INDEPENDENT SCHOOL DISTRICT NO. 280
RICHFIELD, MINNESOTA

Financial Statements and
Supplementary Information

Year Ended
June 30, 2022

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INDEPENDENT SCHOOL DISTRICT NO. 280

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INTRODUCTORY SECTION

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INDEPENDENT SCHOOL DISTRICT NO. 280

School Board and Administration
Year Ended June 30, 2022

SCHOOL BOARD

	Position
Timothy Pollis	Chairperson
Paula Cole	Vice Chairperson
Crystal Brakke	Treasurer
Allegra Smisek	Clerk
Eric Carter	Director
Rachel Banks Kupcho	Director

ADMINISTRATION

Steven Unowsky	Superintendent
Latanya Daniels	Assistant Superintendent
Craig Holje	Chief Administrative Officer
Mary Clarkson	Executive Director of Special Programs
Jim Gilligan	Director of Finance
John Lorenzini	Finance Manager

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FINANCIAL SECTION

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

INDEPENDENT AUDITOR'S REPORT

To the School Board and Management of
Independent School District No. 280
Richfield, 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. 280 (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

BASIS FOR OPINIONS

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

EMPHASIS OF MATTER

Change in Accounting Principle

As described in Note 1 to the basic financial statements, in fiscal 2022, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

(continued)

Malloy, Montague, Karnowski, Radosevich & Co., P.A.
5353 Wayzata Boulevard • Suite 410 • Minneapolis, MN 55416 • Phone: 952-545-0424 • Fax: 952-545-0569 • www.mmkr.com

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

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

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

(continued)

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information, as listed in the table of contents, is presented for purpose of additional analysis and is not a required part of the basic financial statements. The accompanying Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Table is presented for purposes of additional analysis as required by the Minnesota Department of Education, and is also not a required part of the basic financial statements of the District. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and UFARS Compliance Table are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

(continued)

Prior Year Comparative Information

We have previously audited the District's 2021 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated December 9, 2021. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota
December 20, 2022

As management of Independent School District No. 280 (the District), we have provided readers of the District's financial statements with this narrative overview and analysis of the District's financial activities during the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with the other components of the District's financial statements.

FINANCIAL HIGHLIGHTS

- The District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2022 by $26,814,125 (deficit net position).

- Government-wide revenues totaled $87,803,956 and expenses were $85,143,126. As a result, the District's total net position increased by $2,660,830 during the fiscal year.

- The District's General Fund, its primary operating fund, ended the most recent fiscal year with a total fund balance of $19,339,585, a decrease of $282,089 from the prior year. The unrestricted portion of the year-end fund balance (assigned and unassigned) was $15,739,192, which represents 21.5 percent of annual General Fund expenditures based on fiscal 2022 expenditure levels. The unassigned fund balance was $10,954,234, which represents 14.9 percent of fiscal 2022 General Fund expenditures.

- The District adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, during the 2022 fiscal year. This change in accounting principle resulted in the recognition of a lease revenue receivable and a related deferred inflow of resources of $359,075 in the government-wide and governmental fund financial statements, and a leased asset and related lease liability of $1,930,120 in the government-wide financial statements, at the beginning of the fiscal year, but did not impact beginning fund balances or net position.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- Independent Auditor's Report;

- Management's discussion and analysis;

- Basic financial statements, including the government-wide financial statements, fund financial statements, and the notes to basic financial statements;

- Required supplementary information; and

- Supplementary information consisting of combining and individual fund statements and schedules.

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

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

FUND FINANCIAL STATEMENTS

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

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

The District maintains the following types of funds:

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

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

Fiduciary Funds – The District is the trustee, or fiduciary, for assets that belong to other organizations. 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. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

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

	2022	2021
Assets		
Current and other assets	$ 58,904,626	$ 69,437,895
Capital assets, net of depreciation or amortization	158,253,097	154,381,729
Total assets	$ 217,157,723	$ 223,819,624
Deferred outflows of resources		
Pension plan deferments	$ 15,913,164	$ 19,692,186
OPEB plan deferments	943,007	825,913
Deferred charges on refunding	315,396	383,590
Total deferred outflows of resources	$ 17,171,567	$ 20,901,689
Liabilities		
Current and other liabilities	$ 7,235,115	$ 9,233,913
Long-term liabilities, including due within one year	176,294,641	200,685,801
Total liabilities	$ 183,529,756	$ 209,919,714
Deferred inflows of resources		
Property taxes levied for subsequent year	$ 26,026,766	$ 25,107,598
Pension plan deferments	46,393,376	35,949,048
OPEB plan deferments	4,525,606	3,219,908
Lease revenue for subsequent years	336,005	–
Deferred gain on refunding	331,906	–
Total deferred inflows of resources	$ 77,613,659	$ 64,276,554
Net position		
Net investment in capital assets	$ 29,113,661	$ 26,783,196
Restricted	6,026,852	10,962,938
Unrestricted	(61,954,638)	(67,221,089)
Total net position	$ (26,814,125)	$ (29,474,955)

The District's financial position is the product of many factors. For example, the determination of the District's net investment in capital assets involves many assumptions and estimates, such as depreciation and amortization estimates and capitalization policies. Another major factor in determining net position is the inclusion of liabilities for long-term severance, other post-employment benefits (OPEB), and pension benefits, which are not included in fund balances.

Total net position increased by $2,660,830 in 2022. The decrease in current assets and increase in capital assets resulted from construction related to bonds issued in a previous year. Decreases in resources restricted for capital asset acquisition and community service resulted in the overall decrease in restricted net position. Changes in the District's proportionate share of two state-wide pension plans administered by the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) contributed to the changes in deferred inflows/outflows of resources, long-term liabilities, and unrestricted net position.

Table 2 presents a condensed version of the change in net position of the District:

Table 2
Change in Net Position
for the Years Ended June 30, 2022 and 2021

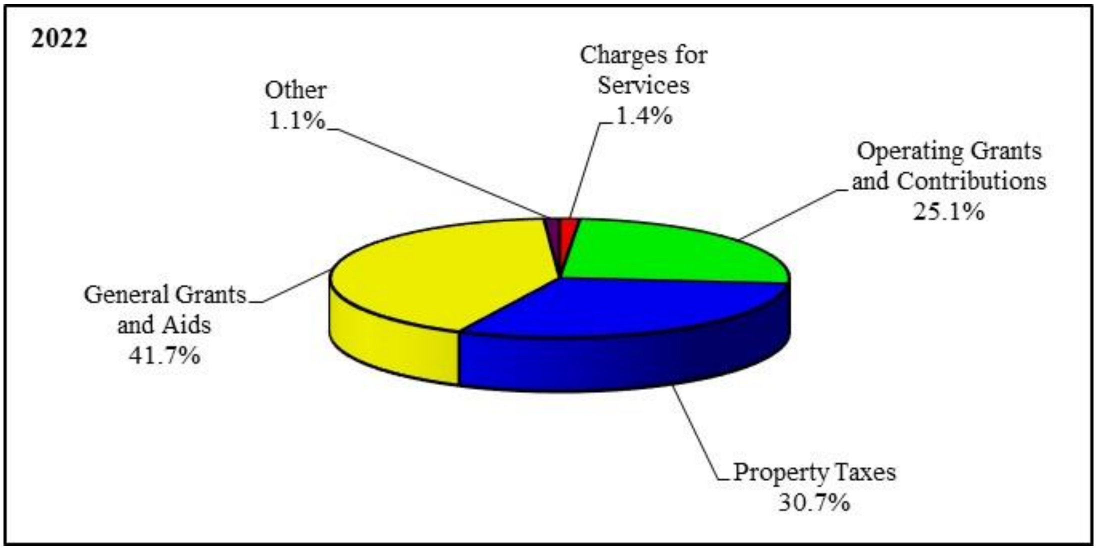
	2022	2021
Revenues		
Program revenues		
Charges for services	$ 1,200,022	$ 1,068,091
Operating grants and contributions	22,080,765	16,364,623
General revenues		
Property taxes	26,923,935	27,990,914
General grants and aids	36,606,587	36,678,555
Other	992,647	1,276,472
Total revenues	87,803,956	83,378,655
Expenses		
Administration	2,190,166	2,514,812
District support services	2,545,834	2,376,927
Elementary and secondary regular instruction	28,224,658	30,942,132
Vocational education instruction	765,380	480,947
Special education instruction	12,065,196	12,223,647
Instructional support services	5,255,569	4,676,005
Pupil support services	9,689,308	6,202,568
Sites and buildings	14,073,778	10,568,828
Fiscal and other fixed cost programs	366,483	324,599
Food service	3,018,108	2,330,987
Community service	2,190,865	2,017,178
Interest and fiscal charges	4,757,781	4,777,164
Total expenses	85,143,126	79,435,794
Change in net position	2,660,830	3,942,861
Net position – beginning	(29,474,955)	(33,417,816)
Net position – ending	$ (26,814,125)	$ (29,474,955)

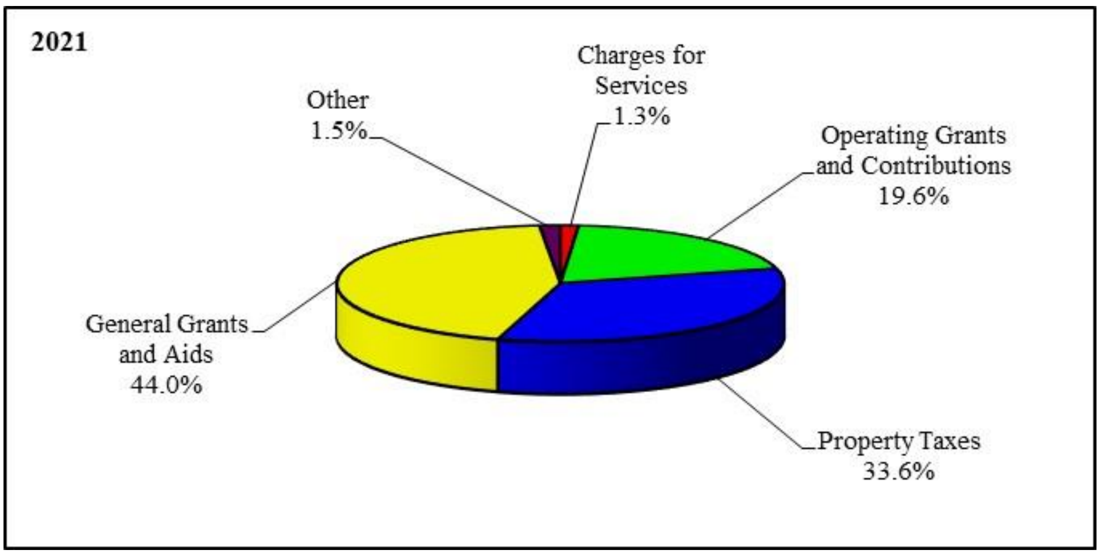
This table is presented on an accrual basis of accounting, and it includes all governmental activities of the District. This statement includes depreciation and amortization expense, but excludes capital asset purchase costs, debt proceeds, and the repayment of debt principal.

Government-wide revenues for fiscal year 2022 were $4,425,301 higher than last year. Expenses also increased by $5,707,332. Operating grants and contributions increased, due to an increase in state special education revenue and multiple new or increased COVID-19-related federal grant awards. The decrease in property taxes was due to decreases in general and debt service tax levies. Other general revenues decreased, due to a decline in investment income. Increases to personnel costs, transportation, utilities, food service, and community service, primarily attributable to a return to an in-person learning model, contributed to the overall increase in expenses. Health insurance claims and depreciation/amortization expenses were also higher than the previous year.

Figures A and B show further analysis of these revenue sources and expense functions:

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



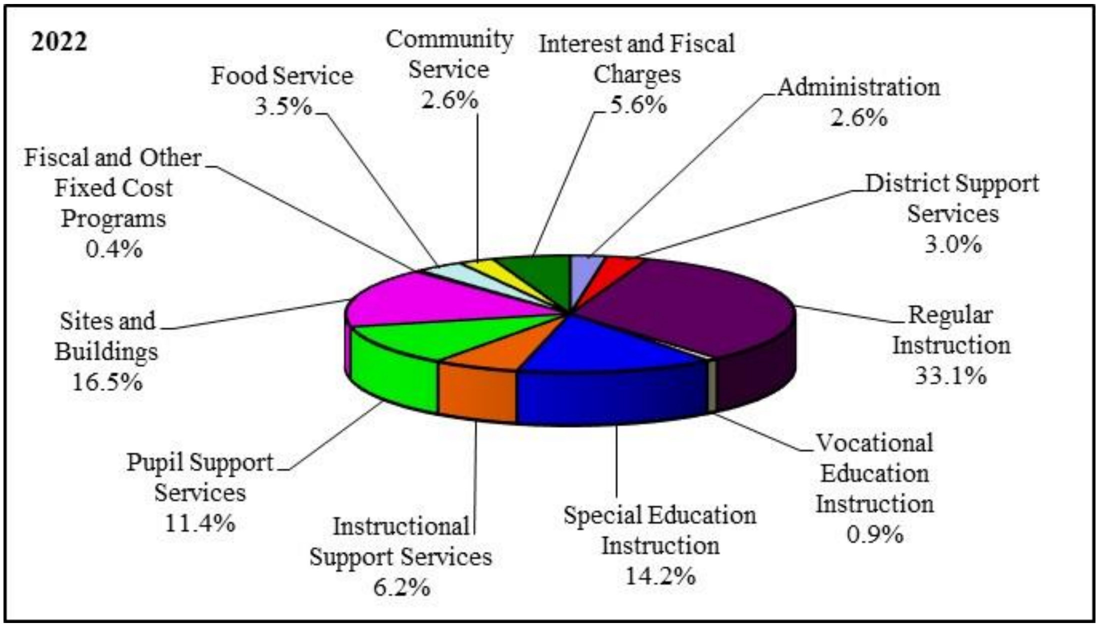


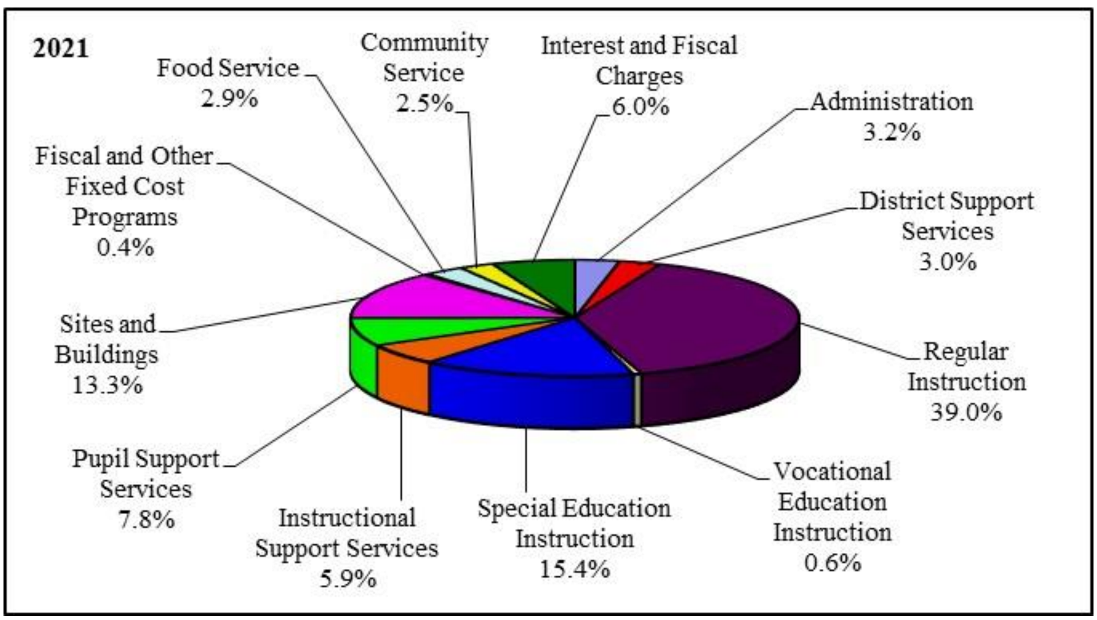
The largest share of the District's revenue is received from the state, including the general education aid formula and most of the operating grants. This significant reliance on the state for funding has placed pressure on local school districts, as a result of limited funding increases in recent years.

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

The increase in the proportion of revenue derived from operating grants and contributions in fiscal 2022 was mainly due to increased state special education aid and the new federal grant awards in the current year, as previously discussed. Charges for services increased, due to the effects of the COVID-19 pandemic, which reduced activity fees and admissions in the prior year. The drop in the "other" revenue category in fiscal 2022 was mainly caused by a decrease in investment income, due to less favorable market conditions and less cash available for investment, due to the District spending down bond proceeds for its construction projects.

