Independent School District No. 883
Rockford, Minnesota

Audited Financial Statements

June 30, 2022

Schlenner Wenner & Co.
CPAs

INDEPENDENT SCHOOL DISTRICT NO. 883
ROCKFORD, MINNESOTA
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INTRODUCTORY SECTION

INDEPENDENT SCHOOL DISTRICT NO. 883
BOARD OF EDUCATION AND ADMINISTRATION
FOR THE YEAR ENDED JUNE 30, 2022

BOARD OF EDUCATION

Name	Title	Term Expires
Amy Edwards	Chair	December 31, 2024
Beth Praska	Vice Chair	December 31, 2022
Eric Gordee	Treasurer	December 31, 2022
Jessica Johnson	Clerk	December 31, 2024
Brady Anderson	Director	December 31, 2022
Jenny Kneeland	Director	December 31, 2024

ADMINISTRATION

Name	Title
Rhonda Dean	Superintendent
Mike McNulty	Director of Finance (Effective 7/1/2022)
Chuck Herdegen	Interim Business Manager (5/19/2022 – 6/30/2022)
Tanley Lego	Business Manager (Through 5/18/2022)

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Members of the School Board
Independent School District No. 883
Rockford, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 883, Rockford, Minnesota as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 883, Rockford, Minnesota, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

Emphasis of Matter

As described in Note 5.E. to the basic financial statements, there is a prior period restatement of net position in the governmental activities and fund balance of the Community Service Fund related to revenue that was improperly deferred in the prior year. Our auditors' opinion was not modified with respect to the restatement.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Independent School District No. 883's basic financial statements. The introductory section, combining nonmajor fund financial statements, Uniform Financial Accounting and Reporting Standards Compliance Table, and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements, Uniform Financial Accounting and Reporting Standards Compliance Table, and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 nonmajor fund financial statements, Uniform Financial Accounting and Reporting Standards Compliance Table, and Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2022, on our consideration of Independent School District No. 883's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Independent School District No. 883's internal control over financial reporting and compliance.

Schlenner Wenner & Co.

SCHLENNER WENNER & CO.
St. Cloud, Minnesota
December 29, 2022

REQUIRED SUPPLEMENTARY INFORMATION

As management of Independent School District No. 883 (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2022.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $1,417,590 (net position). Of this amount, negative $10,858,714 is considered unrestricted.

- The District's total net position increased $1,722,412 as a result of current year operations.

- At the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of $13,370,874, an increase of $5,962,767 in comparison with the prior year. Approximately 27 percent of this amount, $3,608,998, is available for spending at the District's discretion.

- At the end of the current fiscal year, unassigned fund balance for the General Fund is $2,927,113, or 13 percent of total General Fund expenditures.

- The District's total debt increased by $3,085,310 (9 percent) in the current fiscal year, excluding the change in the net pension and net OPEB liabilities.

- During the current fiscal year, the District determined that an adjustment to opening equity was necessary to correct an error identified in the prior year financial statements. Therefore, various prior year comparative information shown in the tables throughout the Management's Discussion and Analysis section has also been restated to reflect this correction. Additional information regarding this correction of an error can be found in the Notes to the Basic Financial Statements at Note 5.E.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

The major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain are summarized in the following table. The remainder of the overview section of the Management Discussion and Analysis highlights the structure and contents of each of the statements.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

	Government-Wide	Fund Financial Statements	
		Governmental Funds	**Fiduciary Funds**
Scope	Entire District, except fiduciary activities	The activities of the District such as regular instruction, special education, support services, building maintenance, food service, community education, and administration	Activities the District operates in trust or for which the District is a fiscal agent
Required financial statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Fiduciary Net Position Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows/liability/ deferred inflows information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon there after; deferred inflows of resources recorded to defer unavailable assets; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
Type of outflow/inflow information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenue and expenses during the year, regardless of when cash is received or paid

Government-Wide Financial Statements
The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

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

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include administration, district support services, regular instruction, vocational instruction, exceptional instruction, community education and services, instructional support services, pupil support services, sites and buildings, fiscal and other fixed cost programs, and interest and other fiscal charges. The District currently does not report any business-type activities.

The government-wide financial statements start on page 20 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains three individual major governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, and Building Construction Fund, all of which are considered to be major funds. Data from any remaining governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements start on page 22 of this report.

Fiduciary Funds
Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the district-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for the district-wide financial statements.

The basic fiduciary fund financial statements start on page 26 of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Notes to the Financial Statements

The notes provide additional information essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements start on page 28 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources, for a net balance of $1,417,590 at the close of the most recent fiscal year.

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

Net Position
Table 1

	Governmental Activities		
	2022	2021 (Restated)	Increase (Decrease)
Assets			
Current and Other Assets	$ 24,972,299	$ 18,523,862	$ 6,448,437
Capital Assets	39,362,998	41,348,332	(1,985,334)
Total Assets	64,335,297	59,872,194	4,463,103
Deferred Outflows of Resources	5,334,043	5,903,407	(569,364)
Liabilities			
Current and Other Liabilities	2,848,695	6,116,419	(3,267,724)
Noncurrent Liabilities	44,505,521	42,603,235	1,902,286
Total Liabilities	47,354,216	48,719,654	(1,365,438)
Deferred Inflows of Resources	20,897,534	17,360,769	3,536,765
Net Position			
Net Investment in Capital Assets	9,863,774	8,646,320	1,217,454
Restricted	2,412,530	3,519,756	(1,107,226)
Unrestricted	(10,858,714)	(12,470,898)	1,612,184
Total Net Position	$ 1,417,590	$ (304,822)	$ 1,722,412

An additional portion of the District's net position ($2,412,530) represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted balance of net position is negative $10,858,714 at year end. This unrestricted balance has been reduced by a total of $15,473,727 as a result of recording the District's proportionate share of the net pension liability and related balances for the statewide pension plans in which the District employees participate.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Net Position
The District's net position increased $1,722,412 during the most recent fiscal year. Key elements of this increase are as follows:

Changes in Net Position
Table 2

	Governmental Activities		
	2022	2021 (Restated)	Increase (Decrease)
Revenues			
Program Revenues			
Charges for Services	$ 1,491,469	$ 1,220,309	$ 271,160
Operating Grants and Contributions	6,020,424	6,792,575	(772,151)
Capital Grants and Contributions	194,168	252,649	(58,481)
General Revenues			
Property Taxes	8,051,042	7,955,350	95,692
State Aid Not Restricted to Specific Programs	12,798,140	12,176,503	621,637
Earnings on Investments	10,095	21,514	(11,419)
Gifts and Donations	63,957	105,042	(41,085)
Gain (Loss) on Sale of Assets	838	4,000	(3,162)
Miscellaneous	(30,418)	211,299	(241,717)
Total Revenues	28,599,715	28,739,241	(139,526)
Expenses			
Administration	1,148,856	1,254,620	(105,764)
District Support Services	1,582,009	1,527,143	54,866
Regular Instruction	11,336,353	11,255,146	81,207
Vocational Instruction	279,677	393,199	(113,522)
Exceptional Instruction	2,704,640	2,746,132	(41,492)
Community Education and Services	1,199,302	1,035,469	163,833
Instructional Support Services	875,260	1,417,854	(542,594)
Pupil Support Services	4,163,729	3,731,275	432,454
Sites and Buildings	2,806,052	3,080,998	(274,946)
Fiscal and Other Fixed Costs Programs	123,311	121,843	1,468
Interest and Other Fiscal Charges	658,114	698,987	(40,873)
Total Expenses	26,877,303	27,262,666	(385,363)
Change in Net Position	$ 1,722,412	$ 1,476,575	$ 245,837

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Some significant items to note include the following:

- The current increase in net position was $1,722,412, compared to an increase of $1,476,575 in the prior year. This is a result of a 0.50 percent decrease in revenues and a 1.4 percent decrease in expenses during fiscal year 2022.
- Operating Grants and Contributions decreased $772,151 due largely to a decrease in desegregation transportation aid received from the State in the current year. However, this decrease was largely offset by an increase of $621,637 in unrestricted state aid, resulting from increased enrollment and other factors.
- Expense for Instructional Support Services decreased $542,594 from the prior year, primarily due to decreased costs for employee compensation and benefits in this department.
- Expenses related to Community Education and Pupil Support Services increased $163,833 and $432,454, respectively. These increases are primarily due to the District switching back to having onsite operations.

Total and Net Cost of Governmental Activities
The net cost of governmental activities is their total costs less program revenues applicable to each category. The following table presents these total and net costs.

Total and Net Costs of Services
Table 3

	Total Cost of Services			Net Cost of Services		
	2022	2021	Increase (Decrease)	2022	2021 (Restated)	Increase (Decrease)
Administration	$ 1,148,856	$ 1,254,620	$ (105,764)	$ 1,140,329	$ 1,254,620	$ (114,291)
District Support Services	1,582,009	1,527,143	54,866	1,581,989	1,388,270	193,719
Regular Instruction	11,336,353	11,255,146	81,207	9,298,815	8,993,305	305,510
Vocational Instruction	279,677	393,199	(113,522)	75,096	392,017	(316,921)
Exceptional Instruction	2,704,640	2,746,132	(41,492)	713,597	540,096	173,501
Community Education and Services	1,199,302	1,035,469	163,833	12,376	62,666	(50,290)
Instructional Support Services	875,260	1,417,854	(542,594)	864,784	1,276,585	(411,801)
Pupil Support Services	4,163,729	3,731,275	432,454	2,090,482	1,239,542	850,940
Sites and Buildings	2,806,052	3,080,998	(274,946)	2,612,349	3,029,202	(416,853)
Fiscal and Other Fixed Costs Programs	123,311	121,843	1,468	123,311	121,843	1,468
Interest and Other Fiscal Charges	658,114	698,987	(40,873)	658,114	698,987	(40,873)
Totals	$ 26,877,303	$ 27,262,666	$ (385,363)	$ 19,171,242	$ 18,997,133	$ 174,109

Some significant items to note include the following:

- The total cost of Pupil Support Services increased 432,454 (11.6 percent), while net cost of this program increased $850,940 (68.6 percent), primarily due to the decrease in desegregation transportation aid discussed in the previous section.
- The net cost of services related to Instructional Support Services decreased $411,801 (32.3 percent), due largely to the decrease in overall costs for this department discussed in the previous section.
- The net cost of services for Sites and Buildings decreased $416,853 (13.8 percent), largely due to leasing costs and purchases in the prior year that did not meet the criteria for capitalization under the District's policies.

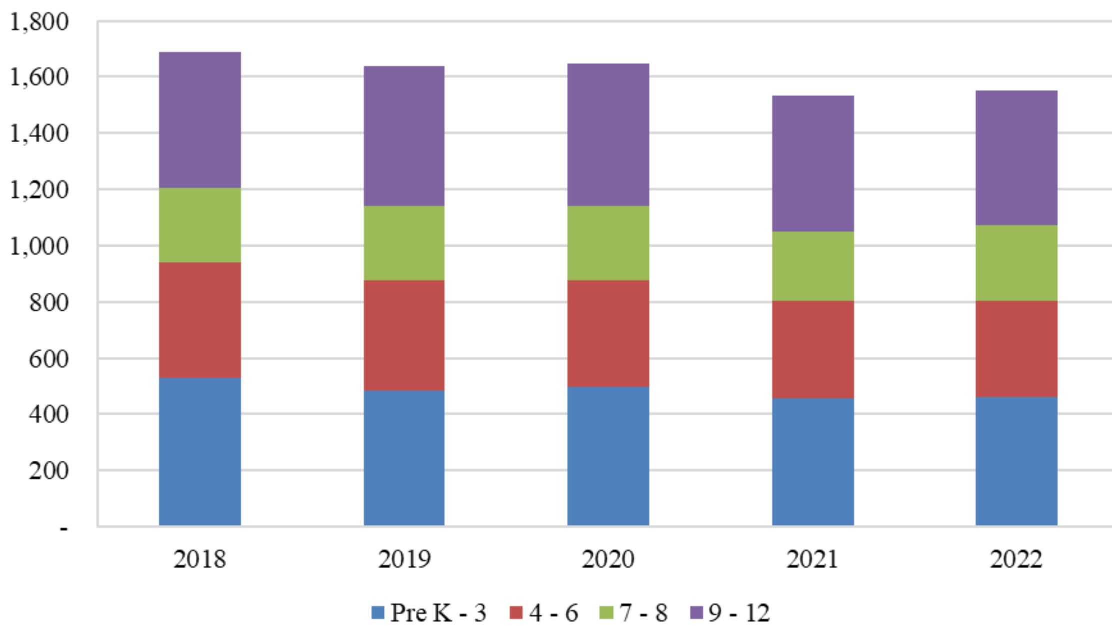
FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The majority of the financial aid received by the District is determined based on the number of students enrolled during the year. Therefore, fluctuations in enrollment have a significant impact on the financial health of the District. The following graphs show the trend in student enrollment counts over the past five years:

Student Enrollment (Average Daily Membership)

	2018	2019	2020	2021	2022
Pre K - 3	531	484	497	457	463
4 - 6	408	394	381	349	343
7 - 8	268	265	265	244	266
9 - 12	481	494	506	486	482
Total Student for Aid	1,688	1,637	1,649	1,536	1,554
Percentage Change	0.54%	-3.02%	0.73%	-6.85%	1.17%

Student Enrollment (in ADM's)



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

Governmental Funds

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

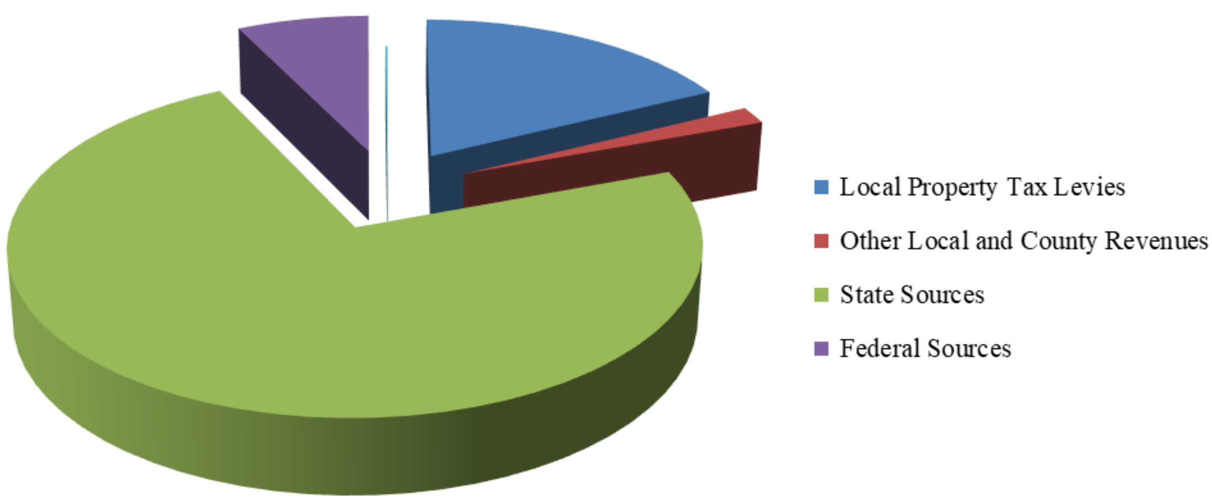
FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (Continued)

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of $13,370,874, an increase of $5,962,767 in comparison with the prior year. The following is a summary of the District's major funds:

Major Funds	Fund Balance June 30, 2022	Fund Balance June 30, 2021	Increase (Decrease)
General	$ 5,107,529	$ 6,256,430	$ (1,148,901)

The fund balance of the General Fund decreased by $1,148,901 (18 percent). Revenues decreased approximately 2.29 percent from the prior year, while expenditures increased approximately 0.45 percent.

