



# Annual Financial Report

## Independent School District No. 2144

Chisago City, Minnesota

For the year ended June 30, 2022



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Chisago City, Minnesota  
Annual Financial Report  
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INTRODUCTORY SECTION  
INDEPENDENT SCHOOL DISTRICT NO. 2144  
CHISAGO CITY, MINNESOTA

FOR THE YEAR ENDED  
JUNE 30, 2022

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Independent School District No. 2144  
Chisago City, Minnesota  
Board of Education and Administration  
For the Year Ended June 30, 2022

**BOARD OF EDUCATION**

<u>Name</u>	<u>Title</u>
Mark Leigh	Chairperson
Lori Berg	Vice-Chairperson
Danielle Strenke	Clerk
Jeff Lindeman	Director
Brenda Carlson	Treasurer
Sarah Aadland	Director

**ADMINISTRATION**

Dean Jennissen	Superintendent
Robyn Vosberg-Torgerson	Business Manager

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FINANCIAL SECTION  
INDEPENDENT SCHOOL DISTRICT NO. 2144  
CHISAGO CITY, MINNESOTA

FOR THE YEAR ENDED  
JUNE 30, 2022

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## INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education  
Independent School District No. 2144  
Chisago City, Minnesota

### Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 2144 (the District), Chisago City, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2022 and the respective changes in financial position and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America

### Basis for Opinions

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

### Responsibilities of Management for the Financial Statements

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

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

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

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

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

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

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

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17, the Schedules of Employer's Share of the Net Pension Liability and the Schedules of Employer's Contributions for Defined Benefit Plans, and the Schedules of Changes in the District's Net OPEB Liability and Related Ratios and Schedule of District Other Post-Employment Benefit Contributions starting on page 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

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



### ***Other Information***

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

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**Abdo**  
Minneapolis, Minnesota  
December 19, 2022



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## **Management's Discussion and Analysis**

As management of the Independent School District No. 2144 (the District), Chisago City, Minnesota, 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.

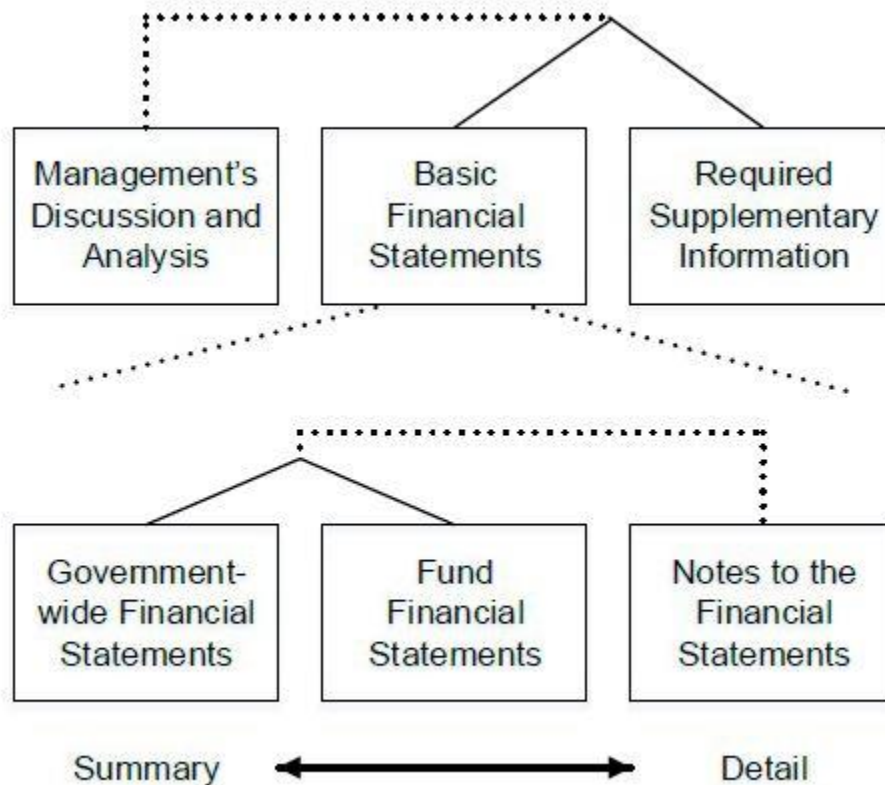
### **Financial Highlights**

- 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 \$8,491,706.
- The District's total net position increased by \$3,356,028. This increase can be attributed to a decrease in the District's net pension liability.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$10,870,396, a decrease of \$3,035,718 in comparison with the prior year. This decrease is primarily the result of construction expenditures during the year.
- The District's total liabilities decreased \$13,055,318 during the current fiscal year. This decrease was primarily the result of a decrease in net pension liability.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) District-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplemental information in addition to the basic financial statements themselves. The following chart shows how the various parts of this annual report are arranged and related to one another:

### Organization of Independent School District No. 2144 Annual Financial Report



The following chart summarizes 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. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

### Major Features of the District-wide and Fund Financial Statements

	District-wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balance</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> <li>• Statement of Changes in Fiduciary Net Position</li> </ul>
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/liability information	All assets and liabilities, 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 thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of in flow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

**District-wide Financial Statements.** The *district-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 and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To assess the District's overall health, you need to consider additional non-financial indicators such as changes in the District's property tax base and condition of school buildings and other facilities.

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 earned but unused vacation leave).

In the district-wide financial statements, the District activities are shown in one category titled “governmental activities”:

*Governmental Activities:* The District’s basic services are reported here, including regular and special education, transportation, administration, food services, and community education. Property taxes and state aids finance most of these activities.

The district-wide financial statements start on page 28 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 district-wide financial statements. However, unlike the district-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 District’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the district-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 five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General and the Debt Service funds, both of which are considered to be major funds. Data from the other three governmental funds are 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, Food Service fund and Community Service fund. A budgetary comparison statement and schedules has been provided for the General fund to demonstrate compliance with this budget.

The basic governmental fund financial statements start on page 32 of this report.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the District. 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 District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong.

The basic fiduciary fund financial statements can be found on page 37 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is 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 39 of this report.

**Required Supplementary Information.** In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the District’s progress in funding its obligation to provide pension and other post-employment benefits to its employees. Required supplementary information can be found on page 70 of this report.

**Other Information.** The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to the financial statements. Combining and individual fund financial statements and schedules start on page 80 of this report.

## District-wide Financial Analysis

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 by \$8,491,706 at the close of the most recent fiscal year.

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

### Independent School District No. 2144's Net Position

	Governmental Activities		
	2022	2021	Increase (Decrease)
<b>Assets</b>			
Current and other assets	\$ 27,916,031	\$ 29,369,622	\$ (1,453,591)
Capital assets (net of depreciation)	100,342,957	99,929,319	413,638
Total Assets	<u>128,258,988</u>	<u>129,298,941</u>	<u>(1,039,953)</u>
 Deferred Outflows of Resources	 <u>10,216,157</u>	 <u>11,673,846</u>	 <u>(1,457,689)</u>
<b>Liabilities</b>			
Noncurrent liabilities outstanding	85,009,974	99,347,432	(14,337,458)
Other liabilities	7,402,804	6,120,664	1,282,140
Total Liabilities	<u>92,412,778</u>	<u>105,468,096</u>	<u>(13,055,318)</u>
 Deferred Inflows of Resources	 <u>37,570,661</u>	 <u>30,369,013</u>	 <u>7,201,648</u>
<b>Net Position</b>			
Net investment in capital assets	35,163,798	34,969,544	194,254
Restricted	5,622,608	5,402,421	220,187
Unrestricted	<u>(32,294,700)</u>	<u>(35,236,287)</u>	<u>2,941,587</u>
 Total Net Position	<u>\$ 8,491,706</u>	<u>\$ 5,135,678</u>	<u>\$ 3,356,028</u>

A portion of the District's net position (\$5,622,608) represents restricted money that will be subject to external restrictions on how they may be used once funding is received.

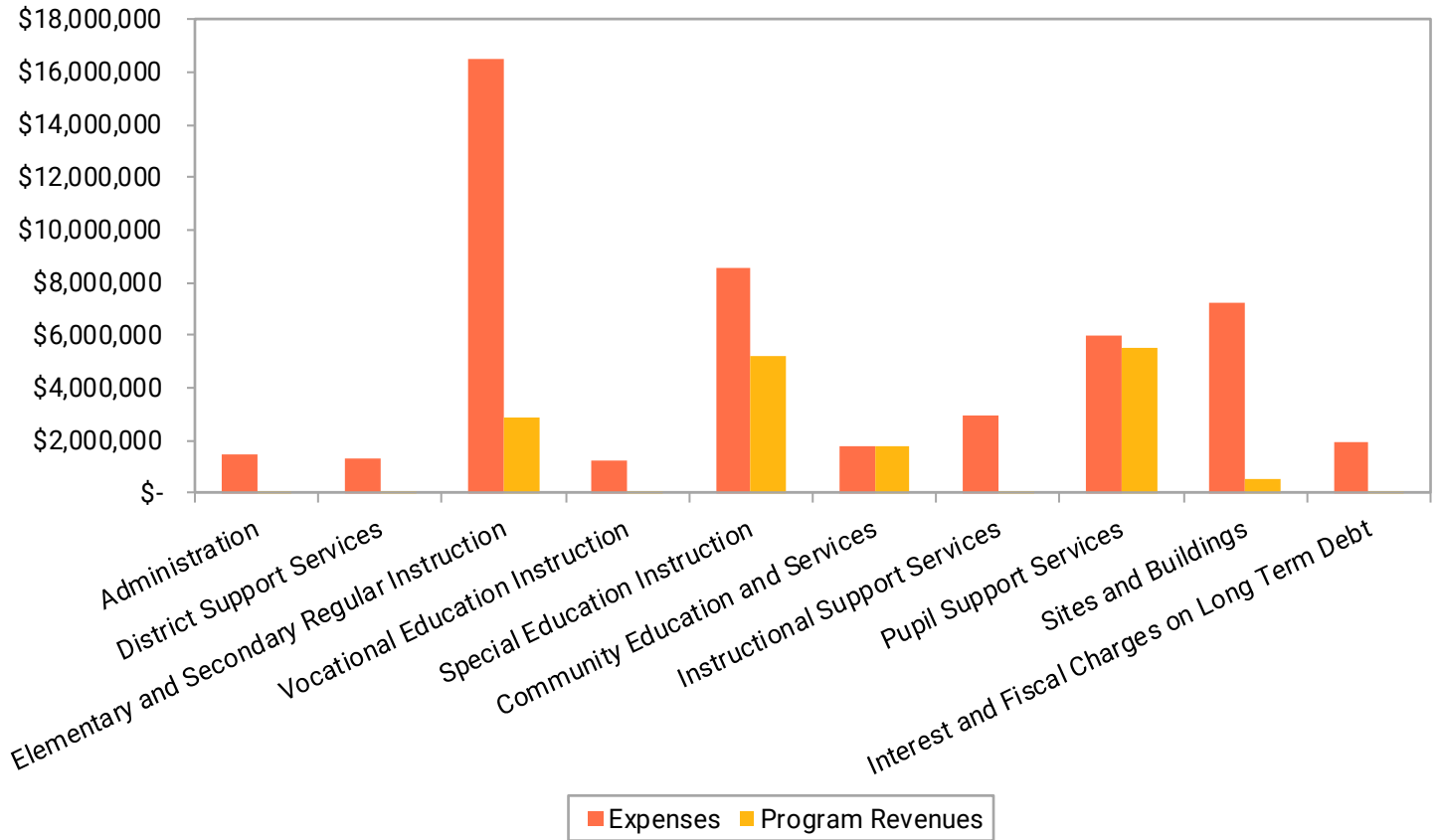
At the end of the current fiscal year, the District is able to report positive balances in two out of three categories of net position with the unrestricted balance reporting a deficit of \$32,294,700. The deficit can be attributed to the net pension liability for the PERA and TRA pension plans.

The District's net position increased \$3,356,028 during the current fiscal year. The following table summarizes the changes in net position.

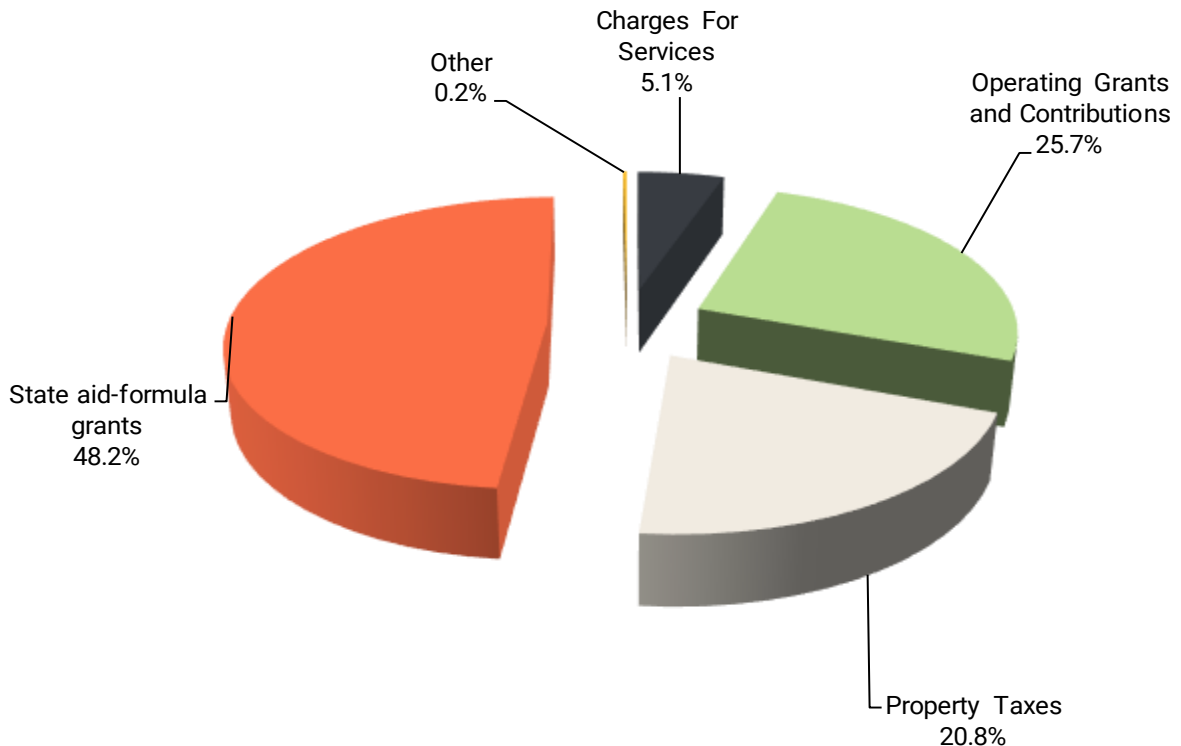
### Independent School District No. 2144's Changes in Net Position

	Governmental activities		
	2022	2021	Increase (Decrease)
Revenue			
Program revenue			
Charges for services	\$ 2,655,187	\$ 2,456,034	\$ 199,153
Operating grants and contributions	13,479,313	11,717,659	1,761,654
General revenue			
Property taxes	10,914,310	11,194,331	(280,021)
State aid-formula grants	25,337,699	25,230,092	107,607
Gain on sale of capital assets	-	1,120,674	(1,120,674)
Other general revenues and investment earnings	95,713	356,548	(260,835)
Total Revenue	<u>52,482,222</u>	<u>52,075,338</u>	<u>406,884</u>
Expenses			
Administration	1,483,733	1,909,041	(425,308)
District support services	1,351,410	1,214,669	136,741
Elementary and secondary regular instruction	16,551,476	17,225,666	(674,190)
Vocational education instruction	1,227,390	1,475,110	(247,720)
Special education instruction	8,572,397	9,181,246	(608,849)
Community education and services	1,755,527	1,447,400	308,127
Instructional support services	2,979,090	3,723,814	(744,724)
Pupil support services	5,995,704	4,988,621	1,007,083
Sites and buildings	7,233,544	6,633,010	600,534
Interest and fiscal charges on long term debt	1,975,923	2,083,156	(107,233)
Total Expenses	<u>49,126,194</u>	<u>49,881,733</u>	<u>(755,539)</u>
Change in Net Position	3,356,028	2,193,605	1,162,423
Net Position, July 1	<u>5,135,678</u>	<u>2,942,073</u>	<u>2,193,605</u>
Net Position, June 30	<u>\$ 8,491,706</u>	<u>\$ 5,135,678</u>	<u>\$ 3,356,028</u>

## Expenses and Program Revenues - Governmental Activities



## Revenues by Source - Governmental Activities



## Financial Analysis of the District's Funds

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.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$10,870,396, a decrease of \$3,035,718 in comparison with the prior year. The District's fund balance is not available for new spending because it is either 1) nonspendable (\$909,079), 2) restricted (\$6,403,496), or 3) assigned (\$1,545,029). Additional information on the purposes of the District's fund balances can be found in Note 3F starting on page 53 of this report.