Figure B – Expenses for Fiscal Years 2022 and 2021





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

Expenses for pupil support services and sites and buildings were higher than the prior year, due to higher transportation, utilities, and maintenance costs resulting from the return to an increased in-person learning model, and increased maintenance projects. The year-to-year change in the percentage of expenses incurred in several program areas shown above, was also impacted by the change in expenses related to the two state-wide pension plans, which caused greater fluctuations in program areas with a higher proportion of salaries.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

	2022	2021	Change
Major funds			
General	$ 19,339,585	$ 19,621,674	$ (282,089)
Capital Projects – Building Construction	961,362	8,720,916	(7,759,554)
Debt Service	1,875,658	2,016,816	(141,158)
Nonmajor funds			
Food Service Special Revenue	1,169,574	521,062	648,512
Community Service Special Revenue	287,735	466,817	(179,082)
Total governmental funds	$ 23,633,914	$ 31,347,285	$ (7,713,371)

Total fund balances in the District's governmental funds decreased $7,713,371, mainly due to the spend-down of resources in the Capital Projects – Building Construction Fund to complete several large building improvement projects.

The General Fund balance decreased $282,089 in fiscal 2022. Revenues and expenditures both increased significantly in fiscal 2022 with a return to in-person learning. The fund balance decrease was mainly due the resulting expenditures exceeding budget by $1,977,323, while revenue was $1,346,797 over budget, mainly in federal awards.

The Capital Projects – Building Construction Fund decreased $7,759,554, due to spending on a number of significant capital projects financed by school building bonds and facilities maintenance bonds issued during the previous years.

The Debt Service Fund decreased $141,158, which was due to scheduled debt service expenditures exceeding debt service property tax levies.

The Food Service Special Revenue Fund increased $648,512, as the District operated its Child Nutrition Program under the "Seamless Summer Option" Program in fiscal 2022, under which meals for all school-age children were provided free through a federal grant at the highest available reimbursement rate. Expenses increased $717,082 from last year, due to the higher number of meals served overall, resulting from an increase of in-person instructional days.

The Community Service Special Revenue Fund decreased $179,082 in the current year. Increased need for personnel to operate the various programs caused expenditures to exceed budget by $273,440 in fiscal 2022.

Analysis of the General Fund

Table 4 summarizes the amendments to the General Fund budget:

Table 4
General Fund
Budget

	Original Budget	Final Budget	Change	Percent Change
Revenue	$ 70,954,853	$ 71,647,176	$ 692,323	1.0%
Expenditures	$ 70,658,308	$ 71,342,243	$ 683,935	1.0%
Other financing sources	$ 102,910	$ 102,910	$ –	–

The District was required to adopt an operating budget prior to the beginning of its fiscal year, referred to above as the original budget. It is the District's practice to amend the General Fund budget during the year for known significant changes in circumstances.

The changes from the original budget to the final budget are due to additional grant awards, salary and benefit adjustments based on negotiated contract settlements, and recalculations of state aids using updated enrollment numbers.

Table 5 summarizes the operating results of the General Fund:

Table 5
General Fund
Operating Results

		Over (Under) Final Budget		Over (Under) Prior Year	
	2022 Actual	Amount	Percent	Amount	Percent
Revenue	$ 72,993,973	$ 1,346,797	1.9%	$ 4,621,943	6.8%
Expenditures	73,319,566	$ 1,977,323	2.8%	$ 8,025,341	12.3%
Other financing sources	43,504	$ (59,406)	(57.7%)	$ (302,614)	(87.4%)
Net change in fund balances	$ (282,089)				

The increase in 2022 actual revenue is largely due to increased federal COVID-19 relief grant funding, as federal revenues increased $3,716,194 from the prior year and were $1,294,240 over budget. State revenues also increased $982,255 from last year, mainly in special education aid. The 12.3 percent increase in expenditures from the prior year was mainly in personnel costs (up $3,652,511), and purchased services (up $3,514,049), as the need for personnel, transportation costs, and maintenance increased, with the return to an in-person learning model. The variance to budget was mainly in the pupil support (transportation) program area.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

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

Table 6
Capital Assets

	2022	2021	Change
Land	$ 349,265	$ 349,265	$ –
Construction in process	1,646,794	115,907,048	(114,260,254)
Land improvements	6,607,884	6,607,884	–
Buildings	212,465,619	90,026,844	122,438,775
Buildings – leased	1,930,120	–	1,930,120
Equipment	10,569,657	10,189,222	380,435
Less accumulated depreciation/amortization	(75,316,242)	(68,698,534)	(6,617,708)
Total	$ 158,253,097	$ 154,381,729	$ 3,871,368
Depreciation/amortization expense	$ 6,617,708	$ 3,509,632	$ 3,108,076

The decrease in construction in progress and increase in buildings reflects the completion of several multi-year improvement projects. The leased building addition is due to the implementation of GASB Statement No. 87, *Leases,* in the current year.

Long-Term Liabilities

Table 7 shows the components of the District's long-term liabilities and the change from the prior year:

Table 7
Outstanding Long-Term Liabilities

	2022	2021	Change
General obligation bonds	$ 132,980,000	$ 137,400,000	$ (4,420,000)
Premiums	3,603,949	4,175,012	(571,063)
Financed purchases payable	511,738	811,285	(299,547)
Lease Liability	1,781,177	–	1,781,177
Net/total pension liability	28,219,507	45,565,329	(17,345,822)
Net OPEB liability	6,635,687	9,372,064	(2,736,377)
Compensated absences	281,157	499,592	(218,435)
Severance benefits	2,281,426	2,862,519	(581,093)
Total	$ 176,294,641	$ 200,685,801	$ (24,391,160)

The decreases in general obligation bonds and financed purchases payable as shown in Table 7 are due to scheduled principal payments, with no new debt issued in fiscal 2022. The new lease liability is due to the implementation of GASB Statement No. 87, *Leases,* in the current year.

The differences in the net/total pension liability mainly reflects the change in the District's proportionate share of the state-wide pension obligations for the PERA and the TRA. The change in the net OPEB liability reflects the change in the District's estimated liability for post-employment retiree insurance benefits.

The state limits the amount of general obligation debt the District can issue to 15.0 percent of the market value of all taxable property within the District's corporate limits (see Table 8).

Table 8
Limitations on Debt

District's market value	$ 5,876,914,925
Limit rate	15.0%
Legal debt limit	$ 881,537,239

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

FACTORS BEARING ON THE DISTRICT'S FUTURE

With the exception of the voter-approved operating referendum, the District is dependent on the state of Minnesota for a majority of its revenue authority. The general education program is the method by which school districts receive the majority of their financial support. This source of funding is primarily state aid and, as such, school districts rely heavily on the state of Minnesota for educational resources. The Legislature has added $161, or 2.45 percent, per pupil to the basic general education funding formula for fiscal year 2022, and an additional $135, or 2.00 percent, per pupil to the formula for fiscal year 2023. State funding for fiscal year 2024 has not yet been established by the legislature.

In November 2017, voters approved authorization to increase the excess operating referendum by $450, revoking the previous authority of $964.60, plus inflationary increases, and replacing it with a level $1,414.60. With the additional funding, the District targeted reducing class sizes, improving course offerings, and stabilizing educational programming beginning in the 2018–2019 school year. In addition, voters approved a bond issue for $84,615,000 to provide facility improvements focused on deferred maintenance, safety, and improved instructional facilities. This was combined with $31,545,000 in School Board-authorized bond projects for indoor air quality improvements as part of a multi-year improvement project. Construction related to the issued bonds in 2018 began in the spring of 2019, and was primarily completed in the summer of 2022. In the fall of 2022, the District issued an additional $2,185,000 in bonds authorized by the 2017 referendum to complete additional projects identified by the District during the construction and remodeling project.

In August 2016, the District was one of 74 districts in the state to receive funding for a Voluntary Pre-Kindergarten Program. This funding allowed the District to offer an additional 126 4-year-old students the opportunity to participate in Preschool Programming. Funding for these students is provided as part of the general education student formula allocation. The Voluntary Pre-Kindergarten Program has continued to grow, serving 194 students in 2021–2022.

In October 2022, S&P Global Ratings raised its underlying rating of the District to AA- from A+ with a stable outlook. This was the second rating increase by S&P for the District within 6 years. With the raised rating, S&P noted the upgrade reflects the District's improved reserve position to a level they consider very strong, noting the voter-approved operating levy, good financial management practices and policies, cost containment measures, along with pandemic-related transportation and staffing savings. They also commented on the District's positive operating results and good management practices.

In November 2013, the community approved a renewal and increase to the capital projects referendum that provides the District with revenue over the following 10 years for technology purchases. The District has upgraded its technology infrastructure to provide for a robust Wi-Fi system. The District installed the new system in all seven buildings during the summer of 2015. In the fall of 2018, the District provided increased access by students to technology devices through a program that provides devices at a 1:1 ratio for secondary students, and a 2:1 ratio for elementary students. Funding from this referendum provided the infrastructure and system needs that allowed the District to quickly pivot its programming in response to the recent pandemic. This funding is based on the net tax capacity of the District, which has been increasing over the past few years as a result of the expiration of existing tax increment financing districts, as well as increased redevelopment within the community. This referendum provided $3.7 million in 2022, and is anticipated to continue to increase incrementally throughout its term. The current capital projects referendum is set to expire in fiscal year 2024. As a result, the District anticipates seeking a renewal of that referendum in November of 2023, in order to continue the programming currently funded through this referendum.

The District has continued its efforts to develop and implement a more transparent budgeting system, which is aligned with the District's new Strategic Plan and priorities. The District continues to expand its enrichment opportunities for all students and is enhancing its gifted and talented programs, as well as dual-credit programs, which provide opportunities for students to receive college credits while attending Richfield High School. In total, 256 students participated in College in the Schools programming, earning 2,284 credits from the University of Minnesota, worth more than $1.24 million in 2021–2022. The District maintains board-approved gender inclusion and equity policies, while focusing on equity-based programming. Furthermore, the District is actively increasing solar installations with a goal of 20 percent of electricity coming from solar energy.

The District consists mostly of residential and commercial/industrial properties with redevelopment of new multifamily and multipurpose units in Richfield. While the long-term net financial impact of this redevelopment is anticipated to be positive, the transitional timeline around this is anticipated to have a mixed impact on district enrollment and resources, which the administration is actively reviewing and accounting for in planning activities.

The amount of funding a district receives is also dependent on the number of students it serves, meaning attracting and retaining students is critical to the District's financial well-being. The COVID-19 pandemic caused numerous financial and operational challenges for school districts in fiscal 2021 and 2022, including impacting the number of students districts served. While District enrollment remained relatively stable and experienced only slight declines through the pandemic, the District has seen an increased need for programming targeted to address the academic and social-emotional impact of the pandemic.

In addition to the capital projects referendum renewal identified above, the District is also contemplating an increase in the voter-approved operating referendum on the same ballot in order to continue essential programming that has been added through the 2017 voter-approved referendum and pandemic-related federal funds. If approved, these efforts should allow the district to continue to stabilize programming and the budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

These financial statements are designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about these statements or need additional financial information, contact the Business Office, Independent School District No. 280, 700 Harriet Avenue South, Richfield, Minnesota 55423.

BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 280

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

	Governmental Activities	
	2022	2021
Assets		
Cash and temporary investments	$ 35,115,739	$ 48,832,999
Receivables		
Current taxes	13,835,979	13,394,855
Delinquent taxes	214,838	194,742
Accounts and interest	449,369	146,480
Due from fiduciary fund	606,214	697,086
Due from other governmental units	8,232,843	5,660,503
Leases	336,005	–
Inventory	75,559	86,321
Prepaid items	38,080	424,909
Capital assets		
Not depreciated or amortized	1,996,059	116,256,313
Depreciated or amortized, net	156,257,038	38,125,416
Total capital assets, net	158,253,097	154,381,729
Total assets	217,157,723	223,819,624
Deferred outflows of resources		
Pension plan deferments	15,913,164	19,692,186
OPEB plan deferments	943,007	825,913
Deferred charges on refunding	315,396	383,590
Total deferred outflows of resources	17,171,567	20,901,689
Total assets and deferred outflows of resources	$ 234,329,290	$ 244,721,313
Liabilities		
Salaries payable	$ 1,006,017	$ 545,201
Accounts and contracts payable	1,424,269	4,380,140
Accrued interest payable	2,091,191	2,122,222
Due to other governmental units	975,783	709,641
Unearned revenue	1,015,781	942,105
Claims incurred, but not reported	722,074	534,604
Long-term liabilities		
Due within one year	5,199,636	5,319,973
Due in more than one year	171,095,005	195,365,828
Total long-term liabilities	176,294,641	200,685,801
Total liabilities	183,529,756	209,919,714
Deferred inflows of resources		
Property taxes levied for subsequent year	26,026,766	25,107,598
Pension plan deferments	46,393,376	35,949,048
OPEB plan deferments	4,525,606	3,219,908
Lease revenue for subsequent years	336,005	–
Deferred gain on refunding	331,906	–
Total deferred inflows of resources	77,613,659	64,276,554
Net position		
Net investment in capital assets	29,113,661	26,783,196
Restricted for		
Capital asset acquisition	3,009,292	8,458,609
Food service	1,169,574	521,062
Community service	365,419	597,057
Other state restrictions	1,482,567	1,386,210
Unrestricted	(61,954,638)	(67,221,089)
Total net position	(26,814,125)	(29,474,955)
Total liabilities, deferred inflows of resources, and net position	$ 234,329,290	$ 244,721,313

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 280

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

	2022				2021
		Program Revenues		Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Governmental Activities
Governmental activities					
Administration	$ 2,190,166	$ 150,522	$ 53,280	$ (1,986,364)	$ (1,988,691)
District support services	2,545,834	–	–	(2,545,834)	(2,376,927)
Elementary and secondary regular instruction	28,224,658	132,823	7,122,017	(20,969,818)	(25,612,844)
Vocational education instruction	765,380	–	10,193	(755,187)	(470,574)
Special education instruction	12,065,196	182,689	9,348,423	(2,534,084)	(5,349,883)
Instructional support services	5,255,569	–	317,045	(4,938,524)	(4,543,121)
Pupil support services	9,689,308	65,053	838,972	(8,785,283)	(5,433,148)
Sites and buildings	14,073,778	–	–	(14,073,778)	(10,568,828)
Fiscal and other fixed cost programs	366,483	–	–	(366,483)	(324,599)
Food service	3,018,108	59,189	3,626,381	667,462	258,578
Community service	2,190,865	609,746	764,454	(816,665)	(815,879)
Interest and fiscal charges	4,757,781	–	–	(4,757,781)	(4,777,164)
Total governmental activities	$ 85,143,126	$ 1,200,022	$ 22,080,765	(61,862,339)	(62,003,080)
General revenues					
Taxes					
Property taxes, levied for general purposes				17,311,909	17,739,503
Property taxes, levied for community service				457,667	472,528
Property taxes, levied for debt service				9,154,359	9,778,883
General grants and aids				36,606,587	36,678,555
Other general revenues				1,011,949	956,964
Investment earnings (charges)				(19,302)	319,508
Total general revenues				64,523,169	65,945,941
Change in net position				2,660,830	3,942,861
Net position – beginning				(29,474,955)	(33,417,816)
Net position – ending				$ (26,814,125)	$ (29,474,955)

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

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Assets			
Cash and temporary investments	$ 19,858,230	$ 1,850,123	$ 6,584,466
Receivables			
Current taxes	8,906,441	–	4,686,111
Delinquent taxes	137,506	–	73,512
Accounts and interest	435,391	–	–
Due from other governmental units	8,046,213	–	–
Due from Fiduciary Fund	606,214	–	–
Leases	336,005	–	–
Inventory	40,383	–	–
Prepaid items	29,513	–	–
Total assets	$ 38,395,896	$ 1,850,123	$ 11,344,089
Liabilities			
Salaries payable	$ 953,494	$ –	$ –
Accounts and contracts payable	511,628	888,761	–
Due to other governmental units	973,359	–	–
Unearned revenue	–	–	–
Total liabilities	2,438,481	888,761	–
Deferred inflows of resources			
Lease revenue for subsequent years	336,005	–	–
Property taxes levied for subsequent year	16,144,444	–	9,394,321
Unavailable revenue – delinquent taxes	137,381	–	74,110
Total deferred inflows of resources	16,617,830	–	9,468,431
Fund balances (deficit)			
Nonspendable	69,896	–	–
Restricted	3,530,497	961,362	1,875,658
Assigned	4,784,958	–	–
Unassigned	10,954,234	–	–
Total fund balances	19,339,585	961,362	1,875,658
Total liabilities, deferred inflows of resources, and fund balances	$ 38,395,896	$ 1,850,123	$ 11,344,089

Nonmajor Funds	Total Governmental Funds 2022	Total Governmental Funds 2021
$ 1,620,493	$ 29,913,312	$ 41,719,364
243,427	13,835,979	13,394,855
3,820	214,838	194,742
3,079	438,470	136,503
186,630	8,232,843	5,660,503
–	606,214	697,086
–	336,005	–
35,176	75,559	86,321
–	29,513	417,534
$ 2,092,625	$ 53,682,733	$ 62,306,908
$ 52,523	$ 1,006,017	$ 545,201
23,880	1,424,269	4,380,140
2,424	975,783	709,641
64,682	64,682	28,905
143,509	3,470,751	5,663,887
–	336,005	–
488,001	26,026,766	25,107,598
3,806	215,297	188,138
491,807	26,578,068	25,295,736
35,176	105,072	503,855
1,496,011	7,863,528	15,927,563
–	4,784,958	3,834,622
(73,878)	10,880,356	11,081,245
1,457,309	23,633,914	31,347,285
$ 2,092,625	$ 53,682,733	$ 62,306,908