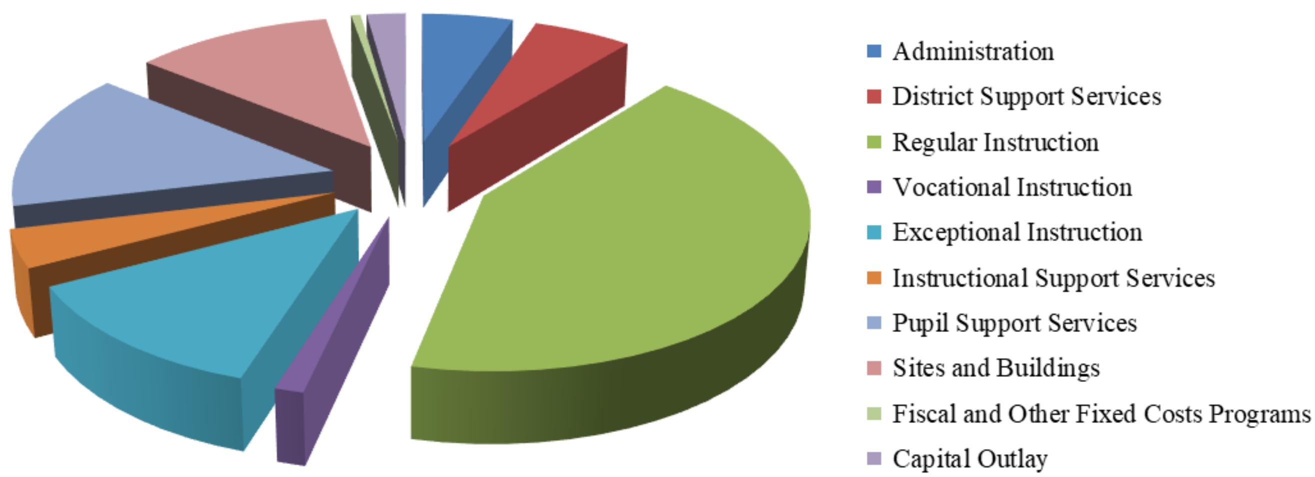
General Fund Revenue



The District receives the vast majority of its funding in the General Fund from the State of Minnesota (73 percent), which is subject to fluctuation based on the number of pupils served by the District and changes in State legislation. In addition, the District receives approximately 7 percent from the Federal Government, and 18 percent from local property tax levies.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (Continued)

General Fund Expenditures



A significant portion of the District's General Fund expenditures are used for regular, vocational, and exceptional instruction (56 percent). Expenditures for various support services total 24 percent, and the remaining 20 percent consists of expenditures for administration, sites and buildings, and other items.

Major Funds	Fund Balance June 30, 2022	Fund Balance June 30, 2021	Increase (Decrease)
Debt Service	$ 640,510	$ 837,124	$ (196,614)

The Debt Service Fund balance decreased $196,614 (23 percent) during the year. The primary reason for the decrease was that payments made on outstanding debt were greater than levied property tax revenues and state aids recognized during the year.

Major Funds	Fund Balance June 30, 2022	Fund Balance June 30, 2021	Increase (Decrease)
Building Construction	$ 6,945,186	$ -	$ 6,945,186

The Building Construction Fund was created during the current fiscal year to account for the activity of a construction project being initiated by the District. The current year increase in fund balance of $6,945,186 represents bond proceeds that have not yet been spent for project costs.

General Fund Budgetary Highlights
The District's General Fund budget was amended during the year. The revenues budget increased $301,576, and the expenditures budget was changed in several functions for an overall increase of $1,501,667 from the original to final. The final budget called for expenditures of $23,009,658, and a decrease in fund balance of $1,689,627. Actual revenues recognized during the year were more than budgeted amounts by $423,048, and expenditures were less than those budgeted by $116,840. Overall, the current year decrease in fund balance was $540,726 less than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2022, amounts to $39,362,998 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, site improvements, buildings and improvements, equipment, and vehicles. The total decrease in the District's investment in capital assets for the current fiscal year was approximately 0.05 percent.

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

- The District completed the construction of the Greenhouse Project.
- The District had various other additions, including a Bobcat skid loader, a 1999 Ford F-350 dump truck, and a 2016 Chevy Colorado.

Capital Assets Net of Depreciation and Amortization
Table 4

	Governmental Activities		
	2022	2021	Increase (Decrease)
Land	$ 1,224,853	$ 1,224,853	$ -
Construction in Progress	-	142,500	(142,500)
Land Improvements	4,561,164	4,939,160	(377,996)
Buildings and Improvements	32,607,333	34,023,446	(1,416,113)
Equipment and Vehicles	969,648	1,018,373	(48,725)
Total	$ 39,362,998	$ 41,348,332	$ (1,985,334)

Additional information on the District's capital assets can be found in Note 2.B. on page 38 of this report.

Long-Term Debt

At the end of the current fiscal year, the District had total long-term debt outstanding of $36,501,118 excluding the District's long-term net pension liability of $8,004,403. A summary of long-term debt activity for the year ended June 30, 2022 follows:

Long-Term Debt
Table 5

	Governmental Activities		
	2022	2021	Increase (Decrease)
General Obligation Bonds	$ 33,393,000	$ 31,440,000	$ 1,953,000
Unamortized Premium	2,307,788	1,081,175	1,226,613
Financing Arrangements	754,013	858,978	(104,965)
Severance Payable	46,317	35,655	10,662
Total	$ 36,501,118	$ 33,415,808	$ 3,085,310

The District's total debt increased by $3,089,209 during the current fiscal year. Additional information on the District's long-term debt can be found in Note 2.C. on page 39 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District's appointed and elected officials considered many factors when setting the fiscal year 2023 budget. These factors included the following:

- The District's enrollment has been stable in recent years and is projected to increase following the increase of new housing scheduled to be built in the District.

- For state aid funding the District will be receiving an additional 2% in general aid funding in FY2023. Funding increases, if any, beyond FY2023 will be determined by the state legislature as part of their budget setting process.

- Budgets include normal inflationary increases in expenditures, with more significant increases expected in utility and food costs.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with 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, please contact the Director of Finance, Mike McNulty, Independent School District No. 883, 6051 Ash Street, Rockford, MN 55373.

BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 883
STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities
ASSETS	
Cash and Temporary Investments	$ 17,159,405
Property Taxes Receivable	4,468,559
Accounts Receivable	71,014
Interest Receivable	2,121
Due from Fiduciary Funds	18,181
Due from Other Minnesota School Districts	413,621
Due from Minnesota Department of Education	1,984,563
Due from Federal through Minnesota Department of Education	183,423
Net OPEB Asset	671,412
Capital Assets not Being Depreciated	1,224,853
Capital Assets Being Depreciated (Net)	38,138,145
TOTAL ASSETS	64,335,297
DEFERRED OUTFLOWS OF RESOURCES	
OPEB	106,858
Pensions	5,227,185
TOTAL DEFERRED OUTFLOWS OF RESOURCES	5,334,043
LIABILITIES	
Accounts Payable	424,131
Salaries Payable	972,076
Accrued Interest Payable	405,984
Payroll Deductions and Employer Contributions	931,254
Unearned Revenue	115,250
Noncurrent Liabilities:	
Amount Due Within One Year	3,821,917
Amount Due After One Year	32,679,201
Net Pension Liability	8,004,403
TOTAL LIABILITIES	47,354,216
DEFERRED INFLOWS OF RESOURCES	
Property Taxes Levied for Subsequent Years	7,916,809
OPEB	284,216
Pensions	12,696,509
TOTAL DEFERRED INFLOWS OF RESOURCES	20,897,534
NET POSITION	
Net Investment in Capital Assets	9,863,774
Restricted:	
General Fund Operating Capital	786,019
General Fund Mandated Restrictions	693,738
Debt Service	236,350
Food Service	345,712
Community Service	350,711
Unrestricted	(10,858,714)
TOTAL NET POSITION	$ 1,417,590

See Accompanying Notes.

INDEPENDENT SCHOOL DISTRICT NO. 883
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense)/ Revenue
Governmental Activities:					
Administration	$ 1,148,856	$ 8,527	$ -	$ -	$ (1,140,329)
District Support Services	1,582,009	20	-	-	(1,581,989)
Regular Instruction	11,336,353	343,198	1,694,340	-	(9,298,815)
Vocational Instruction	279,677	-	204,581	-	(75,096)
Exceptional Instruction	2,704,640	45,078	1,945,965	-	(713,597)
Community Education and Services	1,199,302	1,011,771	175,155	-	(12,376)
Instructional Support Services	875,260	10,476	-	-	(864,784)
Pupil Support Services	4,163,729	72,399	2,000,848	-	(2,090,482)
Sites and Buildings	2,806,052	-	(465)	194,168	(2,612,349)
Fiscal and Other Fixed Costs Programs	123,311	-	-	-	(123,311)
Interest and Other Fiscal Charges	658,114	-	-	-	(658,114)
Total Governmental Activities	$ 26,877,303	$ 1,491,469	$ 6,020,424	$ 194,168	(19,171,242)
General Revenues:					
Property Taxes					8,051,042
State Aid Not Restricted to Specific Programs					12,798,140
Earnings on Investments					10,095
Gifts and Donations					63,957
Gain on Sale of Assets					838
Miscellaneous					(30,418)
Total General Revenues					20,893,654
CHANGE IN NET POSITION					1,722,412
NET POSITION - BEGINNING OF YEAR (As Previously Reported)					(387,557)
PRIOR PERIOD ADJUSTMENT (See Note 5.E.)					82,735
NET POSITION - BEGINNING OF YEAR (As Restated)					(304,822)
NET POSITION - END OF YEAR					$ 1,417,590

See Accompanying Notes.

INDEPENDENT SCHOOL DISTRICT NO. 883
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	General Fund	Debt Service	Building Construction	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Temporary Investments	$ 6,494,227	$ 2,844,888	$ 6,954,944	$ 865,346	$ 17,159,405
Property Taxes Receivable:					
Current	1,743,099	2,089,078	-	65,889	3,898,066
Delinquent	202,922	357,761	-	9,810	570,493
Accounts Receivable	29,438	-	-	41,576	71,014
Interest Receivable	2,121	-	-	-	2,121
Due from Other Funds	18,181	-	-	-	18,181
Due from Other Minnesota School Districts	399,267	-	-	14,354	413,621
Due from Minnesota Department of Education	1,952,136	21,852	-	10,575	1,984,563
Due from Federal through Minnesota Department of Education	188,265	-	-	(4,842)	183,423
TOTAL ASSETS	$ 11,029,656	$ 5,313,579	$ 6,954,944	$ 1,002,708	$ 24,300,887
LIABILITIES					
Accounts Payable	$ 404,588	$ 500	$ 9,758	$ 9,285	$ 424,131
Salaries Payable	888,223	-	-	83,853	972,076
Payroll Deductions and Employer Contributions	931,254	-	-	-	931,254
Unearned Revenue	30,200	-	-	85,050	115,250
Total Liabilities	2,254,265	500	9,758	178,188	2,442,711
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue:					
Delinquent Property Taxes	202,922	357,761	-	9,810	570,493
Property Taxes Levied for Subsequent Years	3,464,940	4,314,808	-	137,061	7,916,809
Total Deferred Inflows of Resources	3,667,862	4,672,569	-	146,871	8,487,302
FUND BALANCES					
Restricted	1,479,757	640,510	6,945,186	696,423	9,761,876
Assigned	700,659	-	-	-	700,659
Unassigned	2,927,113	-	-	(18,774)	2,908,339
Total Fund Balances	5,107,529	640,510	6,945,186	677,649	13,370,874
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 11,029,656	$ 5,313,579	$ 6,954,944	$ 1,002,708	$ 24,300,887

See Accompanying Notes.

INDEPENDENT SCHOOL DISTRICT NO. 883
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2022

Total Fund Balances - Governmental Funds		$ 13,370,874
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds:		
Capital Assets	$ 79,560,191	
Accumulated Depreciation and Amortization	(40,197,193)	
Capital Assets (Net)		39,362,998
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds:		
Bond Principal Payable	(33,393,000)	
Unamortized Premium	(2,307,788)	
Financing Arrangements	(754,013)	
Severance Payable	(46,317)	
		(36,501,118)
The net OPEB asset represents assets held for postemployment benefits other than pensions, reduced by the present value of projected future liabilities for such benefits as determined by an actuary as of the most recent measurement date. Such asset and related balances do not represent the impending use of current financial resources and, therefore, are not reported in the funds:		
Net OPEB Liability (Asset)	671,412	
Deferred Outflows - OPEB	106,858	
Deferred Inflows - OPEB	(284,216)	
		494,054
The net pension liability and related deferred outflows/inflows represent the allocation of the pension obligations of the statewide plans to the District. Such balances are not reported in the funds:		
Net Pension Liability	(8,004,403)	
Deferred Outflows - Pensions	5,227,185	
Deferred Inflows - Pensions	(12,696,509)	
		(15,473,727)
Interest on long-term debt is recognized as an expenditure when due and payable in the governmental funds. Therefore, interest is not accrued in the governmental funds Balance Sheet, but is accrued in the Statement of Net Position:		(405,984)
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred inflows of resources in the funds:		570,493
TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 1,417,590

See Accompanying Notes.