The General fund is the chief operating fund of the District. The fund balance of the District's General fund decreased \$629,025 during the current fiscal year. The budget variances are further explained below. At the end of the current year, the General fund balance ended at \$8,079,795. As a measure of the General fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance is 18.8 percent of total General fund expenditures.

The Debt Service fund has a total fund balance of \$1,027,369. The increase in fund balance during the current year was \$13,464. This was due to property taxes and revenue from state sources in excess of regularly scheduled debt payments.

### General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operation budget once during the school year.

- The District received \$237,934 less in its General fund revenues than was budgeted. The greatest share of this decreased revenue came in State and Federal Aid. District enrollment increased slightly, the 2021-22 pupil units are up 9 from the prior year.
- The General fund expenditures in FY 22 were \$1,098,718 less than the budget (while representing an increase of \$3,083,690 over the prior year). Expenditures fell below the revised budget in staff salary/wages and benefits, while slightly over budget in purchased services and supplies. Transportation costs increased by \$483,879 in FY 22. While the District has operated a shared program for Level IV special education students with neighboring school districts that are members of SCRED (St. Croix River Education District) in the past, this program came under the direction of SCRED effective July 1, 2019. Under this arrangement, the District continues to employ all staff assigned to this program. The District receives reimbursement for program costs from SCRED, and also charges a rental for SCRED's use of district space. This shift in program direction has been undertaken in large part due to funding limitations that the District is subject to under the current State Special Education Comprehensive Aid funding calculation. As an independent education district, SCRED is not subject to the same funding limitations that the District is. Accordingly, SCRED will be able to receive a greater level of reimbursement through the Special Education Comprehensive Aid funding formula than the District.
- The District spent \$9,154,690 in special education instruction - salaries, fringe benefits, purchased services, supplies, and materials in the General fund in 2021-22. This was an increase of \$342,533 or 3.9% more than was spent in special education in 2020-21. The District also spent \$1,256,581 in special needs transportation. For the 2021-22 school year, all special education expenditures total 24.2% of the District's General fund budget, a increase of 2.1% from the 2020-21 school year. Total Special Education aid from the State represented \$5.23 million. Typically, state Special Education reimbursement represents approximately 50% of District special education expenditures. However, the State Special Education funding formula uses prior year special education expenditures of the District.



- The District was projecting a \$2,363,908 decrease in the General fund balance through its initial adopted budget. With expenditure reductions implemented over the course of the year, and coming in under budgeted levels, the fund balance only decreased \$629,025. It should be noted that the bulk of this fund balance decrease is within the restricted Operating Capital account (\$1,898,687) and the restricted LTFM account (\$1,334,987). In addition, the District's unreserved, unrestricted General fund balance is \$3,557,818, a decrease of \$228,352. Of this balance, the District has assigned \$1,545,029 to separation benefits, leaving an unassigned balance of \$2,012,789. The Food Service fund balance increased by \$722,251. The Community Service fund balance increased by \$264,113. The increase in these two special revenue funds was mainly due to federal funds allocated to them due to the changes that occurred related to the COVID-19 pandemic.

### Capital Asset and Debt Administration

**Capital Assets.** The District's investment in capital assets for its governmental activities as of June 30, 2022, amounts to \$100,342,957 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, and machinery and equipment. The total increase in the District's investment in capital assets for the current fiscal year was .4 percent. This increase is due to several projects being completed in the current year. The total depreciation expense for the year was \$3,34,627. The following is a schedule of capital assets as of June 30, 2022.

#### Independent School District No. 2144's Capital Assets (Net of Accumulated Depreciation)

	Governmental Activities		
	2022	2021	Increase (Decrease)
Land	\$ 2,577,828	\$ 2,567,712	\$ 10,116
Construction in Progress	4,196,520	782,764	3,413,756
Land Improvements	1,006,327	922,420	83,907
Buildings	91,116,129	94,019,104	(2,902,975)
Equipment	1,446,153	1,637,319	(191,166)
Total	<u>\$ 100,342,957</u>	<u>\$ 99,929,319</u>	<u>\$ 413,638</u>

Additional information on the District's capital assets can be found in Note 3C on page 50 of this report.

**Noncurrent Liabilities.** At the end of the current fiscal year, the District had the following noncurrent liabilities outstanding.

#### Independent School District No. 2144's Noncurrent Liabilities

	Governmental Activities		
	2022	2021	Increase (Decrease)
Bonds Payable	\$ 65,179,225	\$ 68,366,362	\$ (3,187,137)
Compensated Absences Payable	1,668,998	1,915,834	(246,836)
Total	<u>\$ 66,848,223</u>	<u>\$ 70,282,196</u>	<u>\$ (3,433,973)</u>

The District's total noncurrent liabilities decreased \$3,433,973 (4.9 percent).

Additional information on the District's noncurrent liabilities can be found in Note 3D on page 51 of this report.

## **Factors Bearing on the District's Future**

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future.

- The basic general education aid amount per pupil was increased to \$6,863 (a 2% increase) for the 2022-23 fiscal year. Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs, due to increased costs from inflation and required mandates. The District will strive to maintain its long-standing commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility. The District will continue to use the long-range financial model and annual budget framework to ensure that expenditures are aligned with revenues. Efforts will continue to be made to influence legislators to recommit to their financial support for public education.
- The COVID-19 pandemic has impacted how the District provides instruction. The District started the 2020–2021 school year with hybrid learning and completed the year in person. Increased expenditures for personal protective equipment, sanitation supplies, and technology are expected to continue in the upcoming fiscal years.
- The amount of aid the District receives is dependent on the number of students it serves, meaning attracting and retaining students is critical to the District's financial well-being. The COVID-19 pandemic will impact how many students the District attracts and maintains. Students choosing to enroll in other educational options will mean less revenue for the District.
- The 2019 Legislature modified state statutes relating to operating levy referendums. Prior law authorized school districts to establish Board approved referendum levies of up to \$300 per pupil unit, and a Local Optional Revenue (LOR) levy of up to \$424 per pupil unit. These statutes were revised to shift the Board approved referendum authority into the LOR levy, resulting in a single LOR levy limit of up to \$724 per pupil unit. This shift (which is revenue neutral) is effective for taxes collected in calendar year 2020. The District has a voter approved operating levy of \$225 per pupil unit that expires in 2024. The school board requested an increase of the operating levy in November of 2022 that failed. After budget reductions implemented in the FY 21 and FY 22 budgets, the school board will need to give consideration to further budget reductions, and request that voters approve to renew the \$225 with possible additional operating levy authority in November 2023.
- The District's enrollment had been trending down in recent years until FY22. District enrollment declined in FY20 (-7.71) and again in FY21 (-108.73) and has now increased in FY22 (8.59). The District's total ADM (Average Daily Membership) for 2020-21 was 3,314.05 and the total ADM for 2021-22 was 3,322.64. The District's total PUN (Pupil Units) for 2020-21 was 3,638.06, and the total PUN for 2021-22 3,639.58, an increase of 1.52. At the present time, the District's current year (2022-23) enrollment is increasing. November 2022 enrollment is 45 students higher than the June 2022 enrollment.

These factors were considered in preparing the District's budget for the 2022 fiscal year and are already being considered when preparing the budget for the 2023 fiscal year.

## **Requests for Information**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Superintendent, Independent School District No. 2144, 29678 Karmel Ave., Chisago City, Minnesota 55013.

DISTRICT-WIDE FINANCIAL STATEMENTS  
INDEPENDENT SCHOOL DISTRICT NO. 2144  
CHISAGO CITY, MINNESOTA

FOR THE YEAR ENDED  
JUNE 30, 2022

# Independent School District No. 2144

Chisago City, Minnesota

Statement of Net Position

June 30, 2022

	<u>Governmental Activities</u>
Assets	
Cash and temporary investments	\$ 15,507,165
Receivables	
Taxes	7,327,745
Accounts	104,510
Interest	12,721
Due from other school districts	426,196
Due from Minnesota Department of Education	2,805,152
Due from Federal government	801,948
Due from other governments	21,515
Inventories	104,188
Prepaid items	804,891
Capital assets	
Land and construction in process	6,774,348
Depreciable assets, net of accumulated depreciation	93,568,609
Total Assets	<u>128,258,988</u>
Deferred Outflows of Resources	
Deferred pension resources	9,611,026
Deferred other post employment benefit resources	605,131
Total Deferred Outflows of Resources	<u>10,216,157</u>
Liabilities	
Accrued salaries payable	4,649,856
Accounts and other payables	1,293,943
Due to other governments	124,850
Accrued interest payable	913,693
Unearned revenue	420,462
Noncurrent liabilities	
Due within one year	
Long-term liabilities	3,187,716
Due in more than one year	
Long-term liabilities	63,660,507
Other postemployment benefits payable	1,547,355
Net pension liability	16,614,396
Total Liabilities	<u>92,412,778</u>
Deferred Inflows of Resources	
Property taxes levied for subsequent year	10,480,784
Deferred pension resources	26,972,076
Deferred other post employment benefit resources	117,801
Total Deferred Inflows of Resources	<u>37,570,661</u>
Net Position	
Net investment in capital assets	35,163,798
Restricted for	
Educational purposes	4,611,770
Debt service	146,532
Food service	864,306
Unrestricted	<u>(32,294,700)</u>
Total Net Position	<u>\$ 8,491,706</u>

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2144

Chisago City, Minnesota

Statement of Activities

For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Administration	\$ 1,483,733	\$ 7,528	\$ 27,545	\$ -	\$ (1,448,660)
District support services	1,351,410	-	2,007	-	(1,349,403)
Elementary and secondary regular instruction	16,551,476	661,522	2,253,312	-	(13,636,642)
Vocational education instruction	1,227,390	-	62,632	-	(1,164,758)
Special education instruction	8,572,397	14,103	5,196,738	-	(3,361,556)
Community education and services	1,755,527	1,385,929	410,760	-	41,162
Instructional support services	2,979,090	1,580	-	-	(2,977,510)
Pupil support services	5,995,704	463,712	5,034,940	-	(497,052)
Sites and buildings	7,233,544	33,094	491,379	-	(6,709,071)
Interest and fiscal charges on long term debt	1,975,923	87,719	-	-	(1,888,204)
Total Governmental Activities	<u>\$ 49,126,194</u>	<u>\$ 2,655,187</u>	<u>\$ 13,479,313</u>	<u>\$ -</u>	<u>(32,991,694)</u>
General Revenues					
Taxes					
Property taxes, levied for general purposes					5,633,882
Property taxes, levied for community service					359,184
Property taxes, levied for debt service					4,921,244
State aid-formula grants					25,337,699
Other general revenues					60,055
Unrestricted investment earnings					<u>35,658</u>
Total General Revenues					<u>36,347,722</u>
Change in Net Position					3,356,028
Net Position, July 1					<u>5,135,678</u>
Net Position, June 30					<u>\$ 8,491,706</u>

The notes to the financial statements are an integral part of this statement.

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FUND FINANCIAL STATEMENTS  
INDEPENDENT SCHOOL DISTRICT NO. 2144  
CHISAGO CITY, MINNESOTA

FOR THE YEAR ENDED  
JUNE 30, 2022

# Independent School District No. 2144

Chisago City, Minnesota

Balance Sheet

Governmental Funds

June 30, 2022

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and temporary investments	\$ 10,794,469	\$ 2,717,977	\$ 1,994,719	\$ 15,507,165
Receivables				
Taxes	3,807,634	3,297,716	222,395	7,327,745
Accounts	77,204	-	27,306	104,510
Interest	9,636	1,558	1,527	12,721
Due from other school districts	425,999	-	197	426,196
Due from Minnesota Department of Education	2,744,306	30,213	30,633	2,805,152
Due from the Federal government	760,079	-	63,384	823,463
Inventories	13,605	-	90,583	104,188
Prepaid items	797,958	-	6,933	804,891
<b>Total Assets</b>	<u>\$ 19,430,890</u>	<u>\$ 6,047,464</u>	<u>\$ 2,437,677</u>	<u>\$ 27,916,031</u>
<b>Liabilities</b>				
Accrued salaries payable	\$ 4,556,966	\$ -	\$ 92,890	\$ 4,649,856
Accounts and other payables	1,261,855	-	32,088	1,293,943
Due to other governments	124,850	-	-	124,850
Unearned revenue	208,811	-	211,651	420,462
<b>Total Liabilities</b>	<u>6,152,482</u>	<u>-</u>	<u>336,629</u>	<u>6,489,111</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - delinquent property taxes	40,385	32,856	2,499	75,740
Property taxes levied for subsequent year	5,158,228	4,987,239	335,317	10,480,784
<b>Total Deferred Inflows of Resources</b>	<u>5,198,613</u>	<u>5,020,095</u>	<u>337,816</u>	<u>10,556,524</u>
<b>Fund Balances</b>				
Nonspendable	811,563	-	97,516	909,079
Restricted	3,710,411	1,027,369	1,665,716	6,403,496
Assigned	1,545,029	-	-	1,545,029
Unassigned	2,012,792	-	-	2,012,792
<b>Total Fund Balances</b>	<u>8,079,795</u>	<u>1,027,369</u>	<u>1,763,232</u>	<u>10,870,396</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 19,430,890</u>	<u>\$ 6,047,464</u>	<u>\$ 2,437,677</u>	<u>\$ 27,916,031</u>

The notes to the financial statements are an integral part of this statement.