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INDEPENDENT SCHOOL DISTRICT NO. 280

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

	2022	2021
Total fund balances – governmental funds	$ 23,633,914	$ 31,347,285
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets are included in net position, but are excluded from fund balances because they do not represent financial resources.		
Cost of capital assets	233,569,339	223,080,263
Accumulated depreciation/amortization	(75,316,242)	(68,698,534)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable. Debt issuance premiums and discounts are excluded from net position until amortized, but are included in fund balances upon issuance.		
General obligation bonds	(132,980,000)	(137,400,000)
Unamortized premium	(3,603,949)	(4,175,012)
Finance purchases payable	(511,738)	(811,285)
Lease liability	(1,781,177)	–
Net/total pension liability	(28,219,507)	(45,565,329)
Net OPEB liability	(6,635,687)	(9,372,064)
Compensated absences	(281,157)	(499,592)
Severance benefits	(2,281,426)	(2,862,519)
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.	(2,091,191)	(2,122,222)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.	3,548,720	5,683,183
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – pension plan deferments	15,913,164	19,692,186
Deferred outflows of resources – OPEB plan deferments	943,007	825,913
Deferred outflows of resources – deferred charges on refunding	315,396	383,590
Deferred inflows of resources – pension plan deferments	(46,393,376)	(35,949,048)
Deferred inflows of resources – OPEB plan deferments	(4,525,606)	(3,219,908)
Deferred inflows of resources – unavailable revenue – delinquent taxes	215,297	188,138
Deferred inflows of resources – deferred gain on refunding	(331,906)	–
Total net position – governmental activities	$ (26,814,125)	$ (29,474,955)

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 280

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

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Revenue			
Local sources			
Property taxes	$ 17,296,011	$ –	$ 9,143,509
Investment earnings (charges)	(20,218)	6,923	(1,705)
Other	1,012,713	50,000	–
State sources	46,153,497	–	–
Federal sources	8,551,970	–	–
Total revenue	72,993,973	56,923	9,141,804
Expenditures			
Current			
Administration	2,574,656	–	–
District support services	2,633,934	–	–
Elementary and secondary regular instruction	30,187,624	–	–
Vocational education instruction	785,186	–	–
Special education instruction	12,629,929	–	–
Instructional support services	5,360,857	–	–
Pupil support services	9,984,235	–	–
Sites and buildings	8,251,359	–	–
Fiscal and other fixed cost programs	366,483	–	–
Food service	–	–	–
Community service	–	–	–
Capital outlay	–	7,816,477	–
Debt service			
Principal	448,490	–	4,235,000
Interest and fiscal charges	96,813	–	5,097,373
Total expenditures	73,319,566	7,816,477	9,332,373
Excess (deficiency) of revenue over expenditures	(325,593)	(7,759,554)	(190,569)
Other financing sources (uses)			
Insurance recovery	40,493	–	–
Sale of capital assets	3,011	–	–
Refunding bond issuance	–	–	2,230,000
Premium on bond issuance	–	–	234,411
Paid to refunding escrow	–	–	(2,415,000)
Total other financing sources (uses)	43,504	–	49,411
Net change in fund balances	(282,089)	(7,759,554)	(141,158)
Fund balances			
Beginning of year	19,621,674	8,720,916	2,016,816
End of year	$ 19,339,585	$ 961,362	$ 1,875,658

See notes to basic financial statements

Nonmajor Funds	Total Governmental Funds 2022	Total Governmental Funds 2021
$ 457,256	$ 26,896,776	$ 27,945,222
(734)	(15,734)	301,153
921,433	1,984,146	1,209,485
859,801	47,013,298	45,944,907
3,531,535	12,083,505	7,480,064
5,769,291	87,961,991	82,880,831
–	2,574,656	2,474,595
–	2,633,934	2,393,196
–	30,187,624	28,745,798
–	785,186	457,381
–	12,629,929	11,744,010
–	5,360,857	4,551,070
–	9,984,235	6,489,250
–	8,251,359	7,765,869
–	366,483	324,599
3,015,247	3,015,247	2,329,660
2,254,992	2,254,992	2,026,041
31,495	7,847,972	35,442,620
–	4,683,490	4,392,413
–	5,194,186	5,224,755
5,301,734	95,770,150	114,361,257
467,557	(7,808,159)	(31,480,426)
–	40,493	331,362
1,873	4,884	14,756
–	2,230,000	–
–	234,411	–
–	(2,415,000)	–
1,873	94,788	346,118
469,430	(7,713,371)	(31,134,308)
987,879	31,347,285	62,481,593
$ 1,457,309	$ 23,633,914	$ 31,347,285

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

	2022	2021
Total net change in fund balances – governmental funds	$ (7,713,371)	$(31,134,308)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are recorded as net position and the cost is allocated over their estimated useful lives as depreciation/amortization expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase.		
Capital outlays	8,558,956	36,295,081
Depreciation/amortization expense	(6,617,708)	(3,509,632)
The amount of debt isued is reported in the governmental funds as a source of financing, but constitutes a long-term liability in the governmental activities.		
General obligation bonds	(2,230,000)	–
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances. Debt issuance premiums and discounts are included in the change in net position as they are amortized over the life of the debt. However, they are included in the change in fund balances upon issuance.		
General obligation bonds	6,650,000	4,075,000
Unamortized premium	571,063	445,877
Finance purchases payable	299,547	317,413
Lease liability	148,943	–
Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.		
Net/total pension liability	17,345,822	(4,465,506)
Net OPEB liability	2,736,377	(1,030,006)
Compensated absences	218,435	(17,724)
Severance benefits	581,093	(807,928)
Interest on long-term debt is included in the change in net position as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due.	31,031	69,908
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the Internal Service Fund is included in the governmental activities on the Statement of Activities.	(2,134,463)	(284,418)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – pension plan deferments	(3,779,022)	(12,855,310)
Deferred outflows of resources – OPEB plan deferments	117,094	393,244
Deferred outflows of resources – deferred charges on refunding	(68,194)	(68,194)
Deferred inflows of resources – pension plan deferments	(10,444,328)	15,139,631
Deferred inflows of resources – OPEB plan deferments	(1,305,698)	1,334,041
Deferred inflows of resources – unavailable revenue – delinquent taxes	27,159	45,692
Deferred inflows of resources – deferred gain on refunding	(331,906)	–
Change in net position – governmental activities	$ 2,660,830	$ 3,942,861

See notes to basic financial statements

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INDEPENDENT SCHOOL DISTRICT NO. 280

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

	Budgeted Amounts			
	Original	Final	Actual	Over (Under) Final Budget
Revenue				
Local sources				
Property taxes	$ 17,137,896	$ 17,137,896	$ 17,296,011	$ 158,115
Investment earnings (charges)	91,500	22,500	(20,218)	(42,718)
Other	1,032,130	1,160,132	1,012,713	(147,419)
State sources	45,287,702	46,068,918	46,153,497	84,579
Federal sources	7,405,625	7,257,730	8,551,970	1,294,240
Total revenue	70,954,853	71,647,176	72,993,973	1,346,797
Expenditures				
Current				
Administration	2,641,855	2,775,323	2,574,656	(200,667)
District support services	2,605,288	2,727,717	2,633,934	(93,783)
Elementary and secondary regular instruction	31,169,586	29,749,915	30,187,624	437,709
Vocational education instruction	637,555	787,721	785,186	(2,535)
Special education instruction	12,504,142	12,772,012	12,629,929	(142,083)
Instructional support services	4,796,535	5,338,711	5,360,857	22,146
Pupil support services	7,581,824	7,806,700	9,984,235	2,177,535
Sites and buildings	8,126,853	8,053,871	8,251,359	197,488
Fiscal and other fixed cost programs	272,330	286,450	366,483	80,033
Debt service				
Principal	299,547	996,505	448,490	(548,015)
Interest and fiscal charges	22,793	47,318	96,813	49,495
Total expenditures	70,658,308	71,342,243	73,319,566	1,977,323
Excess (deficiency) of revenue over expenditures	296,545	304,933	(325,593)	(630,526)
Other financing sources				
Insurance recovery	73,710	73,710	40,493	(33,217)
Sale of capital assets	29,200	29,200	3,011	(26,189)
Total other financing sources	102,910	102,910	43,504	(59,406)
Net change in fund balances	$ 399,455	$ 407,843	(282,089)	$ (689,932)
Fund balances				
Beginning of year			19,621,674	
End of year			$ 19,339,585	

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 280

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

	2022	2021
Assets		
Current assets		
Cash and temporary investments	$ 5,202,427	$ 7,113,635
Receivables		
Accounts	10,899	9,977
Prepaid items	8,567	7,375
Total current assets	5,221,893	7,130,987
Liabilities		
Current liabilities		
Claims payable	722,074	534,604
Unearned revenue	951,099	913,200
Total current liabilities	1,673,173	1,447,804
Net position		
Unrestricted	$ 3,548,720	$ 5,683,183

See notes to basic financial statements

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

	2022	2021
Operating revenue		
Contributions from governmental funds	$ 7,667,199	$ 7,502,698
Operating expenses		
Medical benefit claims	9,254,970	7,314,396
Dental benefit claims	543,124	491,075
Total operating expenses	9,798,094	7,805,471
Operating income (loss)	(2,130,895)	(302,773)
Nonoperating revenue		
Investment earnings (charges)	(3,568)	18,355
Change in net position	(2,134,463)	(284,418)
Net position		
Beginning of year	5,683,183	5,967,601
End of year	$ 3,548,720	$ 5,683,183

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INDEPENDENT SCHOOL DISTRICT NO. 280

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

	2022	2021
Cash flows from operating activities		
Contributions from governmental funds	$ 7,702,984	$ 7,486,418
Payments for medical claims	(9,068,500)	(7,295,255)
Payments for dental claims	(542,124)	(495,112)
Net cash flows from operating activities	(1,907,640)	(303,949)
Cash flows from investing activities		
Investment income received (charged)	(3,568)	18,355
Net change in cash and cash equivalents	(1,911,208)	(285,594)
Cash and cash equivalents		
Beginning of year	7,113,635	7,399,229
End of year	$ 5,202,427	$ 7,113,635
Reconciliation of operating income (income) to net cash flows from operating activities		
Operating income (loss)	$ (2,130,895)	$ (302,773)
Adjustments to reconcile operating income (loss) to cash provided by operating activities		
Changes in assets and liabilities		
Accounts receivable	(922)	(486)
Prepaids	(1,192)	(7,375)
Claims payable	187,470	15,104
Unearned revenue	37,899	(8,419)
Net cash flows from operating activities	$ (1,907,640)	$ (303,949)

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 280

Statement of Fiduciary Net Position
Fiduciary Funds
as of June 30, 2022

		Custodial Fund		Post-Employment Benefits Trust Fund
Assets				
Deposits	$	27,587	$	749,400
Investments held by trustee, at fair value				
State and local obligations		–		5,824,241
MNTrust Investment Shares Portfolio		–		36,698
U.S. Agency Securities		–		275,384
U.S. Treasuries		–		1,232,993
Accounts and interest receivable		–		70,457
Total assets		27,587		8,189,173
Liabilities				
Due to district		–		606,214
Net position				
Restricted for OPEB and scholarships	$	27,587	$	7,582,959

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

		Custodial Fund		Post-Employment Benefits Trust Fund
Additions				
Contributions				
Private donations	$	9,595	$	–
Investment earnings (charges)		36		(100,692)
Total additions		9,631		(100,692)
Deductions				
Benefits		–		606,214
Scholarships		6,050		–
Total deductions		6,050		606,214
Change in net position		3,581		(706,906)
Net position				
Beginning of year		24,006		8,289,865
End of year	$	27,587	$	7,582,959

See notes to basic financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Independent School District No. 280 (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a six-member School Board elected by the voters of the District. The District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

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

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

C. Government-Wide Financial Statement Presentation

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

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

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

Depreciation and amortization are included as direct expenses in the functional areas that utilize the related capital assets. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

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

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

1. **Revenue Recognition** – Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District generally considers revenues to be available if they are collected within 60 days after year-end. Grants and similar revenues are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to Minnesota Statutes. Proceeds of long-term debt and acquisitions under leases are reported as other financing sources.

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

Internal service funds are presented in the proprietary fund financial statements. Internal service funds account for the financing of goods or services provided by one department to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, the internal service funds are consolidated into the governmental column when presented in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity.

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

Fiduciary funds, such as the Custodial and Post-Employment Benefits Trust Funds, are presented in the fiduciary fund financial statements by type. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide financial statements.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Description of Funds

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

Major Governmental Funds

General Fund – The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects – Building Construction Fund – The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition or construction of major capital facilities authorized by bond issue or the long-term facilities maintenance program.

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

Nonmajor Governmental Funds

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

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

Proprietary Funds

Internal Service Funds – The District has established internal service funds to account for medical and dental benefits provided to employees as self-insured plans.

Fiduciary Funds

Custodial Fund – The Custodial Fund is used to account for scholarship activity administered by outside parties.

Post-Employment Benefits Trust Fund – The Post-Employment Benefits Trust Fund is used to administer assets held in an irrevocable trust to fund other post-employment benefits (OPEB) for eligible employees.

E. Budgetary Information

The School Board adopts an annual budget for all governmental funds on the same basis of accounting as the fund financial statements. Legal budgetary control is at the fund level. Budgeted expenditure appropriations lapse at year-end. Actual expenditures for the 2022 fiscal year exceeded budgeted appropriations by $1,977,323 in the General Fund, by $273,440 in the Community Service Special Revenue Fund, and by $220,825 in the Capital Projects – Building Construction Fund. These variances were financed by revenues in excess of budget, or available fund balances.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Cash and Temporary Investments

Cash and temporary investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund. Bond proceeds recorded in the Capital Projects – Building Construction Fund are not pooled, and earnings on these proceeds are allocated directly to the fund.

Cash and investments held by trustee include balances held in segregated accounts established for specific purposes. In the Post-Employment Benefits Trust Fund, these assets represent amounts contributed to an irrevocable trust established to finance the District's liability for post-employment insurance benefits. Earnings from all trust fund investments are allocated directly to the respective funds.

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

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

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

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

G. Receivables

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

H. Inventories

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

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are recorded as expenditures/expenses when consumed.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Property Taxes

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

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes $1,709,213 of the property tax levy collectible in 2022 as revenue to the District in fiscal year 2021–2022. The remaining portion of the taxes collectible in 2022 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

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

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

K. Capital Assets

Capital assets are capitalized at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated acquisition value at the date of donation. Leased capital assets are recorded based on the measurement of payments applicable to the lease term. Generally, the District defines capital assets as those with an initial, individual cost of $5,000 or more, which benefit more than one fiscal year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated/amortized using the straight-line method over their estimated useful lives. Since assets are generally sold for an immaterial amount or scrapped when declared as no longer fit or needed for public school purposes by the District, no salvage value is taken into consideration for depreciation/amortization purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment. Leased assets are amortized over the term of the lease or over the useful life of the applicable asset class previously described, if future ownership is anticipated. Land and construction in progress are not depreciated/amortized.

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

L. Interfund Balances

At June 30, 2022, the General Fund had a receivable of $606,214 due from the Post-Employment Benefits Trust Fund to reimburse OPEB costs paid from the General Fund.

Interfund balances reported in the fund financial statements are eliminated to the extent possible in the government-wide financial statements. However, balances due between the governmental funds and fiduciary funds are not eliminated.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Long-Term Obligations

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

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

N. Compensated Absences

Eligible employees accrue vacation and sick leave at varying rates as specified by contract, portions of which may be carried over to future years. Employees are reimbursed for any unused accrued vacation upon termination. Unused sick leave enters into the calculation of severance benefits for some employees upon termination. Compensated absences are accrued in the governmental fund financial statements only to the extent they have been used or otherwise matured prior to year-end. Unused vacation is accrued as it is earned in the government-wide financial statements.

O. Severance Benefits

The District provides lump sum severance benefits to eligible employees in accordance with provisions of certain collectively bargained contracts, calculated by converting a portion of an eligible employee's unused accumulated sick leave. Eligibility for these benefits is based on years of service and/or minimum age requirements. No individual can receive severance benefits that exceed one year's salary.

Severance pay based on convertible sick leave is recorded as a liability in the government-wide financial statements as it is earned and it becomes probable that it will vest at some point in the future. Severance pay is accrued in the governmental fund financial statements as the liability matures prior to year-end.

P. State-Wide Pension Plans

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Other Post-Employment Benefits (OPEB) Plan

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources, and OPEB expense, information about the fiduciary net position of the District's OPEB Plan and additions to/deductions from the District's fiduciary net position have been determined on the same basis as they are reported by the District. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and certain investments that have a maturity at the time of purchase of one year or less, which are reported at amortized cost.

R. Deferred Outflows/Inflows of Resources

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

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

The District reports deferred inflows of resources related to lease receivables, which requires lessors to recognize deferred inflows of resources to correspond to lease receivables in both the government-wide Statement of Net Position and the governmental funds Balance Sheet. These amounts are deferred and amortized in a systematic and rationale manner over the term of the lease.