INDEPENDENT SCHOOL DISTRICT NO. 883
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	General Fund	Debt Service	Building Construction	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Local Property Tax Levies	$ 3,849,051	$ 4,014,375	$ -	$ 126,289	$ 7,989,715
Other Local and County Revenues	375,928	1,076	4,343	1,057,511	1,438,858
State Sources	15,931,607	266,995	-	207,250	16,405,852
Federal Sources	1,561,745	-	-	1,034,900	2,596,645
Sales and Other Conversions of Assets	24,748	-	-	71,497	96,245
TOTAL REVENUES	21,743,079	4,282,446	4,343	2,497,447	28,527,315
EXPENDITURES					
Current:					
Administration	1,188,294	-	-	-	1,188,294
District Support Services	1,296,592	-	-	-	1,296,592
Regular Instruction	9,715,234	-	-	-	9,715,234
Vocational Instruction	293,154	-	-	-	293,154
Exceptional Instruction	2,824,671	-	-	-	2,824,671
Community Education and Services	-	-	-	1,246,447	1,246,447
Instructional Support Services	913,430	-	-	-	913,430
Pupil Support Services	3,305,586	-	-	884,460	4,190,046
Sites and Buildings	2,599,010	-	60,270	-	2,659,280
Fiscal and Other Fixed Cost Programs	123,311	-	-	-	123,311
Capital Outlay	508,110	-	9,758	-	517,868
Debt Service:					
Principal	101,946	3,477,000	-	3,019	3,581,965
Interest and Other Charges	23,480	1,156,160	70,376	425	1,250,441
		-	-		
TOTAL EXPENDITURES	22,892,818	4,633,160	140,404	2,134,351	29,800,733
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,149,739)	(350,714)	(136,061)	363,096	(1,273,418)
OTHER FINANCING SOURCES (USES)					
Sale of Equipment	838	-	-	-	838
Bond Issuance	-	22,860,000	6,915,000	-	29,775,000
Bond Refunding Payment	-	(24,345,000)	-	-	(24,345,000)
Premium on Bond Issuance	-	1,639,100	166,247	-	1,805,347
TOTAL OTHER FINANCING SOURCES (USES)	838	154,100	7,081,247	-	7,236,185
NET CHANGE IN FUND BALANCES	(1,148,901)	(196,614)	6,945,186	363,096	5,962,767
FUND BALANCES - BEGINNING (As Previously Reported)	6,256,430	837,124	-	231,818	7,325,372
PRIOR PERIOD ADJUSTMENT (See Note 5.E.)	-	-	-	82,735	82,735
FUND BALANCES - BEGINNING (As Restated)	6,256,430	837,124	-	314,553	7,408,107
FUND BALANCES - ENDING	$ 5,107,529	$ 640,510	$ 6,945,186	$ 677,649	$ 13,370,874

See Accompanying Notes.

INDEPENDENT SCHOOL DISTRICT NO. 883
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Net Change in Fund Balances - Total Governmental Funds		$ 5,962,767
Amounts reported for governmental activities in the Statement of Activities are different due to the following:		
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense:		
Capital Outlay Capitalized	$ 203,002	
Depreciation and Amortization Expense	(2,188,336)	
		(1,985,334)
The issuance of long-term debt provides current financial resources to governmental funds while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The amounts below detail the effects of these differences in the treatment of long term debt and related items:		
Bond Principal Repayments	3,477,000	
Issuance of Long-Term Debt	(29,775,000)	
Premium on Long-Term Debt Issued	(1,805,347)	
Bond Refunding Payments	24,345,000	
Amortization of Bond Premiums	578,734	
Financing Arrangement Principal Repayments	104,965	
		(3,074,648)
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due:		13,593
Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period:		
Property Taxes		61,327
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:		
Severance Payable		(10,662)
Certain liabilities do not represent the impending use of current resources. Therefore, the change in such liabilities and related deferrals are not reported in the governmental funds:		
Net OPEB Asset and Deferred Outflows/Inflows of Resources	602	
Net Pension Liability and Deferred Outflows/Inflows of Resources	754,767	
		755,369
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 1,722,412

See Accompanying Notes.

INDEPENDENT SCHOOL DISTRICT NO. 883
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2022

	Postemployment Benefits Irrevocable Trust Fund
ASSETS	
Cash and Temporary Investments	$ 1,079,135
Interest Receivable	9,133
TOTAL ASSETS	1,088,268
LIABILITIES	
Due to Primary Government	18,181
NET POSITION	
Restricted for Other Postemployment Benefits	$ 1,070,087

See Accompanying Notes.

INDEPENDENT SCHOOL DISTRICT NO. 883
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Postemployment Benefits Irrevocable Trust Fund
ADDITIONS	
Investment Interest	$ 6,006
DEDUCTIONS	
Postemployment Benefits Expense	18,181
Fees for Services	270
TOTAL DEDUCTIONS	18,451
CHANGE IN NET POSITION	(12,445)
NET POSITION - BEGINNING	1,082,532
NET POSITION - ENDING	$ 1,070,087

See Accompanying Notes.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.A. FINANCIAL REPORTING ENTITY

Independent School District No. 883 (the District) is an educational entity established by the State of Minnesota. The government of the District is directed by an elected six-member Board of Education (the Board). The Board exercises legislative authority and determines all matters of policy. The Board appoints personnel responsible for the proper administration of all affairs relating to the District. The accompanying financial statements present the government entities for which the District is considered to be financially accountable.

The District has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. Based on these criteria, there are currently no entities considered to be component units of the District.

Student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside school hours. However, the Board does have administrative control over student activity funds, as well as responsibility for establishing broad policies and ensuring that appropriate financial records are maintained for student activities. Accordingly, the student activity accounts are included in the basic financial statements as part of the General Fund.

1.B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all nonfiduciary activities of the primary government. For the most part, interfund activities have been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operations or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds. Fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

1.C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The financial statements of Independent School District No. 883 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenses are classified by function for governmental activities.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. In the fund financial statements, expenditures are classified as follows:

Governmental Funds – By Character	Current (further classified by function)
	Capital Outlay
	Debt Service

Property taxes, intergovernmental revenue, and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

The District reports the following major governmental funds:

The G*eneral 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.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Building Construction Fund* is a capital project fund used to account for the District's upcoming building projects, as well as the proceeds from debt issued to finance such projects.

The District reports the following nonmajor governmental funds:

The *Food Service Fund* accounts for the proceeds of specific revenue sources (other than expendable trust and major capital projects) that are legally restricted to expenditures for food service.

The *Community Service Fund* accounts for the proceeds of specific revenue sources (other than expendable trust and major capital projects) that are legally restricted to expenditures for community service programs.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

The District reports the following fiduciary funds:

The *Postemployment Benefits Irrevocable Trust Fund* is used to account for an irrevocable trust established to fund postemployment benefits (other than pension benefits) accrued by the employees of the District to be paid as they come due.

1.D. 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 of assets, deferred outflows, liabilities, and deferred inflows, and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY

Deposits and Investments

Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable participation by each of the funds. Temporary cash investments are stated at cost which approximates fair value. Investments in external investment pools are valued at the pool’s share price.

For purpose of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

See Note 2.A. for additional information related to Deposits and Investments.

Property Taxes Receivable

The majority of District revenue is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then 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.

Property tax levies are certified to the County 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 an enforceable lien on property on the following January 1. The County generally remits taxes to the District at periodic intervals as they are collected. A portion of property taxes levied is paid by the State of Minnesota through various tax credits, which are included in revenue from state sources in the financial statements.

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 deferred in the fund financial statements because it is not known to be available to finance the operation of the District in the current year. For government-wide financial statements, no allowance for uncollectible taxes is considered necessary.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. No substantial losses are anticipated from present receivable balances; therefore, no allowance for uncollectible accounts is deemed necessary.

Due from Other Governments

Amounts due from the Minnesota Department of Education, from the federal government through the Department of Education and from other governmental units for general education aids and reimbursements under various specific programs are reported at the estimated amounts to be received based on available information at the date of this report. In some instances, adjustments and proration by these agencies, which are dependent upon the amount of funds available for distribution, and may result in differing amounts actually being received. Any such differences will be absorbed into operations as of the subsequent period.

Inventories

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

Capital Assets

Capital assets are capitalized at historical cost or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated acquisition value at the date of donation. The District maintains a threshold level of $5,000 for capitalizing capital assets. The system for accumulation of fixed asset cost data does not provide the means for determining the percentage of assets valued at actual and those valued at estimated cost.

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

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

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

Accrued Payroll Liabilities

Salaries pertaining to the school year ended June 30, 2022, which are payable in July and August 2022, are accrued as of June 30, 2022, and are shown as a liability on the accompanying financial statements. Liabilities for payroll taxes, amounts withheld from payroll checks and benefits accrued are also included.

Unearned Revenue

Unearned revenue consists of local revenue received but not yet earned. Such amounts typically consist of grants and entitlements received before eligibility requirements are met, fees for tuition and programs, and prepaid pupil lunch balances.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)

Compensated Absences Payable

Vacation Pay – The District permits some employees to accumulate varying amounts of vacation pay as determined by their contract.

Sick Pay – District employees are entitled to sick leave at various rates. Employees are not compensated for unused sick leave upon termination of employment; however, unused sick leave does enter into the calculation of severance pay upon termination for certain employees as described below.

Severance Pay

The District maintains various severance pay plans for employee groups. Each employee group plan contains benefit formulas based on years of service and/or minimum age requirements and unused sick leave upon termination subject to certain conditions. If retirement occurs by year-end, the related benefits are included with salaries as a current liability. The severance payable at June 30, 2022 for eligible employee, based on current salaries and accumulated sick leave balances is $46,317 . At June 30, 2022, the severance payable consists of balances for 2 employees.

Long-Term Obligations

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

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

Postemployment Benefits Other Than Pensions (OPEB)

Under the provisions of the various employee and union contracts, the District provides health insurance coverage for varying lengths of time if certain age and minimum years of service requirements are met.

Pensions

The net pension liability represents the District’s allocation of its pro-rata share of the Statewide Public Employees Retirement Association and Teachers Retirement Association net pension liabilities.

PERA

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 additions to/deductions from PERA’s fiduciary net position have been determined on the same basis as they are reported by PERA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

TRA

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Teachers Retirement Association (TRA) and additions to/deductions from TRA's fiduciary net position have been determined on the same basis as they are reported by TRA.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)

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

Interfund Transactions and Balances

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. If short-term in nature or incurred through goods and service type transactions, such interfund balances are reported as "due to/from other funds." Long-term interfund loans are reported as "advances to/from other funds." Interfund transactions and balances between governmental funds are eliminated in the Statement of Net Position. See additional information at Note 2.E.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This element represents a consumption of net position that applies to future periods and, therefore, will not be recognized as an outflow of resources (expense) until that time. The District reports deferred outflows of resources in the government-wide Statement of Net Position in relation to the activity of the pension funds and OPEB plan in which District employees participate.

In addition to liabilities, the Statement of Net Position and Balance Sheet report a separate section for deferred inflows of resources. This element represents an acquisition of net position or fund balance that applies to future periods and, therefore, will not be recognized as an inflow of resources (revenue) until that time. The District reports property taxes levied for subsequent years as deferred inflows of resources in both the government-wide and governmental fund financial statements. The District reports delinquent property tax receivables as deferred inflows of resources in the governmental funds, in accordance with the modified accrual basis of accounting. In addition, the District reports deferred inflows of resources in the government-wide Statement of Net Position in relation to the activity of the pension funds and OPEB plan in which District employees participate.

See Notes 3 and 4 for additional information pertaining to the deferred outflows and deferred inflows recorded to account for OPEB and pension activities, respectively.

Fund Balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable – Includes amounts that cannot be spent because they are either not in spendable form, or they are legally or contractually required to be maintained intact. There are no nonspendable fund balances at June 30, 2022.

Restricted – Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed – Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the Board of Education (the Board), which is the District's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board modifies or rescinds the commitment by resolution. The District has no committed fund balances at June 30, 2022.

Assigned – Amounts that are neither restricted nor committed but are constrained by the District's intent to be used for specific purposes. The Board currently has the authority to assign fund balances, and it has delegated this ability to the Superintendent and Business Manager. The District has assigned fund balances at June 30, 2022, as noted at Note 2.D.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)

Unassigned – The residual classification for the General Fund and also negative residual amounts in other funds, if any. The District has formally adopted a policy under which is strives to maintain a minimum unassigned General Fund balance of 8 percent of the annual budget.

When both restricted and unrestricted resources are available for use, it is the District's practice to first use restricted resources, and then use unrestricted resources as they are needed. If resources from more than one fund balance classification could be spent, the District will spend the resources from fund balance classifications in the following order: committed, assigned, and unassigned.

See Note. 2.D. for additional disclosures.

Net Position

Net position represents the difference between the sum of assets and deferred outflows of resources and the sum of 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 acquiring the 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, 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."

It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

1.F. RECLASSIFICATIONS

Certain prior period amounts have been reclassified to conform with the current year presentation in the District's Management's Discussion and Analysis. Such reclassifications have no impact on the change in net position.

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS

2.A. DEPOSITS AND INVESTMENTS

Deposits

In accordance with applicable Minnesota Statutes, the District maintains deposits in financial institutions designated by the School Board. Minnesota Statutes require that all District deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds (100% if collateral pledged is irrevocable standby letters of credit issued by the Federal Home Loan Bank). The District complies with such laws.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- A general obligation of a state or local government, with taxing powers, rated "A" or better;

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.A. DEPOSITS AND INVESTMENTS (Continued)

- A revenue obligation of a state or local government, with taxing powers, rated "AA" or better;
- Unrated general obligation securities of a local government, with taxing powers, pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letter of credit issued by a Federal Home Loan Bank accompanied by written evidence that the Federal Home Loan Bank's public debt is rated "AA" or better by Moody's or Standard and Poor's; or
- Time deposits insured by any federal agency.

Minnesota Statutes require that all collateral shall be placed in safekeeping in a restricted account at a 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 selection should be approved by the District.

At June 30, 2022, the District's deposits were not exposed to custodial credit risk. The District's deposits were sufficiently covered by federal depository insurance or by collateral held by the District's agent in the District's name.

