability	167,464	(1,132,952)	642,244	(1,905,932)	472,703
Total OPEB liability – beginning balance	8,995,492	9,162,956	8,030,004	8,672,248	6,766,316
Total OPEB liability – ending balance	$ 9,162,956	$ 8,030,004	$ 8,672,248	$ 6,766,316	$ 7,239,019
Covered-employee payroll	$ 24,641,269	$ 24,372,096	$ 25,103,259	$ 24,421,664	$ 25,154,314
Total OPEB liability as a percentage of covered-employee payroll	37.19%	32.95%	34.55%	27.71%	28.78%

Note 1: The District has not established a trust fund to finance GASB Statement No. 75 related benefits.

Note 2: The District implemented GASB Statement No. 75 in fiscal 2018. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

PERA – GENERAL EMPLOYEES RETIREMENT FUND

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2020 CHANGES IN PLAN PROVISIONS

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

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years two through five, and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 Table to the Pub-2010 General Mortality Table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality Table to the Pub-2010 General/Teacher Disabled Annuitant Mortality Table, with adjustments.
- The mortality improvement scale was changed from MP-2018 to MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100.00 percent joint and survivor option changed from 35.00 percent to 45.00 percent. The assumed number of married female new retirees electing the 100.00 percent joint and survivor option changed from 15.00 percent to 30.00 percent. The corresponding number of married new retirees electing the life annuity option was adjusted accordingly.

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2019 CHANGES IN PLAN PROVISIONS

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

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN PLAN PROVISIONS

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

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2017 CHANGES IN PLAN PROVISIONS

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

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2015 CHANGES IN PLAN PROVISIONS

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

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

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

TEACHERS RETIREMENT ASSOCIATION (TRA)

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN PLAN PROVISIONS

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

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

TEACHERS RETIREMENT ASSOCIATION (TRA) (CONTINUED)

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2015 CHANGES IN PLAN PROVISIONS

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

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

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

OTHER POST-EMPLOYMENT BENEFITS PLAN

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2020 CHANGES IN PLAN PROVISIONS

- The post-employment medical subsidy for meet and confer nonunion employees hired after July 1, 2020 changed to $150 per month payable to the earlier of 10 years or Medicare eligibility and $100 per month for the subsequent 5 years.
- The post-employment medical subsidy for principals and directors hired after January 1, 2020 changed to $7,500 (no increase post-employment) payable to the earlier of 5 years or Medicare eligibility.
- Since these changes only impact new hires, the impact on the accrued liability as of the valuation date is $0.

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The healthcare trend rates, mortality tables, salary increase rates, and percentage of future retirees eligible for a subsidy who are assumed to continue on one of the District's medical plans post-employment were updated.
- The discount rate was changed from 3.10 percent to 2.40 percent.

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.50 percent to 3.10 percent.

2018 CHANGES IN PLAN PROVISIONS

- An early retirement incentive of $5,000 per year paid to a healthcare savings plan, payable until the earlier of five years or Medicare eligibility (or a one-time payment of $5,000 if already eligible for Medicare), was elected by nine teachers who retired by June 30, 2019. The retirement rates for these nine teachers were adjusted to assume all retire on July 1, 2019.
- The director of community education now has the same post-employment subsidies as other directors. Her eligibility start date for these post-employment subsidies is July 1, 2017.
- The post-employment subsidies for principals hired after July 1, 2004 are no longer frozen at retirement.

OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The discount rate was changed from 3.40 percent to 3.50 percent.
- The percentage of future retired custodians, meet and confer nonunion employees without special agreements, office professional employees, and support staff eligible for a subsidy who are assumed to continue on one of the District's medical plans post-employment, was changed from 100 percent to 75 percent.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

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

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SUPPLEMENTARY INFORMATION

SPECIAL SCHOOL DISTRICT NO. 6

Nonmajor Governmental Funds
Combining Balance Sheet
as of June 30, 2022

	Special Revenue Funds		
	Food Service	Community Service	Total
Assets			
Cash and temporary investments	$ 738,861	$ 900,522	$ 1,639,383
Receivables			
Current taxes	–	305,593	305,593
Delinquent taxes	–	7,456	7,456
Accounts and interest	15	13,535	13,550
Due from other governmental units	85,809	132,344	218,153
Inventory	25,793	–	25,793
Total assets	$ 850,478	$ 1,359,450	$ 2,209,928
Liabilities			
Salaries payable	$ 6,698	$ 45,956	$ 52,654
Accounts and contracts payable	10,104	16,072	26,176
Due to other governmental units	–	181,805	181,805
Unearned revenue	11,367	48,528	59,895
Total liabilities	28,169	292,361	320,530
Deferred inflows of resources			
Unavailable revenue – delinquent taxes	–	4,723	4,723
Property taxes levied for subsequent year	–	513,153	513,153
Total deferred inflows of resources	–	517,876	517,876
Fund balances			
Nonspendable	25,793	–	25,793
Restricted	796,516	549,213	1,345,729
Total fund balances	822,309	549,213	1,371,522
Total liabilities, deferred inflows of resources, and fund balances	$ 850,478	$ 1,359,450	$ 2,209,928

SPECIAL SCHOOL DISTRICT NO. 6

Nonmajor Governmental Funds
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2022

	Special Revenue Funds		
	Food Service	Community Service	Total
Revenue			
Local sources			
Property taxes	$ –	$ 597,737	$ 597,737
Investment earnings	1,152	1,763	2,915
Other	39,043	685,307	724,350
State sources	67,019	920,525	987,544
Federal sources	2,304,007	152,585	2,456,592
Total revenue	2,411,221	2,357,917	4,769,138
Expenditures			
Current			
Food service	2,086,892	–	2,086,892
Community service	–	2,112,752	2,112,752
Capital outlay	25,354	17,741	43,095
Total expenditures	2,112,246	2,130,493	4,242,739
Net change in fund balances	298,975	227,424	526,399
Fund balances			
Beginning of year	523,334	321,789	845,123
End of year	$ 822,309	$ 549,213	$ 1,371,522