The District reports deferred outflows and inflows of resources related to deferred charges or gains on debt refundings in the government-wide statement of net position. Deferred charges or gains on refundings results from the difference in the carrying value of refunded debt and its reacquisition price. These amounts are deferred and amortized over the shorter of the remaining life of the refunded debt or the refunding debt.

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

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

S. Use of Estimates

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

T. Risk Management

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

2. **Self-Insurance** – The District has established internal service funds to account for and finance its uninsured risk of loss for its employee medical and dental insurance plans. Under these plans, the internal service funds provide coverage to participating employees and their dependents for various healthcare and dental costs as described in the plans. The District makes premium payments to the internal service funds on behalf of program participants based on provisional rates determined by insurance company estimates of monthly claims paid for each coverage class, plus the stop-loss health and dental insurance premium costs and administrative service charges.

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

   Changes in the balance for health insurance claim liabilites for the last two years were as follows:

Fiscal Year Ended June 30,	Claims Payable Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments	Claims Payable End of Year
2021	$ 503,338	$ 7,314,396	$ 7,295,255	$ 522,479
2022	$ 522,479	$ 9,254,970	$ 9,068,500	$ 708,949

   Changes in the balance for dental insurance claim liabilites for the last two years were as follows:

Fiscal Year Ended June 30,	Claims Payable Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments	Claims Payable End of Year
2021	$ 16,162	$ 491,075	$ 495,112	$ 12,125
2022	$ 12,125	$ 543,124	$ 542,124	$ 13,125

U. Net Position

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

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

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

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

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

V. Fund Balance Classifications

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

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

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

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

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

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

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

When committed, assigned, or unassigned resources are available for use, it is the District's policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

W. Prior Period Comparative Financial Information/Reclassification

The basic financial statements include certain prior year partial comparative information in total, but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2021, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

X. Change in Accounting Principle

During the year ended June 30, 2022, the District implemented GASB Statement No. 87, *Leases.* This statement included major changes in recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Certain amounts necessary to fully restate fiscal year 2021 financial information are not determinable; therefore, prior year comparative amounts have not been restated. The implementation of this new GASB statement in the current year resulted in the District reporting a new lease receivable and deferred inflows of resources. Also, adjustments to capital assets and long-term liabilities were made, but did require a restatement of net position in the current year. See Note 3, Note 4, and Note 5 for additional details on this change in the current year.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

Cash and investments at year-end consist of the following:

Deposits	$ 778,000
Investments	42,482,490
Cash on hand	1,552
Total	$ 43,262,042

Cash and investments are presented in the financial statements as follows:

Government-Wide Statement of Net Position	
Cash and temporary investments	$ 35,115,739
Statement of Fiduciary Net Position	
Custodial Fund	27,587
Post-Employment Benefits Trust Fund	8,118,716
Total	$ 43,262,042

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Deposits

In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the School Board, including checking accounts, savings accounts, and nonnegotiable certificates of deposit. The following is considered the most significant risk associated with deposits:

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

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

At year-end, the carrying amount of the District's deposits was $778,000, while the balance on the bank records was $778,001. At June 30, 2022, all deposits were fully covered by federal deposit insurance, surety bonds, or by collateral held by the District's agent in the District's name.

C. Investments

The District has the following investments at year-end:

Investment Type	Credit Risk Rating	Credit Risk Agency	Fair Value Measurements Using	Investment Risk – Maturity Duration in Years: Less Than 1	1 to 5	Total
State and local bonds	AAA	S&P	Level 2	$ 3,274,774	$ –	$ 3,274,774
State and local bonds	AA	S&P	Level 2	$ –	$ 473,390	473,390
State and local bonds	Aa	Moody's	Level 2	$ 1,230,081	$ 845,996	2,076,077
Negotiable certificates of deposit	Not rated		Level 2	$ –	$ 722,551	722,551
U.S. agency securities	AA	S&P	Level 2	$ –	$ 275,384	275,384
U.S. treasuries	AA	S&P	Level 2	$ 1,117,418	$ 3,180,485	4,297,903
Investment pools/mutual funds						
MSDLAF – Liquid Class	AAA	S&P	Amortized Cost	No maturity date		131,004
MSDLAF – MAX Class	AAA	S&P	Amortized Cost	No maturity date		902
MNTrust Investment Shares Portfolio	AAA	S&P	Amortized Cost	No maturity date		14,459,014
MNTrust Full Flex	Not rated		Amortized Cost	No maturity date		15,271,491
MNTrust Term Series	Not rated		Amortized Cost	$ 1,500,000	$ –	1,500,000
Total investments						$ 42,482,490

The District's investments include external investment pools managed by Minnesota Trust (MNTrust) and the Minnesota School District Liquid Asset Fund (MSDLAF), which are regulated by Minnesota Statutes and not registered with the Securities and Exchange Commission. The District's investments in these investment pools are measured at the net asset value per share provided by the pools, which are based on amortized cost methods that approximate fair value.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

There are no restrictions or limitations on withdrawals from the MNTrust Investment Shares Portfolio or MSDLAF Liquid Class investment pools. Investments in the MSDLAF MAX Class must be deposited for a minimum of 14 calendar days with the exception of direct investments of funds distributed by the state of Minnesota. Withdrawals prior to the 14-day restriction period may be subject to a penalty and there is a 24-hour hold on all requests for redemptions. MNTrust Full Flex investments can be withdrawn weekly with one day advance notice. MNTrust Term Series Portfolios are intended to be held until maturity; a participant's withdrawal prior to maturity will require seven-days' notice of redemption and will likely carry a penalty, which could be substantial in that it would be intended to allow the Term Series Portfolio to recoup any associated penalties, charges, losses, or other costs associated with the early redemption of the investments therein.

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

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

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

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

Concentration Risk – This is the risk associated with investing a significant portion of the District's investments (considered 5.0 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The District's investment policy limits the percentage of its total portfolio invested in certain instruments as follows: bankers' acceptances (25.0 percent), commercial paper (85.0 percent), repurchase agreements (25.0 percent), certificates of deposit (50.0 percent from commercial banks and 50.0 percent from savings and loan associations), and local government investment pools (75.0 percent). At the end of the current fiscal year, 5.9 percent of the District's portfolio was invested in debt securities issued by Independent School District No. 281, Robbinsdale, Minnesota.

NOTE 3 – LEASES RECEIVABLE

The District has entered into two agreements to lease space on district property for cell towers. The leases are reported using an incremental interest rate of 5.00 percent with final maturities in fiscal 2033. During the current year, the District received principal and interest payments on these leases of $23,070.

NOTE 4 – CAPITAL ASSETS

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

	Balance – Beginning of Year	Change in Accounting Principle*	Additions	Deletions	Balance – End of Year
Capital assets, not depreciated/amortized					
Land	$ 349,265	$ –	$ –	$ –	$ 349,265
Construction in progress	115,907,048	–	–	(114,260,254)	1,646,794
Total capital assets, not depreciated/amortized	116,256,313	–	–	(114,260,254)	1,996,059
Capital assets, depreciated/amortized					
Land improvements	6,607,884	–	–	–	6,607,884
Buildings	90,026,844	–	122,438,775	–	212,465,619
Buildings – leased	–	1,930,120	–	–	1,930,120
Equipment	10,189,222	–	380,435	–	10,569,657
Total capital assets, depreciated/amortized	106,823,950	1,930,120	122,819,210	–	231,573,280
Less accumulated depreciation/amortization for					
Land improvements	(5,070,640)	–	(242,570)	–	(5,313,210)
Buildings	(56,613,242)	–	(5,610,547)	–	(62,223,789)
Buildings – leased	–	–	(160,843)	–	(160,843)
Equipment	(7,014,652)	–	(603,748)	–	(7,618,400)
Total accumulated depreciation/amortization	(68,698,534)	–	(6,617,708)	–	(75,316,242)
Net capital assets, depreciated/amortized	38,125,416	1,930,120	116,201,502	–	156,257,038
Total capital assets, net	$ 154,381,729	$ 1,930,120	$ 116,201,502	$(114,260,254)	$ 158,253,097

* The change in accounting principle was for new lease standard requirements in the current year.

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

Administration	$ 393
District support services	1,411
Elementary and secondary regular instruction	15,256
Vocational education instruction	481
Special education instruction	8,046
Instructional support services	54,866
Pupil support services	158,782
Sites and buildings	6,352,132
Food service	26,341
Total depreciation/amortization expense	$ 6,617,708

NOTE 5 – LONG-TERM LIABILITIES

A. General Obligation Bonds

The District currently has the following general obligation bonds outstanding:

Issue	Issue Date	Interest Rate	Face/Par Value	Final Maturity	Principal Outstanding
2016A Refunding Bonds	01/13/2016	2.00–5.00%	$ 4,880,000	02/01/2025	$ 2,580,000
2017A Taxable OPEB Refunding Bonds	02/09/2017	3.00%	$ 14,290,000	02/01/2027	9,900,000
2017B Alternative Facilities Refunding Bond	02/09/2017	3.00%	$ 6,130,000	02/01/2025	3,210,000
2018A School Building Bonds	03/01/2018	3.50–5.00%	$ 84,615,000	02/01/2043	84,615,000
2018B Facilities Maintenance Bonds	03/01/2018	2.00–5.00%	$ 31,545,000	02/01/2036	30,445,000
2021A Refunding Bonds	11/04/2021	5.00%	$ 2,230,000	02/01/2025	2,230,000
Total general obligation bonds					$ 132,980,000

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

The District issued $2,230,000 of G.O. Refunding Bonds to call the remaining maturities of its 2013A refunding bonds on February 1, 2022. The current refunding resulted in a reduction of future debt service payments of $85,456, which represents a net present value savings of $86,232.

B. Financed Purchases Payable

The District has entered into a number of agreements to finance the purchase of various capital assets. If the values of the individual assets acquired through the agreements exceed the District's capitalization threshold, the assets are reported in equipment at the amount financed noted below. All agreements are being paid by the General Fund. Financed purchase agreements outstanding at year-end are as follows:

Financed Purchase Description	Issue Date	Interest Rate	Amount Financed	Final Maturity	Principal Outstanding
Solar panels – Middle School	09/01/2012	4.00%	$ 33,490	09/01/2022	$ 1,142
Solar panels – High School	11/01/2012	4.00%	$ 33,940	11/01/2022	1,814
Solar panels – STEM School	08/01/2013	4.00%	$ 30,900	08/01/2023	4,391
Buses	07/12/2016	2.29%	$ 326,896	07/12/2023	98,742
Buses	11/01/2017	1.65%	$ 503,592	07/01/2024	221,721
Buses	07/15/2018	3.75%	$ 305,149	07/15/2025	183,928
Total financed purchases payable					$ 511,738

C. Lease Liability

The District is renting classroom space from Intermediate District No. 287 through a lease financing agreement. The total amount of the underlying lease asset is included by major asset class and the related amortization is presented in Note 4 to the basic financial statements. Any additional payments for common area maintenance costs are not included in the lease liability below. The lease will be repaid by the General Fund. At year-end, the District has the following lease liability outstanding:

Lease Description	Interest Rate	Lease Date	Final Maturity	Principal Outstanding
Intermediate District No. 287 space lease	5.30%	03/08/2007	10/01/2032	$ 1,781,177

NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

D. Minimum Debt Payments

Future principal and interest payments for general obligation bonds, financed purchases payable, and lease liability are as follows:

Year Ending June 30,	General Obligation Bonds Principal	General Obligation Bonds Interest	Financed Purchases Payable Principal	Financed Purchases Payable Interest	Lease Liability Principal	Lease Liability Interest
2023	$ 4,325,000	$ 4,950,283	$ 171,588	$ 12,955	$ 130,324	$ 93,639
2024	4,450,000	4,787,738	169,683	8,873	137,394	86,568
2025	4,585,000	4,648,037	121,916	4,815	144,849	79,114
2026	4,920,000	4,503,738	48,551	1,821	152,707	71,255
2027	5,140,000	4,295,437	–	–	160,992	62,970
2028–2032	28,940,000	18,105,288	–	–	945,850	173,962
2033–2037	34,010,000	12,429,887	–	–	109,061	2,919
2038–2042	38,125,000	5,774,825	–	–	–	–
2043	8,485,000	296,975	–	–	–	–
	$ 132,980,000	$ 59,792,208	$ 511,738	$ 28,464	$ 1,781,177	$ 570,427

E. Other Long-Term Liabilities

The District offers various benefits to its employees, including severance benefits, compensated absences, pensions, and OPEB, the details which are discussed elsewhere in these notes. Such benefits are paid from the General Fund and the Food Service and Community Service Special Revenue Funds. The District has also established a Post-Employment Benefits Trust Fund to finance OPEB obligations.

District employees participate in three defined benefit pension plans, including two state-wide, cost-sharing, multiple-employer plans administered by the PERA and the TRA, and a single-employer plan administered by the District. The following is a summary of the pension liabilities, deferred outflows and inflows of resources, and pension expense reported for these plans in the current year:

Pension Plans	Net/Total Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
State-wide, multiple-employer – PERA	$ 5,607,099	$ 4,331,105	$ 5,386,018	$ 83,597
State-wide, multiple-employer – TRA	21,238,179	11,549,654	40,310,271	162,567
Single employer – District	1,374,229	32,405	697,087	157,013
Total	$ 28,219,507	$ 15,913,164	$ 46,393,376	$ 403,177

F. Changes in Long-Term Liabilities

	June 30, 2021	Change in Accounting Principle*	Additions	Retirements	June 30, 2022	Due Within One Year
General obligation bonds	$ 137,400,000	$ –	$ 2,230,000	$ (6,650,000)	$ 132,980,000	$ 4,325,000
Premiums	4,175,012	–	234,411	(805,474)	3,603,949	–
Financed purchases payable	811,285	–	–	(299,547)	511,738	171,588
Lease liability	–	1,930,120	–	(148,943)	1,781,177	130,324
Net/total pension liability	45,565,329	–	5,364,793	(22,710,615)	28,219,507	78,405
Net OPEB Liability	9,372,064	–	914,226	(3,650,603)	6,635,687	–
Compensated absences	499,592	–	281,157	(499,592)	281,157	281,157
Severance benefits	2,862,519	–	–	(581,093)	2,281,426	213,162
	$ 200,685,801	$ 1,930,120	$ 9,024,587	$ (35,345,867)	$ 176,294,641	$ 5,199,636

* The change in accounting principle was for new lease standard requirements in the current year.

NOTE 6 – FUND BALANCES

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

A. Classifications

At June 30, 2022, a summary of the District's governmental fund balance classifications are as follows:

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Nonmajor Funds	Total
Nonspendable					
Inventory	$ 40,383	$ –	$ –	$ 35,176	$ 75,559
Prepaid items	29,513	–	–	–	29,513
Total nonspendable	69,896	–	–	35,176	105,072
Restricted					
Student activities	78,541	–	–	–	78,541
Scholarships	434,152	–	–	–	434,152
Capital projects levy	853,125	–	–	–	853,125
Operating capital	453,402	–	–	–	453,402
Area learning center	483,739	–	–	–	483,739
Basic skills extended time	410,666	–	–	–	410,666
Long-term facilities maintenance	741,403	–	–	–	741,403
Medical Assistance	75,469	–	–	–	75,469
Food service	–	–	–	1,134,398	1,134,398
Early childhood family education	–	–	–	28,338	28,338
School readiness	–	–	–	256,530	256,530
Community service	–	–	–	76,745	76,745
Capital projects	–	961,362	–	–	961,362
Debt service	–	–	1,875,658	–	1,875,658
Total restricted	3,530,497	961,362	1,875,658	1,496,011	7,863,528
Assigned					
Third party special education	335,054	–	–	–	335,054
Synthetic turf	377,403	–	–	–	377,403
Alternative compensation	98,402	–	–	–	98,402
School specific carryover	348,453	–	–	–	348,453
Program initiative	905,027	–	–	–	905,027
Enrollment	600,000	–	–	–	600,000
Future retirement	638,422	–	–	–	638,422
COVID-19	380,692	–	–	–	380,692
Food service donations	5,615	–	–	–	5,615
Subsequent year's budget	1,095,890	–	–	–	1,095,890
Total assigned	4,784,958	–	–	–	4,784,958
Unassigned					
Community education restricted account deficit	–	–	–	(73,878)	(73,878)
General Fund	10,954,234	–	–	–	10,954,234
Total unassigned	10,954,234	–	–	(73,878)	10,880,356
Total	$ 19,339,585	$ 961,362	$ 1,875,658	$ 1,457,309	$ 23,633,914

B. Minimum Unassigned Fund Balance Policy

The School Board has a formal fund balance policy of maintaining 4–10 percent of operating expenditures in unassigned General Fund reserves, with actions outlined for certain benchmarks in that range, chosen for contingency and sustainability purposes.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Descriptions

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

1. General Employees Retirement Fund (GERF)

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

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

2. Teachers Retirement Association (TRA)

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

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

B. Benefits Provided

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

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

1. GERF Benefits

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

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

2. TRA Benefits

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

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

Tier I Benefits

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

With these provisions:

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

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

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

Tier II Benefits

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

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

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

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

C. Contributions

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

1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Coordinated Plan members were required to contribute 6.5 percent of their annual covered salary in fiscal year 2022 and the District was required to contribute 7.5 percent for Coordinated Plan members. The District's contributions to the GERF for the year ended June 30, 2022, were $798,601. The District's contributions were equal to the required contributions as set by state statutes.