Investments

The District may also invest idle funds as authorized by Minnesota Statutes as follows: direct obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that received 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, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers. The District does not have any investment policies that would further limit investment choices.

The investments of the District are subject to the following risks:

- <u>Credit risk</u> is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota Statutes limit the District's investments.
- <u>Custodial credit risk</u> is the risk that in the event of a failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District does not have a formal investment policy to address custodial credit risk but typically limits its exposure by purchasing insured or registered investments.
- <u>Concentration of Credit Risk</u> is the risk associated with the magnitude of the District's investments (considered five percent or more) in the investments of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The District has no formal policy limiting the amounts that may be invested in any one issuer. At June 30, 2022, the District does not have a significant concentration of credit risk.
- <u>Interest rate risk</u> is the risk that changes in interest rates will adversely affect the fair value of an investment. The District has no formal policy to address interest rate risk.

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.A. DEPOSITS AND INVESTMENTS (Continued)

Investment balances at June 30, 2022 are as follows:

Type of Investments	Credit Rating	Segmented Time Distribution	Fair Value
Pooled Investments:			
MNTrust Investment Shares	AAAm	Less than 1 year	$ 6,965,494
MNTrust Limited Term Duration	N/A	Less than 1 year	527,100
Non-Pooled Investments:			
MNTrust Certificates of Deposit	N/A	Less than 1 year	1,498,778
MNTrust Savings Deposit	N/A	Less than 1 year	7,302,877
MNTrust Term Series	N/A	Less than 1 year	1,502,543
MNTrust Securities	AA+	1 to 3 years	391,632
Total Investments			$ 18,188,424

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; Level 3 inputs are significant unobservable inputs.

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

- *MNTrust Savings Deposit* of $7,302,877 is considered to be a Level 1 investment.

- *MNTrust Certificates of Deposit* of $1,498,778, *MNTrust Term Series* of $1,502,543, and *MNTrust Securities* of $391,632 are valued at fair value discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer (Level 2 inputs).

The *MNTrust Investment Shares* and *MNTrust Limited Term Duration* holdings are external investment pools not registered with the Securities Exchange Commission (SEC) that follow the same regulatory rules of the SEC under rule 2a7. The fair value of the position in the pools is the same as the value of the pool shares. The investment in the MNTrust pooled funds is not subject to the credit risk classifications as noted in GASB Statement No. 72.

The *MNTrust Investment Shares* and *MNTrust Term Series* seek to maintain a constant net value per share of $1.00, whereas the net asset value of the *Limited Term Duration Series* will fluctuate as the value of securities held by that portfolio fluctuates.

The *MNTrust Investment Shares* is managed to maintain an average dollar-weighted portfolio maturity of no greater than 60 to 90 days. The *MNTrust Term Series* portfolio consists of separately identifiable investments with fixed maturity dates, and early withdrawals require a seven-day notice of redemption and would likely carry a penalty. Withdrawals from the *MNTrust Limited Term Duration* investment pool may only be made as of the third Wednesday of each month upon advance written notice.

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.A. DEPOSITS AND INVESTMENTS (Continued)

Deposits and Temporary Investments Summary

The following is a summary of total deposits and temporary investments:

Carrying Amount of Deposits	$ 50,116
Investments	18,188,424
Total	$ 18,238,540

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

District-Wide	
Cash and Temporary Investments	$ 17,159,405
Fiduciary	
OPEB Trust Cash and Temporary Investments	1,079,135
Total	$ 18,238,540

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.B. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital Assets, not Being Depreciated					
Land	$ 1,224,853	$ -	$ -	$ -	$ 1,224,853
Construction in Progress	142,500	86,352	-	(228,852)	-
Total Capital Assets Not Being Depreciated	1,367,353	86,352	-	(228,852)	1,224,853
Capital Assets, Being Depreciated					
Land Improvements	8,948,471	-	-	-	8,948,471
Buildings and Improvements	62,658,342	16,535	-	228,852	62,903,729
Equipment and Vehicles	6,383,023	100,115	-	-	6,483,138
Total Capital Assets Being Depreciated	77,989,836	116,650	-	228,852	78,335,338
Less Accumulated Depreciation for					
Land Improvements	(4,009,311)	(377,996)	-	-	(4,387,307)
Buildings and Improvements	(28,634,896)	(1,661,500)	-	-	(30,296,396)
Equipment and Vehicles	(5,364,650)	(148,840)	-	-	(5,513,490)
Total Accumulated Depreciation	(38,008,857)	(2,188,336)	-	-	(40,197,193)
Total Capital Assets Being Depreciated, Net	39,980,979	(2,071,686)	-	228,852	38,138,145
Governmental Activities Capital Assets, Net	$ 41,348,332	$ (1,985,334)	$ -	$ -	$ 39,362,998

Depreciation expense was charged to functions of the District as follows:

Governmental Activities	
Regular Instruction	$ 1,973,135
Community Education	1,473
Pupil Support Services	345
Sites and Buildings	213,383
Total Depreciation Expense - Governmental Activities	$ 2,188,336

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.C. NONCURRENT LIABILITIES

General Obligation (G.O.) Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. Assets of the Debt Service Fund, together with scheduled future tax levies, are dedicated for the retirement of these obligations. The annual future debt service levies authorized are equal to 105 percent of the principal and interest due each year. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

There are a number of limitations and restrictions contained in the general obligation bond indentures.

General obligation bonds are direct obligations and pledge the full faith and credit of the District. General obligation bonds currently outstanding are as follows:

Description	Original Issue Amount	Interest Rate	Final Maturity Date	Balance Outstanding
Governmental Activities				
G.O. School Building Refunding Bonds, Series 2015A	$ 17,690,000	5.00%	2/1/2023	$ 3,175,000
G.O. Capital Facilities Refunding Bonds, Series 2021A	590,000	0.28%	2/1/2025	443,000
G.O. School Building Refunding Bonds, Series 2021B	22,860,000	1.50-3.00%	2/1/2029	22,860,000
G.O. Facilities Maintenance and Tax Abatement Bonds, Series 2022A	6,915,000	3.00-5.00%	2/1/2038	6,915,000
	$ 48,055,000			$ 33,393,000

During the current fiscal year, the District issued $22,860,000 of General Obligation School Building Refunding Bonds, Series 2021B, with interest rates ranging from 1.50% to 3.00%. The net proceeds of $24,345,000 (including a $1,639,100 premium and various fees associated with the issuance) were used to refund the remaining balance of the Series 2013A bonds, which carried an interest rate of 2.00%. As a result of this refunding, future debt service payments were reduced by $2,095,172, which equates to a present value benefit of $2,027,102.

Financing Arrangements

The District occasionally enters into financing arrangements as a means for financing the acquisition of new equipment. Collateral pledged to under these arrangements consists of the equipment acquired by the District through the financing arrangement. Additional information, including the outstanding balance on the financing arrangement at June 30, 2022 is as follows:

Description	Original Issue Amount	Interest Rate	Final Maturity Date	Balance Outstanding
Governmental Activities				
LED Lighting Financing	$ 789,123	2.91%	2/15/2031	$ 694,996
Copiers Financing	128,994	2.80%	3/1/2024	59,017
	$ 918,117			$ 754,013

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.C. NONCURRENT LIABILITIES (Continued)

At June 30, 2022, the assets acquired with the Copiers Financing arrangement above have a cumulative original cost of $128,994 and accumulated depreciation of $48,373, for a net carrying value of $80,621. While the assets acquired under the LED Lighting Financing cannot be individually identified, the net book value of these assets is assumed to be approximate the remaining principal balance outstanding on the financing arrangement at year-end.

Debt Service Requirements

At June 30, 2022, estimated annual debt service requirements to maturity for the general obligation bonds are as follows:

Governmental Activities			
Years Ending	G.O. Bonds		
June 30,	Principal	Interest	Total
2023	$ 3,717,000	$ 936,284	$ 4,653,284
2024	4,103,000	743,382	4,846,382
2025	4,173,000	674,641	4,847,641
2026	4,110,000	586,225	4,696,225
2027	4,200,000	496,225	4,696,225
2028 - 2032	10,195,000	979,475	11,174,475
2033 - 2037	2,645,000	296,940	2,941,940
2038	250,000	8,000	258,000
Total	$ 33,393,000	$ 4,721,172	$ 38,114,172

At June 30, 2022, estimated annual debt service requirements to maturity for financing arrangements are as follows:

Governmental Activities			
Years Ending	Financing Arrangements		
June 30,	Principal	Interest	Total
2023	$ 104,917	$ 20,508	$ 125,425
2024	99,305	17,472	116,777
2025	75,831	14,998	90,829
2026	78,068	12,761	90,829
2027	80,371	10,458	90,829
2028 - 2031	315,521	17,522	333,043
Total	$ 754,013	$ 93,719	$ 847,732

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.C. NONCURRENT LIABILITIES (Continued)

Changes in Noncurrent Liabilities

Noncurrent liability activity (excluding the net pension liability) for the year ended June 30, 2022 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General Obligation Bonds	$ 31,440,000	$ 29,775,000	$ (27,822,000)	$ 33,393,000	$ 3,717,000
Unamortized Premium	1,081,175	1,805,347	(578,734)	2,307,788	-
Financing Arrangements	858,978	-	(104,965)	754,013	104,917
Severance Payable	35,655	10,662	-	46,317	-
Long-Term Liabilities	$ 33,415,808	$ 31,591,009	$ (28,505,699)	$ 36,501,118	$ 3,821,917

Bonds payable are typically funded through the Debt Service Fund. Financing arrangements are typically funded through the General Fund. Severance payable is funded through the funds to which the respective employees' wages are allocated.

2.D. FUND BALANCE CLASSIFICATIONS

At June 30, 2022, governmental fund equity includes the following:

	General Fund	Debt Service Fund	Building Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Restricted for:					
Student Activities	$ 109,938	$ -	$ -	$ -	$ 109,938
Staff Development	241,507	-	-	-	241,507
Operating Capital	786,019	-	-	-	786,019
Achievement and Integration	22,628	-	-	-	22,628
Long-Term Facility Maintenance	298,623	-	4,011,271	-	4,309,894
Medical Assistance	21,042	-	-	-	21,042
Building Construction	-	-	2,933,915	-	2,933,915
Debt Service	-	640,510	-	-	640,510
Food Service	-	-	-	345,712	345,712
Community Service	-	-	-	234,617	234,617
Community Education	-	-	-	46,908	46,908
Early Childhood and Family Education	-	-	-	69,187	69,187
Total Restricted	$ 1,479,757	$ 640,510	$ 6,945,186	$ 696,424	$ 9,761,877
Assigned for:					
Q-Comp	$ 334,592	$ -	$ -	$ -	$ 334,592
Capital Projects	353,626	-	-	-	353,626
Scholarships	12,441	-	-	-	12,441
Total Assigned	$ 700,659	$ -	$ -	$ -	$ 700,659

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.D. FUND BALANCE CLASSIFICATIONS (Continued)

	General Fund	Debt Service Fund	Community Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Deficit UFARS Restrictions:					
School Readiness	$ -	$ -	$ -	$ (18,774)	$ (18,774)

Restricted for Student Activities - This amount represents resources available for extracurricular student activities, from funds raised by students.

Restricted for Staff Development - This amount represents unspent staff development revenues set aside from General Education Revenue that are restricted for staff development.

Restricted for Operating Capital - This amount represents funds to be used for the purchase, lease and maintenance of school facilities and equipment.

Restricted for Achievement and Integration -This amount represents unspent resources available from the Achievement and Integration program must be restricted in this account for use with the fiscal year (no carryover allowed).

Restricted for Long-Term Facility Maintenance - This amount represents available resources for long-term facility maintenance stipulated by the District's long-term facility maintenance plan.

Restricted for Medical Assistance - This amount represents available resources to be used for medical assistance expenditures.

Restricted for Building Construction - This amount represents restricted resources for building construction stipulated by construction, external resource providers, or through enabling legislation.

Restricted for Debt Service - This amount represents restricted resources for debt service stipulated by constitution, external resource providers, or through enabling legislation.

Restricted for Food Service - This amount represents restricted resources for food service stipulated by constitution, external resource providers, or through enabling legislation.

Restricted for Community Service - This amount represents restricted resources for community service stipulated by construction, external resource providers, or through enabling legislation.

Restricted for Community Education - This amount represents available resources for community education programs. Revenues are derived from tax levies and state aids and expenditures are for salaries, benefits, and supplies. Any deficits can be eliminated by future tax levies and state aids.

Restricted for Early Childhood Family Education (ECFE) - This amount represents available resources for ECFE classes. Revenues are derived from local tax levies and state aids and expenditures are for salaries, benefits, and supplies. Any deficits can be eliminated by future tax levies, state aids and program revenues.

Assigned for Q-Comp - This amount represents resources the District has elected to set aside for incentive based compensation for teachers.

Assigned for Capital Projects - This amount represents resources the District has elected to set aside for future capital projects.

Assigned for Scholarships - This amount represents resources the District has elected to set aside for scholarships for students.

Restricted for School Readiness - This amount represents the resources available to provide for services for school readiness programs. Deficits can be eliminated through future state aids and program revenues.

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.E. INTERFUND TRANSACTIONS AND BALANCES

Interfund balances at June 30, 2022 are as follows:

Due To Fund	Due From Fund	Amount	Reason
General	OPEB Trust	$ 18,181	Reimbursement for costs paid by the District

The interfund balance above does not have to be repaid from future revenues or a transfer from the General Fund.

NOTE 3 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The District administers a single-employer retiree benefit plan (the Plan) through which the District provides postretirement benefits to eligible retirees and their families. An irrevocable trust, established and operated under the provisions of *Minnesota Statute* 471.6175, is used to finance benefit obligations incurred by the plan. The assets of such trust are managed in accordance with *Minnesota Statute* 118A. The Plan does not issue a publicly available financial report.

Benefits Provided

The District offers continuing group health and dental insurance coverage after retirement for qualifying District employees. Teachers and certain other District personnel who retire from active employment may continue their single or family coverage, at their expense, through the District plan if they retire and have also met the eligibility requirements of either a Public Employees Retirement Association plan or the Teachers Retirement Association of Minnesota plan. Additionally, the District's Superintendent may also be eligible for an explicit subsidy of premiums from the District. Benefit and eligibility provisions are established through negotiations between the District and the union representing the District's teachers and are renegotiated each two-year bargaining period. As of the most recent valuation date, there are 108 active employees electing coverage, 76 employees waiving coverage, and 2 retirees electing 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, regardless of 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 arises from 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.