# Independent School District No. 2144

## Chisago City, Minnesota Reconciliation of the Balance Sheet to the Statement of Net Position Governmental Funds June 30, 2022

Amounts reported for governmental activities in the statement of net position are different because

Total Fund Balances - Governmental Funds	\$ 10,870,396
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	166,861,678
Less: accumulated depreciation	(66,518,721)
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Noncurrent liabilities at year-end consist of	
Compensated absences payable	(1,668,998)
Other post employment benefits payable	(1,547,355)
Bond payable, net of premium	(65,179,225)
Net pension liability	(16,614,396)
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	75,740
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	9,611,026
Deferred inflows of pension resources	(26,972,076)
Governmental funds do not report long-term amounts related to other post employment benefits.	
Deferred outflows of other post employment benefits	605,131
Deferred inflows of other post employment benefits	(117,801)
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(913,693)</u>
Total Net Position - Governmental Activities	<u>\$ 8,491,706</u>

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2144  
Chisago City, Minnesota  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2022

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Local property tax levies	\$ 5,625,843	\$ 4,921,244	\$ 359,184	\$ 10,906,271
Interest earned on investments	25,457	5,253	4,948	35,658
Revenue from local sources	2,666,534	-	1,698,204	4,364,738
Revenue from state sources	32,508,624	302,381	311,455	33,122,460
Revenue from federal sources	1,447,552	-	2,338,558	3,786,110
Sales and other conversion of assets	55,676	-	230,049	285,725
<b>Total Revenues</b>	<b>42,329,686</b>	<b>5,228,878</b>	<b>4,942,398</b>	<b>52,500,962</b>
<b>Expenditures</b>				
<b>Current</b>				
Administration	1,663,882	-	-	1,663,882
District support services	1,234,910	-	-	1,234,910
Elementary and secondary regular instruction	17,486,110	-	45,948	17,532,058
Vocational education instruction	1,273,743	-	-	1,273,743
Special education instruction	9,154,690	-	-	9,154,690
Community education and services	-	-	1,889,296	1,889,296
Instructional support services	2,964,380	-	-	2,964,380
Pupil support services	4,221,386	-	1,926,154	6,147,540
Sites and buildings	3,504,244	-	11,060	3,515,304
<b>Capital outlay</b>				
District support services	190,005	-	-	190,005
Elementary and secondary regular instruction	161,697	-	-	161,697
Vocational education instruction	35,388	-	-	35,388
Special education instruction	27,759	-	-	27,759
Community education and services	-	-	4,913	4,913
Instructional support services	194,077	-	-	194,077
Pupil support services	14,535	-	1,457	15,992
Sites and buildings	831,905	-	3,483,727	4,315,632
<b>Debt service</b>				
Principal	-	2,895,000	-	2,895,000
Interest and other charges	-	2,320,414	-	2,320,414
<b>Total Expenditures</b>	<b>42,958,711</b>	<b>5,215,414</b>	<b>7,362,555</b>	<b>55,536,680</b>
<b>Net Change in Fund Balances</b>	<b>(629,025)</b>	<b>13,464</b>	<b>(2,420,157)</b>	<b>(3,035,718)</b>
<b>Fund Balances, July 1</b>	<b>8,708,820</b>	<b>1,013,905</b>	<b>4,183,389</b>	<b>13,906,114</b>
<b>Fund Balances, June 30</b>	<b>\$ 8,079,795</b>	<b>\$ 1,027,369</b>	<b>\$ 1,763,232</b>	<b>\$ 10,870,396</b>

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2144  
Chisago City, Minnesota  
Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances to the Statement of Activities  
Governmental Funds  
For the Year Ended June 30, 2022

Amounts reported for governmental activities in the statement of activities are different because

Total Net Change in Fund Balances - Governmental Funds	\$ (3,035,718)
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 outlays	3,748,265
Depreciation expense	(3,334,627)
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, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.	
Principal repayments	
Bonds	2,895,000
Amortization of premiums on bonds	292,137
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	52,354
Long-term pension activity is not reported in governmental funds.	
Pension expense	2,286,821
Pension revenue	21,470
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	8,039
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 governmental funds.	
Compensated absences	246,836
Other postemployment benefits	175,451
Change in Net Position - Governmental Activities	<u>\$ 3,356,028</u>

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2144  
Chisago City, Minnesota  
Statement of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual  
General Fund  
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Local property tax levies	\$ 5,494,503	\$ 5,532,205	\$ 5,625,843	\$ 93,638
Interest earned on investments	33,525	33,525	25,457	(8,068)
Revenue from local sources	2,125,748	2,135,748	2,666,534	530,786
Revenue from state sources	33,011,640	33,029,833	32,508,624	(521,209)
Revenue from federal sources	449,947	1,834,309	1,447,552	(386,757)
Sales and other conversion of assets	2,000	2,000	55,676	53,676
Total Revenues	<u>41,117,363</u>	<u>42,567,620</u>	<u>42,329,686</u>	<u>(237,934)</u>
Expenditures				
Current				
Administration	1,827,418	2,035,635	1,663,882	371,753
District support services	1,789,029	1,648,662	1,234,910	413,752
Elementary and secondary regular instruction	17,260,223	17,378,805	17,486,110	(107,305)
Vocational education instruction	1,268,782	1,270,282	1,273,743	(3,461)
Special education instruction	9,354,340	9,354,340	9,154,690	199,650
Instructional support services	2,863,766	3,252,171	2,964,380	287,791
Pupil support services	4,137,300	4,402,469	4,221,386	181,083
Sites and buildings	3,320,430	3,245,430	3,504,244	(258,814)
Fiscal and other fixed costs programs	75,500	75,500	-	75,500
Capital outlay				
District support services	182,000	182,000	190,005	(8,005)
Elementary and secondary regular instruction	195,348	180,000	161,697	18,303
Vocational education instruction	12,800	12,800	35,388	(22,588)
Special education instruction	1,100	1,100	27,759	(26,659)
Instructional support services	184,798	209,798	194,077	15,721
Pupil support services	7,250	7,250	14,535	(7,285)
Sites and buildings	1,001,187	801,187	831,905	(30,718)
Total Expenditures	<u>43,481,271</u>	<u>44,057,429</u>	<u>42,958,711</u>	<u>1,098,718</u>
Net Change in Fund Balances	(2,363,908)	(1,489,809)	(629,025)	860,784
Fund Balances, July 1	<u>8,708,820</u>	<u>8,708,820</u>	<u>8,708,820</u>	<u>-</u>
Fund Balances, June 30	<u>\$ 6,344,912</u>	<u>\$ 7,219,011</u>	<u>\$ 8,079,795</u>	<u>\$ 860,784</u>

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2144

Chisago City, Minnesota

Statement of Fiduciary Net Position

Fiduciary Fund

June 30, 2022

	<u>Custodial</u>
Assets	
Cash and temporary investments	<u>\$          11,778</u>
Net Postion	
Restricted for individuals and organizations	<u>\$          11,778</u>

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2144  
 Chisago City, Minnesota  
 Statement of Changes in Fiduciary Net Position  
 Fiduciary Fund  
 For the Year Ended June 30, 2022

	<u>Custodial</u>
Additions	
Contributions	
Gifts and bequests	\$ 20,402
Deductions	
Scholarships	<u>26,000</u>
Net Increase (Decrease) in Fiduciary Net Position	(5,598)
Fund Balances, July 1	<u>17,376</u>
Net Position, June 30	<u><u>\$ 11,778</u></u>

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2144  
Chisago City, Minnesota  
Notes to the Financial Statements  
June 30, 2022

## **Note 1: Summary of Significant Accounting Policies**

### **A. Reporting Entity**

Independent School District No. 2144 (the District), Chisago City, Minnesota was incorporated under the laws of the State of Minnesota. The District operates under a Board of Education form of government for the purpose of providing educational services to individuals within the area. The District is governed by an elected Board of Education of six members. 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. The District has no component units that meet the GASB criteria.

### **B. District-wide and Fund Financial Statements**

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as *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 operational or capital requirements of a particular function or segment, taxes, state aid formula grants, and other items not properly included among program revenues are reported as *general revenues*.

Separate financial statements are provided for governmental funds and the fiduciary fund, even though the latter is excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor funds are reported in single columns in the respective fund financial statements.

### **C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

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 District considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. State revenue is recognized in the year to which it applies according to Minnesota statutes and accounting principles generally accepted in the United States of America. Minnesota statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure was made. Other revenue is considered available if collected within one year.

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, other postemployment benefits, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Independent School District No. 2144  
Chisago City, Minnesota  
Notes to the Financial Statements  
June 30, 2022

**Note 1: Summary of Significant Accounting Policies (Continued)**

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, entitlement 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. On a modified accrual basis, revenue from non-exchange transaction must also be available before it can be recognized.

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumption that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

***Description of Funds***

The various District funds have been established by the State of Minnesota Department of Education. Each fund is accounted for as an independent entity. Descriptions of the funds included in this report are as follows:

***Major Governmental Funds***

The *General fund* is the District's primary operating fund. It accounts for all financial resources of the District, 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.

***Non-major Governmental Funds***

The *Food Service special revenue fund* is used to account for food service revenues and expenditures. Revenues include contributions from state and federal sources as well as charges for services.

The *Community Service special revenue fund* accounts for services provided to and fees collected from residents in the areas of recreation, civic activities, non-public pupils, adult or early childhood programs or other similar services.

The *Building Construction capital projects fund* is used to account for all operations of building construction programs that are funded by the sale of bonds.

***Fiduciary Funds***

The *Custodial Fund* is accounts for the scholarships that are held in trust for the use of awarding scholarships to students.

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.



Independent School District No. 2144  
Chisago City, Minnesota  
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June 30, 2022

**Note 1: Summary of Significant Accounting Policies (Continued)**

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balances**

***Deposits and Investments***

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

The District may also invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks, corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase 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.
9. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

Investments for the District are reported at cost. The Minnesota School District Liquid Asset Fund (MSDLAF) investment pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. The MSDLAF is an external investment pool not registered with the Securities and Exchange Commission (SEC); however, it follows the same regulatory rules of the SEC under the SEC under rule 2a7. Financial statements of the MSDLAF fund can be obtained by contacting PFM Asset Management, LLC at P.O. Box 11760, Harrisburg, PA 17108-11760.

Independent School District No. 2144  
Chisago City, Minnesota  
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June 30, 2022

**Note 1: Summary of Significant Accounting Policies (Continued)**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's recurring fair value measurements are listed in detail on page 48 and are valued using matrix pricing models (Level 2 inputs).

***Property Taxes***

The Board of Education annually adopts a tax levy and certifies it to the County in December for collection in the following year. The County is responsible for collecting all property taxes for the District. These taxes attach an enforceable lien on taxable property within the District on January 1 and are payable by the property owners in May and October of each year. The taxes are collected by the County Treasurer and tax settlements are made to the District three or four times throughout the year.

Statutory funding formulas determine the majority of the District revenue in the general and special revenue funds. This revenue is divided between property taxes and state aids by the legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift." The remaining portion of taxes collectible in 2020 is recorded as deferred inflow of resources, property taxes levied for subsequent year.

Current property taxes receivable is the uncollected portion of the taxes levied in 2021 and collectible in 2022. This levy is offset with a deferred inflow of resources, property taxes levied for subsequent year. Delinquent property taxes receivable is the uncollected portion of the taxes levied prior to 2021 and not yet collected. Delinquent property taxes receivable is offset with a deferred inflow of resources, unavailable revenue delinquent property taxes.

***Receivables***

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. No allowance for uncollectible accounts has been recorded. The only receivable not expected to be collected within one year is current property taxes receivable.

***Due from the Department of Education and Federal Government***

Due from the Department of Education and Federal Government includes amounts billed for services provided before year end as well as amounts for expenditures that have been incurred before year end that will be reimbursed with state and federal funding. No substantial losses are anticipated from present receivable balances, therefore no allowance for uncollectible has been recorded.

***Inventories and Prepaid Items***

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both district-wide and fund financial statements.

Independent School District No. 2144  
Chisago City, Minnesota  
Notes to the Financial Statements  
June 30, 2022

**Note 1: Summary of Significant Accounting Policies (Continued)**

***Capital Assets***

Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the district-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Donated capital assets are recorded at the acquisition value at the date of donation.

Property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Useful Lives in Years
Buildings	20 - 50
Improvements other than Buildings	15 - 20
Equipment and Machinery	5 - 20

***Deferred Outflows of Resources***

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items which qualify for reporting in this category. Accordingly, the items, deferred pension resources and deferred other postemployment benefit resources, are reported only in the statement of net position. These items result from actuarial calculations and current year pension contributions and OPEB contributions made subsequent to the measurement dates.

***Compensated Absences Payable***

Vacation Pay - Vacations taken or estimated to be taken within 60 days after year end are expensed and included in salaries payable as of June 30. Teachers are not eligible for vacation pay.

Sick Pay - Substantially all 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 an employee's severance pay upon termination.

Severance Pay - The District maintains severance pay plans for eligible employees. The benefit plan formulas are based on years of service (10 years) and minimum age requirements (age 55). The potential benefits payable are computed as follows:

*Option A* - Eligible teachers, upon retirement, shall receive as severance pay an amount representing five days of pay for each full year of full-time service, but not to exceed a total of 100 days of pay.

*Option B* - Eligible teachers, upon retirement, shall receive a severance pay based on the teacher's accrued unused disability leave up to a maximum of 100 days at the teacher's daily rate of pay.

Independent School District No. 2144  
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June 30, 2022

**Note 1: Summary of Significant Accounting Policies (Continued)**

***Other Postemployment Benefits (OPEB) Obligation***

Under Minnesota statute 471.61, subdivision 2b., public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees may obtain dependent coverage immediately before retirement. All premiums are funded on a pay-as-you-go basis. The liability was actuarially determined, in accordance with GASB Statement 75, at June 30, 2021. The General fund is typically used to liquidate the governmental other postemployment benefit obligations.

***Pensions***

Teachers Retirement Association (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.

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015. The General fund is typically used to liquidate the governmental net pension liability. Additional information can be found in Note 4.

Public Employees Retirement Association (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 except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The General fund is typically used to liquidate the governmental net pension liability.

The total pension expense for the GERP, PEDCP and TRA is as follows:

	<u>GERP</u>	<u>PEDCP</u>	<u>TRA</u>	<u>Total Pension Expense</u>
Pension Expense	\$ (270,590)	\$ 105	\$ (29,159)	\$ (299,644)

***Long-term Obligations***

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as an expense in the period incurred.

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

Independent School District No. 2144  
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June 30, 2022

**Note 1: Summary of Significant Accounting Policies (Continued)**

***Deferred Inflows of Resources***

In addition to liabilities, the statement of net position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item, which arises only under a modified accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: delinquent property taxes and property taxes levied for subsequent year. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Furthermore, the District has additional items which qualify for reporting in this category on the statement of net position. The items, deferred pension resources and deferred other postemployment benefit resources, are reported only in the statement of net position and results from actuarial calculations involving net differences between projected and actual earnings on plan investments and changes in proportions.

***Net Position***

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consists of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position balances that do not meet the definition of "restricted" or "net investment in capital assets".

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

***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* - Amounts that cannot be spent because they are not in spendable form, such as prepaid items or inventories.

*Restricted* - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by Minnesota statutory provisions.

*Committed* - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the Board of Education, which is the District's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board of Education modifies or rescinds the commitment by resolution.

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June 30, 2022

**Note 1: Summary of Significant Accounting Policies (Continued)**

*Assigned* - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the Board of Education itself or by an official to which the Board of Education delegates the authority. The Board of Education has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the Director of Business Services and/or Superintendent.

*Unassigned* - The residual classification for the General fund and also negative residual amounts in other funds.

The District considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The District has formally adopted a fund balance policy for the General fund. The District's policy is to maintain a minimum fund balance of 12 to 15 percent operating expenditures.

**Note 2: Stewardship, Compliance and Accountability**

**A. Budgetary Information**

Budgets are prepared for District funds on the same basis and using the same accounting practices that are used in accounting and preparing financial statements for the funds for the General, Special Revenue and the Debt Service funds. The budget was amended during the year in all funds mentioned above.

The chart below outlines budget the budget amendments by fund.