2. TRA Contributions

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

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

The District's contributions to the TRA for the plan's fiscal year ended June 30, 2022, were $2,565,499. The District's contributions were equal to the required contributions for each year as set by state statutes.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

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

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

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

D. Pension Costs

1. GERF Pension Costs

At June 30, 2022, the District reported a liability of $5,607,099 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the state of Minnesota's contribution of $16 million. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the District totaled $171,217. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021, relative to the total employer contributions received from all of the PERA's participating employers. The District's proportionate share was 0.1313 percent at the end of the measurement period and 0.1369 percent for the beginning of the period.

District's proportionate share of the net pension liability	$	5,607,099
State's proportionate share of the net pension liability associated with the District	$	171,217

For the year ended June 30, 2022, the District recognized pension expense of $69,783 for its proportionate share of the GERF's pension expense. In addition, the District recognized an additional $13,814 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's pension expense for the annual $16 million contribution.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 35,550	$ 172,440
Changes in actuarial assumptions	3,423,578	128,902
Net collective difference between projected and actual investment earnings on pension plan investments	–	4,832,868
Changes in proportion	73,376	251,808
District's contributions to the GERF subsequent to the measurement date	798,601	–
Total	$ 4,331,105	$ 5,386,018

The $798,601 reported as deferred outflows of resources related to pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2023	$ (267,007)
2024	$ (142,528)
2025	$ (119,501)
2026	$ (1,324,478)

2. TRA Pension Costs

At June 30, 2022, the District reported a liability of $21,238,179 for its proportionate share of the TRA's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the TRA in relation to total system contributions, including direct aid from the state of Minnesota, City of Minneapolis, and Minneapolis School District. The District's proportionate share was 0.4853 percent at the end of the measurement period and 0.4861 percent for the beginning of the period.

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

District's proportionate share of the net pension liability	$ 21,238,179
State's proportionate share of the net pension liability associated with the District	$ 1,791,101

For the year ended June 30, 2022, the District recognized pension expense of $182,622. It also recognized ($20,055) as a decrease to pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 576,172	$ 612,630
Changes in actuarial assumptions	7,783,029	19,267,378
Net collective difference between projected and actual investment earnings on pension plan investments	–	17,800,853
Changes in proportion	624,954	2,629,410
District's contributions to the TRA subsequent to the measurement date	2,565,499	–
Total	$ 11,549,654	$ 40,310,271

A total of $2,565,499 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2023	$ (15,619,012)
2024	$ (11,171,310)
2025	$ (2,580,260)
2026	$ (3,444,816)
2027	$ 1,489,282

E. Long-Term Expected Return on Investment

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

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

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

F. Actuarial Methods and Assumptions

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

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

1. GERF

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

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

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

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

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

2. TRA

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

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

The following changes in actuarial assumptions occurred in 2021:

1. **GERF**

   CHANGES IN ACTUARIAL ASSUMPTIONS

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

2. **TRA**

   CHANGES IN ACTUARIAL ASSUMPTIONS

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

G. Discount Rate

1. **GERF**

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

2. **TRA**

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

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

H. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
GERF discount rate	5.50%	6.50%	7.50%
District's proportionate share of the GERF net pension liability	$ 11,435,618	$ 5,607,099	$ 824,442
TRA discount rate	6.00%	7.00%	8.00%
District's proportionate share of the TRA net pension liability	$ 42,902,155	$ 21,238,179	$ 3,471,991

I. Pension Plan Fiduciary Net Position

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

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

NOTE 8 – DEFINED BENEFIT PENSION PLAN – DISTRICT

A. Plan Description

The District provides pension benefits to certain eligible employees through its Pension Benefits Plan, a single-employer defined benefit plan administered by the District. All pension benefits are based on contractual agreements with employee groups, with eligibility based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements. The plan does not issue a publicly available financial report. These benefits are as follows:

Teacher Pension Benefits – For eligible teachers (with at least 15 years of continuous service and at least 55 years of age), the District pays a lump sum pension benefit that ranges from $7,500 to $10,000, based on years of service at retirement. Eligible teachers can earn an additional lump sum benefit of $5,000 if they have unused sick leave of more than 150 days at retirement.

Other Pension Benefits – The District offers pension benefits to several other employee groups. Eligible employees (with at least 15 years of continuous service and at least 55 years of age) can earn a lump sum pension benefit that differs by bargaining unit, ranging from $3,500 up to 50 percent of their annual salary.

NOTE 8 – DEFINED BENEFIT PENSION PLAN – DISTRICT (CONTINUED)

B. Contributions and Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the District. The District's pay-as-you-go contributions for the benefits described above were $164,690 during the current year. The District has not established a trust fund to finance these pension benefits.

C. Membership

Membership in the plan consisted of 627 active plan members as of the latest actuarial valuation.

D. Actuarial Methods and Assumptions

The total pension liability was determined by an actuarial valuation date of July 1, 2021 and a measurement date as of June 30, 2022, using the entry-age method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.80%
20-year municipal bond yield	3.80%
Inflation rate	2.50%
Salary increases	Service graded table

Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables with MP-2020 Generational Improvement Scale. The actuarial assumptions used in the latest valuation were based on those used to value pension liabilities for Minnesota school district employees. The state pension plans base their assumptions on periodic experience studies.

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

CHANGES IN PLAN PROVISIONS

- Added a GASB No. 73 benefit equal to 40.00 percent of pay for employees who attain age 62 with 12 years of service as an administrator and are not eligible for the 50.00 percent of pay benefit.

CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale.
- Salary and withdrawal rates were updated to reflect the latest experience study.
- The discount rate was changed from 2.10 percent to 3.80 percent.

E. Discount Rate

The discount rate used to measure the pension liability was 3.80 percent. Since the plan is not funded, the discount rate is equal to the 20-year municipal bond rate, which was set by considering published rate information for 20-year high quality, tax-exempt, general obligation municipal bonds as of the measurement date. The discount rate was changed from 2.10 percent to 3.80 percent since the previous valuation.

F. Changes in the Total Pension Liability

	Total Pension Liability
Beginning balance – July 1, 2021	$ 1,443,829
Changes for the year	
Service cost	118,452
Interest	31,088
Assumption changes	(142,591)
Plan changes	87,772
Difference between expected and actual experience	369
Benefit payments – employer-financed	(164,690)
Total net changes	(69,600)
Ending balance – June 30, 2022	$ 1,374,229

G. Total Pension Liability Sensitivity to Discount Rate Changes

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

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
Pension discount rate	2.80%	3.80%	4.80%
Total pension liability	$ 1,457,632	$ 1,374,229	$ 1,292,731

H. Pension Expense and Related Deferred Outflows and Deferred Inflows of Resources

For the current year ended, the District recognized pension expense of $157,013, and at year-end reported the following deferred outflows and 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	$ 335	$ 546,557
Changes in actuarial assumptions	32,070	150,530
Total	$ 32,405	$ 697,087

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

Year Ending June 30,	Pension Expense Amount
2023	$ (80,299)
2024	$ (80,299)
2025	$ (80,299)
2026	$ (84,289)
2027	$ (80,299)
Thereafter	$ (259,197)

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

A. Plan Description

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

The District administers a defined benefit Post-Employment Benefits Trust Fund. The assets of the plan are reported in the District's financial report in the Post-Employment Benefits Trust Fund, established by the District to finance these obligations. The plan assets may be used only for the payment of benefits of the plan, in accordance with the terms of the plan. The plan does not issue a publicly available financial report.

B. Benefits Provided

All retirees of the District have the option under state law to continue their medical insurance coverage through the District from the time of retirement until the employee reaches the age of eligibility for Medicare. For members of certain employee groups hired before January 1, 2011, the District pays the eligible retiree's premiums for medical (single or family coverage premium at active employee rates), dental (single or family coverage premium at active employee rates), and/or life insurance (coverage to 2–3 times their basic annual salary to a maximum of $300,000), for some period after retirement. The length of the benefits to be paid by the District differ by bargaining unit, with some contracts specifying a number of months of coverage based on years of service (ranging from 48–120 months coverage for 15–30 years of continuous service), and some covering premium costs from the time of retirement until the employee reaches the age of eligibility for Medicare.

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

C. Contributions

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the District. The District's pay-as-you-go contributions for the benefits described above were $583,607 during the current year.

D. Membership

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

Retirees and beneficiaries receiving benefits	68
Active plan members	640
Total plan members	708

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

E. Net OPEB Liability of the District

The District's net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2021. The components of the net OPEB liability of the District at year-end were as follows:

Total OPEB liability	$ 14,218,646
Plan fiduciary net position	(7,582,959)
District's net OPEB liability	$ 6,635,687
Plan fiduciary net position as a percentage of the total OPEB liability	53.3%

F. Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial study with a valuation date as of July 1, 2021 and measurement date as of June 30, 2022, using the entry-age method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.80%
Expected long-term investment return	4.00% (net of investment expenses)
20-year municipal bond yield	3.80%
Inflation rate	2.50%
Salary increases	Service graded table
Medical trend rate	6.50% grading to 5.00% over 6 years, then 4.00% over the next 48 years
Dental trend rate	4.00%

Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables with MP-2020 Generational Improvement Scale. The actuarial assumptions used in the latest valuation were based on those used to value pension liabilities for Minnesota school district employees. The state pension plans base their assumptions on periodic experience studies.

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

CHANGES IN PLAN PROVISIONS

- Post-employment medical and dental subsidies were added for the current superintendent.

CHANGES IN ACTUARIAL ASSUMPTIONS

- Healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale.
- Salary and withdrawal rates were updated to reflect the latest experience study.
- The expected long-term investment rate was changed from 2.40 percent to 4.00 percent.
- The discount rate was changed from 2.10 percent to 3.80 percent.

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

The District's policy in regard to the allocation of invested assets is established and may be amended by the School Board by a majority vote of its members. It is the policy of the School Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes allowable under state statutes.

The long-term expected rate of return on OPEB Plan investments was set based on the plan's target investment allocation described below, along with long-term return expectations by asset class. When there is sufficient historical evidence of market outperformance, historical average returns may be considered.

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Cash	5.00 %	3.00 %
Fixed income	95.00	4.00 %
Total	100.00 %	4.00 %

G. Rate of Return

For the current year ended, the annual money-weighted rate of return on investments, net of investment expense, was negative 1.20 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

H. Discount Rate

The discount rate used to measure the total OPEB liability was 3.80 percent. The projection of cash flows used to determine the discount rate was determined by projecting forward the fiduciary net position (assets) as of the valuation date, increasing by the investment return assumption, and reducing by benefit payments in each period until assets are exhausted. Expected benefit payments by year were discounted using the expected asset return assumptions for the 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. The contribution and benefit payment history, as well as the funding policy, have also been taken into account. The discount rate was changed from 2.10 percent to 3.80 percent since the previous valuation.

I. Changes in the Net OPEB Liability

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Beginning balance – July 1, 2021	$ 17,661,929	$ 8,289,865	$ 9,372,064
Changes for the year			
Service cost	515,459	–	515,459
Interest	369,297	–	369,297
Assumption changes	(1,764,514)	–	(1,764,514)
Plan changes	29,470	–	29,470
Contributions – paid through governmental funds	–	583,607	(583,607)
Projected investment income	–	331,595	(331,595)
Difference between expected and actual experience	(1,403,174)	(432,287)	(970,887)
Benefit payments – paid through trust	(606,214)	(606,214)	–
Benefit payments – paid through governmental funds	(583,607)	(583,607)	–
Total net changes	(3,443,283)	(706,906)	(2,736,377)
Ending balance – June 30, 2022	$ 14,218,646	$ 7,582,959	$ 6,635,687

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

J. Net OPEB Liability Sensitivity to Discount and Healthcare Cost Trend Rate Changes

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 or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
Discount rate	2.80%	3.80%	4.80%
Net OPEB liability	$ 7,701,993	$ 6,635,687	$ 5,664,302

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

	1% Decrease in Healthcare Cost Trend Rate	Healthcare Cost Trend Rate	1% Increase in Healthcare Cost Trend Rate
Medical trend rate	5.50% decreasing to 4.00% then 3.00%	6.50% decreasing to 5.00% then 4.00%	7.50% decreasing to 6.00% then 5.00%
Dental trend rate	3.00%	4.00%	5.00%
Net OPEB liability	$ 5,220,314	$ 6,635,687	$ 8,287,941

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

For the current year ended, the District recognized negative OPEB expense of $964,166. As of year-end, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ –	$ 2,381,248
Changes in actuarial assumptions	512,668	2,144,358
Difference between projected and actual investment earnings	430,339	–
Total	$ 943,007	$ 4,525,606

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	OPEB Expense Amount
2023	$ (1,574,319)
2024	$ (522,352)
2025	$ (605,696)
2026	$ (352,289)
2027	$ (527,943)

NOTE 10 – FLEXIBLE BENEFIT PLAN

The District has established the Richfield Employees' Flex-Benefits Plan (the Plan). The Plan is a flexible benefit plan classified as a "cafeteria plan" under § 125 of the IRC. Eligible employees can elect to participate by contributing pretax dollars withheld from payroll checks to the Plan for health insurance, healthcare, and dependent care benefits. Payments are made from the Plan to participating employees upon submitting a request for reimbursement of eligible expenses actually incurred by the participant.

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

The employee portion of insurance premiums (health, dental, and disability) are withheld and paid by the District directly to the designated insurance companies. The dependent care and medical expense reimbursement portions of the Plan are administered by an independent contract administrator. All plan activity is accounted for in the General Fund and special revenue funds. All property of the Plan and income attributable to that property is solely the property of the District, subject to the claims of the District's general creditors. Participants' rights under the Plan are equal to those of general creditors of the District in an amount equal to the eligible healthcare and dependent care expenses incurred by the participants. The District believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

A. Legal Claims

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

B. Federal and State Receivables

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

NOTE 12 – SUBSEQUENT EVENT

In October 2022, the District approved the sale of $2,185,000 General Obligation School Building Bonds, Series 2022A. The bonds, which will be used on the completion of projects and remodeling, have an interest rate of 5.00 percent and a final maturity of February 1, 2028.

REQUIRED SUPPLEMENTARY INFORMATION

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

District Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.1533%	$ 7,201,266	$ –	$ 7,201,266	$ 8,045,286	89.51%	78.70%
06/30/2016	06/30/2015	0.1454%	$ 7,535,384	$ –	$ 7,535,384	$ 8,532,242	88.32%	78.20%
06/30/2017	06/30/2016	0.1337%	$ 10,855,777	$ 141,837	$ 10,997,614	$ 8,274,425	131.20%	68.90%
06/30/2018	06/30/2017	0.1289%	$ 8,228,891	$ 103,489	$ 8,332,380	$ 8,303,816	99.10%	75.90%
06/30/2019	06/30/2018	0.1330%	$ 7,378,295	$ 241,911	$ 7,620,206	$ 8,932,562	82.60%	79.50%
06/30/2020	06/30/2019	0.1355%	$ 7,491,491	$ 232,823	$ 7,724,314	$ 9,521,362	78.68%	80.20%
06/30/2021	06/30/2020	0.1369%	$ 8,207,781	$ 253,060	$ 8,460,841	$ 9,731,816	84.34%	79.10%
06/30/2022	06/30/2021	0.1313%	$ 5,607,099	$ 171,217	$ 5,778,316	$ 9,404,488	59.62%	87.00%

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

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	$ 630,341	$ 630,341	$ –	$ 8,532,242	7.39%
06/30/2016	$ 620,582	$ 620,582	$ –	$ 8,274,425	7.50%
06/30/2017	$ 622,899	$ 622,899	$ –	$ 8,303,816	7.50%
06/30/2018	$ 670,214	$ 670,214	$ –	$ 8,932,562	7.50%
06/30/2019	$ 715,561	$ 715,561	$ –	$ 9,521,362	7.52%
06/30/2020	$ 729,901	$ 729,901	$ –	$ 9,731,816	7.50%
06/30/2021	$ 705,335	$ 705,335	$ –	$ 9,404,488	7.50%
06/30/2022	$ 798,601	$ 798,601	$ –	$ 10,646,647	7.50%

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

INDEPENDENT SCHOOL DISTRICT NO. 280

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

District Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.5182%	$ 23,878,283	$ 1,679,943	$ 25,558,226	$ 23,658,854	100.93%	81.50%
06/30/2016	06/30/2015	0.4984%	$ 30,830,969	$ 3,781,486	$ 34,612,455	$ 25,326,686	121.73%	76.80%
06/30/2017	06/30/2016	0.5217%	$124,437,898	$ 12,491,078	$136,928,976	$ 27,134,182	458.60%	44.88%
06/30/2018	06/30/2017	0.4982%	$ 99,449,757	$ 9,614,203	$109,063,960	$ 26,824,890	370.74%	51.57%
06/30/2019	06/30/2018	0.4863%	$ 30,544,192	$ 2,869,778	$ 33,413,970	$ 26,855,892	113.73%	78.07%
06/30/2020	06/30/2019	0.5062%	$ 32,265,294	$ 2,855,396	$ 35,120,690	$ 28,743,799	112.25%	78.21%
06/30/2021	06/30/2020	0.4861%	$ 35,913,719	$ 3,009,465	$ 38,923,184	$ 28,250,668	127.13%	75.48%
06/30/2022	06/30/2021	0.4853%	$ 21,238,179	$ 1,791,101	$ 23,029,280	$ 29,038,274	73.14%	86.63%

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

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	$ 1,899,501	$ 1,899,501	$ –	$ 25,326,686	7.50%
06/30/2016	$ 2,035,062	$ 2,035,062	$ –	$ 27,134,182	7.50%
06/30/2017	$ 2,010,864	$ 2,010,864	$ –	$ 26,824,890	7.50%
06/30/2018	$ 2,014,735	$ 2,014,735	$ –	$ 26,855,892	7.50%
06/30/2019	$ 2,222,026	$ 2,222,026	$ –	$ 28,743,799	7.73%
06/30/2020	$ 2,236,945	$ 2,236,945	$ –	$ 28,250,668	7.92%
06/30/2021	$ 2,360,678	$ 2,360,678	$ –	$ 29,038,274	8.13%
06/30/2022	$ 2,565,499	$ 2,565,499	$ –	$ 30,759,818	8.34%

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

INDEPENDENT SCHOOL DISTRICT NO. 280

Pension Benefits Plan
Schedule of Changes in the District's Total
Pension Liability and Related Ratios
Year Ended June 30, 2022

	District Fiscal Year Ended June 30,					
	2017	2018	2019	2020	2021	2022
Total pension liability						
Service cost	$ 132,145	$ 88,783	$ 95,865	$ 117,330	$ 125,988	$ 118,452
Interest	72,669	71,782	50,886	49,064	34,314	31,088
Assumption changes	–	(2,494)	23,297	(26,634)	19,489	(142,591)
Plan changes	–	36,550	–	–	–	87,772
Difference between expected and actual experience	–	(669,205)	–	(185,271)	–	369
Benefit payments	(142,256)	(233,568)	(59,134)	(152,476)	(79,000)	(164,690)
Net change in total pension liability	62,558	(708,152)	110,914	(197,987)	100,791	(69,600)
Total pension liability						
Beginning of year	2,075,705	2,138,263	1,430,111	1,541,025	1,343,038	1,443,829
End of year	$ 2,138,263	$ 1,430,111	$ 1,541,025	$ 1,343,038	$ 1,443,829	$ 1,374,229
Covered-employee payroll	$32,571,794	$30,214,468	$31,120,902	$36,284,075	$37,372,597	$38,215,396
Total pension liability as a percentage of covered-employee payroll	6.56%	4.73%	4.95%	3.70%	3.86%	3.60%

Note 1: The District has not established a trust fund to finance its single-employer-related benefits.