SPECIAL SCHOOL DISTRICT NO. 6

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

	2022	2021
Assets		
Cash and temporary investments	$ 9,915,658	$ 10,213,709
Receivables		
Current taxes	4,609,032	4,375,066
Delinquent taxes	93,208	109,713
Accounts and interest	35,989	1,162
Due from other governmental units	5,085,386	3,368,065
Total assets	$ 19,739,273	$ 18,067,715
Liabilities		
Salaries payable	$ 2,769,518	$ 1,754,332
Accounts and contracts payable	977,631	2,182,452
Due to other governmental units	193,435	251,918
Due to other funds	–	164,558
Unearned revenue	360,806	449,089
Total liabilities	4,301,390	4,802,349
Deferred inflows of resources		
Unavailable revenue – delinquent taxes	59,512	58,383
Property taxes levied for subsequent year	7,109,775	7,066,560
Total deferred inflows of resources	7,169,287	7,124,943
Fund balances (deficit)		
Restricted for student activities	239,317	222,409
Restricted for staff development	106,017	105,046
Restricted for capital projects levy	61,918	–
Restricted for operating capital	1,080,235	8,683
Restricted for gifted and talented	125,540	138,196
Restricted for safe schools levy	232,460	175,049
Restricted for long-term facilities maintenance	132,737	–
Restricted for Medical Assistance	153,852	90,976
Restricted for debt reduction	223,171	194,839
Restricted for flexible benefits	35,282	45,111
Assigned for subsequent year budget	–	195,165
Assigned for ATPPS program	87,952	190,398
Assigned for separation benefits	335,000	335,000
Assigned for curriculum	250,000	250,000
Assigned for staff development	75,000	75,000
Assigned for construction	200,000	200,000
Assigned for building maintenance	100,000	100,000
Unassigned – long-term facilities maintenance restricted account deficit	–	(109,590)
Unassigned	4,830,115	3,924,141
Total fund balances	8,268,596	6,140,423
Total liabilities, deferred inflows of resources, and fund balances	$ 19,739,273	$ 18,067,715

SPECIAL SCHOOL DISTRICT NO. 6

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

	2022			2021
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 7,489,545	$ 7,756,124	$ 266,579	$ 7,284,368
Investment earnings	–	14,000	14,000	24,579
Other	720,332	1,000,983	280,651	863,479
State sources	33,243,080	33,603,981	360,901	34,077,775
Federal sources	3,685,330	4,330,057	644,727	2,171,606
Total revenue	45,138,287	46,705,145	1,566,858	44,421,807
Expenditures				
Current				
Administration	1,403,300	1,604,709	201,409	1,394,814
District support services	2,297,114	2,381,164	84,050	2,038,010
Elementary and secondary regular instruction	20,329,116	20,350,908	21,792	19,715,733
Vocational education instruction	–	178,954	178,954	164,582
Special education instruction	8,753,337	8,683,754	(69,583)	8,680,368
Instructional support services	3,532,817	3,520,581	(12,236)	3,764,591
Pupil support services	3,296,761	3,242,525	(54,236)	2,630,715
Sites and buildings	4,972,885	4,849,740	(123,145)	5,079,931
Fiscal and other fixed cost programs	300,000	268,937	(31,063)	267,833
Debt service				
Principal	285,000	365,533	80,533	312,863
Interest and fiscal charges	149,594	157,415	7,821	209,675
Total expenditures	45,319,924	45,604,220	284,296	44,259,115
Excess (deficiency) of revenue over expenditures	(181,637)	1,100,925	1,282,562	162,692
Other financing sources				
Insurance recovery	–	32,359	32,359	–
Sale of capital assets	–	994,889	994,889	–
Total other financing sources	–	1,027,248	1,027,248	–
Net change in fund balances	$ (181,637)	2,128,173	$ 2,309,810	162,692
Fund balances				
Beginning of year		6,140,423		5,977,731
End of year		$ 8,268,596		$ 6,140,423

SPECIAL SCHOOL DISTRICT NO. 6

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

	2022	2021
Assets		
Cash and temporary investments	$ 738,861	$ 599,828
Receivables		
Accounts and interest	15	–
Due from other governmental units	85,809	97,658
Inventory	25,793	43,801
Total assets	$ 850,478	$ 741,287
Liabilities		
Salaries payable	$ 6,698	$ 30,877
Accounts and contracts payable	10,104	39,944
Due to other governmental units	–	132,044
Unearned revenue	11,367	15,088
Total liabilities	28,169	217,953
Fund balances		
Nonspendable for inventory	25,793	43,801
Restricted for food service	796,516	479,533
Total fund balances	822,309	523,334
Total liabilities and fund balances	$ 850,478	$ 741,287

SPECIAL SCHOOL DISTRICT NO. 6

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

	2022			2021
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	$ –	$ 1,152	$ 1,152	$ 1,424
Other – primarily meal sales	33,347	39,043	5,696	33,524
State sources	–	67,019	67,019	1,294
Federal sources	2,060,753	2,304,007	243,254	1,327,193
Total revenue	2,094,100	2,411,221	317,121	1,363,435
Expenditures				
Current				
Salaries	482,915	563,779	80,864	490,882
Employee benefits	175,467	225,773	50,306	195,142
Purchased services	184,761	188,220	3,459	151,562
Supplies and materials	978,373	974,040	(4,333)	616,359
Other expenditures	142,130	135,080	(7,050)	2,275
Capital outlay	25,000	25,354	354	41,052
Total expenditures	1,988,646	2,112,246	123,600	1,497,272
Net change in fund balances	$ 105,454	298,975	$ 193,521	(133,837)
Fund balances				
Beginning of year		523,334		657,171
End of year		$ 822,309		$ 523,334

SPECIAL SCHOOL DISTRICT NO. 6

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

	2022	2021
Assets		
Cash and temporary investments	$ 900,522	$ 687,236
Receivables		
Current taxes	305,593	347,893
Delinquent taxes	7,456	8,447
Accounts and interest	13,535	3,084
Due from other governmental units	132,344	97,489
Total assets	$ 1,359,450	$ 1,144,149
Liabilities		
Salaries payable	$ 45,956	$ 14,906
Accounts and contracts payable	16,072	25,152
Due to other governmental units	181,805	164,758
Unearned revenue	48,528	16,907
Total liabilities	292,361	221,723
Deferred inflows of resources		
Unavailable revenue – delinquent taxes	4,723	4,519
Property taxes levied for subsequent year	513,153	596,118
Total deferred inflows of resources	517,876	600,637
Fund balances		
Restricted for community education programs	396,476	177,179
Restricted for early childhood family education programs	52,840	11,039
Restricted for school readiness	37,146	90,669
Restricted for adult basic education	62,751	42,902
Total fund balances	549,213	321,789
Total liabilities, deferred inflows of resources, and fund balances	$ 1,359,450	$ 1,144,149