Fund	Revenues Increased/(Decreased)	Expenditures Increased/(Decreased)	Overall Change
Major			
General	\$ 1,450,257	\$ 576,158	\$ 874,099
Nonmajor			
Food Service	125,470	84,102	41,368
Community Service	193,819	172,341	21,478

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, the budget is prepared by the Superintendent to be adopted by the Board of Education.
2. Budgets for all General, special revenue, and Debt Service funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).
3. Budgeted amounts are as originally adopted, or as amended.
4. Budget appropriations lapse at year end.
5. The legal level of control is the fund level.
6. The District does not use encumbrance accounting.

Independent School District No. 2144  
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**Note 2: Stewardship, Compliance and Accountability (Continued)**

**B. Excess of Expenditures over Appropriations**

Fund	Budget Amounts	Actual Amounts	Excess of Expenditures Over Appropriations
Nonmajor			
Food Service	\$ 1,907,184	\$ 1,927,611	\$ 20,427

The excess of expenditures over appropriation was funded by actual revenues in excess of budget.

**Note 3: Detailed Notes on All Funds**

**A. Deposits and Investments**

**Deposits**

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the District's deposits and investments may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the Board of Education, the District maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all District deposits be protected by insurance, surety bond or collateral. The fair value of collateral pledged must equal 110 percent of the deposits not covered by insurance, bonds, or irrevocable standby letters of credit from Federal Home Loan Banks.

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;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully 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 Board of Education.

Independent School District No. 2144  
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June 30, 2022

**Note 3: Detailed Notes on All Funds (Continued)**

At year end, the District's carrying amount of deposits was \$242,765 and the bank balance was \$242,846. The bank balance was covered by federal depository insurance and by national credit union share insurance.

**Investments**

The District's investment balances were as follows for June 30, 2022:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Balance June 30, 2022
Pooled Investments at Amortized Costs			
Minnesota School District Liquid Assets Funds	N/A	Less than 6 months	\$ 9,240,876
Term Investments Held by MSDLAF	N/A	Less than 6 months	6,000,000
Edward Jones Money Market Mutual Fund	N/A	Less than 6 months	35,302
Total Investments			<u>\$ 15,276,178</u>

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.

(2) Interest rate risk is disclosed using the segmented time distribution method.

N/A Indicated not applicable or available.

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

- *Credit Risk.* Credit risk 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 to the list on page 43 of the notes.
- *Custodial Credit Risk.* The custodial credit risk for investments is the risk that, in the event of the 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.
- *Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.
- *Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The Minnesota School District Liquid Asset Fund (MSDLAF) is a trust organized and existing under the laws of the State of Minnesota and the Minnesota Joint Powers Act, as amended. The trust was established for the purpose of allowing Minnesota school districts to pool their investment funds to obtain a competitive investment yield, while maintaining liquidity and preserving capital. The credit rating for the MSDLAF is AAA. The weighted average days to maturity are less than six months. The District's investment in the MSDLAF is equal to the value of pool shares.

The investment in the Minnesota School District Liquid Asset Fund is not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement No. 40. The District does not currently have an investment policy that addresses the risks described above.



Independent School District No. 2144  
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June 30, 2022

**Note 3: Detailed Notes on All Funds (Continued)**

A reconciliation of cash and temporary investments as shown on the financial statements for the District follows:

	Amount
As Reported in the Basic Financial Statements	
Statement of net position	\$ 15,507,165
Statement of fiduciary net position	<u>11,778</u>
Total	<u>\$ 15,518,943</u>
Cash and Temporary Investments	
Deposits	\$ 242,765
Investments	<u>15,276,178</u>
Total	<u>\$ 15,518,943</u>

**B. Property Taxes Receivable**

Current property taxes receivable are recorded for uncollected taxes levied in 2021 and payable in 2022. The total levy is deferred for subsequent years' operations.

Delinquent property taxes receivable represents uncollected taxes from the previous six years' property tax levies. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year end in the fund financial statements.

Taxes receivable by fund type is comprised of the following components:

	Major Funds		Other Governmental Funds	Total
	General	Debt Service		
Current Taxes	\$ 3,731,290	\$ 3,235,604	\$ 217,671	\$ 7,184,565
Delinquent Taxes	<u>76,344</u>	<u>62,112</u>	<u>4,724</u>	<u>143,180</u>
Total Reported Taxes Receivable	<u>\$ 3,807,634</u>	<u>\$ 3,297,716</u>	<u>\$ 222,395</u>	<u>\$ 7,327,745</u>

Independent School District No. 2144  
Chisago City, Minnesota  
Notes to the Financial Statements  
June 30, 2022

**Note 3: Detailed Notes on All Funds (Continued)**

**C. Capital Assets**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets not Being Depreciated				
Land	\$ 2,567,712	\$ 10,116	\$ -	\$ 2,577,828
Construction in progress	782,764	3,413,756	-	4,196,520
Total Capital Assets not Being Depreciated	<u>3,350,476</u>	<u>3,423,872</u>	<u>-</u>	<u>6,774,348</u>
Capital Assets Being Depreciated				
Land improvements	3,970,617	179,278	-	4,149,895
Buildings	132,532,622	108,500	-	132,641,122
Equipment	23,259,698	36,615	-	23,296,313
Total Capital Assets Being Depreciated	<u>159,762,937</u>	<u>324,393</u>	<u>-</u>	<u>160,087,330</u>
Less Accumulated Depreciation for				
Land improvements	(3,048,197)	(95,371)	-	(3,143,568)
Buildings	(38,513,518)	(3,011,475)	-	(41,524,993)
Equipment	(21,622,379)	(227,781)	-	(21,850,160)
Total Accumulated Depreciation	<u>(63,184,094)</u>	<u>(3,334,627)</u>	<u>-</u>	<u>(66,518,721)</u>
Total Capital Assets Being Depreciated, Net	<u>96,578,843</u>	<u>(3,010,234)</u>	<u>-</u>	<u>93,568,609</u>
Governmental Activities Capital Assets, Net	<u>\$ 99,929,319</u>	<u>\$ 413,638</u>	<u>\$ -</u>	<u>\$ 100,342,957</u>

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

Administration	\$ 1,040
District Support Services	340
Elementary and Secondary Regular Instruction	20,988
Vocational Education Instruction	661
Community Education and Services	4,739
Instructional Support Services	20,749
Pupil Support Services	11,173
Sites and Buildings	<u>3,274,937</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 3,334,627</u>

Independent School District No. 2144  
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Notes to the Financial Statements  
June 30, 2022

**Note 3: Detailed Notes on All Funds (Continued)**

**D. Long-term Debt**

General Obligation (G.O.) Bonds

The District issues G.O. bonds to provide funds for the acquisition and construction of major capital facilities. In addition, refunding G.O. bonds have been issued. G.O. bonds are direct obligations and pledge the full faith and credit of the District. G.O. bonds currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End	Due Within One Year
G.O. School Building Refunding Bonds, 2013A	\$ 8,905,000	4.00 %	11/06/13	02/01/23	\$ 1,170,000	\$ 1,170,000
G.O. School Building Bonds, 2017A	61,680,000	3.00 - 5.00	08/03/17	02/01/38	57,250,000	1,500,000
G.O. School Building Bonds, 2018A	3,730,000	3.00 - 3.10	03/29/18	02/01/33	3,055,000	240,000
G.O. School Building Bonds, 2020A	1,200,000	2.00	05/07/20	02/01/30	975,000	115,000
Total G.O. Bonds					<u>\$ 62,450,000</u>	<u>\$ 3,025,000</u>

Annual debt service requirements to maturity for the G.O. bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 3,025,000	\$ 2,192,864	\$ 5,217,864
2024	3,105,000	2,061,564	5,166,564
2025	3,305,000	1,914,664	5,219,664
2026	3,460,000	1,758,114	5,218,114
2027	3,630,000	1,593,914	5,223,914
2028 - 2032	19,920,000	5,878,619	25,798,619
2033 - 2037	21,395,000	2,692,089	24,087,089
2038	4,610,000	144,062	4,754,062
Total	<u>\$ 62,450,000</u>	<u>\$ 18,235,890</u>	<u>\$ 80,685,890</u>

Independent School District No. 2144  
Chisago City, Minnesota  
Notes to the Financial Statements  
June 30, 2022

**Note 3: Detailed Notes on All Funds (Continued)**

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Bonds Payable					
G.O. bonds	\$ 65,345,000	\$ -	\$ (2,895,000)	\$ 62,450,000	\$ 3,025,000
Unamortized premium	3,021,362	-	(292,137)	2,729,225	-
Net Bonds Payable	68,366,362	-	(3,187,137)	65,179,225	3,025,000
Compensated Absences Payable	1,915,834	73,537	(320,373)	1,668,998	162,716
Governmental Activities Long-term Liabilities	<u>\$ 70,282,196</u>	<u>\$ 73,537</u>	<u>\$ (3,507,510)</u>	<u>\$ 66,848,223</u>	<u>\$ 3,187,716</u>

**E. Short-Term Leases**

The District leases temporary classroom buildings and space for the family center, Pathways to Change program, and the Community Education program under several lease agreements. The District also pays a lease amount for space used by the TIES and St. Croix River Education District (SCRED) education cooperatives for services rendered in conjunction with District activities. Lease expense was \$312,491 for the year ended June 30, 2022. The lease was extended on December 17, 2020 for the two year period commencing January 1, 2021 through December 31, 2022.

Independent School District No. 2144  
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**Note 3: Detailed Notes on All Funds (Continued)**

**F. Components of Fund Balance**

At June 30, 2022, portions of the District's fund balance are not available for appropriation due to not being in spendable form (Nonspendable), legal restrictions (Restricted), policy and/or intent (Assigned). The following is a summary of the components of fund balance:

	General	Debt Service	Other Governmental Funds	Total Governmental Funds	UFARS Balance
<b>Nonspendable for</b>					
Inventories	\$ 13,605	\$ -	\$ 90,583	\$ 104,188	\$ 104,188
Prepaid items	797,958	-	6,933	804,891	804,891
Total Nonspendable	<u>811,563</u>	<u>-</u>	<u>97,516</u>	<u>909,079</u>	<u>909,079</u>
<b>Restricted for</b>					
Student activities	385,898	-	-	385,898	385,898
Staff development	23,617	-	-	23,617	23,617
Operating capital	1,898,686	-	-	1,898,686	1,898,686
Long-term facilities maintenance	1,334,988	-	-	1,334,988	1,334,988
Gifted and talented	62,427	-	-	62,427	62,427
Basic skills	4,795	-	-	4,795	4,795
Debt service	-	1,027,369	-	1,027,369	1,027,369
Building construction	-	-	66	66	66
Community education	-	-	314,302	314,302	314,302
Early childhood and family education	-	-	329,879	329,879	329,879
School readiness	-	-	226,644	226,644	226,644
Community service	-	-	26,597	26,597	26,597
Food service	-	-	768,228	768,228	768,228
Total Restricted	<u>3,710,411</u>	<u>1,027,369</u>	<u>1,665,716</u>	<u>6,403,496</u>	<u>6,403,496</u>
<b>Assigned to</b>					
Separation/retirement benefits	<u>1,545,029</u>	<u>-</u>	<u>-</u>	<u>1,545,029</u>	<u>1,545,029</u>
<b>Unassigned</b>	<u>2,012,792</u>	<u>-</u>	<u>-</u>	<u>2,012,792</u>	<u>2,012,792</u>
<b>Total Fund Balance</b>	<u><u>\$ 8,079,795</u></u>	<u><u>\$ 1,027,369</u></u>	<u><u>\$ 1,763,232</u></u>	<u><u>\$10,870,396</u></u>	<u><u>\$10,870,396</u></u>

Restricted for student activities - This amount represents resources available for the extracurricular activity funds raised by students.

Restricted for staff development - This amount represents unspent staff development revenues set aside from General Education revenues that were restricted for staff development.

Restricted for operating capital - This amount represents resources in the General Fund to be used to purchase equipment and facilities.

Restricted for long term facilities maintenance - This amount represents unspent long term facilities maintenance revenues from tax levies and State aids that were restricted for long term facilities maintenance.

Restricted for gifted and talented - This amount represents resources dedicated to providing challenging educational programs to gifted and talented students.

Restricted for basic skills – This amount represents resources to providing educational programs for basic skills.

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**Note 3: Detailed Notes on All Funds (Continued)**

Restricted for debt service - This amount represents available resources restricted exclusively for debt service payments. Revenues are derived from tax levies and expenditures are for principal, interest, and paying agent fees.

Restricted for building construction - This amount represents restricted bond proceeds to be used for building construction.

Restricted for community education - This amount represents available resources for community education classes. 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 and 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.

Restricted for school readiness - This amount represents the resources available to provide for services for school readiness programs, which includes aids, fees, grants and all other revenues received by the District for the program.

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

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

**Note 4: Defined Benefit Pension Plans**

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

Disclosures relating to these plans follow:

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

**1. 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 school, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members. State university, community college, and technical college educators first employed by (except those employed by St. Paul schools or Minnesota State Colleges and Universities). Educators first hired by Minnesota State may elect either TRA coverage or coverage through the Define Contribution Plan (DCR) administered by the State of Minnesota.

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**Note 4: Defined Benefit Pension Plans (Continued)**

**2. Benefits Provided**

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

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

Tier I:	Step Rate Formula	Percentage
Basic	1st 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 prior 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 prior 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:

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

**or**

**Tier II:** For years of service prior to July 1, 2006, a level formula of 1.7 percent per year for coordinated members and 2.7 percent per year for basic members. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for Coordinated members and 2.7 percent per year for Basic members applies. Beginning July 1, 2015, 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 calculation with a normal retirement age that is their retirement age for full Social Security retirement benefits, but not to exceed age 66.

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**Note 4: Defined Benefit Pension Plans (Continued)**

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 also 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 provisions in effect at the time they last terminated their public service.

**3. Contribution Rates**

Per Minnesota statutes, chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year were:

Plan	Ending June 30, 2019		Ending June 30, 2020		Ending June 30, 2021	
	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 District's contributions for the years ending June 30, 2022, 2021 and 2020 were \$1,493,201, \$1,424,386 and \$1,337,058, respectively, equal to the contractually required contributions for each year as set by Minnesota statute.

The following is a reconciliation of employer contributions in TRA's Annual Comprehensive Financial Report "Statement of Changes in Fiduciary Net Position" to the employer contributions used in schedule of employer and non-employer pension allocations.

Employer Contributions Reported in TRA's Annual Comprehensive Financial Report Statement of Changes in Fiduciary Net Position	\$ 448,829,000
Add Employer Contributions not Related to Future Contribution Efforts	379,000
Deduct TRA's Contributions not Included in Allocation	<u>(538,000)</u>
Total Employer Contributions	448,670,000
Total Non-employer Contributions	<u>37,840,000</u>
Total Contributions Reported in Schedule of Employer and Non-employer Pension Allocations	<u>\$ 486,510,000</u>

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



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**Note 4: Defined Benefit Pension Plans (Continued)**

**4. 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**

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Actuarial Information

Valuation Date	July 1, 2021
Experience Study	June 30, 2021
	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% thereafter
Projected Salary Increase	2.85% to 8.85% before July 1, 2028 and 3.25% to 9.25% thereafter
Cost of Living Adjustment	1.0% for January 2020 through January 2023, then increasing by 0.1% each year up to 1.5% annually

Mortality Assumption

Pre-retirement	RP-2014 white collar employee table, male rates set back six 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.

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**Note 4: Defined Benefit Pension Plans (Continued)**

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 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	-
Total	<u>100.00 %</u>	

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2016 is 6.00 years. The "Difference Between Expected and Actual Experience", "Changes of Assumptions" and "Changes in Proportion" use the amortization period of 6.00 years in the schedule presented. The amortization period for "Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments" is 5.00 years as required by GASB 68.