Note 2: The District implemented GASB Statement No. 73 for the year ended June 30, 2017. The schedules within the RSI section require a 10-year presentation. Additional years will be added as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 280

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

	District Fiscal Year Ended June 30,					
	2017	2018	2019	2020	2021	2022
Total OPEB liability						
Service cost	$ 1,037,067	$ 715,483	$ 778,052	$ 740,487	$ 815,590	$ 515,459
Interest	790,623	803,777	603,253	553,907	434,307	369,297
Assumption changes	–	(502,988)	467,508	(1,180,205)	535,250	(1,764,514)
Plan changes	–	–	–	–	–	29,470
Difference between expected and actual experience	–	(5,845,737)	–	(475,304)	–	(1,403,174)
Benefit payments	(788,391)	(1,406,567)	(1,593,821)	(1,529,876)	(1,351,466)	(1,189,821)
Net change in total OPEB liability	1,039,299	(6,236,032)	254,992	(1,890,991)	433,681	(3,443,283)
Total OPEB liability						
Beginning of year	24,060,980	25,100,279	18,864,247	19,119,239	17,228,248	17,661,929
End of year	25,100,279	18,864,247	19,119,239	17,228,248	17,661,929	14,218,646
Plan fiduciary net position						
Contributions	475,081	489,232	1,094,928	713,791	654,380	583,607
Investment earnings	128,792	115,612	203,285	247,052	100,761	(100,692)
Benefit payments	(788,391)	(1,406,567)	(1,593,821)	(1,529,876)	(1,351,466)	(1,189,821)
Net change in plan fiduciary net position	(184,518)	(801,723)	(295,608)	(569,033)	(596,325)	(706,906)
Plan fiduciary net position						
Beginning of year	10,737,072	10,552,554	9,750,831	9,455,223	8,886,190	8,289,865
End of year	10,552,554	9,750,831	9,455,223	8,886,190	8,289,865	7,582,959
Net OPEB liability	$ 14,547,725	$ 9,113,416	$ 9,664,016	$ 8,342,058	$ 9,372,064	$ 6,635,687
Plan fiduciary net position as a percentage of the total OPEB liability	42.04%	51.69%	49.45%	51.58%	46.94%	53.33%
Covered-employee payroll	$ 32,754,693	$ 30,401,080	$ 31,313,113	$ 36,975,971	$ 38,085,250	$ 38,085,250
Net OPEB liability as a percentage of covered-employee payroll	44.41%	29.98%	30.86%	22.56%	24.61%	17.42%

Note: The District implemented GASB Statement Nos. 74 and 75 in fiscal 2017. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 280

Other Post-Employment Benefits Plan
Schedule of Investment Returns
Year Ended June 30, 2022

District Fiscal Year Ended June 30,	Annual Money-Weighted Rate of Return, Net of Investment Expense
2017	1.20 %
2018	1.10 %
2019	2.10 %
2020	2.60 %
2021	1.10 %
2022	(1.20) %

Note: The District implemented GASB Statement Nos. 74 and 75 in fiscal 2017. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

PERA – GENERAL EMPLOYEES RETIREMENT FUND

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2020 CHANGES IN PLAN PROVISIONS

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

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

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

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2019 CHANGES IN PLAN PROVISIONS

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

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN PLAN PROVISIONS

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

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2017 CHANGES IN PLAN PROVISIONS

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

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2015 CHANGES IN PLAN PROVISIONS

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

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

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

TEACHERS RETIREMENT ASSOCIATION (TRA)

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN PLAN PROVISIONS

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

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

TEACHERS RETIREMENT ASSOCIATION (TRA) (CONTINUED)

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2015 CHANGES IN PLAN PROVISIONS

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

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

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

PENSION BENEFITS PLAN

2022 CHANGES IN PLAN PROVISIONS

- Added a Governmental Accounting Standards Board Statement No. 73 benefit equal to 40.00 percent of pay for employees who attain age 62 with 12 years of service as an Administrator and are not eligible for the 50.00 percent of pay benefit.

2022 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale.
- Salary and withdrawal rates were updated to reflect the latest experience study.
- The discount rate was changed from 2.10 percent to 3.80 percent.

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00 percent per year for all employees, to rates which vary by service and contract group.
- The discount rate was changed from 3.10 percent to 2.40 percent.

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.40 percent to 3.10 percent.

2018 CHANGES IN PLAN PROVISIONS

- One retiree with a special agreement was paid a specified amount during the year.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale.

OTHER POST-EMPLOYMENT BENEFITS PLAN

2022 CHANGES IN PLAN PROVISIONS

- Post-employment medical and dental subsidies were added for the current superintendent.

2022 CHANGES IN ACTUARIAL ASSUMPTIONS

- Healthcare trend rates changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale.
- Salary and withdrawal rates were updated to reflect the latest experience study.
- The expected long-term investment rate was changed from 2.40 percent to 4.00 percent.
- The discount rate was changed from 2.10 percent to 3.80 percent.

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

- The expected long-term investment rate was changed from 2.90 percent to 2.40 percent.
- The discount rate was changed from 2.50 percent to 2.10 percent.

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- Healthcare trend rates changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00 percent per year for all employees, to rates which vary by service and contract group.
- The discount rate was changed from 2.90 percent to 2.50 percent.

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.20 percent to 2.90 percent.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- Healthcare trend rates changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Headcount-Weighted Mortality Tables (General, Teachers) with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Headcount-Weighted Mortality Tables (General, Teachers) with MP-2016 Generational Improvement Scale.

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SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 280

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

	Special Revenue Funds		
	Food Service	Community Service	Total
Assets			
Cash and temporary investments	$ 1,083,468	$ 537,025	$ 1,620,493
Receivables			
Current taxes	–	243,427	243,427
Delinquent taxes	–	3,820	3,820
Accounts and interest	625	2,454	3,079
Due from other governmental units	107,879	78,751	186,630
Inventory	35,176	–	35,176
Total assets	$ 1,227,148	$ 865,477	$ 2,092,625
Liabilities			
Salaries payable	$ 16,564	$ 35,959	$ 52,523
Accounts and contracts payable	13,511	10,369	23,880
Due to other governmental units	417	2,007	2,424
Unearned revenue	27,082	37,600	64,682
Total liabilities	57,574	85,935	143,509
Deferred inflows of resources			
Property taxes levied for subsequent year	–	488,001	488,001
Unavailable revenue – delinquent taxes	–	3,806	3,806
Total deferred inflows of resources	–	491,807	491,807
Fund balances (deficit)			
Nonspendable	35,176	–	35,176
Restricted	1,134,398	361,613	1,496,011
Unassigned	–	(73,878)	(73,878)
Total fund balances	1,169,574	287,735	1,457,309
Total liabilities, deferred inflows of resources, and fund balances	$ 1,227,148	$ 865,477	$ 2,092,625

INDEPENDENT SCHOOL DISTRICT NO. 280

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

	Special Revenue Funds		
	Food Service	Community Service	Total
Revenue			
Local sources			
Property taxes	$ –	$ 457,256	$ 457,256
Investment earnings (charges)	(301)	(433)	(734)
Other	67,301	854,132	921,433
State sources	101,229	758,572	859,801
Federal sources	3,525,152	6,383	3,531,535
Total revenue	3,693,381	2,075,910	5,769,291
Expenditures			
Current			
Food service	3,015,247	–	3,015,247
Community service	–	2,254,992	2,254,992
Capital outlay	31,495	–	31,495
Total expenditures	3,046,742	2,254,992	5,301,734
Excess (deficiency) of revenue over expenditures	646,639	(179,082)	467,557
Other financing sources			
Sale of capital assets	1,873	–	1,873
Net change in fund balances	648,512	(179,082)	469,430
Fund balances			
Beginning of year	521,062	466,817	987,879
End of year	$ 1,169,574	$ 287,735	$ 1,457,309

INDEPENDENT SCHOOL DISTRICT NO. 280

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

	2022	2021
Assets		
Cash and temporary investments	$ 19,858,230	$ 21,700,296
Receivables		
Current taxes	8,906,441	8,523,542
Delinquent taxes	137,506	125,650
Accounts and interest	435,391	66,202
Due from other governmental units	8,046,213	5,197,881
Due from OPEB trust	606,214	697,086
Leases	336,005	–
Inventory	40,383	41,968
Prepaid items	29,513	416,274
Total assets	$ 38,395,896	$ 36,768,899
Liabilities		
Salaries payable	$ 953,494	$ 495,252
Accounts and contracts payable	511,628	429,622
Due to other governmental units	973,359	701,848
Total liabilities	2,438,481	1,626,722
Deferred inflows of resources		
Lease revenue for subsequent years	336,005	–
Property taxes levied for subsequent year	16,144,444	15,399,020
Unavailable revenue – delinquent taxes	137,381	121,483
Total deferred inflows of resources	16,617,830	15,520,503
Fund balances		
Nonspendable for inventory	40,383	41,968
Nonspendable for prepaid items	29,513	416,274
Restricted for student activities	78,541	71,791
Restricted for scholarships	434,152	434,923
Restricted for capital projects levy	853,125	626,301
Restricted for operating capital	453,402	373,849
Restricted for area learning center	483,739	345,573
Restricted for basic skills extended time	410,666	427,074
Restricted for long-term facilities maintenance	741,403	1,734,360
Restricted for Medical Assistance	75,469	106,849
Assigned for third party special education	335,054	335,054
Assigned for synthetic turf	377,403	362,271
Assigned for alternative compensation	98,402	–
Assigned for carryover spending	–	258,424
Assigned for school specific carryover	348,453	141,501
Assigned for program initiative	905,027	905,027
Assigned for enrollment	600,000	600,000
Assigned for future retirement	638,422	638,422
Assigned for COVID-19	380,692	499,303
Assigned for food service donations	5,615	–
Assigned for subsequent year's budget	1,095,890	94,620
Unassigned	10,954,234	11,208,090
Total fund balances	19,339,585	19,621,674
Total liabilities, deferred inflows of resources, and fund balances	$ 38,395,896	$ 36,768,899

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

	2022			2021
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 17,137,896	$ 17,296,011	$ 158,115	$ 17,711,182
Investment earnings (charges)	22,500	(20,218)	(42,718)	57,517
Other	1,160,132	1,012,713	(147,419)	596,313
State sources	46,068,918	46,153,497	84,579	45,171,242
Federal sources	7,257,730	8,551,970	1,294,240	4,835,776
Total revenue	71,647,176	72,993,973	1,346,797	68,372,030
Expenditures				
Current				
Administration				
Salaries	1,897,469	1,856,750	(40,719)	1,763,232
Employee benefits	626,000	577,081	(48,919)	585,494
Purchased services	64,075	31,440	(32,635)	29,019
Supplies and materials	91,240	66,304	(24,936)	41,368
Capital expenditures	–	–	–	779
Other expenditures	96,539	43,081	(53,458)	54,703
Total administration	2,775,323	2,574,656	(200,667)	2,474,595
District support services				
Salaries	1,237,232	1,160,012	(77,220)	1,029,707
Employee benefits	479,913	464,947	(14,966)	424,956
Purchased services	578,581	514,221	(64,360)	533,611
Supplies and materials	372,000	461,876	89,876	359,931
Capital expenditures	5,500	2,297	(3,203)	400
Other expenditures	54,491	30,581	(23,910)	44,591
Total district support services	2,727,717	2,633,934	(93,783)	2,393,196
Elementary and secondary regular instruction				
Salaries	19,615,122	20,160,590	545,468	19,539,394
Employee benefits	7,051,928	7,063,006	11,078	6,930,387
Purchased services	1,889,489	2,089,749	200,260	1,425,509
Supplies and materials	963,228	694,182	(269,046)	670,985
Capital expenditures	14,437	13,113	(1,324)	30,871
Other expenditures	215,711	166,984	(48,727)	148,652
Total elementary and secondary regular instruction	29,749,915	30,187,624	437,709	28,745,798

(continued)

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

	2022			2021
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Vocational education instruction				
Salaries	551,435	548,626	(2,809)	307,434
Employee benefits	186,338	188,318	1,980	107,187
Purchased services	29,983	23,778	(6,205)	22,884
Supplies and materials	18,465	22,340	3,875	17,983
Other expenditures	1,500	2,124	624	1,893
Total vocational education instruction	787,721	785,186	(2,535)	457,381
Special education instruction				
Salaries	8,621,295	8,731,106	109,811	8,080,014
Employee benefits	3,055,836	3,013,096	(42,740)	2,811,313
Purchased services	898,830	700,039	(198,791)	713,545
Supplies and materials	143,961	137,205	(6,756)	88,898
Other expenditures	52,090	48,483	(3,607)	50,240
Total special education instruction	12,772,012	12,629,929	(142,083)	11,744,010
Instructional support services				
Salaries	2,267,053	2,285,642	18,589	1,900,690
Employee benefits	761,403	727,252	(34,151)	637,592
Purchased services	343,908	324,237	(19,671)	380,684
Supplies and materials	1,112,642	1,259,653	147,011	1,101,754
Capital expenditures	587,500	525,033	(62,467)	515,953
Other expenditures	266,205	239,040	(27,165)	14,397
Total instructional support services	5,338,711	5,360,857	22,146	4,551,070
Pupil support services				
Salaries	3,444,431	3,456,487	12,056	2,915,631
Employee benefits	1,249,726	1,212,499	(37,227)	1,077,592
Purchased services	2,227,481	4,490,563	2,263,082	1,793,706
Supplies and materials	261,230	313,890	52,660	163,221
Capital expenditures	605,915	495,564	(110,351)	526,799
Other expenditures	17,917	15,232	(2,685)	12,301
Total pupil support services	7,806,700	9,984,235	2,177,535	6,489,250

(continued)

INDEPENDENT SCHOOL DISTRICT NO. 280

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

	2022			2021
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Sites and buildings				
Salaries	2,031,878	2,085,374	53,496	1,859,245
Employee benefits	802,684	828,130	25,446	736,537
Purchased services	2,880,018	3,060,463	180,445	2,872,405
Supplies and materials	382,820	400,084	17,264	587,913
Capital expenditures	1,942,719	1,871,193	(71,526)	1,704,067
Other expenditures	13,752	6,115	(7,637)	5,702
Total sites and buildings	8,053,871	8,251,359	197,488	7,765,869
Fiscal and other fixed cost programs				
Purchased services	239,330	341,421	102,091	290,499
Other expenditures	47,120	25,062	(22,058)	34,100
Total fiscal and other fixed cost programs	286,450	366,483	80,033	324,599
Debt service				
Principal	996,505	448,490	(548,015)	317,413
Interest and fiscal charges	47,318	96,813	49,495	31,044
Total debt service	1,043,823	545,303	(498,520)	348,457
Total expenditures	71,342,243	73,319,566	1,977,323	65,294,225
Excess (deficiency) of revenue over expenditures	304,933	(325,593)	(630,526)	3,077,805
Other financing sources				
Insurance recovery	73,710	40,493	(33,217)	331,362
Sale of capital assets	29,200	3,011	(26,189)	14,756
Total other financing sources	102,910	43,504	(59,406)	346,118
Net change in fund balances	$ 407,843	(282,089)	$ (689,932)	3,423,923
Fund balances				
Beginning of year		19,621,674		16,197,751
End of year		$ 19,339,585		$ 19,621,674