SPECIAL SCHOOL DISTRICT NO. 6

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

	2022			2021
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 386,465	$ 597,737	$ 211,272	$ 549,024
Investment earnings	–	1,763	1,763	1,603
Other – primarily tuition and fees	707,108	685,307	(21,801)	254,439
State sources	900,791	920,525	19,734	899,075
Federal sources	12,000	152,585	140,585	191,833
Total revenue	2,006,364	2,357,917	351,553	1,895,974
Expenditures				
Current				
Salaries	1,260,883	1,316,241	55,358	1,023,342
Employee benefits	468,797	512,976	44,179	387,162
Purchased services	126,778	190,571	63,793	235,473
Supplies and materials	111,347	91,844	(19,503)	57,133
Other expenditures	–	1,120	1,120	1,260
Capital outlay	–	17,741	17,741	3,824
Total expenditures	1,967,805	2,130,493	162,688	1,708,194
Net change in fund balances	$ 38,559	227,424	$ 188,865	187,780
Fund balances				
Beginning of year		321,789		134,009
End of year		$ 549,213		$ 321,789

SPECIAL SCHOOL DISTRICT NO. 6

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

	2022	2021
Assets		
Cash and temporary investments	$ 1,940,842	$ 1,947,535
Receivables		
Current taxes	1,794,300	1,742,698
Delinquent taxes	41,204	49,818
Total assets	$ 3,776,346	$ 3,740,051
Deferred inflows of resources		
Unavailable revenue – delinquent taxes	$ 27,035	$ 28,689
Property taxes levied for subsequent year	3,013,090	2,986,027
Total deferred inflows of resources	3,040,125	3,014,716
Fund balances		
Restricted for debt service	736,221	725,335
Total deferred inflows of resources, and fund balances	$ 3,776,346	$ 3,740,051

SPECIAL SCHOOL DISTRICT NO. 6

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

	2022			2021
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 2,985,491	$ 2,997,174	$ 11,683	$ 2,859,061
Investment earnings	–	4,867	4,867	5,155
Total revenue	2,985,491	3,002,041	16,550	2,864,216
Expenditures				
Debt service				
Principal	1,975,000	1,975,000	–	2,045,000
Interest	1,010,338	1,010,338	–	1,056,238
Fiscal charges and other	107,886	107,861	(25)	5,599
Total expenditures	3,093,224	3,093,199	(25)	3,106,837
Excess (deficiency) of revenue over expenditures	(107,733)	(91,158)	16,575	(242,621)
Other financing sources (uses)				
Refunding debt issued	12,610,000	12,610,000	–	–
Premium on issuance of debt	2,177,044	2,177,044	–	–
Payments to refunded bond escrow agent	(14,685,000)	(14,685,000)	–	–
Total other financing sources (uses)	102,044	102,044	–	–
Net change in fund balances	$ (5,689)	10,886	$ 16,575	(242,621)
Fund balances				
Beginning of year		725,335		967,956
End of year		$ 736,221		$ 725,335

SPECIAL SCHOOL DISTRICT NO. 6

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

	Dental Self-Insurance	Medical Self-Insurance	Other Post-Employment Benefits	Totals 2022	Totals 2021
Assets					
Current assets					
Cash and temporary investments	$ 251,892	$ 8,254,497	$ –	$ 8,506,389	$ 6,746,814
Receivables					
Accounts and interest	3,301	111,093	–	114,394	63,497
Due from other funds	–	–	–	–	164,558
Prepaid items	–	–	–	–	60,432
Total current assets	255,193	8,365,590	–	8,620,783	7,035,301
Non-current assets					
Restricted assets					
Cash and cash equivalents	–	–	1,462,043	1,462,043	1,579,168
Investments	–	–	3,111,344	3,111,344	3,319,125
Total non-current assets	–	–	4,573,387	4,573,387	4,898,293
Total assets	255,193	8,365,590	4,573,387	13,194,170	11,933,594
Deferred outflows of resources					
OPEB plan deferments	–	–	474,413	474,413	394,024
Liabilities					
Current liabilities					
Unearned revenue	1,067	690,410	–	691,477	788,546
Claims incurred, but not reported	12,370	281,574	–	293,944	359,070
Total OPEB liability	–	–	508,224	508,224	567,658
Total current liabilities	13,437	971,984	508,224	1,493,645	1,715,274
Non-current liabilities					
Total OPEB liability (net of current portion)	–	–	6,730,795	6,730,795	6,198,658
Total liabilities	13,437	971,984	7,239,019	8,224,440	7,913,932
Deferred inflows of resources					
OPEB plan deferments	–	–	2,727,080	2,727,080	3,086,382
Net position					
Unrestricted	$ 241,756	$ 7,393,606	$ (4,918,299)	$ 2,717,063	$ 1,327,304

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

	Dental Self-Insurance	Medical Self-Insurance	Other Post-Employment Benefits	Totals 2022	Totals 2021
Operating revenue					
Contributions from governmental funds	$ 313,218	$ 7,046,025	$ 76,428	$ 7,435,671	$ 7,167,297
Operating expenses					
Dental benefit claims	270,948	–	–	270,948	293,648
Medical benefit claims	–	5,187,546	–	5,187,546	5,366,629
OPEB	–	–	273,998	273,998	336,167
Total operating expenses	270,948	5,187,546	273,998	5,732,492	5,996,444
Operating income (loss)	42,270	1,858,479	(197,570)	1,703,179	1,170,853
Nonoperating revenue					
Investment earnings (charges)	389	11,097	(324,906)	(313,420)	380,138
Change in net position	42,659	1,869,576	(522,476)	1,389,759	1,550,991
Net position					
Beginning of year	199,097	5,524,030	(4,395,823)	1,327,304	(223,687)
End of year	$ 241,756	$ 7,393,606	$ (4,918,299)	$ 2,717,063	$ 1,327,304