Changes in actuarial assumptions since the 2020 valuation:

- The investment return assumption was changed from 7.5 percent to 7.00 percent

**5. 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).

**6. Net Pension Liability**

At June 30, 2022, the District reported a liability of \$12,809,427 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 0.2927 percent at the end of the measurement period and 0.2985 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	\$ 12,809,427
State's Proportionate Share of Net Pension Liability Associated with the District	1,080,379

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**Note 4: Defined Benefit Pension Plans (Continued)**

For the year ended June 30, 2022, the District recognized negative pension expense of \$41,256. It also recognized \$12,097 as an increase to pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 354,953	\$ 371,111
Changes in Actuarial Assumptions	4,776,938	11,987,619
Net Difference Between Projected and Actual Earnings on Plan Investments	-	10,725,142
Changes in Proportion	144,328	275,358
Contributions to TRA Subsequent to the Measurement Date	1,493,201	-
Total	<u>\$ 6,769,420</u>	<u>\$ 23,359,230</u>

Deferred outflows of resources totaling \$1,493,201 related to pensions resulting from the District's contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

2023	\$ (8,258,751)
2024	(6,284,084)
2025	(1,192,761)
2026	(1,504,559)
2027	(1,596,332)
Thereafter	753,476

**7. 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.

1 Percent Decrease (6.00%)	Current (7.00%)	1 Percent Increase (8.00%)
\$ 25,875,666	\$ 12,809,427	\$ 2,094,069

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.

**8. 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](http://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.

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**Note 4: Defined Benefit Pension Plans (Continued)**

**B. Public Employees Retirement Association (PERA)**

**1. Plan Description**

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

General Employees Retirement Plan

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

**2. 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 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for average salary for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989 normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

**3. Contributions**

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

# Independent School District No. 2144

Chisago City, Minnesota  
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June 30, 2022

## Note 4: Defined Benefit Pension Plans (Continued)

### 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 ending December 31, 2022, 2021, and 2020 were \$493,870, \$480,489 and \$491,088, respectively. The District's contributions were equal to the required contributions for each year as set by state statute.

### **4. Pension Costs**

### General Employee Fund Pension Costs

At June 30, 2022, the District reported a liability of \$3,804,969 for its proportionate share of the General Employee 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 \$116,169. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The District's proportion was 0.0891 percent which was a decrease of 0.0031 percent from its proportion measured as of June 30, 2020.

District's Proportionate Share of Net Pension Liability	\$ 3,804,969
State's Proportionate Share of Net Pension Liability Associated with the District	116,169

For the year ended June 30, 2022, the District recognized negative pension expense of \$279,963 for its proportionate share of General Employees Plan's pension expense. In addition, the District recognized an additional \$9,373 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At June 30, 2022, the District reported its proportionate share of 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	\$ 24,502	\$ 116,912
Changes in Actuarial Assumptions	2,323,236	87,455
Net Difference Between Projected and Actual Earnings on Plan Investments	-	3,291,913
Changes in Proportion	(2)	116,566
Contributions to PERA Subsequent to the Measurement Date	493,870	-
Total	<u>\$ 2,841,606</u>	<u>\$ 3,612,846</u>

Independent School District No. 2144  
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**Note 4: Defined Benefit Pension Plans (Continued)**

The \$493,870 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2023	\$ (269,055)
2024	(72,110)
2025	(25,148)
2026	(898,797)

**5. 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 6.5 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

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

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 29 years of service and 6.0 percent per year thereafter. Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The table is adjusted slightly to fit PERA's experience.

Actuarial assumptions used in the June 30, 2021 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation. The most recent four-year experience study for the Police and Fire Plan was completed in 2020 were adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2022:

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.

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**Note 4: Defined Benefit Pension Plans (Continued)**

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 %
Alternative Assets (Private Markets)	25.00	5.90
Bonds (Fixed Income)	25.00	0.75
International Stocks	16.50	5.30
Total	<u>100.00 %</u>	

**6. Discount Rate**

The discount rate used to measure the total pension liability in 2022 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 statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**7. Pension Liability Sensitivity**

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

1 Percent Decrease (5.50%)	Current (6.50%)	1 Percent Increase (7.50%)
\$ 7,760,195	\$ 3,804,969	\$ 559,465

**8. 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](http://www.mnpera.org).

**Note 5: Defined Contribution Plan**

The Health Care Savings Plan (HCSP) is a public employer-sponsored program administered by the Minnesota State Retirement System (MSRS) that allows employees to save pre-tax money to pay postemployment medical expenses and/or health insurance premiums. The program has been in effect since July of 2001. The legislature signed into law Chapter 352.98 authorizing MSRS to provide a health care savings reimbursement plan.

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**Note 5: Defined Contribution Plan (Continued)**

Participation by state and other public employees is determined during negotiations between the bargaining units, or group of employees if there are no bargaining units, and the employer with final language approved by MSRS. Beginning with the 2008-09 fiscal year, all twelve (12)-month employees who have at least ten years of service based on the seniority list in Independent School District No. 2144 will have a contribution made by the District to their individual account with the MSRS Post-Retirement HCSP. All full-time teachers who have completed at least ten years of actual teaching service in Independent School District No. 2144 will have a contribution made by the District to their individual account with the MSRS Post-Retirement HCSP. This contribution will be made on or before June 30 each year according to the following schedule:

<u>Years of Service</u>	<u>Contribution for 12-month Employees</u>	<u>Contribution for Teachers</u>
Ten to fifteen	\$500	\$250
Sixteen to twenty	\$750	\$500
Twenty-one to twenty-four	\$1,000	\$750
Twenty-five or more	\$1,000	\$1,000

The District's contributions to the MSRS HCSP for 12-month employees and teachers for the year ended June 30, 2022 were \$4,750 and \$62,500, respectively.

Amounts will not be made available for distribution to participants or beneficiaries earlier than (i) retirement, (ii) when the participant has a severance from employment with the employer, (iii) when the participant is collecting a disability benefit from one of the public pension plans, (iv) when the participant is on medical leave (six months or longer), or (v) when the participant is on a leave of absence (one year or longer).

The District has Board members that are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by PERA. The PEDCP is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

The defined contribution plan consists of individual accounts paying a lump-sum benefit. Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses, therefore, there is no future liability to the employer. Minnesota statutes, chapter 353d.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 percent of salary which is matched by the elected official's employer. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.0 percent of employer contributions and twenty-five hundredths of 1.0 percent (0.25 percent) of the assets in each member's account annually.

Pension expense for the year is equal to contributions made. Total contributions made by the District during the fiscal year 2022 were:

<u>Contribution Amount</u>		<u>Percentage of Covered Payroll</u>		<u>Required Rate</u>
<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>	
\$ 105	\$ 105	5.00%	5.00%	5.00%

The District and board member's contributions to the PEDCP plan for the years ending June 30, 2022, 2021 and 2020 were \$105, \$124 and \$128, respectively.



Independent School District No. 2144  
Chisago City, Minnesota  
Notes to the Financial Statements  
June 30, 2022

**Note 6: Postemployment Benefits Other Than Pensions**

**A. Plan Description**

The District administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides lifetime healthcare insurance and dental insurance for eligible retirees and their spouses through the District's group health insurance plan, which covers both active and retired members. The full cost of the benefits is covered by the plan. Benefit provisions are established through negotiations between the District and the union representing District employees and are renegotiated each three-year bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

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

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	16
Active Plan Members, Waiving Coverage	54
Active Plan Members, Electing Coverage	289
	<hr/>
Total Plan Members	359
	<hr/> <hr/>

**B. Funding Policy**

The District has historically funded these liabilities on a pay-as-you-go basis. Contribution requirements are negotiated between the District and union representatives on a per contract basis. The District's employment agreement for certain administrative officials provides for the District to contribute the following amounts into an MSRS account for premium costs for health and dental coverage. For the year ended June 30, 2022, the District's average contribution rate was 2.05 percent of covered-employee payroll. For fiscal year 2022 the District contributed \$377,758 to the Plan.

<u>Employee Groups</u>	<u>Contribution</u>	<u>Term</u>
Community Education Director	\$ 9,000/year	Until Medicare eligible
Principals	9,000/year	Until Medicare eligible
Activities Director	9,000/year	Until Medicare eligible

Eligibility is as follows:

<u>Employee Groups</u>	<u>Eligibility</u>
District Superintendent	No Criteria
Director of Business Services	No Criteria
Community Education Director	No Criteria
Principals	Employed more than 5 years and age 55
Activities Director	Employed more than 5 years and age 55
Director Curriculum	No Criteria

Independent School District No. 2144  
Chisago City, Minnesota  
Notes to the Financial Statements  
June 30, 2022

**Note 6: Postemployment Benefits Other Than Pensions (Continued)**

**C. Actuarial Methods and Assumptions**

The District's net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. Roll forward procedures were used to roll forward the total OPEB liability to the measurement date and the Plan's fiscal year end.

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

Discount Rate	1.92%
Expected Long-term Investment Return	N/A
Inflation Rate	2.25%
Medical Trend Rate	6.7% for 2021 grading to 3.80% in 2076 and later

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

The discount rate used to measure the total OPEB liability was 1.92 percent. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments by year were discounted using the expected asset return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the 20-year municipal bond rate. The equivalent single rate is the discount rate.

**D. Sensitivity of the Net OPEB Liability**

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (0.92 percent) or 1-percentage-point higher (2.92 percent) than the current discount rate:

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

1 Percent Decrease (0.92%)	Current (1.92%)	1 Percent Increase (2.92%)
\$ 1,612,982	\$ 1,547,355	\$ 1,480,004

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a Healthcare Cost Trend Rates that is 1-percentage point lower (6.70 percent decreasing to 5.70 percent) or 1-percentage-point higher (6.70 percent increasing to 7.70 percent) than the current healthcare cost trend rate:

Sensitivity of the Net OPEB Liability to Changes in Trend Rates

1 Percent Decrease (5.70%)	Current (6.70%)	1 Percent Increase (7.70%)
\$ 1,410,420	\$ 1,547,355	\$ 1,707,242

Independent School District No. 2144  
Chisago City, Minnesota  
Notes to the Financial Statements  
June 30, 2022

**Note 6: Postemployment Benefits Other Than Pensions (Continued)**

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

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a)-(b)
Balances at June 30, 2021	\$ 1,483,845	\$ -	\$ 1,483,845
Changes for the Year:			
Employer contributions	-	377,758	(377,758)
Service cost	105,323	-	105,323
Interest	34,307	-	34,307
Changes of assumptions	35,549	-	35,549
Differences between expected and actual experience	266,089	-	266,089
Benefit payments	(377,758)	(377,758)	-
Net Changes	63,510	-	63,510
Balances at June 30, 2022	\$ 1,547,355	\$ -	\$ 1,547,355

**F. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2022, the District recognized OPEB expense of \$175,451. 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
Changes in Actuarial Assumptions	\$ 80,007	\$ 117,801
Liability Losses (Gains)	525,124	-
Total	\$ 605,131	\$ 117,801

Deferred outflows of resources totaling \$0 related to OPEB resulting from the District's contributions to the plan subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2023	\$ 62,679
2024	62,679
2025	62,679
2026	68,081
2027	67,274
Thereafter	163,938

Independent School District No. 2144  
Chisago City, Minnesota  
Notes to the Financial Statements  
June 30, 2022

**Note 7: Other Information**

**A. Risk Management**

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

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 been incurred but not reported (IBNRs). The District's management is not aware of any incurred but not reported claims.

**B. Federal and State Programs**

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

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 2144  
CHISAGO CITY, MINNESOTA

FOR THE YEAR ENDED  
JUNE 30, 2022

# Independent School District No. 2144

Chisago City, Minnesota

Required Supplementary Information

For the Year Ended June 30, 2022

## Schedule of Employer's Share of TRA Net Pension Liability

Fiscal Year Ending	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	Total (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/21	0.2927 %	\$ 12,809,427	\$ 1,080,379	\$ 13,889,806	\$ 17,520,126	73.1 %	86.6 %
6/30/20	0.2985	22,053,580	1,848,067	23,901,647	16,882,051	130.6	75.5
6/30/19	0.3057	19,485,382	1,724,638	21,210,020	17,111,946	113.9	78.2
6/30/18	0.3036	19,069,710	1,791,448	20,861,158	16,774,307	113.7	78.1
6/30/17	0.2998	59,845,518	5,785,414	65,630,932	16,195,533	369.5	51.6
6/30/16	0.2952	70,412,243	7,066,891	77,479,134	15,354,253	458.6	44.9
6/30/15	0.2922	18,075,460	2,216,850	20,292,310	14,828,065	121.9	76.8
6/30/14	0.3000	13,823,784	972,471	14,796,255	13,693,886	100.9	81.1

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

## Schedule of Employer's TRA Contributions

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
6/30/22	\$ 1,493,201	\$ 1,493,201	-	\$ 17,904,083	8.34 %
6/30/21	1,424,386	1,424,386	-	17,520,126	8.13
6/30/20	1,337,058	1,337,058	-	16,882,051	7.92
6/30/19	1,319,331	1,319,331	-	17,111,946	7.71
6/30/18	1,258,073	1,258,073	-	16,774,307	7.50
6/30/17	1,214,665	1,214,665	-	16,195,533	7.50
6/30/16	1,151,569	1,151,569	-	15,354,253	7.50
6/30/15	1,112,105	1,112,105	-	14,828,065	7.50

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Independent School District No. 2144  
Chisago City, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended June 30, 2022

**Notes to the Required Supplementary Information - TRA**

Changes in Actuarial Assumptions

2021 - The investment return assumption was changed from 7.50 percent to 7.00 percent

2020 - Assumed termination rates were changed to more closely reflect actual experience. The pre-retirement mortality assumption was changed to 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. Assumed form of annuity election proportions were changed to more closely reflect actual experience for female retirees.

2019 - No changes noted.

2018 - 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.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The cost of living adjustment was not assumed to increase to 2.5 percent but remain at 2.0 percent for all future years. The investment return assumption was changed from 8.25 percent to 8.00 percent.

2014 - The cost of living adjustment was assumed to increase from 2.0 percent annually to 2.5 percent annually on July 1, 2034.

Independent School District No. 2144  
Chisago City, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended June 30, 2022

**Notes to the Required Supplementary Information – TRA (Continued)**

Changes in Plan Provisions

2021 - No changes noted.

2020 - No changes noted.

2019 - No changes noted.

2018 - The 2018 Omnibus Pension Bill contained a number of changes:

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

2017 - No changes noted.

2016 - No changes noted.

2015 - On June 30, 2015, the Duluth Teachers Retirement Fund Association was merged into TRA. This also resulted in a state-provided contribution stream of \$14.377 million until the plan becomes fully funded.

2014 - The increase in the post-retirement benefit adjustment (COLA) will be made once the plan is 90% funded (on a market value basis) in two consecutive years, rather than just one year.