INDEPENDENT SCHOOL DISTRICT NO. 280

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

	2022	2021
Assets		
Cash and temporary investments	$ 1,083,468	$ 161,706
Receivables		
Due from other governmental units	107,879	384,379
Accounts and interest	625	–
Inventory	35,176	44,353
Prepaid items	–	1,260
Total assets	$ 1,227,148	$ 591,698
Liabilities		
Salaries payable	$ 16,564	$ 19,567
Accounts and contracts payable	13,511	21,766
Due to other governmental units	417	398
Unearned revenue	27,082	28,905
Total liabilities	57,574	70,636
Fund balances		
Nonspendable for inventory	35,176	44,353
Nonspendable for prepaid items	–	1,260
Restricted for food service	1,134,398	475,449
Total fund balances	1,169,574	521,062
Total liabilities and fund balances	$ 1,227,148	$ 591,698

INDEPENDENT SCHOOL DISTRICT NO. 280

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

	2022			2021
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings (charges)	$ 200	$ (301)	$ (501)	$ 537
Other – primarily meal sales	109,700	67,301	(42,399)	34,358
State sources	25,000	101,229	76,229	–
Federal sources	3,074,806	3,525,152	450,346	2,578,319
Total revenue	3,209,706	3,693,381	483,675	2,613,214
Expenditures				
Current				
Salaries	968,200	1,032,523	64,323	869,165
Employee benefits	377,531	403,668	26,137	350,092
Purchased services	93,454	66,713	(26,741)	48,818
Supplies and materials	1,502,354	1,501,739	(615)	1,056,623
Other expenditures	14,330	10,604	(3,726)	4,962
Capital outlay	182,150	31,495	(150,655)	–
Total expenditures	3,138,019	3,046,742	(91,277)	2,329,660
Excess of revenue over expenditures	71,687	646,639	574,952	283,554
Other financing sources				
Sale of capital assets	1,000	1,873	873	–
Net change in fund balances	$ 72,687	648,512	$ 575,825	283,554
Fund balances				
Beginning of year		521,062		237,508
End of year		$ 1,169,574		$ 521,062

INDEPENDENT SCHOOL DISTRICT NO. 280

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

	2022	2021
Assets		
Cash and temporary investments	$ 537,025	$ 660,838
Receivables		
Current taxes	243,427	231,948
Delinquent taxes	3,820	3,538
Accounts and interest	2,454	6,178
Due from other governmental units	78,751	78,243
Total assets	$ 865,477	$ 980,745
Liabilities		
Salaries payable	$ 35,959	$ 30,382
Accounts and contracts payable	10,369	10,481
Due to other governmental units	2,007	7,395
Unearned revenue	37,600	–
Total liabilities	85,935	48,258
Deferred inflows of resources		
Property taxes levied for subsequent year	488,001	462,275
Unavailable revenue – delinquent taxes	3,806	3,395
Total deferred inflows of resources	491,807	465,670
Fund balances (deficit)		
Restricted for early childhood family education	28,338	131,942
Restricted for school readiness	256,530	325,764
Restricted for community service	76,745	135,956
Unassigned – community education restricted account deficit	(73,878)	(126,845)
Total fund balances	287,735	466,817
Total liabilities, deferred inflows of resources, and fund balances	$ 865,477	$ 980,745

INDEPENDENT SCHOOL DISTRICT NO. 280

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

	2022			2021
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 518,938	$ 457,256	$ (61,682)	$ 471,739
Investment earnings (charges)	5,000	(433)	(5,433)	2,106
Other – primarily tuition and fees	744,275	854,132	109,857	578,814
State sources	804,396	758,572	(45,824)	773,665
Federal sources	6,392	6,383	(9)	65,969
Total revenue	2,079,001	2,075,910	(3,091)	1,892,293
Expenditures				
Current				
Salaries	1,180,324	1,319,687	139,363	1,101,133
Employee benefits	404,557	451,855	47,298	388,196
Purchased services	302,471	384,927	82,456	440,060
Supplies and materials	87,114	95,982	8,868	87,770
Other expenditures	7,086	2,541	(4,545)	8,882
Capital outlay	–	–	–	94
Total expenditures	1,981,552	2,254,992	273,440	2,026,135
Net change in fund balances	$ 97,449	(179,082)	$ (276,531)	(133,842)
Fund balances				
Beginning of year		466,817		600,659
End of year		$ 287,735		$ 466,817

INDEPENDENT SCHOOL DISTRICT NO. 280

Capital Projects – Building Construction Fund
Comparative Balance Sheet
as of June 30, 2022 and 2021

	2022	2021
Assets		
Cash and temporary investments	$ 1,850,123	$ 12,575,064
Receivables		
Accounts and interest	–	64,123
Total assets	$ 1,850,123	$ 12,639,187
Liabilities		
Accounts and contracts payable	$ 888,761	$ 3,918,271
Fund balances		
Restricted for long-term facilities maintenance	–	4,185,050
Restricted for capital projects	961,362	4,535,866
Total fund balances	961,362	8,720,916
Total liabilities and fund balances	$ 1,850,123	$ 12,639,187

INDEPENDENT SCHOOL DISTRICT NO. 280

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

	2022			2021
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	$ 3,500	$ 6,923	$ 3,423	$ 232,886
Other	–	50,000	50,000	–
Total revenue	3,500	56,923	53,423	232,886
Expenditures				
Capital outlay				
Salaries	40,139	65,101	24,962	51,641
Employee benefits	15,277	20,907	5,630	20,279
Purchased services	427,407	471,458	44,051	1,751,542
Capital expenditures	7,112,829	7,259,011	146,182	33,619,064
Total expenditures	7,595,652	7,816,477	220,825	35,442,526
Net change in fund balances	$ (7,592,152)	(7,759,554)	$ (167,402)	(35,209,640)
Fund balances				
Beginning of year		8,720,916		43,930,556
End of year		$ 961,362		$ 8,720,916

Debt Service Fund
Comparative Balance Sheet
as of June 30, 2022
(With Comparative Totals as of June 30, 2021)

	Regular Debt Service Account	OPEB Debt Service Account	Totals 2022	Totals 2021
Assets				
Cash and temporary investments	$ 5,186,848	$ 1,397,618	$ 6,584,466	$ 6,621,460
Receivables				
Current taxes	3,648,978	1,037,133	4,686,111	4,639,365
Delinquent taxes	60,865	12,647	73,512	65,554
Total assets	$ 8,896,691	$ 2,447,398	$ 11,344,089	$ 11,326,379
Deferred inflows of resources				
Property taxes levied for subsequent year	$ 7,315,164	$ 2,079,157	$ 9,394,321	$ 9,246,303
Unavailable revenue – delinquent taxes	60,832	13,278	74,110	63,260
Total deferred inflows of resources	7,375,996	2,092,435	9,468,431	9,309,563
Fund balances				
Restricted for debt service	1,520,695	354,963	1,875,658	2,016,816
Total deferred inflows of resources and fund balances	$ 8,896,691	$ 2,447,398	$ 11,344,089	$ 11,326,379

INDEPENDENT SCHOOL DISTRICT NO. 280

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

	2022					2021
		Actual				
	Budget	Regular Debt Service Account	OPEB Debt Service Account	Total	Over (Under) Budget	Actual
Revenue						
Local sources						
Property taxes	$ 9,245,222	$ 7,068,725	$ 2,074,784	$ 9,143,509	$ (101,713)	$ 9,762,301
Investment earnings (charges)	10,000	(1,705)	–	(1,705)	(11,705)	8,107
Total revenue	9,255,222	7,067,020	2,074,784	9,141,804	(113,418)	9,770,408
Expenditures						
Debt service						
Principal	4,235,000	2,550,000	1,685,000	4,235,000	–	4,075,000
Interest	5,042,588	4,695,038	347,550	5,042,588	–	5,187,286
Fiscal charges and other	54,912	54,310	475	54,785	(127)	6,425
Total expenditures	9,332,500	7,299,348	2,033,025	9,332,373	(127)	9,268,711
Excess (deficiency) of revenue over expenditures	(77,278)	(232,328)	41,759	(190,569)	(113,291)	501,697
Other financing sources (uses)						
Refunding bond issuance	2,230,000	2,230,000	–	2,230,000	–	–
Premium on bond issuance	234,411	234,411	–	234,411	–	–
Paid to refunding escrow	(2,415,000)	(2,415,000)	–	(2,415,000)	–	–
Total other financing sources (uses)	49,411	49,411	–	49,411	–	–
Net change in fund balances	$ (27,867)	(182,917)	41,759	(141,158)	$ (113,291)	501,697
Fund balances						
Beginning of year		1,703,612	313,204	2,016,816		1,515,119
End of year		$ 1,520,695	$ 354,963	$ 1,875,658		$ 2,016,816

INDEPENDENT SCHOOL DISTRICT NO. 280

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

	Medical Benefits Self-Insurance	Dental Benefits Self-Insurance	Totals 2022	Totals 2021
Assets				
Current assets				
Cash and temporary investments	$ 5,060,804	$ 141,623	$ 5,202,427	$ 7,113,635
Receivables				
Accounts	6,459	4,440	10,899	9,977
Prepaid items	8,567	–	8,567	7,375
Total current assets	5,075,830	146,063	5,221,893	7,130,987
Liabilities				
Current liabilities				
Claims payable	708,949	13,125	722,074	534,604
Unearned revenue	902,403	48,696	951,099	913,200
Total current liabilities	1,611,352	61,821	1,673,173	1,447,804
Net position				
Unrestricted	$ 3,464,478	$ 84,242	$ 3,548,720	$ 5,683,183

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

	Medical Benefits Self-Insurance	Dental Benefits Self-Insurance	Totals 2022	Totals 2021
Operating revenue				
Contributions from governmental funds	$ 7,153,001	$ 514,198	$ 7,667,199	$ 7,502,698
Operating expenses				
Medical benefit claims	9,254,970	–	9,254,970	7,314,396
Dental benefit claims	–	543,124	543,124	491,075
Total operating expenses	9,254,970	543,124	9,798,094	7,805,471
Operating income (loss)	(2,101,969)	(28,926)	(2,130,895)	(302,773)
Nonoperating revenue				
Investment earnings (charges)	(3,490)	(78)	(3,568)	18,355
Change in net position	(2,105,459)	(29,004)	(2,134,463)	(284,418)
Net position				
Beginning of year	5,569,937	113,246	5,683,183	5,967,601
End of year	$ 3,464,478	$ 84,242	$ 3,548,720	$ 5,683,183

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

	Medical Benefits Self-Insurance	Dental Benefits Self-Insurance	Totals 2022	Totals 2021
Cash flows from operating activities				
Contributions from governmental funds	$ 7,192,452	$ 510,532	$ 7,702,984	$ 7,486,418
Payments for medical claims	(9,068,500)	–	(9,068,500)	(7,295,255)
Payments for dental claims	–	(542,124)	(542,124)	(495,112)
Net cash flows from operating activities	(1,876,048)	(31,592)	(1,907,640)	(303,949)
Cash flows from investing activities				
Investment income received (charged)	(3,490)	(78)	(3,568)	18,355
Net change in cash and cash equivalents	(1,879,538)	(31,670)	(1,911,208)	(285,594)
Cash and cash equivalents				
Beginning of year	6,940,342	173,293	7,113,635	7,399,229
End of year	$ 5,060,804	$ 141,623	$ 5,202,427	$ 7,113,635
Reconciliation of operating income (loss) to net cash flows from operating activities				
Operating income (loss)	$ (2,101,969)	$ (28,926)	$ (2,130,895)	$ (302,773)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities				
Changes in assets and liabilities				
Accounts receivable	(1,641)	719	(922)	(486)
Prepaid items	(1,192)	–	(1,192)	(7,375)
Claims payable	186,470	1,000	187,470	15,104
Unearned revenue	42,284	(4,385)	37,899	(8,419)
Net cash flows from operating activities	$ (1,876,048)	$ (31,592)	$ (1,907,640)	$ (303,949)

OTHER DISTRICT INFORMATION

(UNAUDITED)

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INDEPENDENT SCHOOL DISTRICT NO. 280

Government-Wide Revenue by Type
Last Ten Fiscal Years

	Program Revenues		General Revenues			
Year Ended June 30,	Charges for Services	Operating Grants and Contributions	Property Taxes	General Grants and Aids	Investment Earnings and Other	Total
2013	$ 1,424,268	$ 9,746,687	$ 16,830,692	$ 33,166,877	$ 1,332,852	$ 62,501,376
	2.3%	15.6%	26.9%	53.1%	2.1%	100.0%
2014	1,583,759	10,968,097	13,361,381	39,261,648	1,060,054	66,234,939
	2.4%	16.6%	20.2%	59.3%	1.5%	100.0%
2015	1,381,895	10,858,507	18,478,774	36,866,254	987,311	68,572,741
	2.0%	15.8%	26.9%	53.8%	1.5%	100.0%
2016	1,584,189	12,316,562	18,231,651	37,777,017	1,245,057	71,154,476
	2.2%	17.3%	25.6%	53.1%	1.8%	100.0%
2017	1,560,266	12,880,552	18,795,154	39,625,932	932,227	73,794,131
	2.1%	17.4%	25.5%	53.7%	1.3%	100.0%
2018	1,833,335	12,985,765	18,537,869	38,449,108	1,538,817	73,344,894
	2.5%	17.7%	25.3%	52.4%	2.1%	100.0%
2019	1,731,697	13,055,457	26,504,457	36,127,245	4,320,055	81,738,911
	2.1%	16.0%	32.4%	44.2%	5.3%	100.0%
2020	1,492,769	13,785,794	27,653,830	37,922,927	3,203,835	84,059,155
	1.8%	16.4%	32.9%	45.1%	3.8%	100.0%
2021	1,068,091	16,364,623	27,990,914	36,678,555	1,276,472	83,378,655
	1.3%	19.6%	33.6%	44.0%	1.5%	100.0%
2022	1,200,022	22,080,765	26,923,935	36,606,587	992,647	87,803,956
	1.4%	25.1%	30.7%	41.7%	1.1%	100.0%

Note: The impact of legislative changes to the “tax shift” on the amount of tax revenue recognized were particularly significant in fiscal year 2014. These changes were offset by equal adjustments to state aid payments.

Government-Wide Expenses by Program
Last Ten Fiscal Years

Year Ended June 30,	Administration	District Support Services	Elementary and Secondary Regular Instruction	Vocational Education Instruction	Special Education Instruction	Instructional Support Services	Pupil Support Services
2013	$ 2,463,144	$ 1,344,273	$ 26,204,800	$ 552,076	$ 10,325,009	$ 1,315,674	$ 5,014,798
	3.9%	2.1%	41.5%	0.9%	16.3%	2.1%	7.9%
2014	2,704,943	1,367,285	26,209,555	523,544	10,709,470	2,665,280	5,612,101
	4.2%	2.1%	40.5%	0.8%	16.5%	4.1%	8.7%
2015	2,780,256	1,350,886	27,446,721	439,443	11,177,578	2,855,239	5,511,201
	4.2%	2.0%	41.0%	0.7%	16.7%	4.3%	8.2%
2016	2,441,557	1,879,857	28,500,351	499,839	12,410,065	5,673,182	5,619,303
	3.4%	2.6%	39.3%	0.7%	17.1%	7.8%	7.7%
2017	3,205,654	1,941,718	40,383,383	453,790	15,977,707	3,615,236	6,640,241
	3.7%	2.2%	46.1%	0.5%	18.2%	4.1%	7.6%
2018	3,226,510	2,209,014	35,798,892	537,777	15,041,531	3,927,678	6,395,379
	3.8%	2.6%	42.2%	0.6%	17.7%	4.6%	7.6%
2019	1,921,888	2,038,601	18,949,610	333,061	8,264,835	2,987,518	5,556,435
	3.3%	3.5%	32.6%	0.6%	14.2%	5.1%	9.6%
2020	2,926,141	2,157,245	29,846,895	466,338	12,729,667	3,858,263	6,280,289
	3.8%	2.8%	38.6%	0.6%	16.5%	5.0%	8.1%
2021	2,514,812	2,376,927	30,942,132	480,947	12,223,647	4,676,005	6,202,568
	3.2%	3.0%	39.0%	0.6%	15.4%	5.9%	7.8%
2022	2,190,166	2,545,834	28,224,658	765,380	12,065,196	5,255,569	9,689,308
	2.6%	3.0%	33.1%	0.9%	14.2%	6.2%	11.4%

Note: The District began allocating all depreciation to the applicable program areas in 2020, thereby eliminating unallocated depreciation.