Contributions

The District did not have any contractually required or actuarially determined contributions to the Plan as of June 30, 2022. The District has established an irrevocable trust to fund all future benefits paid under the Plan, and it is generally assumed that the District will make no further contributions to the trust. However, the District did finance all current year benefit payments from its General Fund, which totaled $29,764. Of this amount, the District is to be reimbursed from the irrevocable trust for only the calculated implicit subsidy amount of $18,181. The remaining explicit subsidy payments of $11,583 are considered to be direct employer contributions for the year ended June 30, 2022. Employees are not required to contribute to the OPEB plan.

NOTE 3 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Net OPEB Assets, OPEB Expense, and Deferred Outflows/Inflows of Resources

At June 30, 2022, the District reported a net OPEB asset of $671,412 for the District's plan. The net OPEB asset was measured as of June 30, 2022, as determined by an actuarial valuation as of June 30, 2021.

For the year ended June 30, 2022, the District recognized OPEB expense of negative $602. At June 30, 2022, 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	$ 70,708	$ 168,922
Changes in actuarial assumptions	3,400	115,294
Differences between projected and actual investment earnings	32,750	-
Total Deferred Outflows/Inflows	$ 106,858	$ 284,216

Deferred outflows and inflows of resources related to the Plan will be recognized in the District's OPEB expense as follows:

Year Ended June 30	OPEB Expense
2023	$ (19,600)
2024	$ (22,005)
2025	$ (23,870)
2026	$ (29,704)
2027	$ (30,369)
2028-2030	$ (51,810)

NOTE 3 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Changes in the Net OPEB Liability

The following table summarizes changes in the net OPEB liability for the year ended June 30, 2022:

Changes in Total OPEB Liability (TOL)		
Balance at July 1st	$	405,044
Service Cost		38,887
Interest Cost		8,538
Differences Between Expected and Actual Experience		(23,074)
Changes in Actuarial Assumptions		(956)
Benefit Payments		(29,764)
Balance at June 30th	$	398,675
Plan Fiduciary Net Position (FNP)		
Balance at July 1st	$	1,082,532
Employer Contributions		11,583
Net Investment Income		6,006
Total Additions		17,589
Benefit Payments		(29,764)
Administrative Expenses		(270)
Total Reductions		(30,034)
Balance at June 30th	$	1,070,087
Net OPEB Liability (Asset) - June 30th	$	(671,412)
Fiduciary Net Position as a percentage of the total OPEB Liability		268.41%
Covered Payroll	$	9,816,636
Net OPEB Liability (Asset) / Covered Payroll		-6.84%

NOTE 3 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Actuarial Assumptions

The following is a summary of pertinent actuarial assumptions and methods utilized, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Actuarial Information:	
Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Reporting Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	2.03%
Inflation Rate	2.25%
Investment Rate of Return	2.00%
Bond Yield	3.69% (Fidelity 20-Year Municipal GO AA Index)
Healthcare Trend Rate	6.70% (grading to 3.80% over several decades)

Mortality rates for teachers were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2015, and other adjustments. Mortality rates for non-teachers were based on the Pub-2010 General mortality tables with projected mortality improvements based on scale MP-2019, and other adjustments.

The long-term expected rate of return on the Plan's investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage (or target allocation, if available) and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Long-Term Expected Nominal Rate of Return
Cash and Equivalents	100%	-0.33 %	1.92%

Significant changes in assumptions, benefit terms, and other inputs since the prior measurement date include:

- The discount rate was changed from 1.99 percent to 2.03 percent.
- Index rate for 20-year, tax-exempt municipal bonds (Fidelity 20-year Municipal GO AA Index) used in discount rate determination changed from 1.92 percent to 3.69 percent.

The following presents the net OPEB liability (asset), calculated using the discount rate disclosed in the preceding section, as well as what the District's net OPEB liability (asset) would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

Sensitivity of Net OPEB Liability (Asset) at Current Single Discount Rate		
	Rates	Amounts
1% Increase in Discount Rate	3.03%	$(695,110)
Current Discount Rate	2.03%	$(671,412)
1% Decrease in Discount Rate	1.03%	$(647,486)

NOTE 3 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Net OPEB Liability (Asset) Sensitivity

The following presents the net OPEB liability (asset), calculated using the healthcare cost trend rates disclosed in the preceding section, as well as what the District's net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

Sensitivity of Net OPEB Liability (Asset) at Current Healthcare Trend Rates	
	Amounts
1% Increase in Healthcare Trend Rates	$(613,701)
Current Healthcare Trend Rates	$(671,412)
1% Decrease in Healthcare Trend Rates	$(719,858)

Concentrations

At June 30, 2022, the District's OPEB plan held the following investments, which represented more than 5 percent of the Plan's Fiduciary Net Position:

Type of Investment	Maturity Date	Credit Rating	Fair Value
Greenstate Credit Union Certificate of Deposit	11/21/2022	N/A	$ 249,976
Kansas State Bank of Manhattan Certificate of Deposit	1/27/2023	N/A	249,478
MNTrust Government Security	10/31/2023	AA+	391,632
Totals			$ 891,086

Rate of Return

For the year ended June 30, 2022, the annual money-weighted rate of return on plan investments, net of investment expense, approximated 0.55 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE

4.A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description

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

<u>General Employees Retirement Plan</u>

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

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

Benefits Provided

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

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.20 percent for each of the first 10 years of service and 1.70 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.70 percent for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1.00 percent and a maximum of 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2022 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2022 were $240,890. The District's contributions were equal to the required contributions as set by State Statute.

Pension Costs

General Employees Fund Pension Costs

At June 30, 2022, the District reported a liability of $1,759,425 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled $53,782. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0412 percent at the end of the measurement period and 0.0405 percent for the beginning of the period.

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

District's proportionate share of the net pension liability:	$1,759,425
State of Minnesota's proportionate share of the net pension liability associated with the District	53,782
Total	$1,813,207

For the year ended June 30, 2022, the District recognized pension expense of $158,305 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional $4,339 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the annual $16 million contribution.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 10,626	$ 53,737
Changes in actuarial assumptions	1,074,268	38,259
Differences between projected and actual investment earnings	-	1,526,091
Changes in proportion	91,996	18,669
Contributions paid to PERA subsequent to the measurement date	240,890	-
Total	$ 1,417,780	$ 1,636,756

The $240,890 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense
2023	$ (53,570)
2024	$ 13,533
2025	$ (4,227)
2026	$ (415,602)

Total Pension Expense

The total pension expense for all PERA plans recognized by the District, including amortization of deferred balances, for the year ended June 30, 2022 was negative $198,313.

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

Long-Term Expected Return on Investment

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	33.50%	5.10%
International Equity	16.50%	5.30%
Fixed Income	25.00%	0.75%
Private Markets	25.00%	5.90%
Total	100%	

Actuarial Assumptions

The total pension liability in the June 30, 2021, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.50 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 General Employees Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan.

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

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation.
The following changes in actuarial assumptions and plan provisions occurred in 2021:

General Employees Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

Discount Rate

The discount rate used to measure the total pension liability in 2021 was 6.50 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 Statute. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Sensitivity Analysis
Net Pension Liability (Asset) at Different Discount Rates

	Rates	Amounts
1% Lower	5.50%	$3,588,328
Current Discount Rate	6.50%	$1,759,425
1% Higher	7.50%	$258,698

Pension Plan Fiduciary Net Position

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

4.B. TEACHERS RETIREMENT ASSOCIATION

Plan Description

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

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

Benefits Provided

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

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.B. TEACHERS RETIREMENT ASSOCIATION (Continued)

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

Tier 1 Benefits

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

With these provisions:

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

(b) 3 percent per year early retirement reduction factor for all years under normal retirement age.

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

Or

Tier II Benefits

For years of service prior to July 1, 2006, a level formula of 1.70 percent per year for coordinated members and 2.70 percent per year for basic members is applied. For years of service July 1, 2006 and after, a level formula of 1.90 percent per year for coordinated members and 2.70 percent per year for Basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statute. Smaller reductions, more favorable to the member, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

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

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

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

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.B. TEACHERS RETIREMENT ASSOCIATION (Continued)

Contribution Rate

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

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

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

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

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

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.B. TEACHERS RETIREMENT ASSOCIATION (Continued)

Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Actuarial Information:	
Valuation date	July 1, 2021
Measurement Date	June 30, 2021
Experience study	June 5, 2019 (demographic assumptions) November 6, 2017 (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial Assumptions:	
Investment rate of return	7.00%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028 and 3.25% after June 30, 2028
Projected salary increase	2.85% to 8.85% before July 1, 2028 and 3.25% to 9.25% after June 30, 2028
Cost of living adjustment	1.00% for January 2020 through January 2023, then increasing by 0.10% each year up to 1.50% annually.
Mortality Assumptions:	
Pre-retirement:	RP-2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP-2015 scale.
Post-retirement:	RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
Post-disability:	RP-2014 disabled retiree mortality table, without adjustment.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Geometric Mean)
Domestic Equity	35.50%	5.10%
International Equity	17.50%	5.30%
Private Markets	25.00%	5.90%
Fixed Income	20.00%	0.75%
Unallocated Cash	2.00%	0.00%
Total	100%	

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.B. TEACHERS RETIREMENT ASSOCIATION (Continued)

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

Changes in actuarial assumptions since the 2020 valuation:

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

Discount Rate

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

Net Pension Liability

At June 30, 2022, the District reported a liability of $6,244,979 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The District's proportionate share was 0.1427 percent at the end of the measurement period and 0.1403 percent for the beginning of the year.

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

District’s proportionate share of net pension liability	$6,244,979
State’s proportionate share of the net pension liability associated with the District	$526,574

For the year ended June 30, 2022, the District recognized pension expense of negative $50,673. It also recognized $5,896 as an increase to pension expense for the support provided by direct aid.

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.B. TEACHERS RETIREMENT ASSOCIATION (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 166,297	$ 175,225
Changes in assumptions	2,288,442	5,539,535
Differences between projected and actual investment earnings	-	5,244,649
Changes in proportion	602,855	100,344
Contributions made to TRA subsequent to the measurement date	751,811	-
Total Deferred Outflows/Inflows	$ 3,809,405	$ 11,059,753

Deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense
2023	$ (4,038,924)
2024	$ (2,945,082)
2025	$ (634,287)
2026	$ (854,232)
2027	$ 470,366

Pension Liability Sensitivity

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

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

1 percent decrease (6.00%)	Current (7.00%)	1 percent increase (8.00%)
$12,615,161	$6,244,979	$1,020,921

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

Pension Plan Fiduciary Net Position

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

NOTE 5 OTHER INFORMATION

5.A. COMMITMENTS AND CONTINGENCIES

Federal and State Programs

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

5.B. RISK MANAGEMENT

Claims and Judgements

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To manage these risks, the District purchases commercial insurance. The District retains risk for the deductible portions of the insurance. The amounts of these deductibles are considered immaterial to the financial statements. There were no significant reductions in insurance from the previous year settlements in excess of insurance for any of the past two years. The District is also self-insured for state reemployment compensation insurance.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have incurred but not reported. The District's management is not aware of any incurred but no reported claims.

5.C. OTHER EMPLOYEE BENEFITS

Flexible Payment Plan

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

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

All assets of the plan are administered by a third-party administrator. Payments are made by the third-party administrator to participating employees upon submitting a request for reimbursement of eligible expenses incurred by the participant. Payments of insurance premiums (health, dental, life, and disability) are made by the District directly to the designated insurance companies.

All plan property 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 health care 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.

Defined Contribution Plan

The District provides eligible employees future retirement benefits through the District's 403(b) Plan (the Plan). The District has contracted with a private brokerage firm to establish the Plan, and plan assets are not held in a formal trust meeting the criteria defined by GASB No. 73, par 4. The District's Board of Education acts as the plan administrator, but the District is not involved with the investment decisions for plan assets. Contributions are invested in tax deferred annuities selected and owned by Plan participants. Employees of the District are eligible to participate in the Plan commencing on the date of their employment. Eligible employees may elect to have a percentage of their pay contributed to the Plan. Some employees are eligible to receive a District match of employee contributions up to the qualifying amounts set forth in their respective collective bargaining agreements. The District's contributions to the plan total $131,608 for the year ended June 30, 2022.

NOTE 5 OTHER INFORMATION (Continued)

5.D. NEW ACCOUNTING STANDARD

In May 2020, the Government Accounting Standards Board (GASB) issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. GASB Statement No. 96 (GASB 96) increases the usefulness of governmental financial statements by requiring recognition of right-to-use assets and liabilities for subscription-based information technology arrangements. GASB 96 will be effective for the District's fiscal year ended June 30, 2023. The effect on net position will likely be significant.