Independent School District No. 2144  
Chisago City, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended June 30, 2022

**Schedule of Employer's Share of PERA Net Pension Liability**

Fiscal Year Ending	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	Total (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/21	0.0891 %	\$ 3,804,969	\$ 116,169	\$ 3,921,138	\$ 6,406,520	59.4 %	87.0 %
6/30/20	0.0922	5,527,811	170,381	5,698,192	6,547,834	84.4	79.0
6/30/19	0.0934	5,163,877	160,493	5,324,370	6,612,227	78.1	80.2
6/30/18	0.0985	5,464,376	179,187	5,643,563	6,620,227	82.5	79.5
6/30/17	0.0970	6,192,416	77,886	6,270,302	6,251,467	99.1	75.9
6/30/16	0.0978	7,940,875	103,630 #	8,044,505	6,066,644	130.9	68.9
6/30/15	0.0958	4,964,853	-	4,964,853	5,539,200	89.6	78.2
6/30/14	0.0973	4,570,667	-	4,570,667	4,940,133	92.5	78.7

*Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.*

**Schedule of Employer's PERA Contributions**

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
6/30/22	\$ 493,871	\$ 493,871	\$ -	\$ 6,584,947	7.5 %
6/30/21	480,489	480,489	-	6,406,520	7.5
6/30/20	491,088	491,088	-	6,547,834	7.5
6/30/19	495,917	495,917	-	6,612,227	7.5
6/30/18	496,517	496,517	-	6,620,227	7.5
6/30/17	468,860	468,860	-	6,251,467	7.5
6/30/16	454,998	454,998	-	6,066,644	7.5
6/30/15	415,440	415,440	-	5,539,200	7.5

*Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.*

Independent School District No. 2144  
Chisago City, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended June 30, 2022

**Notes to the Required Supplementary Information - PERA**

Changes in Actuarial Assumptions

2021 - The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020 - The price inflation assumption was decreased from 2.50% to 2.25%. The payroll growth assumption was decreased from 3.25% to 3.00%. Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates. Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter. Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019. The assumed spouse age difference was changed from two years older for females to one year older. The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - 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.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

Independent School District No. 2144  
Chisago City, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended June 30, 2022

**Notes to the Required Supplementary Information – PERA (Continued)**

Changes in Plan Provisions

2021 - There were no changes in plan provisions since the previous valuation.

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

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

2016 - No changes noted.

2015 - On January 1, 2015, the Minneapolis Employees Retirement

Independent School District No. 2144  
Chisago City, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended June 30, 2022

**Schedule of Changes in the District's Net OPEB Liability and Related Ratios**

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	\$ 105,323	\$ 99,504	\$ 90,125	\$ 112,390	\$ 115,684
Interest	34,307	40,464	47,611	47,135	43,969
Differences between expected and actual experience	266,089	194,526	-	247,193	-
Changes of assumptions	35,549	43,460	21,624	(184,212)	(44,224)
Change of benefit terms		-	-	25,090	-
Benefit payments	(377,758)	(174,763)	(207,577)	(260,702)	(327,082)
Net change in total OPEB liability	63,510	203,191	(48,217)	(13,106)	(211,653)
Total OPEB liability - beginning	1,483,845	1,280,654	1,328,871	1,341,977	1,553,630
Total OPEB Liability - ending (a)	<u>\$ 1,547,355</u>	<u>\$ 1,483,845</u>	<u>\$ 1,280,654</u>	<u>\$ 1,328,871</u>	<u>\$ 1,341,977</u>
Plan Fiduciary Net Position					
Employer contributions	\$ 377,758	\$ 174,763	\$ 207,577	\$ 260,702	\$ 327,082
Benefit payments	(377,758)	(174,763)	(207,577)	(260,702)	(327,082)
District's net OPEB liability (asset) - ending (a) - (b)	<u>\$ 1,547,355</u>	<u>\$ 1,483,845</u>	<u>\$ 1,280,654</u>	<u>\$ 1,328,871</u>	<u>\$ 1,341,977</u>
Covered - Employee Payroll	\$ 18,405,117	\$ 20,813,257	\$ 18,662,197	\$ 18,466,428	\$ 25,195,762
District's net OPEB liability (asset) as a percentage of covered employee payroll	8.4%	7.1%	6.9%	7.2%	5.3%

*Note: This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.*

**Schedule of District's Contributions**

	2022	2021	2020	2019
Contractually Required Employer Contribution	\$ 377,758	\$ 174,763	\$ 207,577	\$ 260,702
Contributions in Relation to the Contractually Required Employer Contribution	<u>377,758</u>	<u>174,763</u>	<u>207,577</u>	<u>260,702</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered - Employee Payroll	\$ 18,405,117	\$ 20,813,257	\$ 18,662,197	\$ 18,466,428
Contributions as a Percentage of Covered Employee Payroll	2.05 %	0.84 %	1.11 %	1.41 %

*Note: This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.*

Independent School District No. 2144  
Chisago City, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended June 30, 2022

**Notes to the Required Supplementary Information - OPEB**

Changes in Assumptions

2021 - The discount rate was changed from 3.13% to 2.45% based on updated 20-year municipal bond rates. Healthcare trend rates were reset to reflect updated cost increase expectations, including the repeal of the Affordable Care Act's Excise Tax on high-cost health insurance plans. Medical per capita claims costs were updated to reflect recent experience and new plan offerings, including an adjustment to reflect age/gender-based risk scores published by the Society of Actuaries. Withdrawal, retirement, mortality, and salary increase rates were updated from the rates used in the 7/1/2018 PERA General Employees Retirement Plan and 7/1/2018 Teachers Retirement Association valuations to the rates used in the 7/1/2020 valuations. The inflation assumption was changed from 2.5% to 2.25% based on an updated historical analysis of inflation rates and forward-looking market expectations. The percent of future non-Medicare eligible retirees electing each medical plan changed to reflect recent plan experience and new plan offerings. The following table provides the changes for the assumed percent electing each plan:

<u>Medical Plan</u>	<u>Fiscal 2021 Valuation</u>	<u>Fiscal 2020 Valuation</u>
\$500 CMM	35%	20%
\$500 CMM Lower Value	0%	N/A
\$1850 CDHP	25%	10%
\$1850 CDHP Lower Value	0%	N/A
\$3500 CDHP	40%	40%
\$3500 CDHP Lower Value	0%	N/A
\$200 CMM	N/A	30%

2020 - The discount rate was changed from 3.62% to 3.13% based on updated 20-year municipal bond rates. Healthcare trend rates were reset to reflect updated cost increase expectations, including an adjustment to reflect the impact of the Affordable Care Act's Excise Tax on high-cost health insurance plans. Medical per capita claims costs were updated to reflect recent experience and new plan offerings. Mortality and salary increase rates were updated to the rates used in the 7/1/2018 PERA General Employees Retirement Plan and 7/1/2018 Teachers Retirement Association actuarial valuations. The percent of future retirees eligible for a direct subsidy assumed to elect coverage at retirement changes from 40% to 30% 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 2.75% to 2.50% based on updated historical analysis of inflation rates and forward-looking market expectations.

2019 - The discount rate was changed from 3.56% to 3.62% based on updated 20-year municipal bond rates. Healthcare trend rates were reset to reflect updated cost increase expectations, including an adjustment to reflect the impact of the Affordable Care Act's Excise Tax on high-cost health insurance plans. Medical per capita claims costs were updated to reflect recent experience and new plan offerings. Mortality and salary increase rates were updated to the rates used in the 7/1/2018 PERA General Employees Retirement Plan and 7/1/2018 Teachers Retirement Association actuarial valuations. The percent of future retirees eligible for a direct subsidy assumed to elect coverage at retirement changes from 40% to 30% 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 2.75% to 2.50% based on updated historical analysis of inflation rates and forward-looking market expectations.

2018 - No changes noted.

Changes in Benefits

2021 - No changes noted.

2020 - No changes noted.

2019 - No changes noted.

2018 - No changes noted.

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COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS, SCHEDULES AND TABLE

INDEPENDENT SCHOOL DISTRICT NO. 2144  
CHISAGO CITY, MINNESOTA

FOR THE YEAR ENDED  
JUNE 30, 2022

Independent School District No. 2144

Chisago City, Minnesota  
Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2022

	Special Revenue		Capital Projects	Total Nonmajor Governmental Funds
	Food Service	Community Service	Building Construction	
<b>Assets</b>				
Cash and temporary investments	\$ 843,033	\$ 1,151,620	\$ 66	\$ 1,994,719
Receivables				
Taxes	-	222,395	-	222,395
Accounts	129	27,177	-	27,306
Interest	622	905	-	1,527
Due from other school districts	-	197	-	197
Due from Minnesota Department of Education	2,345	28,288	-	30,633
Due from the Federal government	63,384	-	-	63,384
Inventories	90,583	-	-	90,583
Prepaid items	5,495	1,438	-	6,933
<b>Total Assets</b>	<u>\$ 1,005,591</u>	<u>\$ 1,432,020</u>	<u>\$ 66</u>	<u>\$ 2,437,677</u>
<b>Liabilities</b>				
Accrued salaries payable	\$ 44,427	\$ 48,463	\$ -	\$ 92,890
Accounts and other payables	5,141	26,947	-	32,088
Unearned revenue	91,717	119,934	-	211,651
<b>Total Liabilities</b>	<u>141,285</u>	<u>195,344</u>	<u>-</u>	<u>336,629</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - delinquent property taxes	-	2,499	-	2,499
Property taxes levied for subsequent year	-	335,317	-	335,317
<b>Total Deferred Inflows of Resources</b>	<u>-</u>	<u>337,816</u>	<u>-</u>	<u>337,816</u>
<b>Fund Balances</b>				
Nonspendable	96,078	1,438	-	97,516
Restricted	768,228	897,422	66	1,665,716
<b>Total Fund Balances</b>	<u>864,306</u>	<u>898,860</u>	<u>66</u>	<u>1,763,232</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 1,005,591</u>	<u>\$ 1,432,020</u>	<u>\$ 66</u>	<u>\$ 2,437,677</u>

The notes to the financial statements are an integral part of this statement.



Independent School District No. 2144  
Chisago City, Minnesota  
Nonmajor Governmental Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2022

	Special Revenue		Capital Projects	Total Nonmajor Governmental Funds
	Food Service	Community Service	Building Construction	
Revenues				
Local property tax levies	\$ -	\$ 359,184	\$ -	\$ 359,184
Interest earned on investments	1,711	2,690	547	4,948
Revenue from local sources	44,129	1,566,356	87,719	1,698,204
Revenue from state sources	51,316	260,139	-	311,455
Revenue from federal sources	2,322,657	15,901	-	2,338,558
Sales and other conversion of assets	230,049	-	-	230,049
Total Revenues	<u>2,649,862</u>	<u>2,204,270</u>	<u>88,266</u>	<u>4,942,398</u>
Expenditures				
Current				
Elementary and secondary regular instruction	-	45,948	-	45,948
Community education and services	-	1,889,296	-	1,889,296
Pupil support services	1,926,154	-	-	1,926,154
Sites and buildings	-	-	11,060	11,060
Capital outlay				
Community education and services	-	4,913	-	4,913
Pupil support services	1,457	-	-	1,457
Sites and buildings	-	-	3,483,727	3,483,727
Total Expenditures	<u>1,927,611</u>	<u>1,940,157</u>	<u>3,494,787</u>	<u>7,362,555</u>
Net Change in Fund Balances	722,251	264,113	(3,406,521)	(2,420,157)
Fund Balances, July 1	<u>142,055</u>	<u>634,747</u>	<u>3,406,587</u>	<u>4,183,389</u>
Fund Balances, June 30	<u>\$ 864,306</u>	<u>\$ 898,860</u>	<u>\$ 66</u>	<u>\$ 1,763,232</u>

# Independent School District No. 2144

Chisago City, Minnesota

General Fund

Comparative Balance Sheets

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
Cash and temporary investments	\$ 10,794,469	\$ 10,114,060
Receivables		
Taxes	3,807,634	3,634,637
Accounts	77,204	38,643
Interest	9,636	842
Due from other school districts	425,999	451,856
Due from Minnesota Department of Education	2,744,306	3,056,512
Due from the Federal government	760,079	366,552
Inventories	13,605	14,219
Prepaid items	797,958	362,431
	<u>                    </u>	<u>                    </u>
Total Assets	<u>\$ 19,430,890</u>	<u>\$ 18,039,752</u>
<b>Liabilities</b>		
Accrued salaries payable	\$ 4,556,966	\$ 3,651,213
Accounts and other payables	1,261,855	616,591
Due to other governments	124,850	29,250
Unearned revenue	208,811	166,310
	<u>                    </u>	<u>                    </u>
Total Liabilities	<u>6,152,482</u>	<u>4,463,364</u>
<b>Deferred Inflows of Resources</b>		
Unavailable revenue - delinquent property taxes	40,385	35,935
Property taxes levied for subsequent year	5,158,228	4,831,633
	<u>                    </u>	<u>                    </u>
Total Deferred Inflows of Resources	<u>5,198,613</u>	<u>4,867,568</u>
<b>Fund Balances</b>		
Nonspendable		
Inventories	13,605	14,219
Prepaid items	797,958	362,431
Restricted for		
Student activities	385,898	276,731
Staff development	23,617	36,605
Medical assistance	-	94,897
Operating capital	1,898,686	2,456,205
Long-term facilities maintenance	1,334,988	1,412,869
Learning and development	-	240,871
Gifted and talented	62,427	27,817
Basic skills	4,795	-
Assigned for		
Separation/retirement benefits	1,545,029	1,797,753
Unassigned	2,012,792	1,988,422
	<u>                    </u>	<u>                    </u>
Total Fund Balances	<u>8,079,795</u>	<u>8,708,820</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 19,430,890</u>	<u>\$ 18,039,752</u>

Independent School District No. 2144

Chisago City, Minnesota

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual (Continued on the Following Pages)

For the Year Ended June 30, 2022

(With Comparative Actual Amounts for the Year Ended June 30, 2021)

	2022			2021
	Budgeted Amounts		Actual	Actual
	Original	Final	Amounts	Amounts
Revenues				
Local property tax levies	\$ 5,494,503	\$ 5,532,205	\$ 5,625,843	\$ 6,085,585
Interest earned on investments	33,525	33,525	25,457	13,463
Revenue from local sources	2,125,748	2,135,748	2,666,534	2,141,141
Revenue from state sources	33,011,640	33,029,833	32,508,624	32,947,737
Revenue from federal sources	449,947	1,834,309	1,447,552	1,486,441
Sales and other conversion of assets	2,000	2,000	55,676	4,053
Total Revenues	41,117,363	42,567,620	42,329,686	42,678,420
Expenditures				
Current				
Administration				
Salaries	1,267,850	1,475,067	1,167,763	1,229,758
Fringe benefits	473,385	473,385	426,738	419,089
Purchased services	26,370	26,370	17,931	14,003
Supplies and materials	23,879	24,879	15,813	16,404
Other	35,934	35,934	35,637	31,490
Total administration	1,827,418	2,035,635	1,663,882	1,710,744
District support services				
Salaries	559,314	606,039	495,586	505,345
Fringe benefits	282,485	289,800	232,283	175,199
Purchased services	621,494	591,494	406,141	518,725
Supplies and materials	324,576	160,279	100,700	21,021
Other	1,160	1,050	200	1,939
Total district support services	1,789,029	1,648,662	1,234,910	1,222,229
Elementary and secondary regular instruction				
Salaries	11,991,067	12,217,864	11,846,246	11,026,596
Fringe benefits	3,715,659	3,715,666	3,540,277	3,448,341
Purchased services	619,067	619,442	1,029,496	671,429
Supplies and materials	891,930	783,333	1,014,774	599,421
Other	42,500	42,500	55,317	24,040
Total elementary and secondary regular instruction	17,260,223	17,378,805	17,486,110	15,769,827

Independent School District No. 2144  
Chisago City, Minnesota  
General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual (Continued)  
For the Year Ended June 30, 2022  
(With Comparative Actual Amounts for the Year Ended June 30, 2021)