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

	Dental Self-Insurance	Medical Self-Insurance	Other Post-Employment Benefits	Total 2022	Total 2021
Cash flows from operating activities					
Received from assessments made to other funds	$ 285,798	$ 6,925,479	$ 76,428	$ 7,287,705	$ 7,012,182
Payment for dental claims	(266,926)	–	–	(266,926)	(299,213)
Payment for medical claims	–	(5,196,262)	–	(5,196,262)	(5,462,570)
Post-employment benefit payments	–	–	(240,986)	(240,986)	(235,442)
Net cash flows from operating activities	18,872	1,729,217	(164,558)	1,583,531	1,014,957
Cash flows from noncapital financing activities					
Cash received from (paid to) other funds	–	–	164,558	164,558	(164,558)
Cash flows from investing activities					
Purchase of investments	–	–	(357,212)	(357,212)	(258,673)
Sale of investments	–	–	152,009	152,009	65,775
Interest on investments	389	11,097	88,078	99,564	380,138
Net cash flows from investing activities	389	11,097	(117,125)	(105,639)	187,240
Net change in cash and cash equivalents	19,261	1,740,314	(117,125)	1,642,450	1,037,639
Cash and cash equivalents					
Beginning of year	232,631	6,514,183	1,579,168	8,325,982	7,288,343
End of year	$ 251,892	$ 8,254,497	$ 1,462,043	$ 9,968,432	$ 8,325,982
Reconciliation of operating income (loss) to net cash flows from operating activities					
Operating income (loss)	$ 42,270	$ 1,858,479	$ (197,570)	$ 1,703,179	$ 1,170,853
Adjustments to reconcile operating income (loss) to net cash flows from operating activities					
Changes in assets, liabilities, and deferred outflows/inflows					
Accounts and interest receivable	(265)	(50,632)	–	(50,897)	(42,942)
Prepaid items	2,019	58,413	–	60,432	2,844
Deferred outflows – OPEB plan deferments	–	–	(80,389)	(80,389)	246,196
Unearned revenue	(27,155)	(69,914)	–	(97,069)	(112,173)
Claims incurred, but not reported	2,003	(67,129)	–	(65,126)	(104,350)
Total OPEB liability	–	–	472,703	472,703	(1,905,932)
Deferred inflows – OPEB plan deferments	–	–	(359,302)	(359,302)	1,760,461
Net cash flows from operating activities	$ 18,872	$ 1,729,217	$ (164,558)	$ 1,583,531	$ 1,014,957

Cash and cash equivalents are reported on the Statement of Net Position as follows:

	Dental Self-Insurance	Medical Self-Insurance	Other Post-Employment Benefits	Total 2022	Total 2021
Cash and temporary investments	$ 251,892	$ 8,254,497	$ –	$ 8,506,389	$ 6,746,814
Cash and cash equivalents	–	–	1,462,043	1,462,043	1,579,168
Total cash and cash equivalents	$ 251,892	$ 8,254,497	$ 1,462,043	$ 9,968,432	$ 8,325,982

OTHER DISTRICT INFORMATION

(UNAUDITED)

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SPECIAL SCHOOL DISTRICT NO. 6

Government-Wide Revenue by Type
Last Ten Fiscal Years

	Program Revenues		General Revenues			
Year Ended June 30,	Charges for Services	Operating Grants and Contributions	Property Taxes	General Grants and Aids	Investment Earnings and Other	Total
2013	$ 2,686,319	$ 6,435,504	$ 8,310,930	$ 24,614,074	$ 616,600	$ 42,663,427
	6%	15%	20%	58%	1%	100%
2014	2,502,597	6,428,553	5,660,896	28,358,725	745,221	43,695,992
	6%	15%	13%	65%	1%	100%
2015	2,668,863	6,909,688	8,617,083	28,799,116	314,619	47,309,369
	5%	15%	18%	61%	1%	100%
2016	2,679,050	7,276,738	8,644,541	30,313,012	120,499	49,033,840
	5%	15%	18%	62%	–	100%
2017	2,593,395	7,945,568	9,068,563	31,866,738	641,089	52,115,353
	5%	15%	18%	61%	1%	100%
2018	2,252,264	8,030,824	8,923,410	31,301,712	702,894	51,211,104
	4%	16%	18%	61%	1%	100%
2019	2,056,463	8,013,083	10,221,464	30,218,525	903,820	51,413,355
	4%	15%	20%	59%	2%	100%
2020	1,524,857	8,560,643	10,075,483	31,125,163	1,263,102	52,549,248
	3%	16%	19%	59%	3%	100%
2021	656,790	8,398,875	10,671,559	30,333,393	937,358	50,997,975
	1%	16%	21%	60%	2%	100%
2022	1,344,383	9,972,164	11,350,714	31,249,407	293,120	54,209,788
	2%	18%	21%	58%	1%	100%

Note: The change in “tax shift,” as approved in legislation, impacted the amount of tax revenue recognized in fiscal year 2014. Changes in the amount of revenue recognized, due to the tax shift, are offset by an adjustment to state aid payments by an equal amount.

SPECIAL SCHOOL DISTRICT NO. 6

Government-Wide Expenses by Function
Last Ten Fiscal Years

Year Ended June 30,	Administration	District Support Services	Elementary and Secondary Regular Instruction	Vocational Education Instruction	Special Education Instruction	Instructional Support Services	Pupil Support Services
2013	$ 942,689	$ 762,764	$ 17,971,803	$ 171,539	$ 6,411,286	$ 3,083,373	$ 1,714,132
	2%	2%	44%	1%	15%	7%	4%
2014	870,834	1,216,403	18,349,953	236,672	6,816,750	3,012,807	1,806,707
	2%	3%	42%	1%	16%	7%	4%
2015	1,033,622	1,360,462	19,102,239	245,692	7,330,447	3,573,162	2,093,948
	2%	3%	40%	1%	16%	8%	4%
2016	1,153,014	1,612,075	20,230,015	150,444	7,934,604	3,743,950	2,624,337
	2%	3%	41%	–	16%	8%	5%
2017	1,493,074	1,788,939	28,839,252	251,888	10,463,569	4,493,422	3,007,484
	2%	3%	46%	1%	17%	7%	5%
2018	1,460,342	1,803,755	27,957,766	252,554	9,984,693	4,517,900	2,930,048
	2%	3%	46%	1%	17%	7%	5%
2019	827,315	1,816,877	13,714,316	107,757	5,586,492	2,997,694	2,640,535
	2%	5%	35%	–	14%	8%	7%
2020	1,225,243	1,857,405	22,905,668	167,804	8,740,605	4,233,607	3,378,207
	2%	3%	42%	–	16%	8%	6%
2021	1,405,254	1,961,638	20,245,354	165,690	8,710,089	3,818,764	2,654,632
	3%	4%	41%	–	17%	8%	5%
2022	1,260,499	2,170,865	18,216,885	157,676	7,677,928	3,136,782	3,100,032
	3%	5%	39%	–	16%	7%	7%