5.E. CORRECTION OF AN ERROR

During the year ended June 30, 2022, the District determined an adjustment to beginning equity was necessary to correct an error identified in the District's prior year financial statements. An adjustment was recorded to correct a misstatement related to the overstatement of 2021 unearned revenues, since such revenues were considered to be earned as of June 30, 2021. The table below displays the impact of this adjustment on the prior year financial statements:

	Governmental Activities	Community Service Fund
June 30, 2021 Net Position/Fund Balance, as Previously Stated	$ (387,557)	$ 113,457
Revenues Improperly Deferred	82,735	82,735
June 30, 2021 Net Position/Fund Balance, as Restated	$ (304,822)	$ 196,192
Change in Net Position/Fund Balance for the Year Ended June 30, 2021, as Previously Stated	$ 1,393,840	$ 10,458
Correction of Revenues Understated for FY21	82,735	82,735
Change in Net Position/Fund Balance for the Year Ended June 30, 2021, as Restated	$ 1,476,575	$ 93,193

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 883
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Local Property Tax Levies	$ 3,544,964	$ 3,747,383	$ 3,849,051	$ 101,668
Other Local and County Revenues	600,236	567,264	375,928	(191,336)
State Sources	16,159,359	15,767,861	15,931,607	163,746
Federal Sources	686,796	1,213,378	1,561,745	348,367
Sales and Other Conversions of Assets	27,100	24,145	24,748	603
TOTAL REVENUES	21,018,455	21,320,031	21,743,079	423,048
EXPENDITURES				
Current:				
Administration	1,223,114	1,188,315	1,188,294	(21)
District Support Services	1,161,217	1,374,121	1,296,592	(77,529)
Regular Instruction	9,135,223	9,619,836	9,715,234	95,398
Vocational Instruction	277,874	347,327	293,154	(54,173)
Exceptional Instruction	2,877,117	2,775,026	2,824,671	49,645
Instructional Support Services	1,293,274	917,406	913,430	(3,976)
Pupil Support Services	2,560,071	3,305,587	3,305,586	(1)
Sites and Buildings	2,396,563	2,764,265	2,599,010	(165,255)
Fiscal and Other Fixed Cost Programs	141,000	123,311	123,311	-
Capital Outlay	442,538	594,464	508,110	(86,354)
Debt Service:				
Principal	-	-	101,946	101,946
Interest and Other Charges	-	-	23,480	23,480
TOTAL EXPENDITURES	21,507,991	23,009,658	22,892,818	(116,840)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(489,536)	(1,689,627)	(1,149,739)	539,888
OTHER FINANCING SOURCES (USES)				
Sale of Equipment	-	-	838	838
NET CHANGE IN FUND BALANCE	$ (489,536)	$ (1,689,627)	(1,148,901)	$ 540,726
FUND BALANCE - BEGINNING			6,256,430	
FUND BALANCE - ENDING			$ 5,107,529	

INDEPENDENT SCHOOL DISTRICT NO. 883
SCHEDULE OF CHANGES IN DISTRICT'S NET OPEB LIABILITY
LAST TEN YEARS (Presented Prospectively)

	Measurement Period Ending June 30,					
	2022	2021	2020	2019	2018	2017
Changes in Total OPEB Liability (TOL)						
Balance at July 1st	$ 405,044	$ 679,201	$ 548,884	$ 582,434	$ 526,163	$ 493,563
Service Cost	38,887	60,824	66,414	61,718	57,124	53,517
Interest Cost	8,538	19,254	17,950	22,022	19,886	18,459
Differences between Expected and Actual Experience	(23,074)	(157,250)	107,858	(51,454)	-	-
Changes in Actuarial Assumptions	(956)	(127,465)	(4,517)	(25,247)	9,471	-
Benefit Payments	(29,764)	(69,520)	(57,388)	(40,589)	(30,210)	(39,376)
Balance at June 30th	$ 398,675	$ 405,044	$ 679,201	$ 548,884	$ 582,434	$ 526,163
Plan Fiduciary Net Position (FNP)						
Balance at July 1st	$ 1,082,532	$ 1,142,350	$ 1,172,909	$ 1,184,324	$ 1,196,480	$ 1,227,982
Employer Contributions	11,583	-	-	-	-	-
Net Investment Income	6,006	9,952	27,079	29,424	18,304	8,124
Total Additions	17,589	9,952	27,079	29,424	18,304	8,124
Benefit Payments	(29,764)	(69,520)	(57,388)	(40,589)	(30,210)	(39,376)
Administrative Expenses	(270)	(250)	(250)	(250)	(250)	(250)
Total Reductions	(30,034)	(69,770)	(57,638)	(40,839)	(30,460)	(39,626)
Balance at June 30th	$ 1,070,087	$ 1,082,532	$ 1,142,350	$ 1,172,909	$ 1,184,324	$ 1,196,480
Net OPEB Liability (Asset) - June 30th	$ (671,412)	$ (677,488)	$ (463,149)	$ (624,025)	$ (601,890)	$ (670,317)
Plan Fiduciary Net Position / Total OPEB Liability	268.4%	267.3%	168.2%	213.7%	203.3%	227.4%
Covered Payroll	$ 9,816,636	$ 9,417,094	$ 11,504,615	$ 9,684,811	$ 10,495,521	$ 9,958,587
Net OPEB Liability / Covered Payroll	-6.8%	-7.2%	-4.0%	-6.4%	-5.7%	-6.7%

Note: This schedule is provided prospectively beginning with the District's fiscal year ended June 30, 2017 and is intended to show a ten year trend. Additional years will be reported as the become available.

INDEPENDENT SCHOOL DISTRICT NO. 883
SCHEDULE OF MONEY-WEIGHTED RATE OF RETURN ON OPEB PLAN ASSETS
LAST TEN YEARS (Presented Prospectively)

For the Measurement Year Ended June 30,	Annual Money-Weighted Rate of Return, Net of Investment Expense
2022	0.55%
2021	0.87%
2020	2.31%
2019	2.48%
2018	1.61%
2017	0.61%

Note: This schedule is provided prospectively beginning with the District's fiscal year ended June 30, 2017 and is intended to show a ten year trend. Additional years will be reported as the become available.

INDEPENDENT SCHOOL DISTRICT NO. 883
SCHEDULE OF DISTRICT'S PROPORTIONATE
SHARE OF NET PENSION LIABILITY
LAST TEN YEARS (Presented Prospectively)

For the Measurement Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	District's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the District (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Public Employees Retirement Association							
2021	0.0412%	$ 1,759,425	$ 53,782	$ 1,813,207	$ 2,967,947	61.09%	87.00%
2020	0.0405%	$ 2,428,160	$ 74,788	$ 2,502,948	$ 2,878,000	86.97%	79.06%
2019	0.0386%	$ 2,134,108	$ 66,330	$ 2,200,438	$ 2,735,307	80.45%	80.23%
2018	0.0398%	$ 2,207,941	$ 72,415	$ 2,280,356	$ 2,676,693	85.19%	79.50%
2017	0.0400%	$ 2,553,574	$ 32,094	$ 2,585,668	$ 2,550,173	101.39%	75.90%
2016	0.0439%	$ 3,564,462	$ 46,581	$ 3,611,043	$ 2,724,708	132.53%	68.90%
2015	0.0456%	$ 2,363,299	$ -	$ 2,363,299	$ 2,551,634	92.62%	78.20%
2014	0.0432%	$ 2,030,005	$ -	$ 2,030,005	$ 2,278,585	89.09%	78.70%
Teachers Retirement Association							
2021	0.1427%	$ 6,244,979	$ 526,574	$ 6,771,553	$ 8,661,624	78.18%	86.63%
2020	0.1403%	$ 10,365,552	$ 868,906	$ 11,234,458	$ 8,203,712	136.94%	75.48%
2019	0.1365%	$ 8,700,539	$ 769,972	$ 9,470,511	$ 7,807,471	121.30%	78.21%
2018	0.1346%	$ 8,456,848	$ 794,544	$ 9,251,392	$ 7,483,213	123.63%	78.10%
2017	0.1319%	$ 26,329,632	$ 2,546,075	$ 28,875,707	$ 7,113,973	405.90%	51.60%
2016	0.1386%	$ 33,059,407	$ 3,318,302	$ 36,377,709	$ 7,178,669	506.75%	44.90%
2015	0.1404%	$ 8,685,129	$ 1,065,169	$ 9,750,298	$ 7,177,021	135.85%	76.80%
2014	0.1487%	$ 6,853,290	$ -	$ 6,853,290	$ 6,892,344	99.43%	81.50%

Note: The schedule is provided prospectively with the District's fiscal year ended June 30, 2015 (June 30, 2014 measurement date) and is intended to show a ten year trend. Additional years will be reported as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 883
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
LAST TEN YEARS (Presented Prospectively)

For the Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
Public Employees Retirement Association					
2022	$ 240,890	$ 240,890	$ -	$ 3,211,867	7.50%
2021	$ 232,006	$ 232,006	$ -	$ 2,967,947	7.82%
2020	$ 215,850	$ 215,850	$ -	$ 2,878,000	7.50%
2019	$ 205,148	$ 205,148	$ -	$ 2,735,307	7.50%
2018	$ 200,752	$ 200,752	$ -	$ 2,676,693	7.50%
2017	$ 191,263	$ 191,263	$ -	$ 2,550,173	7.50%
2016	$ 204,438	$ 204,438	$ -	$ 2,724,708	7.50%
2015	$ 188,695	$ 188,695	$ -	$ 2,551,634	7.40%
2014	$ 165,198	$ 165,198	$ -	$ 2,278,585	7.25%
Teachers Retirement Association					
2022	$ 751,811	$ 751,811	$ -	$ 9,014,520	8.34%
2021	$ 704,190	$ 704,190	$ -	$ 8,661,624	8.13%
2020	$ 649,734	$ 649,734	$ -	$ 8,203,712	7.92%
2019	$ 601,956	$ 601,956	$ -	$ 7,807,471	7.71%
2018	$ 561,241	$ 561,241	$ -	$ 7,483,213	7.50%
2017	$ 533,548	$ 533,548	$ -	$ 7,113,973	7.50%
2016	$ 538,361	$ 538,361	$ -	$ 7,178,669	7.50%
2015	$ 538,422	$ 538,422	$ -	$ 7,177,021	7.50%
2014	$ 484,692	$ 484,692	$ -	$ 6,892,344	7.03%

Note: The schedule is provided prospectively beginning with the District's fiscal year ended June 30, 2014 and is intended to show a ten year trend. Additional years will be reported as they become available.

NOTE 1 BUDGETARY COMPARISON SCHEDULES

In aggregate, actual expenditures for the General Fund were within budgeted amounts.

NOTE 2 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND

2021 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50 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 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100 percent Joint & Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint & Survivor option changed from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020 through December 31, 2023 and 0.00 percent after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 Changes

Changes in Actuarial Assumptions

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

NOTE 2 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND (Continued)

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2017 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

NOTE 2 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND (Continued)

2016 Changes

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate 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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892 million. Upon consolidation, state and employer contributions were revised; the State’s contribution of $6.0 million, which meets the special funding situation definition, was due September 2015.

NOTE 3 TEACHERS RETIREMENT ASSOCIATION

2021 Changes

Changes in Actuarial Assumptions

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

2020 Changes

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019 Changes

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

NOTE 3 TEACHERS RETIREMENT ASSOCIATION (Continued)

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018 Changes

Changes in Actuarial Assumptions

- The 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 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 6 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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2017 Changes

Changes in Actuarial Assumptions

- The Cost of Living Adjustment (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 combined service annuity loads. The active load was reduced from 1.40 percent to 0.00 percent, the vested inactive load increased from 4.00 percent to 7.00 percent and the non-vested 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 ten years followed by 3.25 percent thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

NOTE 3 TEACHERS RETIREMENT ASSOCIATION (Continued)

2016 Changes

Changes in Actuarial Assumptions

- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2.00 percent for all future years.
- The price inflation assumption was lowered from 3.00 percent to 2.75 percent.
- The general wage growth and payroll growth assumptions were lowered from 3.75 percent to 3.50 percent.
- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back 6 years and female rates set back 5 years. Generational projection uses the MP-2015 scale.
- The post-retirement mortality assumption was changed to the RP-2014 white collar annuitant table, male rates set back 3 years and female rates set back 3 years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
- The post-disability mortality assumption was changed to the RP-2014 disabled retiree mortality table, without adjustment.
- Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes 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.

Changes in Plan Provisions

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

NOTE 4 OTHER POSTEMPLOYMENT BENEFIT PLAN

2022 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 1.99 percent to 2.03 percent.
- Index rate for 20-year, tax-exempt municipal bonds (Fidelity 20-year Municipal GO AA Index) used in discount rate determination changed from 1.92 percent to 3.69 percent.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

NOTE 4 OTHER POSTEMPLOYMENT BENEFIT PLAN (Continued)

2021 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 2.73 percent to 1.99 percent based on updated expectations of long-term returns on trust assets and 20-year municipal bond rates.
- The long-term expected rate of return on OPEB plan investments was changed from 3.00 percent to 2.00 percent based on updated capital market assumptions.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect recent experience, including an adjustment to reflect age/gender based risk scores published by the Society of Actuaries.
- Withdrawal, retirement, mortality, and salary increase rates were updated from the rates used in the 7/1/2018 PERA General Employees Plan and 7/1/2018 Teachers Retirement Association valuations to the rates used in the 7/1/20 valuations.
- Participation and spousal assumption for future Superintendent retirees were removed as the explicit subsidy benefit for Superintendents are no longer offered to future Superintendent retirees. Superintendents are valued using the assumptions applicable to teachers.
- The percent of all other future Teacher retirees assumed to elect coverage at retirement changed for 40.00 percent to 30.00 percent to reflect recent plan experience.
- The percent of all other future retirees assumed to elect coverage at retirement changed from 20.00 percent to 10.00 percent to reflect recent plan experience.
- The percent of future non Medicare eligible retirees electing each medical plan changed to reflect recent plan experience and new plan offerings.
- The inflation assumption was changed from 2.50 percent to 2.25 percent based on an updated historical analysis of inflation rates and forward-looking market expectations.
- The payroll growth assumption was changed from 3.50 percent to 3.00 percent based on the 7/1/2020 Teachers Retirement Association valuation.
- The dental increase rate was changed from 4.00 percent to 3.50 percent to reflect updated increase expectations.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 3.06 percent to 2.73 percent based on updated expectations of long-term returns on trust assets and 20-year municipal bond rates.
- Index rate for 20-year, tax-exempt bonds used in discount rate determination went from 3.13 percent to 2.45 percent.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

NOTE 4 OTHER POSTEMPLOYMENT BENEFIT PLAN (Continued)

2019 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 3.53 percent to 3.06 percent based on updated expectations of long-term returns on trust assets and 20-year municipal bond rates.
- The heath care trend rates were changed to reflect recent experience and new plan offerings.
- Medical per capita claims costs were updated to reflect recent experience and new plan offerings.
- Mortality and salary increase rates were updated from the rates used in the 7/1/2016 PERA General Employees Retirement Plan and 7/1/2016 Teachers Retirement Association valuations to the rates used in the 7/1/2018 valuations.
- The percent of future Teacher retirees assumed to elect coverage at retirement changed from 60.00 percent to 40.00 percent to reflect recent plan experience.
- The percent of future retirees other than the Superintendent assumed to elect spouse coverage at retirement changed from 0.00 percent to 20.00 percent based on recent plan experience.
- The percent of future non-Medicare eligible retirees electing each medical plan changed to reflect recent plan experience.
- The inflation assumption was changed from 2.75 percent to 2.50 percent based on an updated historical analysis of inflation rates and forward-looking market expectations.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 3.50 percent to 3.53.
- The health care trend rates were changed to better anticipate short term and long term medical increases.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2017 Changes