	2022				2021
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Vocational education instruction					
Salaries	\$ 901,780	\$ 901,780	\$ 886,206	\$ 15,574	\$ 949,499
Fringe benefits	283,625	283,625	279,868	3,757	304,191
Purchased services	28,168	28,168	23,852	4,316	6,917
Supplies and materials	55,209	56,709	83,817	(27,108)	60,634
Total vocational education instruction	1,268,782	1,270,282	1,273,743	(3,461)	1,321,241
Special education instruction					
Salaries	5,592,425	5,592,425	5,612,183	(19,758)	5,221,477
Fringe benefits	2,043,695	2,043,695	2,000,122	43,573	1,904,634
Purchased services	1,653,822	1,653,822	1,507,306	146,516	1,649,448
Supplies and materials	64,398	64,398	33,953	30,445	36,598
Other	-	-	1,126	(1,126)	-
Total special education instruction	9,354,340	9,354,340	9,154,690	199,650	8,812,157
Instructional support services					
Salaries	1,740,925	1,916,569	1,855,163	61,406	1,867,739
Fringe benefits	578,643	606,528	555,755	50,773	614,637
Purchased services	297,195	333,345	132,376	200,969	141,805
Supplies and materials	245,803	394,529	419,910	(25,381)	169,333
Other	1,200	1,200	1,176	24	3,119
Total instructional support services	2,863,766	3,252,171	2,964,380	287,791	2,796,633
Pupil support services					
Salaries	871,532	1,030,976	936,124	94,852	788,094
Fringe benefits	277,240	327,575	287,968	39,607	264,007
Purchased services	2,852,870	2,864,210	2,822,064	42,146	2,393,167
Supplies and materials	135,658	179,708	175,219	4,489	62,869
Other	-	-	11	(11)	-
Total pupil support services	4,137,300	4,402,469	4,221,386	181,083	3,508,137
Sites and buildings					
Salaries	1,160,609	1,160,609	1,165,531	(4,922)	1,218,181
Fringe benefits	366,806	366,806	412,435	(45,629)	414,750
Purchased services	1,561,158	1,486,158	1,718,943	(232,785)	1,150,670
Supplies and materials	219,779	219,779	200,366	19,413	457,728
Other	12,078	12,078	6,969	5,109	12,423
Total sites and buildings	3,320,430	3,245,430	3,504,244	(258,814)	3,253,752
Fiscal and other fixed costs programs					
Fringe benefits	-	75,500	-	75,500	-
Total current	41,896,788	42,663,294	41,503,345	1,159,949	38,394,720

Independent School District No. 2144  
Chisago City, Minnesota  
General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual (Continued)  
For the Year Ended June 30, 2022  
(With Comparative Actual Amounts for the Year Ended June 30, 2021)

	2022				2021
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Capital outlay					
District support services	\$ 182,000	\$ 182,000	\$ 190,005	\$ (8,005)	\$ -
Elementary and secondary					
regular instruction	195,348	180,000	161,697	18,303	51,273
Vocational education instruction	12,800	12,800	35,388	(22,588)	32,713
Special education instruction	1,100	1,100	27,759	(26,659)	349
Instructional support services	184,798	209,798	194,077	15,721	747,240
Pupil support services	7,250	7,250	14,535	(7,285)	7,152
Sites and buildings	1,001,187	801,187	831,905	(30,718)	641,574
Total capital outlay	<u>1,584,483</u>	<u>1,394,135</u>	<u>1,455,366</u>	<u>(61,231)</u>	<u>1,480,301</u>
Total Expenditures	<u>43,481,271</u>	<u>44,057,429</u>	<u>42,958,711</u>	<u>1,098,718</u>	<u>39,875,021</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	(2,363,908)	(1,489,809)	(629,025)	860,784	2,803,399
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	-	-	-	-	1,126,365
Net Change in Fund Balances	(2,363,908)	(1,489,809)	(629,025)	860,784	3,929,764
Fund Balances, July 1	<u>8,708,820</u>	<u>8,708,820</u>	<u>8,708,820</u>	<u>-</u>	<u>4,779,056</u>
Fund Balances, June 30	<u>\$ 6,344,912</u>	<u>\$ 7,219,011</u>	<u>\$ 8,079,795</u>	<u>\$ 860,784</u>	<u>\$ 8,708,820</u>

Independent School District No. 2144  
Chisago City, Minnesota  
Food Service Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual  
For the Year Ended June 30, 2022  
(With Comparative Actual Amounts for the Year Ended June 30, 2021)

	2022				2021
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Interest earned on investments	80	50	1,711	1,661	51
Revenue from local sources	\$ 3,000	\$ 500	\$ 44,129	\$ 43,629	\$ 1,500
Revenue from state sources	6,400	39,500	51,316	11,816	2,794
Revenue from federal sources	1,400,000	1,705,000	2,322,657	617,657	1,395,130
Sales and other conversion of assets	452,000	241,900	230,049	(11,851)	91,951
Total Revenues	<u>1,861,480</u>	<u>1,986,950</u>	<u>2,649,862</u>	<u>662,912</u>	<u>1,491,426</u>
Expenditures					
Current					
Pupil support services					
Salaries	560,234	591,983	667,327	(75,344)	600,701
Employee benefits	186,413	192,851	215,802	(22,951)	192,307
Purchased services	75,435	74,850	73,814	1,036	49,812
Supplies and materials	989,500	1,036,000	966,679	69,321	570,022
Other	2,500	2,500	2,532	(32)	2,240
Capital outlay					
Pupil support services	9,000	9,000	1,457	7,543	20,250
Total Expenditures	<u>1,823,082</u>	<u>1,907,184</u>	<u>1,927,611</u>	<u>(20,427)</u>	<u>1,435,332</u>
Net Change in Fund Balances	38,398	79,766	722,251	642,485	56,094
Fund Balances, July 1	<u>142,055</u>	<u>142,055</u>	<u>142,055</u>	<u>-</u>	<u>85,961</u>
Fund Balances, June 30	<u>\$ 180,453</u>	<u>\$ 221,821</u>	<u>\$ 864,306</u>	<u>\$ 642,485</u>	<u>\$ 142,055</u>

Independent School District No. 2144  
Chisago City, Minnesota  
Community Service Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual  
For the Year Ended June 30, 2022  
(With Comparative Actual Amounts for the Year Ended June 30, 2021)

	2022				2021
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Local property tax levies	\$ 359,928	\$ 359,928	\$ 359,184	\$ (744)	\$ 361,068
Interest earned on investments	1,000	300	2,690	2,390	585
Revenue from local sources	1,496,581	1,665,700	1,566,356	(99,344)	747,012
Revenue from state sources	253,680	262,430	260,139	(2,291)	298,775
Revenue from federal sources	-	16,650	15,901	(749)	179,478
Total Revenues	<u>2,111,189</u>	<u>2,305,008</u>	<u>2,204,270</u>	<u>(100,738)</u>	<u>1,586,918</u>
Expenditures					
Current					
Elementary and secondary regular instruction					
Salaries	39,967	39,409	32,260	7,149	34,140
Employee benefits	11,388	11,300	7,002	4,298	8,108
Purchased services	3,250	3,250	2,858	392	3,682
Supplies and materials	2,800	2,800	3,828	(1,028)	1,531
Community education and services					
Salaries	1,295,509	1,448,961	1,301,782	147,179	1,025,631
Employee benefits	380,336	403,474	311,621	91,853	252,859
Purchased services	181,761	192,208	203,399	(11,191)	124,273
Supplies and materials	126,134	115,584	72,494	43,090	23,490
Other	1,420	1,420	-	1,420	920
Capital outlay					
Community education and services	<u>11,500</u>	<u>8,000</u>	<u>4,913</u>	<u>3,087</u>	<u>-</u>
Total Expenditures	<u>2,054,065</u>	<u>2,226,406</u>	<u>1,940,157</u>	<u>286,249</u>	<u>1,474,634</u>
Net Change in Fund Balances	57,124	78,602	264,113	185,511	112,284
Fund Balances, July 1	<u>634,747</u>	<u>634,747</u>	<u>634,747</u>	<u>-</u>	<u>522,463</u>
Fund Balances, June 30	<u>\$ 691,871</u>	<u>\$ 713,349</u>	<u>\$ 898,860</u>	<u>\$ 185,511</u>	<u>\$ 634,747</u>

Independent School District No. 2144  
Chisago City, Minnesota  
Debt Service Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual  
For the Year Ended June 30, 2022  
(With Comparative Actual Amounts for the Year Ended June 30, 2021)

	2022				2021
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Local property tax levies	\$ 5,049,630	\$ 5,049,630	\$ 4,921,244	\$ (128,386)	\$ 4,751,560
Interest earned on investments	2,000	2,000	5,253	3,253	1,908
Revenue from state sources	160,000	160,000	302,381	142,381	260,556
Total Revenues	<u>5,211,630</u>	<u>5,211,630</u>	<u>5,228,878</u>	<u>17,248</u>	<u>5,014,024</u>
Expenditures					
Debt service					
Principal	2,895,000	2,895,000	2,895,000	-	2,635,000
Interest and other charges	<u>2,323,089</u>	<u>2,323,089</u>	<u>2,320,414</u>	<u>2,675</u>	<u>2,427,064</u>
Total Expenditures	<u>5,218,089</u>	<u>5,218,089</u>	<u>5,215,414</u>	<u>2,675</u>	<u>5,062,064</u>
Net Change in Fund Balances	(6,459)	(6,459)	13,464	19,923	(48,040)
Fund Balances, July 1	<u>1,013,905</u>	<u>1,013,905</u>	<u>1,013,905</u>	-	<u>1,061,945</u>
Fund Balances, June 30	<u>\$ 1,007,446</u>	<u>\$ 1,007,446</u>	<u>\$ 1,027,369</u>	<u>\$ 19,923</u>	<u>\$ 1,013,905</u>



Independent School District No. 2144  
Chisago City, Minnesota  
Schedule of the Components of the General Fund  
Balance Sheet  
June 30, 2022

	Components of the General Fund			Total General Fund
	General	Pupil Transportation	Capital Expenditures	
<b>Assets</b>				
Cash and temporary investments	\$ 6,317,068	\$ 708,799	\$ 3,768,602	\$ 10,794,469
Receivables				
Taxes	3,807,634	-	-	3,807,634
Accounts	59,403	4,243	13,558	77,204
Interest	5,962	17	3,657	9,636
Due from other school districts	425,999	-	-	425,999
Due from Minnesota Department of Education	2,714,770	1,234	28,302	2,744,306
Due from the Federal government	760,079	-	-	760,079
Inventories	13,605	-	-	13,605
Prepaid items	768,724	-	29,234	797,958
<b>Total Assets</b>	<b>\$ 14,873,244</b>	<b>\$ 714,293</b>	<b>\$ 3,843,353</b>	<b>\$ 19,430,890</b>
<b>Liabilities</b>				
Accrued salaries payable	\$ 4,556,772	\$ -	\$ 194	\$ 4,556,966
Accounts and other payables	649,383	64,928	547,544	1,261,855
Due to other governments	124,830	-	20	124,850
Unearned revenue	176,124	-	32,687	208,811
<b>Total Liabilities</b>	<b>5,507,109</b>	<b>64,928</b>	<b>580,445</b>	<b>6,152,482</b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - delinquent property taxes	40,385	-	-	40,385
Property taxes levied for subsequent year	5,158,228	-	-	5,158,228
<b>Total Deferred Inflows of Resources</b>	<b>5,198,613</b>	<b>-</b>	<b>-</b>	<b>5,198,613</b>
<b>Fund Balances</b>				
<b>Nonspendable</b>				
Inventories	13,605	-	-	13,605
Prepaid items	768,724	-	29,234	797,958
<b>Restricted for</b>				
Student activities	385,898	-	-	385,898
Staff development	23,617	-	-	23,617
Operating capital	-	-	1,898,686	1,898,686
Long term facilities maintenance	-	-	1,334,988	1,334,988
Gifted and talented	62,427	-	-	62,427
Basic skills	4,795	-	-	4,795
<b>Assigned for</b>				
Separation/retirement benefits	1,545,029	-	-	1,545,029
<b>Unassigned</b>	<b>1,363,427</b>	<b>649,365</b>	<b>-</b>	<b>2,012,792</b>
<b>Total Fund Balances</b>	<b>4,167,522</b>	<b>649,365</b>	<b>3,262,908</b>	<b>8,079,795</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 14,873,244</b>	<b>\$ 714,293</b>	<b>\$ 3,843,353</b>	<b>\$ 19,430,890</b>

Independent School District No. 2144  
Chisago City, Minnesota  
Schedule of the Components of the General Fund  
Revenues, Expenditures and Changes in Fund Balances (Continued on the Following Page)  
For the Year Ended June 30, 2022

	Components of the General Fund			Total General Fund
	General	Pupil Transportation	Capital Expenditures	
Revenues				
Local property tax levies	\$ 4,791,559	\$ -	\$ 834,284	\$ 5,625,843
Interest earned on investments	14,424	288	10,745	25,457
Revenue from local sources	2,586,205	42,430	37,899	2,666,534
Revenue from state sources	29,393,195	2,802,506	312,923	32,508,624
Revenue from federal sources	1,447,552	-	-	1,447,552
Sales and other conversion of assets	55,676	-	-	55,676
Total Revenues	<u>38,288,611</u>	<u>2,845,224</u>	<u>1,195,851</u>	<u>42,329,686</u>
Expenditures				
Current				
Administration				
Salaries and wages	1,167,763	-	-	1,167,763
Employee benefits	426,738	-	-	426,738
Purchased services	17,931	-	-	17,931
Supplies and materials	15,813	-	-	15,813
Other	35,637	-	-	35,637
Total administration	<u>1,663,882</u>	<u>-</u>	<u>-</u>	<u>1,663,882</u>
District support services				
Salaries and wages	495,586	-	-	495,586
Employee benefits	232,283	-	-	232,283
Purchased services	406,141	-	-	406,141
Supplies and materials	100,700	-	-	100,700
Other	200	-	-	200
Total district support services	<u>1,234,910</u>	<u>-</u>	<u>-</u>	<u>1,234,910</u>
Elementary and secondary regular instruction				
Salaries and wages	11,846,246	-	-	11,846,246
Employee benefits	3,540,277	-	-	3,540,277
Purchased services	1,029,496	-	-	1,029,496
Supplies and materials	843,968	-	170,806	1,014,774
Other	18,702	-	36,615	55,317
Total elementary and secondary regular instruction	<u>17,278,689</u>	<u>-</u>	<u>207,421</u>	<u>17,486,110</u>
Vocational education instruction				
Salaries and wages	886,206	-	-	886,206
Employee benefits	279,868	-	-	279,868
Purchased services	23,852	-	-	23,852
Supplies and materials	83,817	-	-	83,817
Total vocational education instruction	<u>1,273,743</u>	<u>-</u>	<u>-</u>	<u>1,273,743</u>

Independent School District No. 2144  
Chisago City, Minnesota  
Schedule of the Components of the General Fund  
Revenues, Expenditures and Changes in Fund Balances (Continued)  
For the Year Ended June 30, 2022