Sites and Buildings	Fiscal and Other Fixed Cost Programs	Food Service	Community Service	Depreciation Not Allocated to Other Functions	Interest and Fiscal Charges	Total
$ 4,634,278	$ 118,911	$ 1,674,627	$ 2,450,631	$ 773,799	$ 674,622	$ 41,384,454
11%	–	4%	6%	2%	2%	100%
4,465,638	130,887	1,720,704	2,432,466	761,628	1,604,152	43,425,601
10%	–	4%	5%	2%	4%	100%
5,899,085	139,313	1,784,294	2,547,479	907,695	1,343,443	47,360,881
12%	–	4%	5%	2%	3%	100%
5,130,866	145,114	1,868,409	2,278,869	1,349,560	1,277,194	49,498,451
10%	–	4%	5%	3%	3%	100%
4,803,238	155,560	2,081,770	2,759,987	1,342,250	1,219,318	62,699,751
8%	–	3%	4%	2%	2%	100%
4,527,741	182,420	1,985,158	2,693,355	1,427,210	1,197,044	60,919,986
8%	–	3%	4%	2%	2%	100%
4,912,325	173,521	2,108,072	2,118,791	1,459,823	1,054,808	39,518,326
12%	–	5%	5%	4%	3%	100%
4,741,466	250,147	2,267,479	2,191,682	1,460,300	1,228,246	54,647,859
9%	1%	4%	4%	3%	2%	100%
5,036,344	267,833	1,468,286	1,696,144	1,446,479	1,120,550	49,997,057
10%	1%	3%	3%	3%	2%	100%
4,435,491	268,937	1,999,919	1,928,293	1,439,096	988,717	46,781,120
9%	1%	4%	4%	3%	2%	100%

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SPECIAL SCHOOL DISTRICT NO. 6

General Fund Revenue by Source
Last Ten Fiscal Years

Year Ended June 30,	Local Property Taxes	State	Federal	Other Local	Total
2013	$ 5,993,422	$ 28,046,726	$ 1,362,961	$ 883,566	$ 36,286,675
	17%	77%	4%	2%	100%
2014	3,444,981	31,513,967	1,221,561	854,343	37,034,852
	10%	85%	3%	2%	100%
2015	5,398,296	32,342,678	1,218,316	916,987	39,876,277
	14%	81%	3%	2%	100%
2016	5,064,027	34,259,165	1,257,276	844,992	41,425,460
	12%	83%	3%	2%	100%
2017	5,452,392	35,121,981	1,325,739	1,007,095	42,907,207
	13%	82%	3%	2%	100%
2018	5,177,387	35,710,305	1,333,323	1,139,108	43,360,123
	12%	82%	3%	3%	100%
2019	6,637,567	35,976,601	1,384,129	1,209,319	45,207,616
	15%	79%	3%	3%	100%
2020	6,592,421	35,626,546	1,378,700	1,193,262	44,790,929
	15%	79%	3%	3%	100%
2021	7,284,368	34,077,775	2,171,606	888,058	44,421,807
	16%	77%	5%	2%	100%
2022	7,756,124	33,603,981	4,330,057	1,014,983	46,705,145
	17%	72%	9%	2%	100%

Note: The change in “tax shift,” as approved in legislation, impacted the amount of tax revenue recognized in fiscal year 2014. Changes in the amount of revenue recognized, due to the tax shift, are offset by an adjustment to state aid payments by an equal amount.

SPECIAL SCHOOL DISTRICT NO. 6

General Fund Expenditures by Function
Last Ten Fiscal Years

Year Ended June 30,	Administration	District Support Services	Elementary and Secondary Regular Instruction	Vocational Education Instruction	Special Education Instruction
2013	$ 890,024	$ 748,850	$ 17,448,094	$ 166,422	$ 6,198,625
	2%	2%	49%	–	18%
2014	916,594	1,191,400	17,833,876	229,287	6,603,735
	2%	3%	49%	1%	18%
2015	995,335	1,355,193	19,001,794	244,040	7,278,906
	2%	3%	46%	1%	18%
2016	1,079,698	1,593,886	19,997,954	147,844	7,832,449
	2%	4%	48%	–	19%
2017	1,072,918	1,704,901	20,410,135	187,501	7,751,666
	2%	4%	48%	–	18%
2018	1,127,343	1,764,843	20,746,253	180,445	7,737,139
	3%	4%	48%	–	18%
2019	1,161,013	1,891,938	21,225,940	180,823	8,066,259
	3%	4%	47%	–	18%
2020	1,183,514	1,882,854	21,927,804	160,800	8,541,448
	2%	4%	47%	–	18%
2021	1,394,814	2,038,010	19,715,733	164,582	8,680,368
	3%	5%	45%	–	20%
2022	1,604,709	2,381,164	20,350,908	178,954	8,683,754
	3%	5%	45%	–	19%

Instructional Support Services	Pupil Support Services	Sites and Buildings	Other Programs	Total
$ 3,023,767	$ 1,689,984	$ 4,876,894	$ 330,844	$ 35,373,504
9%	5%	14%	1%	100%
2,961,199	1,783,217	4,640,689	321,762	36,481,759
8%	5%	13%	1%	100%
3,596,957	2,093,077	6,107,057	267,150	40,939,509
9%	5%	15%	1%	100%
3,707,592	2,609,229	4,649,362	262,554	41,880,568
9%	6%	11%	1%	100%
3,492,275	2,689,663	5,461,050	220,708	42,990,817
8%	6%	13%	1%	100%
3,677,803	2,663,758	5,565,648	182,420	43,645,652
8%	6%	13%	–	100%
3,950,967	3,009,831	5,576,373	173,521	45,236,665
9%	7%	12%	–	100%
4,137,689	3,353,482	5,613,410	338,500	47,139,501
9%	7%	12%	1%	100%
3,764,591	2,630,715	5,079,931	790,371	44,259,115
8%	6%	11%	2%	100%
3,520,581	3,242,525	4,849,740	791,885	45,604,220
8%	7%	11%	2%	100%