Changes in Actuarial Assumptions

- The actuarial cost method changed from using the Projected Unit Credit cost method to the Entry Age Normal level percentage of pay cost method.
- The discount rate was changed from 3.00 percent to 3.50 percent.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect the costs method change.
- The percent of future Teacher retirees assumed to elect coverage at retirement changes from 80.00 percent to 60.00 percent to reflect recent plan experience.
- The percent of future Superintendent retirees assumed to elect coverage at retirement changed from 0.00 percent to 100 percent to reflect the addition of the direct subsidy benefits.
- The percent of future non-Medicare eligible retirees electing each medical plan changed to reflect recent plan experience.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 883
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2022

	Special Revenue		
	Food Service Fund	Community Service Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and Temporary Investments	$ 346,887	$ 518,459	$ 865,346
Property Taxes Receivable:			
Current	-	65,889	65,889
Delinquent	-	9,810	9,810
Accounts Receivable	36,433	5,143	41,576
Due from Other Minnesota School Districts	-	14,354	14,354
Due from Minnesota Department of Education	(139)	10,714	10,575
Due from Federal through Minnesota Department of Education	(4,842)	-	(4,842)
TOTAL ASSETS	$ 378,339	$ 624,369	$ 1,002,708
LIABILITIES			
Accounts Payable	$ -	$ 9,285	$ 9,285
Salaries Payable	-	83,853	83,853
Unearned Revenue	32,627	52,423	85,050
Total Liabilities	32,627	145,561	178,188
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue:			
Delinquent Property Taxes	-	9,810	9,810
Property Taxes Levied for Subsequent Years	-	137,061	137,061
Total Deferred Inflows of Resources	-	146,871	146,871
FUND BALANCES			
Restricted for:			
Food Service	345,712	-	345,712
Community Education	-	46,908	46,908
Early Childhood and Family Education	-	69,187	69,187
Community Service	-	234,616	234,616
Unassigned	-	(18,774)	(18,774)
Total Fund Balances	345,712	331,937	677,649
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 378,339	$ 624,369	$ 1,002,708

INDEPENDENT SCHOOL DISTRICT NO. 883
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Special Revenue		Total Nonmajor
	Food Service Fund	Community Service Fund	Governmental Funds
REVENUES			
Local Property Tax Levies	$ -	$ 126,289	$ 126,289
Other Local and County Revenues	-	1,057,511	1,057,511
State Sources	31,140	176,110	207,250
Federal Sources	1,013,657	21,243	1,034,900
Sales and Other Conversions of Assets	67,014	4,483	71,497
TOTAL REVENUES	1,111,811	1,385,636	2,497,447
EXPENDITURES			
Current:			
Community Education and Services	-	1,246,447	1,246,447
Pupil Support Services	884,460	-	884,460
Debt Service:			
Principal	-	3,019	3,019
Interest and Other Charges	-	425	425
TOTAL EXPENDITURES	884,460	1,249,891	2,134,351
NET CHANGE IN FUND BALANCES	227,351	135,745	363,096
FUND BALANCES - BEGINNING (As Previously Reported)	118,361	113,457	231,818
PRIOR PERIOD ADJUSTMENT (See Note 5.E.)	-	82,735	82,735
FUND BALANCE - BEGINNING (As Restated)	118,361	196,192	314,553
FUND BALANCES - ENDING	$ 345,712	$ 331,937	$ 677,649

INDEPENDENT SCHOOL DISTRICT NO. 883
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
FOR THE YEAR ENDED JUNE 30, 2022

01 GENERAL FUND	Audited	UFARS	Difference
Total Revenue	21,743,079	21,743,076	3
Total Expenditures	22,892,818	22,892,817	1
Non Spendable:			
460 Non Spendable Fund Balance	-	-	-
Restricted/Reserve:			
401 Student Activities	109,938	109,938	-
402 Scholarships	-	-	-
403 Staff Development	241,507	241,507	-
407 Capital Projects Levy	-	-	-
408 Cooperative Revenue	-	-	-
413 Project Funded by COP	-	-	-
414 Operating Debt	-	-	-
416 Levy Reduction	-	-	-
417 Taconite Building Maint	-	-	-
424 Operating Capital	786,019	786,019	-
426 $25 Taconite	-	-	-
427 Disabled Accessibility	-	-	-
428 Learning & Development	-	-	-
434 Area Learning Center	-	-	-
435 Contracted Alt. Programs	-	-	-
436 St. Approved Alt. Program	-	-	-
438 Gifted & Talented	-	-	-
440 Teacher Development & Eval	-	-	-
441 Basic Skills Programs	-	-	-
448 Achievement & Integration	22,628	22,628	-
449 Safe Schools Levy	-	-	-
451 QZAB Payments	-	-	-
452 OPEB Liab Not in Trust	-	-	-
453 Unfunded Sev. & Retirement	-	-	-
459 Basic Skills Ext Time	-	-	-
467 LTFM	298,623	298,623	-
472 Medical Assistance	21,042	21,042	-
473 PPP Loans	-	-	-
474 EIDL Loans	-	-	-
Restricted:			
464 Restricted Fund Balance	-	-	-
475 Title VII - Impact Aid	-	-	-
476 PILT	-	-	-
Committed:			
418 Committed for Separation	-	-	-
461 Committed Fund Balance	-	-	-
Assigned:			
462 Assigned Fund Balance	700,659	700,659	-
Unassigned:			
422 Unassigned Fund Balance	2,927,113	2,927,112	1

02 FOOD SERVICE	Audited	UFARS	Difference
Total Revenue	1,111,811	1,111,810	1
Total Expenditures	884,460	884,459	1
Non Spendable:			
460 Non Spendable Fund Balance	-	-	-
Restricted/Reserve:			
452 OPEB Liab. Not in Trust	-	-	-
474 EIDL Loans	-	-	-
Restricted:			
464 Restricted Fund Balance	345,712	345,712	-
Unassigned:			
463 Unassigned Fund Balance	-	-	-

04 COMMUNITY SERVICE	Audited	UFARS	Difference
Total Revenue	1,385,636	1,385,635	1
Total Expenditures	1,249,891	1,249,889	2
Non Spendable:			
460 Non Spendable Fund Balance	-	-	-
Restricted/Reserve:			
426 $25 Taconite	-	-	-
431 Community Education	46,908	46,908	-
432 E.C.F.E.	69,187	69,187	-
440 Teacher Development & Eval	-	-	-
444 School Readiness	(18,774)	(18,774)	-
447 Adult Basic Education	-	-	-
452 OPEB Liab. Not in Trust	-	-	-
473 PPP Loans	-	-	-
474 EIDL Loans	-	-	-
Restricted:			
464 Restricted Fund Balance	234,616	234,617	(1)
Unassigned:			
463 Unassigned Fund Balance	-	-	-

06 BUILDING CONSTRUCTION	Audited	UFARS	Difference
Total Revenue	4,343	4,343	-
Total Expenditures	140,404	140,404	-
Non Spendable:			
460 Non Spendable Fund Balance	-	-	-
Restricted/Reserve:			
407 Capital Projects Levy	-	-	-
413 Projects Funded by COP	-	-	-
467 LTFM	4,011,271	4,011,271	-
Restricted:			
464 Restricted Fund Balance	2,933,915	2,933,915	-
Unassigned:			
463 Unassigned Fund Balance	-	-	-

07 DEBT SERVICE	Audited	UFARS	Difference
Total Revenue	4,282,446	4,282,448	(2)
Total Expenditures	4,633,160	4,633,162	(2)
Non Spendable:			
460 Non Spendable Fund Balance	-	-	-
Restricted/Reserve:			
425 Bond Refundings	-	-	-
433 Max Effor Loan	-	-	-
451 QZAB Payments	-	-	-
467 LTFM	-	-	-
Restricted:			
464 Restricted Fund Balance	640,510	640,510	-
Unassigned:			
463 Unassigned Fund Balance	-	-	-

08 TRUST	Audited	UFARS	Difference
Total Revenue	-	-	-
Total Expenditures	-	-	-
401 Student Activities	-	-	-
402 Scholarships	-	-	-
422 Net Assets	-	-	-

18 CUSTODIAL FUND	Audited	UFARS	Difference
Total Revenue	-	-	-
Total Expenditures	-	-	-
Restricted/Reserve:			
401 Student Activities	-	-	-
402 Scholarships	-	-	-
448 Achievement & Integration	-	-	-
Restricted:			
464 Restricted Fund Balance	-	-	-

20 INTERNAL SERVICE	Audited	UFARS	Difference
Total Revenue	-	-	-
Total Expenditures	-	-	-
422 Net Assets	-	-	-

25 OPEB REVOCABLE TRUST FUND	Audited	UFARS	Difference
Total Revenue	-	-	-
Total Expenditures	-	-	-
422 Net Assets	-	-	-

45 OPEB IRREVOCABLE TRUST FUND	Audited	UFARS	Difference
Total Revenue	6,006	6,007	(1)
Total Expenditures	18,451	18,452	(1)
422 Net Assets	1,070,087	1,070,087	-

47 OPEB DEBT SERVICE FUND	Audited	UFARS	Difference
Total Revenue	-	-	-
Total Expenditures	-	-	-
Non Spendable:			
460 Non Spendable Fund Balance	-	-	-
Restricted:			
425 Bond Refundings	-	-	-
464 Restricted Fund Balance	-	-	-
Unassigned:			
463 Unassigned Fund Balance	-	-	-

INDEPENDENT SCHOOL DISTRICT NO. 883
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal ALN(s)	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
Pass-through Programs from Minnesota Department of Education		
COVID-19 - Child Nutrition Cluster:		
National School Breakfast Program	10.553	
Cash Assistance		$ 164,390
National School Lunch Program	10.555	
Cash Assistance		786,643
Commodities Cash Rebate		62,624
Child Nutrition Cluster Subtotal - 10.553, 10.555		1,013,657
Total U.S. DEPARTMENT OF AGRICULTURE		$ 1,013,657
U.S. DEPARTMENT OF EDUCATION		
Pass-through Programs from Minnesota Department of Education		
Title I, Part A - Grants to Local Education Agencies	84.010	$ 106,311
Title II, Part A - Improving Teacher Quality	84.367	24,132
Title III, Part A - English Language Acquisition	84.365	16,204
Title IV, Part A - Student Support and Academic Enrichment	84.424	4,204
COVID-19 - Education Stabilization Fund:		
Governor's Emergency Education Relief (GEER) Fund	84.425C	16,650
Elementary and Secondary School Education Relief (ESSER) Fund	84.425D	167,137
American Rescue Plan - Elementary and Secondary School Education Relief (ARP ESSER)	84.425U	53,577
Education Stabilization Fund Subtotal		237,364
Pass-through Programs from Meeker and Wright Special Education Cooperative		
Special Education Cluster:		
Grants to States (IDEA, Part B)	84.027	86,022
Preschool Grants (IDEA Preschool)	84.173	11,720
Special Education Cluster Subtotal - 84.027, 84.173		97,742
Pass-through Programs from Northwest Suburban Integration		
Magney Schools Assistance	84.165	602,459
Pass-through Programs from Great River Perkins Consortium		
Career and Technical Education - Basic Grants to States	84.048	2,581
Total U.S. DEPARTMENT OF EDUCATION		$ 1,090,997
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Pass-through Programs from Minnesota Department of Education		
COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	$ 62,015
U.S. DEPARTMENT OF THE TREASURY		
Pass-through Programs from Minnesota Department of Education		
COVID-19 - Coronavirus State and Local Fiscal Recovery Fund	21.027	$ 227,976
FEDERAL COMMUNICATIONS COMMISSION		
Direct Programs		
COVID-19 - Emergency Connectivity Fund Program	32.009	$ 202,000
TOTAL FEDERAL EXPENDITURES		$ 2,596,645

INDEPENDENT SCHOOL DISTRICT NO. 883
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Independent School District No. 883 (the District) under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a select portion of the operations of Independent School District No. 883, it is not intended to and does not present the financial position or changes in financial position of Independent School District No. 883.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 INVENTORY

Nonmonetary assistance is reported in this schedule at the fair market value of commodities received and disbursed for the USDA National School Lunch Program Commodities (ALN # 10.555). Revenue and expenditures are recorded when commodities are received.

NOTE 4 SUBRECIPIENTS

The District did not pass any federal funds to subrecipients during the year ended June 30, 2022.

NOTE 5 PASS-THROUGH IDENTIFIER

The District's pass-through identifying numbers assigned by each pass-through entity above are unknown.

NOTE 6 INDIRECT COST RATE

The District did not use an indirect cost rate when calculating federal expenditures.

OTHER REQUIRED REPORTS

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

Members of the School Board
Independent School District No. 883
Rockford, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 883 (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Independent School District No. 883's basic financial statements, and have issued our report thereon dated December 29, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Independent School District No. 883's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying *Schedule of Findings and Questioned Costs*, we identified certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying *Schedule of Findings and Questioned Costs* as items 2022-001, 2022-003, 2022-004, and 2022-05 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency described in the accompanying *Schedule of Findings and Questioned Costs* as item 2022-002 to be a significant deficiency.

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*.

Minnesota Legal Compliance

In connection with our audit, we noted that Independent School District No. 883 failed to comply with the provisions of the contracting - bid law and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters as described in the *Schedule of Findings and Questioned Costs* as item 2022-008 and 2022-009. Also in connection with our audit, nothing came to our attention that caused us to believe that Independent School District No. 883 failed to comply with the provisions of the depositories of public funds and investments, conflicts of interest, public indebtedness, claims and disbursements, and uniform financial accounting and reporting standards sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Independent School District No. 883's response to the findings identified in our audit and described in the accompanying *Schedule of Findings and Questioned Costs* and *Corrective Action Plans*. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 communication is not suitable for any other purpose.

Schlenner Wenner & Co.

SCHLENNER WENNER & CO.
St. Cloud, Minnesota
December 29, 2022

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE

Members of the School Board
Independent School District No. 883
Rockford, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Independent School District No. 883's (the District) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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 Independent School District No. 883 and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Independent School District No. 883'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 Independent School District No. 883's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

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

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

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

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

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

Report on Internal Control over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying *Schedule of Findings and Questioned Costs* as items 2022-006 and 2022-007 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. *Government Auditing Standards* requires the auditor to perform limited procedures on Independent School District No. 883's response to the internal control over compliance findings identified in our audit described in the accompanying *Schedule of Findings and Questioned Costs.* Independent School District No. 883's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Schlenner Wenner & Co.