	Components of the General Fund			Total General Fund
	General	Pupil Transportation	Capital Expenditures	
Expenditures (Continued)				
Current (continued)				
Special education instruction				
Salaries and wages	\$ 5,612,183	\$ -	\$ -	\$ 5,612,183
Employee benefits	2,000,122	-	-	2,000,122
Purchased services	1,507,306	-	-	1,507,306
Supplies and materials	33,953	-	-	33,953
Other	1,126	-	-	1,126
Total special education instruction	<u>9,154,690</u>	<u>-</u>	<u>-</u>	<u>9,154,690</u>
Instructional support services				
Salaries and wages	1,855,163	-	-	1,855,163
Employee benefits	555,755	-	-	555,755
Purchased services	132,376	-	-	132,376
Supplies and materials	304,678	-	115,232	419,910
Other	1,176	-	-	1,176
Total instructional support services	<u>2,849,148</u>	<u>-</u>	<u>115,232</u>	<u>2,964,380</u>
Pupil support services				
Salaries and wages	936,124	-	-	936,124
Employee benefits	287,968	-	-	287,968
Purchased services	200,375	2,621,689	-	2,822,064
Supplies and materials	69,904	105,315	-	175,219
Other	-	11	-	11
Total pupil support services	<u>1,494,371</u>	<u>2,727,015</u>	<u>-</u>	<u>4,221,386</u>
Sites and buildings				
Salaries and wages	1,150,328	-	15,203	1,165,531
Employee benefits	406,906	-	5,529	412,435
Purchased services	1,350,727	-	368,216	1,718,943
Supplies and materials	178,809	-	21,557	200,366
Other	6,969	-	-	6,969
Total sites and buildings	<u>3,093,739</u>	<u>-</u>	<u>410,505</u>	<u>3,504,244</u>
Total current	<u>38,043,172</u>	<u>2,727,015</u>	<u>733,158</u>	<u>41,503,345</u>
Capital outlay				
District support services	190,005	-	-	190,005
Elementary and secondary regular instruction	28,918	-	132,779	161,697
Vocational education instruction	35,388	-	-	35,388
Special education instruction	27,759	-	-	27,759
Instructional support services	72,756	-	121,321	194,077
Pupil support services	2,205	240	12,090	14,535
Sites and buildings	-	-	831,905	831,905
Total capital outlay	<u>357,031</u>	<u>240</u>	<u>1,098,095</u>	<u>1,455,366</u>
Total Expenditures	<u>38,400,203</u>	<u>2,727,255</u>	<u>1,831,253</u>	<u>42,958,711</u>
Net Change in Fund Balances	(111,592)	117,969	(635,402)	(629,025)
Fund Balances, July 1	<u>4,279,114</u>	<u>531,396</u>	<u>3,898,310</u>	<u>8,708,820</u>
Fund Balances, June 30	<u>\$ 4,167,522</u>	<u>\$ 649,365</u>	<u>\$ 3,262,908</u>	<u>\$ 8,079,795</u>



## Fiscal Compliance

## Fiscal Compliance Report - 6/30/2022

### District: CHISAGO LAKES (2144-1)

	Audit	UFARS	Audit - UFARS		Audit	UFARS	Audit - UFARS
<b>01 GENERAL FUND</b>				<b>06 BUILDING CONSTRUCTION</b>			
Total Revenue	\$42,244,568	<u>\$42,244,557</u>	<u>\$11</u>	Total Revenue	\$8,266	<u>\$8,268</u>	<u>(\$2)</u>
Total Expenditures	\$42,958,711	<u>\$42,958,702</u>	<u>\$9</u>	Total Expenditures	\$3,494,787	<u>\$3,494,788</u>	<u>(\$1)</u>
<i>Non Spendable:</i>				<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$811,563	<u>\$811,563</u>	<u>\$0</u>	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>				<i>Restricted / Reserved:</i>			
4.01 Student Activities	\$385,898	<u>\$385,898</u>	<u>\$0</u>	4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>
4.02 Scholarships	\$0	<u>\$0</u>	<u>\$0</u>	4.13 Project Funded by COP	\$0	<u>\$0</u>	<u>\$0</u>
4.03 Staff Development	\$23,617	<u>\$23,617</u>	<u>\$0</u>	4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>
4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted:</i>			
4.08 Cooperative Revenue	\$0	<u>\$0</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$66	<u>\$66</u>	<u>\$0</u>
4.13 Project Funded by COP	\$0	<u>\$0</u>	<u>\$0</u>	<i>Unassigned:</i>			
4.14 Operating Debt	\$0	<u>\$0</u>	<u>\$0</u>	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.16 Levy Reduction	\$0	<u>\$0</u>	<u>\$0</u>				
4.17 Taconite Building Maint	\$0	<u>\$0</u>	<u>\$0</u>	<b>07 DEBT SERVICE</b>			
4.24 Operating Capital	\$1,898,686	<u>\$1,898,687</u>	<u>(\$1)</u>	Total Revenue	\$5,228,878	<u>\$5,228,879</u>	<u>(\$1)</u>
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$5,215,414	<u>\$5,215,414</u>	<u>\$0</u>
4.27 Disabled Accessibility	\$0	<u>\$0</u>	<u>\$0</u>	<i>Non Spendable:</i>			
4.28 Learning & Development	\$0	<u>\$0</u>	<u>\$0</u>	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.34 Area Learning Center	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted / Reserved:</i>			
4.35 Contracted Alt. Programs	\$0	<u>\$0</u>	<u>\$0</u>	4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.36 State Approved Alt. Program	\$0	<u>\$0</u>	<u>\$0</u>	4.33 Maximum Effort Loan Aid	\$0	<u>\$0</u>	<u>\$0</u>
4.38 Gifted & Talented	\$62,427	<u>\$62,429</u>	<u>(\$2)</u>	4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>	4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>
4.41 Basic Skills Programs	\$4,795	<u>\$4,796</u>	<u>(\$1)</u>	<i>Restricted:</i>			
4.48 Achievement and Integration	\$0	<u>\$0</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$1,027,369	<u>\$1,027,370</u>	<u>(\$1)</u>
4.49 Safe School Crime - Crime Levy	\$0	<u>\$0</u>	<u>\$0</u>	<i>Unassigned:</i>			
4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>				
4.53 Unfunded Sev & Retirement Levy	\$0	<u>\$0</u>	<u>\$0</u>	<b>08 TRUST</b>			
4.59 Basic Skills Extended Time	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.67 LTFM	\$1,334,988	<u>\$1,334,987</u>	<u>\$1</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.72 Medical Assistance	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted / Reserved:</i>			
4.73 PPP Loan	\$0	<u>\$0</u>	<u>\$0</u>	4.01 Student Activities	\$0	<u>\$0</u>	<u>\$0</u>
4.74 EIDL Loan	\$0	<u>\$0</u>	<u>\$0</u>	4.02 Scholarships	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>				
4.75 Title VII Impact Aid	\$0	<u>\$0</u>	<u>\$0</u>	<b>18 CUSTODIAL</b>			
4.76 Payments in Lieu of Taxes	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$20,402	<u>\$20,402</u>	<u>\$0</u>
<i>Committed:</i>				Total Expenditures	\$26,000	<u>\$26,000</u>	<u>\$0</u>
4.18 Committed for Separation	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted / Reserved:</i>			
4.61 Committed Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	4.01 Student Activities	\$0	<u>\$0</u>	<u>\$0</u>
<i>Assigned:</i>				4.02 Scholarships	\$11,778	<u>\$11,778</u>	<u>\$0</u>
4.62 Assigned Fund Balance	\$1,545,029	<u>\$1,545,029</u>	<u>\$0</u>	4.48 Achievement and Integration	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</i>				4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.22 Unassigned Fund Balance	\$2,012,792	<u>\$2,012,789</u>	<u>\$3</u>				
<b>02 FOOD SERVICES</b>				<b>20 INTERNAL SERVICE</b>			
Total Revenue	\$2,649,662	<u>\$2,649,663</u>	<u>(\$1)</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$1,927,611	<u>\$1,927,608</u>	<u>\$3</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Non Spendable:</i>				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
4.60 Non Spendable Fund Balance	\$96,078	<u>\$96,079</u>	<u>(\$1)</u>				
<i>Restricted / Reserved:</i>				<b>25 OPEB REVOCABLE TRUST</b>			
4.52 OPEB Liab Not In Trust				Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
				Total Expenditures			

Minnesota Department of Education

	\$0	<u>\$0</u>	<u>\$0</u>
4.74 EIDL Loan	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$768,228	<u>\$768,228</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<b>04 COMMUNITY SERVICE</b>			
Total Revenue	\$2,204,270	<u>\$2,204,268</u>	<u>\$2</u>
Total Expenditures	\$1,940,157	<u>\$1,940,156</u>	<u>\$1</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$1,438	<u>\$1,438</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>
4.31 Community Education	\$314,302	<u>\$314,302</u>	<u>\$0</u>
4.32 E.C.F.E	\$329,879	<u>\$329,879</u>	<u>\$0</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>
4.44 School Readiness	\$226,644	<u>\$226,641</u>	<u>\$3</u>
4.47 Adult Basic Education	\$0	<u>\$0</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>
4.73 PPP Loan	\$0	<u>\$0</u>	<u>\$0</u>
4.74 EIDL Loan	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$26,597	<u>\$26,599</u>	<u>(\$2)</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

	\$0	<u>\$0</u>	<u>\$0</u>
4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>

**45 OPEB IRREVOCABLE TRUST**

Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>

**47 OPEB DEBT SERVICE**

Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

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OTHER REPORTS

INDEPENDENT SCHOOL DISTRICT NO. 2144  
CHISAGO CITY, MINNESOTA

FOR THE YEAR ENDED  
JUNE 30, 2022

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## INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Members of the Board of Education  
Independent School District No. 2144  
Chisago City, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 2144 (the District), Chisago City, Minnesota as of and for the year ended June 30, 2022, and the related notes to the financial statements, and have issued our report thereon dated December 19, 2022.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements 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, except as described in the Schedule of Findings, Questioned Costs and Responses as item 2022-001. 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.

### Response to Findings

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

### Purpose of this Report

This report is intended solely for the information and use of those charged with governance and management of the District and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.



**Abdo**  
Minneapolis, Minnesota  
December 19, 2022

**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 Board of Education  
Independent School District No. 2144  
Chisago City, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 2144 (the District), Chisago City, 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 and have issued our report thereon dated December 19, 2022.

**Internal Control Over Financial Reporting**

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

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

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

**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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Response to Findings

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

## 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.



**Abdo**  
Minneapolis, Minnesota  
December 19, 2022



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FEDERAL FINANCIAL AWARD PROGRAMS  
INDEPENDENT SCHOOL DISTRICT NO. 2144  
CHISAGO CITY, MINNESOTA

FOR THE YEAR ENDED  
JUNE 30, 2022

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

Members of the Board of Education  
Independent School District No. 2144  
Chisago City, Minnesota

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

**Opinion on Each Major Federal Program**

We have audited the Independent School District No. 2144 (the District), Chisago District, Minnesota compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major Federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

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

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

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

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

***Responsibilities of Management for Compliance***

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

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

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

individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole. In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

### **Report on Internal Control Over Compliance**

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

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

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

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



**Abdo**  
Minneapolis, Minnesota  
December 19, 2022



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Independent School District No. 2144  
Chisago District, Minnesota  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2022

Administering Department	Grant Name	Federal Domestic Assistance Number	Federal Program Clusters	Federal Expenditures
U.S. Department of Education				
MN Department of Education	Title I Grants to Local Educational Agencies	84.010		\$ 227,720
MN Department of Education	Career and Technical Education Basic Grants	84.048		45,154
MN Department of Education	Improving Teacher Quality State Grants	84.367		71,132
MN Department of Education	COVID-19 - Governor's Emergency Education Relief (GEER) Fund	84.425C		60,705
MN Department of Education	COVID-19 - Education Stabilization Fund Under The Coronavirus Aid, Relief, And Economic Security Act	84.425D		408,878
MN Department of Education	COVID-19 - American Rescue Plan - Elementary and Secondary School Relief	84.425U		397,830
MN Department of Education	Special Education IDEA, Part B	84.027	96,294	
	Total Special Education Cluster			96,294
Total U.S. Department of Education				1,307,713
U.S. Department of Agriculture				
MN Department of Education	School Breakfast Program	10.553	362,493	
MN Department of Education	National School Lunch Program	10.555	1,734,130	
MN Department of Education	COVID-19 - Summer Food Service Program	10.559	226,035	
	Total Child Nutrition Cluster			2,322,658
Total U.S. Department of Agriculture				2,322,658
U.S. Department of the Treasury				
MN Department of Education	COVID-19 - Coronavirus State and Local Fiscal Recovery Fund	21.027		39,365
U.S. Department of Health and Human Services				
MN Department of Health and Human Services	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323		116,374
Total				\$ 3,786,110

Independent School District No. 2144  
Chisago District, Minnesota  
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 includes the federal grant activity of Independent School District No. 2144 (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 requirement of the Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

**Note 2: Summary of Significant Accounting Policies for Expenditures**

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting for governmental funds, which is described in Note 1C to the District's financial statements. This activity is reported in the General fund and nonmajor governmental funds.

**Note 3: Pass-through Entity Identifying Numbers**

Pass-through entity identifying numbers are presented where available.

**Note 4: Subrecipients**

No federal expenditures presented in this schedule were provided to subrecipients.

**Note 5: Indirect Cost Rate**

During the year ended June 30, 2022, the District did not elect to use the 10 percent de minimis indirect cost rate.

Independent School District No. 2144  
Chisago District, Minnesota  
Schedule of Findings, Questioned Costs and Responses  
For the Year Ended June 30, 2022

**Section I - Summary of Auditor's Results**

***Financial Statements***

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

***Federal Awards***

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
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 section 5169(a) of Uniform Guidance?	No

***Identification of Major Programs/Projects***

**CFDA No.**

U.S. Department of the Treasury	
School Breakfast Program	10.553
National School Lunch Program	10.555
U.S. Department of Education	
COVID-19 - Governor's Emergency Education Relief (GEER) Fund	84.425C
COVID-19 - Education Stabilization Fund Under The Coronavirus Aid, Relief, And Economic Security Act	84.425D
COVID-19 - American Rescue Plan - Elementary and Secondary School Relief	84.425U
Dollar threshold used to distinguish between Type A and Type B Programs	\$ 750,000
Auditee qualified as low-risk auditee?	Yes

**Section II - Financial Statement Findings**

There were no findings related to the audit of the financial statements reported in the 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*.

**Section III - Major Federal Award Findings and Questioned Costs**

Independent School District No. 2144  
Chisago District, Minnesota  
Schedule of Findings, Questioned Costs and Responses (Continued)  
For the Year Ended June 30, 2022

<u>Findings</u>	<u>Description</u>
<b>2022-001</b>	<b>Late Payment of Claims</b>
<i>Condition:</i>	During our audit, we reviewed a sample of purchases made by the School District and found that several payments were made late in comparison with the timeframe set forth by state statutes.
<i>Criteria:</i>	Minnesota statute section 471.425 requires that the District pay bills within 35 days from receipt. If the invoice is not paid within 35 days, interest at 1.5 percent per month is to be added to amount due.
<i>Cause:</i>	The current process and procedures of the School District's disbursement audit cycle was not sufficient to ensure all claims were paid 35 days from receipt.
<i>Effect:</i>	The School is out of compliance with Minnesota statutes.
<i>Recommendation:</i>	We recommend the District work to remedy this issue by focusing on making payments of claims within the 35-day limit.
<i>Management Response:</i>	The School District finance department will review internal processes and procedures in order to get invoices paid in a more timely manner.

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## 2022-01 Late Payment of Claims

### Corrective Action Plan (CAP):

#### 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 review its procedures around payments of claims to ensure that all invoices are paid timely.

#### 3. Official Responsible for Ensuring CAP:

Robyn Vosberg-Torgerson, District Business Manager, is the official responsible for ensuring corrective action.

#### 4. Planned Completion Date for CAP:

Continuous.

#### 5. Plan to Monitor Completion of CAP:

The District will continue to review its procedures around payments of claims to ensure that all invoices are paid timely.



Robyn Vosberg-Torgerson  
District Business Manager