SPECIAL SCHOOL DISTRICT NO. 6

School Tax Levies and Tax Rates by Fund
Last Ten Fiscal Years

	Year Collectible	General Fund	Community Service Special Revenue Fund	Debt Service Fund	Total All Funds
Levies					
	2013	$ 5,859,808	$ 359,131	$ 2,040,956	$ 8,259,895
	2014	5,360,648	313,666	2,916,376	8,590,690
	2015	5,018,970	446,220	3,101,405	8,566,595
	2016	5,072,061	499,299	3,176,475	8,747,835
	2017	4,971,240	511,504	3,247,353	8,730,097
	2018	6,489,708	431,979	3,114,579	10,036,266
	2019	6,426,941	417,739	3,086,030	9,930,710
	2020	7,117,919	547,781	2,844,122	10,509,822
	2021	7,491,084	596,118	2,986,027	11,073,229
	2022	7,693,497	513,156	3,013,106	11,219,759
Tax capacity rates					
	2013	17.855	2.637	14.986	35.478
	2014	20.025	2.379	22.118	44.522
	2015	13.836	2.773	19.272	35.881
	2016	12.591	3.278	20.850	36.719
	2017	12.815	3.137	19.916	35.868
	2018	11.991	2.360	17.016	31.367
	2019	11.229	2.193	16.200	29.622
	2020	12.730	2.608	13.540	28.878
	2021	13.355	2.815	14.100	30.270
	2022	13.654	2.250	13.212	29.116
Market value rates					
	2013	0.21801	–	–	0.21801
	2014	0.14862	–	–	0.14862
	2015	0.16295	–	–	0.16295
	2016	0.18667	–	–	0.18667
	2017	0.14734	–	–	0.14734
	2018	0.23734	–	–	0.23734
	2019	0.19630	–	–	0.19630
	2020	0.19271	–	–	0.19271
	2021	0.20054	–	–	0.20054
	2022	0.17989	–	–	0.17989

Note: A tax rate based on market value is used primarily for the District’s referendum levy.

Source: State of Minnesota School Tax Report

SPECIAL SCHOOL DISTRICT NO. 6

Tax Capacities and Market Values
Last Ten Fiscal Years

	Tax Capacity Valuation				
Taxes Collectible	Agricultural and Nonagricultural	Net Fiscal Disparities Distribution	Tax Increment	Total Taxable	Market Value
2013	$ 12,878,501	$ 2,506,969	$ (1,445,441)	$ 13,940,029	$ 1,202,553,350
2014	12,885,732	2,606,084	(1,556,699)	13,935,117	1,199,668,500
2015	14,232,820	2,550,076	(1,568,940)	15,213,956	1,322,540,825
2016	14,486,492	2,491,955	(1,661,773)	15,316,674	1,333,685,325
2017	15,213,174	2,736,665	(1,732,491)	16,217,348	1,394,111,550
2018	16,741,700	2,801,054	(1,816,971)	17,725,783	1,526,948,025
2019	17,887,397	2,881,747	(1,971,353)	18,797,791	1,617,423,625
2020	19,647,746	3,182,514	(1,948,178)	20,882,082	1,784,759,825
2021	20,621,225	3,096,995	(2,338,526)	21,379,694	1,851,551,800
2022	21,628,982	3,327,641	(2,350,284)	22,606,339	1,944,313,925

Source: State of Minnesota School Tax Report

SPECIAL SCHOOL DISTRICT NO. 6

Property Tax Levies and Receivables
Last Ten Fiscal Years

	Original Levy		
Taxes Collectible	Local Spread	Fiscal Disparities	Total Spread
2013	$ 6,295,738	$ 1,964,157	$ 8,259,895
2014	6,346,937	2,243,753	8,590,690
2015	6,306,926	2,259,669	8,566,595
2016	6,791,300	1,956,535	8,747,835
2017	6,468,534	2,261,563	8,730,097
2018	7,923,706	2,112,560	10,036,266
2019	7,499,706	2,431,004	9,930,710
2020	8,139,687	2,370,135	10,509,822
2021	8,828,211	2,245,018	11,073,229
2022	8,647,634	2,572,125	11,219,759

Note: Delinquent taxes are written off after seven years.

Source: State of Minnesota School Tax Report

Uncollected Taxes Receivable as of June 30, 2022			
Delinquent		Current	
Amount	Percent	Amount	Percent
$ –	– %	$ –	– %
–	–	–	–
–	–	–	–
19,924	0.23	–	–
3,341	0.04	–	–
5,205	0.05	–	–
13,621	0.14	–	–
23,664	0.23	–	–
76,113	0.69	–	–
–	–	6,708,925	59.80
$ 141,868		$ 6,708,925	

SPECIAL SCHOOL DISTRICT NO. 6

Students Served
Last Ten Fiscal Years

	Average Daily Membership (ADM) (Including Enrollment Option)					
Year Ended June 30,	Pre-Kindergarten and Handicapped Kindergarten	Kindergarten	Elementary	Secondary	Total	Total Pupil Units
2013	79.48	245.08	1,584.80	1,470.86	3,380.22	3,874.81
2014	67.30	251.99	1,621.44	1,477.92	3,418.65	3,917.20
2015	55.54	251.13	1,657.25	1,503.79	3,467.71	3,768.45
2016	70.67	230.04	1,681.05	1,526.21	3,507.97	3,813.22
2017	119.07	198.26	1,654.38	1,553.52	3,525.23	3,835.94
2018	162.21	194.39	1,558.43	1,571.45	3,486.48	3,800.76
2019	182.30	189.49	1,526.59	1,520.91	3,419.29	3,723.48
2020	181.39	190.59	1,427.23	1,489.81	3,289.02	3,586.98
2021	135.65	172.56	1,316.40	1,477.72	3,102.33	3,397.87
2022	139.99	167.84	1,252.66	1,465.69	3,026.18	3,319.32

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

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

	Pre-Kindergarten	Handicapped Kindergarten	Half-Day Kindergarten	Full-Day Kindergarten	Elementary 1–3	Elementary 4–6
Fiscal 2013 through 2014	1.250	1.000	0.612	0.612	1.115	1.060
Fiscal 2015 through 2022	1.000	1.000	0.550	1.000	1.000	1.000