SCHLENNER WENNER & CO.
St. Cloud, Minnesota
December 29, 2022

INDEPENDENT SCHOOL DISTRICT NO. 883
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

SECTION I: SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified			
* Material weakness(es) identified?	X	Yes		No
* Significant deficiencies identified that are not considered to be material weaknesses?	X	Yes		No
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards

Internal control over major programs:

* Material weakness(es) identified?		Yes	X	No
* Significant deficiencies identified that are not considered to be material weakness(es)?	X	Yes		No
Type of auditor's report issued on compliance for major programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?		Yes	X	No

Identification of major programs:

ALN(s)	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster
84.425	Education Stabilization Fund

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

SECTION II: FINANCIAL STATEMENT FINDINGS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Finding 2022-001 Limited Segregation of Duties

Condition: During our audit we reviewed procedures over cash receipts, cash disbursements, payroll, and financial reporting and found the District to have limited segregation of duties over those transaction cycles.

Criteria: Internal control that supports the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements requires adequate segregation of accounting duties. In other words, no one person had control over two or more of these responsibilities.

Cause: Limited number of staff members.

Effect: The existence of limited segregation of duties could adversely affect the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Recommendation: Although the number of staff members may not be large enough to eliminate this deficiency, we recommend that the District evaluate current procedures and segregate where possible and implement compensating controls. It is important that the Board is aware of this condition and monitor all financial information.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with our recommendation. See corresponding Corrective Action Plan.

Finding 2022-002 Financial Statement Preparation

Condition: Schlenner Wenner & Co. drafted the audited financial statements and related footnote disclosures for the District. It is management's responsibility to provide for the preparation of financial statements and the auditor's responsibility to determine the fairness of the presentation. This deficiency could result in a misstatement that could have been prevented or detected by management.

Criteria: Internal controls over financial reporting should be in place to provide for the preparation of financial statements on an annual basis.

Cause: The District's staff does not possess the expertise to prepare financial statements internally. This is not unusual for an organization of your size.

Effect: The inability to internally prepare the District's financial statements can result in undetected errors in financial reporting.

Recommendation: We recommend that management review a draft of the financial statements in detail for accuracy. During review we recommend a disclosure checklist be utilized to ensure all required disclosures are presented and the District should agree the financial statement numbers to their accounting software. The District may not have the ability to eliminate this finding.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the recommendation. See corresponding Corrective Action Plan.

SECTION II: FINANCIAL STATEMENT FINDINGS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (Continued)

Finding 2022-003 Material Audit Adjustments

Condition: Audit adjustment were required to correct material misstatements identified in the trial balance presented for the audit.

Criteria: The District is required to report financial information under the basis of accounting prescribed by Generally Accepted Accounting Principles.

Cause: The District failed to adjust certain accounts to their proper year-end balances, and further adjustments were required to correct UFARS errors identified by the Minnesota Department of Education.

Effect: The misstatements in the trial balance presented for the audit resulted in the need to record material audit adjustments to achieve fair financial statement presentation under accounting principles generally accepted in the United States of America.

Recommendation: We recommend management perform a thorough review of the trial balance prior to the audit and ensure all transactions and year-end balances have been properly recorded.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the recommendation. See corresponding Corrective Action Plan.

Finding 2022-004 Bank Reconciliations

Condition: The District's bank reconciliations contained inaccuracies on a recurring basis.

Criteria: The District is responsible for the design, implementation, and maintenance of internal controls to ensure the propriety of its financial reporting. Completing accurate bank reconciliations in a timely manner each month is a critical control for detecting and correcting potential errors or malfeasance.

Cause: The District failed to properly reconcile the bank statement cash balances to the cash balances in the financial reporting system in a timely and accurate manner throughout the year.

Effect: Failure to properly reconcile the cash balances from the financial reporting system to the bank statements is indicative of potential misstatements in financial reporting throughout the year, which could be material.

Recommendation: We recommend management implement procedures to ensure monthly bank reconciliations are completed on a timely basis, followed by thorough review by upper management.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the recommendation. See corresponding Corrective Action Plan.

SECTION II: FINANCIAL STATEMENT FINDINGS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (Continued)

Finding 2022-005 Prior Period Adjustment

Condition: The District's prior year financial statements contained a material misstatement.

Criteria: The District is required to report financial information that is accurately presented in accordance with accounting principles generally accepted with the United States of America.

Cause: In the 2021 financial statements, the District improperly deferred the recognition of Community Service Fund revenues by overstating the unearned revenue liability balance at year-end. See further details described in Note 5.E. to the basic financial statements.

Effect: This misstatement in the prior year financial statements resulted in the need to restate beginning equity of the current year.

Recommendation: We recommend management perform a thorough review of the audited financial statements and year-end adjustments to ensure their accuracy and completeness.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the recommendation. See corresponding Corrective Action Plan.

SECTION III: FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Finding 2022-006 Internal Control Over Approval of Equipment Purchases

Federal Program: Education Stabilization Fund (ALN 84.425)

Condition: Independent School District No. 883 (the District) failed to obtain prior approval for the purchase of equipment greater than $5,000.

Criteria: Per program requirements, the District was required to obtain prior approval from the Minnesota Department of Education for any equipment (greater than $5,000) purchased via program dollars.

Cause: Because the program is relatively new and the District experienced staffing turnover during the year, the District was not fully aware of the program's requirements.

Effect: The failure to obtain noted approval cause the District to not be in compliance with the program's requirements.

Context: This is a control requirement required by the Minnesota Department of Education to ensure that expenditures submitted under the program are allowable.

Questioned Costs: None identified.

Recommendation: We recommend the District assess internal controls related to the District's Federal dollars and implement requests for approvals as necessary.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the recommendation. See corresponding Corrective Action Plan.

SECTION III: FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (Continued)

Finding 2022-007 Equipment and Real Property Management

Federal Program: Education Stabilization Fund (ALN 84.425)

Condition: Independent School District No. 883 (the District) failed to capitalize equipment with a current per-unit fair market value in excess of $5,000.

Criteria: Per the Uniform Guidance, property records must be maintained for tangible personal property having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds $5,000 in program dollars.

Cause: The District failed to add an equipment purchase to the District's capital asset records.

Effect: The failure to incorporate the asset into the capital asset records resulted in the District's noncompliance with the program's requirements.

Questioned Costs: None identified.

Recommendation: We recommend the District assess internal controls related to the District's Federal dollars and controls over ensuring the completeness capital asset records.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the recommendation. See corresponding Corrective Action Plan.

SECTION IV: MINNESOTA LEGAL COMPLIANCE FINDINGS

Finding 2022-008 Withholding Affidavit for Contractors

Condition: The District failed to obtain certification from a contractor that a *Withholding Affidavit for Contractors* was submitted to the Department of Revenue.

Criteria: Under Minnesota Statute 270C.66, the District is required to obtain certification from contractors that a *Withholding Affidavit for Contractors* was submitted to the Department of Revenue prior to making final payment to each contractor.

Cause: The District failed to obtain certification before making final payments to a contractor.

Effect: The failure to obtain such certification resulted in the District's noncompliance with Minnesota Statutes.

Recommendation: We recommend management adopt a policy under which it requires contractors to provide documentation that a *Withholding Affidavit for Contractors* was submitted to the Department of Revenue prior to the District making final payment for new construction.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the recommendation. See corresponding Corrective Action Plan.

SECTION IV: MINNESOTA LEGAL COMPLIANCE FINDINGS (Continued)

Finding 2022-009 Employee Social Events

Condition: The District incurred minor costs for employee social events during the year while having no formally written policy pertaining to such events.

Criteria: The District does not have the explicit authority under Minnesota Statutes to incur costs for employee social events, unless such costs have been incurred in conjunction with a formally adopted employee recognition program.

Cause: The District was unaware of the requirement to adopt a written employee recognition plan to govern such costs.

Effect: The District incurred minor costs that were not considered allowable under Minnesota Statutes.

Recommendation: We recommend the District draft and adopt a written Employee Recognition Program, which clearly details the type and extent of costs that may be incurred by the District for appropriate employee social events, to achieve the goals of the program.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the recommendation. See corresponding Corrective Action Plan.

Rockford Area Schools ISD 883

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CORRECTIVE ACTION PLANS
FOR THE YEAR ENDED JUNE 30, 2022

FINANCIAL STATEMENT FINDINGS

Finding 2022-001 Limited Segregation of Duties

1. Explanation of Disagreement with Audit Finding
   There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding
   The District currently has the following procedures in place:
   - The Board of Education reviews the monthly invoices and approves the expenditures.
   - A Region accountant assists the business manager with journal entries and the coding of receipts and disbursements.
   - The District utilizes purchase orders which are approved by the Superintendent.

   The District will review current procedures and implement additional controls where possible.

3. Official Responsible
   Mrs. Rhonda Dean, Superintendent, is the official responsible for ensuring corrective action.

4. Planned Completion Date
   The Corrective Action Plan will be reviewed on an ongoing basis with no anticipated completion date.

5. Plan to Monitor Completion
   The Board of Education will be monitoring this Corrective Action Plan.

Finding 2022-002 Financial Statement Preparation

1. Explanation of Disagreement with Audit Finding
   There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding
   The District will continue to have the auditor prepare the financial statements; however, the District will implement an internal control policy to document the annual review of the financial statements and related footnote disclosures.

3. Official Responsible
   Mrs. Rhonda Dean, Superintendent, is the official responsible for ensuring corrective action.

4. Planned Completion Date
   The Corrective Action Plan will be reviewed on an ongoing basis with no anticipated completion date.

5. Plan to Monitor Completion
   The Board of Education will be monitoring this Corrective Action Plan.

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CORRECTIVE ACTION PLANS
FOR THE YEAR ENDED JUNE 30, 2022

FINANCIAL STATEMENT FINDINGS (Continued)

Finding 2022-003 Material Audit Adjustments

1. Explanation of Disagreement with Audit Finding
   There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding
   The District will perform a thorough review of the trial balance and year-end adjustments to ensure their accuracy and completeness prior to the audit.

3. Official Responsible
   Mrs. Rhonda Dean, Superintendent, is the official responsible for ensuring corrective action.

4. Planned Completion Date
   June 30, 2023

5. Plan to Monitor Completion
   The Board of Education will be monitoring this Corrective Action Plan.

Finding 2022-004 Bank Reconciliation

1. Explanation of Disagreement with Audit Finding
   There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding
   The District will perform a monthly bank reconciliations on a timely basis and will perform a thorough review of the bank reconciliations to ensure their accuracy.

3. Official Responsible
   Mrs. Rhonda Dean, Superintendent, is the official responsible for ensuring corrective action.

4. Planned Completion Date
   June 30, 2023

5. Plan to Monitor Completion
   The Board of Education will be monitoring this Corrective Action Plan.

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CORRECTIVE ACTION PLANS
FOR THE YEAR ENDED JUNE 30, 2022

FINANCIAL STATEMENT FINDINGS (Continued)

Finding 2022-005 Prior Period Adjustment

1. Explanation of Disagreement with Audit Finding
   There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding
   The District will thoroughly review of the audit financial statements and year-end adjustments to ensure their accuracy and completeness.

3. Official Responsible
   Mrs. Rhonda Dean, Superintendent, is the official responsible for ensuring corrective action.

4. Planned Completion Date
   June 30, 2023

5. Plan to Monitor Completion
   The Board of Education will be monitoring this Corrective Action Plan.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Finding 2022-006 Internal Control Over Approval of Equipment Purchases

1. Explanation of Disagreement with Audit Finding
   There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding
   The District will assess internal controls over its Federal programs and implement controls to ensure future compliance with the requirements.

3. Official Responsible
   Mrs. Rhonda Dean, Superintendent, is the official responsible for ensuring corrective action.

4. Planned Completion Date
   June 30, 2023

5. Plan to Monitor Completion
   The Board of Education will be monitoring this Corrective Action Plan.

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CORRECTIVE ACTION PLANS
FOR THE YEAR ENDED JUNE 30, 2022

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (Continued)

Finding 2022-007 Equipment and Real Property Management

1. Explanation of Disagreement with Audit Finding
   There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding
   The District will assess internal controls over its Federal programs and implement controls to ensure future compliance with the requirements.

3. Official Responsible
   Mrs. Rhonda Dean, Superintendent, is the official responsible for ensuring corrective action.

4. Planned Completion Date
   June 30, 2023

5. Plan to Monitor Completion
   The Board of Education will be monitoring this Corrective Action Plan.

MINNESOTA LEGAL COMPLIANCE FINDINGS

Finding 2022-008 Withholding Affidavit for Contractors

1. Explanation of Disagreement with Audit Finding
   There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding
   The District will adopt a policy under which it requires contractors to provide documentation that a Withholding Affidavit for Contractors was submitted to the Department of Revenue prior to the District making final payment on a contract for new construction.

3. Official Responsible
   Mrs. Rhonda Dean, Superintendent, is the official responsible for ensuring corrective action.

4. Planned Completion Date
   June 30, 2023

5. Plan to Monitor Completion
   The Board of Education will be monitoring this Corrective Action Plan.

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MINNESOTA LEGAL COMPLIANCE FINDINGS (Continued)

Finding 2022-009 Employee Social Events

1. Explanation of Disagreement with Audit Finding
   There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding
   The District will consider drafting a written Employee Recognition Program, in accordance with the recommendation previously noted.

3. Official Responsible
   Mrs. Rhonda Dean, Superintendent, is the official responsible for ensuring corrective action.

4. Planned Completion Date
   June 30, 2023

5. Plan to Monitor Completion
   The Board of Education will be monitoring this Corrective Action Plan.

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022

PRIOR YEAR FEDERAL AWARD FINDINGS

Finding 2021-004 Allowable Costs / Allowable Activities

Condition: Independent School District No. 883 (the District) allocated an employee's pay to the CARES Relief Funds for Back to School and Coronavirus Relief Funds grant at a rate that was not approved under the program.

Recommendation: The auditor recommended the District assess internal controls related to the Coronavirus Relief Funds program and implement procedures to ensure the accuracy of all allowable costs.

Current Status: During FY22, the District and Business Manager have been working with MDE to ensure all federal dollars are recorded appropriately under federal programs. No similar issues have been noted.

PRIOR YEAR FINANCIAL STATEMENT FINDINGS

Financial statement findings in accordance with *Government Auditing Standards* that were reported in the prior year have been reported again in the current year as findings 2022-001, 2022-002, and 2022-05.