Source: Minnesota Department of Education student reporting system

SINGLE AUDIT AND OTHER REQUIRED REPORTS

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SPECIAL SCHOOL DISTRICT NO. 6

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Federal ALN	Federal Expenditures		
U.S. Department of Agriculture				
Passed through Minnesota Department of Education				
Child nutrition cluster				
National School Lunch Program	10.555	$ 228,862		
COVID-19 – National School Lunch Program	10.555	1,448,553		
Total ALN 10.555			$ 1,677,415	
COVID-19 – School Breakfast Program	10.553		503,250	
Summer Food Service Program for Children	10.559		120,979	
Total child nutrition cluster				$ 2,301,644
COVID-19 – Pandemic EBT Administrative Costs	10.649			2,439
U.S. Department of Transportation				
Passed through Minnesota Department of Transportation				
Highway planning and construction	20.205			14,686
U.S. Department of Treasury				
Passed through Minnesota Department of Education				
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027			89,234
Federal Communications Commission				
Direct				
COVID-19 – Emergency Connectivity Fund Program	32.009			66,031
U.S. Department of Education				
Passed through Minnesota Department of Education				
Special education cluster				
Special Education Grants to States	84.027		603,036	
Special Education Preschool Grants	84.173		21,515	
Total special education cluster				624,551
Adult Education – Basic Grants to States	84.002			16,768
Title I Grants to Local Educational Agencies	84.010			473,298
Career and Technical Education – Basic Grants to States	84.048			5,315
Special Education – Grants for Infants and Families	84.181			27,017
English Language Acquisition State Grants	84.365			21,510
Supporting Effective Instruction State Grants	84.367			81,136
Education Stabilization Fund				
COVID-19 – Governor's Emergency Education Relief (GEER) Fund	84.425C		373,255	
COVID-19 – Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D		2,368,699	
COVID-19 – American Rescue Plan – Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U		150,000	
COVID-19 – American Rescue Plan – Elementary and Secondary School Emergency Relief – Homeless Children and Youth Fund	84.425W		1,746	
Total ALN 84.425				2,893,700
U.S. Department of Health and Human Services				
Passed through Minnesota Department of Education				
COVID-19 – Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323			141,620
Total federal awards				$ 6,758,949

Note 1: The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the OMB's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.* Therefore, some amounts presented in this schedule may differ from the amounts presented in, or used in the preparation of, the District's basic financial statements.

Note 2: The pass-through entities listed above use the same Assistance Listing Numbers (ALN) as the federal grantors to identify these grants, and have not assigned any additional identifying numbers.

Note 3: The District did not elect to use the 10 percent de minimis indirect cost rate.

Note 4: The District had $32,035 transferred into Title I ALN 84.010 from other Title programs.

Note 5: The District had $159,910 of noncash assistance included in the National School Lunch Program, ALN 10.555.

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

To the School Board and Management of
Special School District No. 6
South St. Paul, 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 Special School District No. 6 (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 September 30, 2022.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

(continued)

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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*.

DISTRICT'S RESPONSE TO FINDING

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the finding 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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

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

Minneapolis, Minnesota
September 30, 2022

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

To the School Board and Management of
Special School District No. 6
South St. Paul, Minnesota

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

OPINION ON EACH MAJOR FEDERAL PROGRAM

We have audited Special School District No. 6's (the District) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the Summary of Audit Results section of the accompanying Schedule of Findings and Questioned Costs.

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

BASIS FOR OPINION ON EACH MAJOR FEDERAL PROGRAM

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

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

(continued)

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Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

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

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

(continued)

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

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

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

Minneapolis, Minnesota
September 30, 2022

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INDEPENDENT AUDITOR'S REPORT

ON MINNESOTA LEGAL COMPLIANCE

To the School Board and Management of
Special School District No. 6
South St. Paul, 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 Special School District No. 6 (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 September 30, 2022.

MINNESOTA LEGAL COMPLIANCE

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 Minnesota Statutes § 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.

PURPOSE OF THIS REPORT

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 report is not suitable for any other purpose.

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

Minneapolis, Minnesota
September 30, 2022

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A. SUMMARY OF AUDIT RESULTS

This summary is formatted to provide federal granting agencies and pass-through agencies answers to specific questions regarding the audit of federal awards.

Financial Statements

What type of auditor's report is issued?		X Unmodified __ Qualified __ Adverse __ Disclaimer
Internal control over financial reporting:		
Material weakness(es) identified?	X Yes	__ No
Significant deficiency(ies) identified?	__ Yes	X None reported
Noncompliance material to the financial statements noted?	__ Yes	X No

Federal Awards

Internal controls over major federal award programs:		
Material weakness(es) identified?	__ Yes	X No
Significant deficiency(ies) identified?	__ Yes	X None reported
Type of auditor's report issued on compliance for major programs?		
U.S. Department of Education – Education Stabilization Fund		Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	__ Yes	X No

Programs tested as major programs:

Program or Cluster	ALN No.
The U.S. Department of Education – Education Stabilization Fund consisting of:	
– COVID-19 – Governor's Emergency Education Relief (GEER) Fund	84.425C
– COVID-19 – Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D
– COVID-19 – American Rescue Plan – Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U
– COVID-19 – American Rescue Plan – Elementary and Secondary School Emergency Relief – Homeless Children and Youth Fund	84.425W

Threshold for distinguishing type A and B programs.	$ 750,000	
Does the auditee qualify as a low-risk auditee?	__ Yes	X No

B. FINANCIAL STATEMENT FINDINGS IN INTERNAL CONTROL OVER FINANCIAL REPORTING

MATERIAL WEAKNESS

2022-001 Segregation of Duties

Criteria – Internal control over financial reporting.

Condition – Special School District No. 6 (the District) has limited segregation of duties in several areas, including the processing of receipts, payroll transactions, journal entries, and certain computer controls.

Questioned Costs – Not applicable.

Context – The condition applies to multiple areas as noted above.

Repeat Finding – This is a current year and prior year finding.

Cause – The limited segregation of duties is primarily caused by the limited size of the District's business office staff.

Effect – One important element of internal accounting controls is an adequate segregation of duties such that no one individual has responsibility to execute a transaction, have physical access to the related assets, and have responsibility or authority to record the transaction. A lack of segregation of duties subjects the District to a higher risk that errors or fraud could occur and not be detected and corrected in a timely manner in the normal course of business.

Recommendation – We recommend that the District continue its efforts to segregate duties as best it can within the limits of what the District considers to be cost-beneficial.

View of Responsible Official and Planned Corrective Actions – The District agrees with the finding. The District intends to review policies, procedures, and transaction cycles, and work with the District's financial auditors to review specific weaknesses identified during the annual audit and actions needed to eliminate or mitigate this internal control weakness. The District has separately issued a Corrective Action Plan related to this finding.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

D. MINNESOTA LEGAL COMPLIANCE FINDINGS

None.

SPECIAL SCHOOL DISTRICT NO. 6

Uniform Financial Accounting and Reporting Standards
Compliance Table
June 30, 2022

		Audit	UFARS	Audit – UFARS
General Fund				
Total revenue		$ 46,705,145	$ 46,705,145	$ –
Total expenditures		$ 45,604,220	$ 45,604,220	$ –
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
401	Student activities	$ 239,317	$ 239,317	$ –
402	Scholarships	$ –	$ –	$ –
403	Staff development	$ 106,017	$ 106,017	$ –
407	Capital projects levy	$ 61,918	$ 61,918	$ –
408	Cooperative revenue	$ –	$ –	$ –
413	Projects funded by COP	$ –	$ –	$ –
414	Operating debt	$ –	$ –	$ –
416	Levy reduction	$ –	$ –	$ –
417	Taconite building maintenance	$ –	$ –	$ –
424	Operating capital	$ 1,080,235	$ 1,080,235	$ –
426	$25 taconite	$ –	$ –	$ –
427	Disabled accessibility	$ –	$ –	$ –
428	Learning and development	$ –	$ –	$ –
434	Area learning center	$ –	$ –	$ –
435	Contracted alternative programs	$ –	$ –	$ –
436	State approved alternative program	$ –	$ –	$ –
438	Gifted and talented	$ 125,540	$ 125,540	$ –
440	Teacher development and evaluation	$ –	$ –	$ –
441	Basic skills programs	$ –	$ –	$ –
448	Achievement and integration	$ –	$ –	$ –
449	Safe schools levy	$ 232,460	$ 232,460	$ –
451	QZAB payments	$ –	$ –	$ –
452	OPEB liability not in trust	$ –	$ –	$ –
453	Unfunded severance and retirement levy	$ –	$ –	$ –
459	Basic skills extended time	$ –	$ –	$ –
467	Long-term facilities maintenance	$ 132,737	$ 132,737	$ –
472	Medical Assistance	$ 153,852	$ 153,852	$ –
473	PPP loans	$ –	$ –	$ –
474	EIDL loans	$ –	$ –	$ –
464	Restricted fund balance	$ 258,453	$ 258,453	$ –
475	Title VII – Impact Aid	$ –	$ –	$ –
476	PILT	$ –	$ –	$ –
Committed				
418	Committed for separation	$ –	$ –	$ –
461	Committed fund balance	$ –	$ –	$ –
Assigned				
462	Assigned fund balance	$ 1,047,952	$ 1,047,952	$ –
Unassigned				
422	Unassigned fund balance	$ 4,830,115	$ 4,830,115	$ –
Food Service				
Total revenue		$ 2,411,221	$ 2,411,220	$ 1
Total expenditures		$ 2,112,246	$ 2,112,246	$ –
Nonspendable				
460	Nonspendable fund balance	$ 25,793	$ 25,793	$ –
Restricted				
452	OPEB liability not in trust	$ –	$ –	$ –
474	EIDL loans	$ –	$ –	$ –
464	Restricted fund balance	$ 796,516	$ 796,516	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –
Community Service				
Total revenue		$ 2,357,917	$ 2,357,917	$ –
Total expenditures		$ 2,130,493	$ 2,130,494	$ (1)
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
426	$25 taconite	$ –	$ –	$ –
431	Community education	$ 396,476	$ 396,476	$ –
432	ECFE	$ 52,840	$ 52,840	$ –
440	Teacher development and evaluation	$ –	$ –	$ –
444	School readiness	$ 37,146	$ 37,146	$ –
447	Adult basic education	$ 62,751	$ 62,751	$ –
452	OPEB liability not in trust	$ –	$ –	$ –
473	PPP loans	$ –	$ –	$ –
474	EIDL loans	$ –	$ –	$ –
464	Restricted fund balance	$ –	$ –	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –

Uniform Financial Accounting and Reporting Standards
Compliance Table (continued)
June 30, 2022

		Audit	UFARS	Audit – UFARS
Building Construction				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
407	Capital projects levy	$ –	$ –	$ –
413	Projects funded by COP	$ –	$ –	$ –
467	Long-term facilities maintenance	$ –	$ –	$ –
464	Restricted fund balance	$ –	$ –	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –
Debt Service				
Total revenue		$ 3,002,041	$ 3,002,040	$ 1
Total expenditures		$ 3,093,199	$ 3,093,199	$ –
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
425	Bond refundings	$ –	$ –	$ –
433	Maximum effort loan	$ –	$ –	$ –
451	QZAB payments	$ –	$ –	$ –
467	Long-term facilities maintenance	$ –	$ –	$ –
464	Restricted fund balance	$ 736,221	$ 736,221	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –
Trust				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
401	Student activities	$ –	$ –	$ –
402	Scholarships	$ –	$ –	$ –
422	Net position	$ –	$ –	$ –
Custodial Fund				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
401	Student activities	$ –	$ –	$ –
402	Scholarships	$ –	$ –	$ –
448	Achievement and integration	$ –	$ –	$ –
464	Restricted fund balance	$ –	$ –	$ –
Internal Service				
Total revenue		$ 7,370,729	$ 7,370,730	$ (1)
Total expenditures		$ 5,458,494	$ 5,458,494	$ –
422	Net position	$ 7,635,362	$ 7,635,362	$ –
OPEB Revocable Trust Fund				
Total revenue		$ (248,478)	$ (248,478)	$ –
Total expenditures		$ 273,998	$ 273,998	$ –
422	Net position	$ (4,918,299)	$ (4,918,299)	$ –
OPEB Irrevocable Trust Fund				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
422	Net position	$ –	$ –	$ –
OPEB Debt Service Fund				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
425	Bond refundings	$ –	$ –	$ –
464	Restricted fund balance	$ –	$ –	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –

Note: Statutory restricted deficits, if any, are reported in unassigned fund balances in the financial statements in accordance with accounting principles generally accepted in the United States of America.

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