Sites and Buildings	Fiscal and Other Fixed Cost Programs	Food Service	Community Service	Unallocated Depreciation	Interest and Fiscal Charges	Total
$ 6,654,356	$ 251,815	$ 2,086,777	$ 1,245,474	$ 3,219,889	$ 2,483,173	$ 63,161,258
10.5%	0.4%	3.3%	2.0%	5.1%	4.0%	100.0%
5,136,435	279,042	2,372,816	1,335,512	3,296,138	2,577,800	64,789,921
7.9%	0.4%	3.7%	2.1%	5.1%	3.9%	100.0%
6,124,862	318,428	2,390,570	1,344,766	3,246,459	1,957,346	66,943,755
9.1%	0.5%	3.6%	2.0%	4.8%	2.9%	100.0%
5,901,471	268,482	2,675,729	1,519,388	3,234,815	1,903,059	72,527,098
8.1%	0.4%	3.7%	2.1%	4.5%	2.6%	100.0%
5,733,901	248,327	2,771,245	1,668,349	3,235,338	1,766,334	87,641,223
6.5%	0.3%	3.2%	1.9%	3.7%	2.0%	100.0%
7,243,559	233,841	2,645,759	1,703,165	3,253,593	2,578,471	84,795,169
8.6%	0.3%	3.1%	2.0%	3.8%	3.1%	100.0%
5,757,551	223,275	2,657,883	1,454,964	3,284,068	4,687,319	58,117,008
9.9%	0.4%	4.6%	2.5%	5.6%	8.1%	100.0%
8,695,645	271,303	2,887,952	1,938,043	–	5,283,250	77,341,031
11.2%	0.4%	3.7%	2.5%	–	6.8%	100.0%
10,568,828	324,599	2,330,987	2,017,178	–	4,777,164	79,435,794
13.3%	0.4%	2.9%	2.5%	–	6.0%	100.0%
14,073,778	366,483	3,018,108	2,190,865	–	4,757,781	85,143,126
16.5%	0.4%	3.5%	2.6%	–	5.6%	100.0%

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INDEPENDENT SCHOOL DISTRICT NO. 280

General Fund Revenue by Source
Last Ten Fiscal Years

Year Ended June 30,	Local Property Tax Levies	State Revenue	Federal Revenue	Other Local and Miscellaneous	Total
2013	$ 11,353,435	$ 38,123,440	$ 2,391,684	$ 2,088,697	$ 53,957,256
	21.0%	70.7%	4.4%	3.9%	100.0%
2014	7,594,508	44,992,848	2,671,161	1,837,042	57,095,559
	13.3%	78.8%	4.7%	3.2%	100.0%
2015	12,429,665	42,796,472	2,268,868	1,667,896	59,162,901
	21.0%	72.3%	3.8%	2.9%	100.0%
2016	12,969,947	45,073,735	2,051,552	2,048,208	62,143,442
	20.9%	72.5%	3.3%	3.3%	100.0%
2017	13,422,904	45,677,476	2,083,704	1,592,465	62,776,549
	21.4%	72.8%	3.3%	2.5%	100.0%
2018	13,100,376	46,142,115	2,251,487	1,533,633	63,027,611
	20.8%	73.2%	3.6%	2.4%	100.0%
2019	16,524,052	46,183,093	2,098,367	1,528,684	66,334,196
	24.9%	69.6%	3.2%	2.3%	100.0%
2020	18,018,703	45,674,571	2,834,496	1,390,374	67,918,144
	26.5%	67.3%	4.2%	2.0%	100.0%
2021	17,711,182	45,171,242	4,835,776	653,830	68,372,030
	25.9%	66.0%	7.1%	1.0%	100.0%
2022	17,296,011	46,153,497	8,551,970	992,495	72,993,973
	23.7%	63.2%	11.7%	1.4%	100.0%

Note: The impact of legislative changes to the "tax shift" on the amount of tax revenue recognized were particularly significant in fiscal year 2014. These changes were offset by equal adjustments to state aid payments.

INDEPENDENT SCHOOL DISTRICT NO. 280

General Fund Expenditures by Program
Last Ten Fiscal Years

Year Ended June 30,	Administration	District Support Services	Elementary and Secondary Regular Instruction	Vocational Education Instruction	Special Education Instruction
2013	$ 2,352,202	$ 1,333,360	$ 25,418,747	$ 531,952	$ 10,195,144
	4.3%	2.4%	46.3%	1.0%	18.6%
2014	2,485,240	1,322,189	25,989,323	506,708	10,657,828
	4.4%	2.4%	46.3%	0.9%	19.0%
2015	2,562,193	1,307,061	27,005,565	417,657	11,046,981
	4.4%	2.3%	46.6%	0.7%	19.1%
2016	2,531,424	1,868,531	27,838,034	484,356	12,232,161
	3.9%	2.9%	43.4%	0.8%	19.1%
2017	2,472,656	1,890,917	28,685,536	295,009	11,519,037
	4.0%	3.1%	46.5%	0.5%	18.7%
2018	2,690,786	2,282,534	26,702,012	439,099	11,823,370
	4.3%	3.7%	43.1%	0.7%	19.1%
2019	2,689,891	2,138,021	29,180,561	473,959	12,129,556
	4.2%	3.3%	45.2%	0.7%	18.8%
2020	2,773,580	2,214,339	28,172,567	446,106	12,252,919
	4.4%	3.5%	44.4%	0.7%	19.3%
2021	2,474,595	2,393,196	28,745,798	457,381	11,744,010
	3.8%	3.7%	44.0%	0.7%	18.0%
2022	2,574,656	2,633,934	30,187,624	785,186	12,629,929
	3.5%	3.6%	41.2%	1.1%	17.2%

Instructional Support Services		Pupil Support Services		Sites and Buildings		Other		Total	
$	1,255,126	$	5,096,974	$	7,905,507	$	847,840	$	54,936,852
	2.3%		9.3%		14.4%		1.4%		100.0%
	2,633,320		5,470,787		6,160,962		935,255		56,161,612
	4.7%		9.7%		11.0%		1.6%		100.0%
	2,816,864		5,537,272		6,402,196		886,727		57,982,516
	4.9%		9.5%		11.0%		1.5%		100.0%
	5,628,717		5,650,890		6,396,910		1,557,185		64,188,208
	8.8%		8.8%		10.0%		2.3%		100.0%
	2,935,556		6,107,461		6,221,688		1,555,329		61,683,189
	4.8%		9.9%		10.1%		2.4%		100.0%
	3,349,715		6,333,655		6,872,773		1,498,822		61,992,766
	5.4%		10.2%		11.1%		2.4%		100.0%
	3,756,365		6,313,381		6,458,926		1,456,153		64,596,813
	5.8%		9.8%		10.0%		2.2%		100.0%
	3,983,311		6,341,124		5,809,500		1,466,801		63,460,247
	6.3%		10.0%		9.2%		2.2%		100.0%
	4,551,070		6,489,250		7,765,869		673,056		65,294,225
	7.0%		9.9%		11.9%		1.0%		100.0%
	5,360,857		9,984,235		8,251,359		911,786		73,319,566
	7.3%		13.6%		11.3%		1.2%		100.0%

INDEPENDENT SCHOOL DISTRICT NO. 280

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

	Year Collectible	General Fund	Community Service Special Revenue Fund	Debt Service Fund	Total All Funds
Levies					
	2013	$ 11,681,439	$ 448,603	$ 5,517,081	$ 17,647,123
	2014	12,413,561	440,121	5,510,138	18,363,820
	2015	12,781,122	423,798	4,848,050	18,052,970
	2016	13,591,717	433,925	5,125,866	19,151,508
	2017	13,295,212	454,869	5,191,980	18,942,061
	2018	16,506,195	465,023	9,556,851	26,528,069
	2019	18,046,456	465,989	9,321,120	27,833,565
	2020	17,525,262	473,804	9,806,268	27,805,334
	2021	16,986,279	462,275	9,246,302	26,694,856
	2022	17,853,657	488,001	9,394,321	27,735,979
Tax capacity rates					
	2013	13.710	1.301	16.000	31.011
	2014	16.834	1.280	16.024	34.138
	2015	14.207	1.001	11.451	26.659
	2016	15.664	1.023	12.084	28.771
	2017	14.988	0.972	11.094	27.054
	2018	16.168	0.969	19.913	37.050
	2019	15.586	0.845	16.900	33.331
	2020	14.846	0.821	16.991	32.658
	2021	14.494	0.763	15.260	30.517
	2022	13.907	0.731	14.070	28.708

Source: State of Minnesota School Tax Report

INDEPENDENT SCHOOL DISTRICT NO. 280

Tax Capacities
Last Ten Fiscal Years

For Taxes Collectible	Nonagricultural	Fiscal Disparities Contribution	Fiscal Disparities Distribution	Tax Increment	Total Tax Capacity
2013	$ 41,734,658	$ (5,994,792)	$ 5,395,576	$ (6,266,994)	$ 34,868,448
2014	42,259,288	(6,684,990)	5,690,941	(6,640,874)	34,624,365
2015	46,463,214	(6,982,700)	5,553,498	(4,097,780)	40,936,232
2016	49,828,563	(7,775,655)	5,480,389	(4,809,613)	42,723,684
2017	53,877,113	(8,342,402)	6,063,378	(5,498,277)	46,099,812
2018	57,728,286	(8,277,082)	6,000,883	(5,852,405)	49,599,682
2019	62,741,676	(8,212,926)	6,544,357	(6,559,348)	54,513,759
2020	66,716,919	(9,279,808)	6,730,399	(6,770,124)	57,397,386
2021	71,067,212	(9,680,006)	7,086,490	(8,540,202)	59,933,494
2022	73,786,874	(10,375,715)	7,852,447	(4,966,175)	66,297,431

Source: State of Minnesota School Tax Report

INDEPENDENT SCHOOL DISTRICT NO. 280

Property Tax Levies and Receivables
Last Ten Fiscal Years

For Taxes Collectible	Original Levy		
	Local Spread	Fiscal Disparities	Total Spread
2013	$ 15,083,955	$ 2,563,168	$ 17,647,123
2014	15,451,538	2,912,282	18,363,820
2015	15,087,402	2,965,568	18,052,970
2016	16,814,889	2,336,619	19,151,508
2017	16,204,749	2,737,312	18,942,061
2018	24,099,392	2,428,677	26,528,069
2019	24,207,991	3,625,574	27,833,565
2020	24,410,184	3,395,150	27,805,334
2021	23,282,853	3,412,003	26,694,856
2022	24,278,547	3,457,432	27,735,979

Note: Delinquent taxes receivable are written off after seven years.

Source: State of Minnesota School Tax Report

Uncollected Taxes Receivable as of June 30, 2022					
Delinquent			Current		
Amount	Percent		Amount	Percent	
$ –	–	%	$ –	–	%
–	–		–	–	
–	–		–	–	
11,113	0.06		–	–	
7,945	0.04		–	–	
49,414	0.19		–	–	
26,960	0.10		–	–	
26,247	0.09		–	–	
93,159	0.35		–	–	
–	–		13,835,979	49.88	
$ 214,838			$ 13,835,979		

INDEPENDENT SCHOOL DISTRICT NO. 280

Student Enrollment
Last Ten Fiscal Years

Year Ended June 30,	Average Daily Membership (ADM) (for Students Served and Tuition Paid) Handicapped and Pre-Kindergarten	Kindergarten	Elementary	Secondary	Total	Total Pupil Units
2013	97.00	407.88	2,063.44	1,853.72	4,422.04	5,017.11
2014	78.03	373.05	2,094.56	1,838.06	4,383.70	4,991.76
2015	90.27	369.00	2,151.30	1,761.09	4,371.66	4,723.88
2016	84.62	329.47	2,136.43	1,813.32	4,363.84	4,726.49
2017	153.83	292.39	2,110.31	1,822.44	4,378.97	4,743.47
2018	186.40	300.31	2,006.61	1,866.58	4,359.90	4,733.18
2019	210.28	269.91	1,916.25	1,834.58	4,231.02	4,597.92
2020	225.10	242.19	1,827.48	1,900.34	4,195.11	4,575.16
2021	201.35	275.58	1,747.03	1,914.57	4,138.53	4,521.45
2022	188.36	247.32	1,736.66	1,930.00	4,102.34	4,488.34

Note 1: Student enrollment for the most recent year is an estimate.

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

	Early Childhood and Kindergarten – Handicapped	Part-Time/ All-Day Kindergarten	Elementary 1–3	Elementary 4–6	Secondary
Fiscal 2013 through 2014	Various	0.612	1.115	1.060	1.300
Fiscal 2015 through 2022	1.000	0.550/1.000	1.000	1.000	1.200

OTHER REQUIRED REPORTS

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MMKR
CERTIFIED PUBLIC ACCOUNTANTS

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

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

To the School Board and Management of
Independent School District No. 280
Richfield, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 280 (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 20, 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 District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

(continued)

Malloy, Montague, Karnowski, Radosevich & Co., P.A.
5353 Wayzata Boulevard • Suite 410 • Minneapolis, MN 55416 • Phone: 952-545-0424 • Fax: 952-545-0569 • www.mmkr.com

COMPLIANCE AND OTHER MATTERS

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

DISTRICT'S RESPONSE TO FINDING

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

PURPOSE OF THIS REPORT

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

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

Minneapolis, Minnesota
December 20, 2022

MMKR
CERTIFIED PUBLIC ACCOUNTANTS

PRINCIPALS
Thomas A. Karnowski, CPA
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Kalen T. Karnowski, CPA

INDEPENDENT AUDITOR'S REPORT

ON MINNESOTA LEGAL COMPLIANCE

To the School Board and Management of
Independent School District No. 280
Richfield, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 280 (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 20, 2022.

MINNESOTA LEGAL COMPLIANCE

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

PURPOSE OF THIS REPORT

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

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

Minneapolis, Minnesota
December 20, 2022

Malloy, Montague, Karnowski, Radosevich & Co., P.A.
5353 Wayzata Boulevard • Suite 410 • Minneapolis, MN 55416 • Phone: 952-545-0424 • Fax: 952-545-0569 • www.mmkr.com

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Schedule of Findings and Recommendations
Year Ended June 30, 2022

A. FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESS IN INTERNAL CONTROL OVER FINANCIAL REPORTING

2022-001 Timeliness of Cash Reconciliations

Criteria – Internal controls over financial reporting are intended to allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. To be effective, control procedures such as periodic and year-end account and subledger reconciliations must be performed regularly, accurately, and in a timely manner.

Condition – During our audit, we noted that the monthly cash reconciliations prepared by Independent School District No. 280 (the District) were not being performed in a timely manner throughout the fiscal year, and the year-end reconciliation process was not completed until well after year-end. The effectiveness of this critical internal control was diminished, due to a lack of timeliness in completing the procedure.

Questioned Costs – Not applicable.

Context – Bank reconciliations were not being completed in a timely manner for the months of February 2022 through June 2022, and at year-end.

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

Cause – This reconciliation process was not being completed in a timely manner for several months during the year, and the year-end cash reconciliation process was not completed until well after the end of the fiscal year.

Effect – This condition subjected the District to a higher risk that misstatements could occur due to errors or fraud, and not be prevented or detected in a timely manner.

Recommendation – We recommend that district management review its internal controls to ensure the timely and accurate completion of monthly cash reconciliations.

View of Responsible Official and Planned Corrective Actions – The District agrees with the finding. District management will continue to review its internal control procedures to ensure monthly cash reconciliations are accurately completed in a timely manner going forward. The District has separately issued a Corrective Action Plan related to this finding.

B. MINNESOTA LEGAL COMPLIANCE FINDINGS

None.

INDEPENDENT SCHOOL DISTRICT NO. 280

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

		Audit	UFARS	Audit – UFARS
General Fund				
Total revenue		$ 72,993,973	$ 72,993,973	$ –
Total expenditures		$ 73,319,566	$ 73,319,567	$ (1)
Nonspendable				
460	Nonspendable fund balance	$ 69,896	$ 69,896	$ –
Restricted				
401	Student activities	$ 78,541	$ 78,541	$ –
402	Scholarships	$ 434,152	$ 434,152	$ –
403	Staff development	$ –	$ –	$ –
407	Capital projects levy	$ 853,125	$ 853,125	$ –
408	Cooperative revenue	$ –	$ –	$ –
413	Projects funded by COP	$ –	$ –	$ –
414	Operating debt	$ –	$ –	$ –
416	Levy reduction	$ –	$ –	$ –
417	Taconite building maintenance	$ –	$ –	$ –
424	Operating capital	$ 453,402	$ 453,402	$ –
426	$25 taconite	$ –	$ –	$ –
427	Disabled accessibility	$ –	$ –	$ –
428	Learning and development	$ –	$ –	$ –
434	Area learning center	$ 483,739	$ 483,739	$ –
435	Contracted alternative programs	$ –	$ –	$ –
436	State approved alternative program	$ –	$ –	$ –
438	Gifted and talented	$ –	$ –	$ –
440	Teacher development and evaluation	$ –	$ –	$ –
441	Basic skills programs	$ –	$ –	$ –
448	Achievement and integration	$ –	$ –	$ –
449	Safe schools levy	$ –	$ –	$ –
451	QZAB payments	$ –	$ –	$ –
452	OPEB liability not in trust	$ –	$ –	$ –
453	Unfunded severance and retirement levy	$ –	$ –	$ –
459	Basic skills extended time	$ 410,666	$ 410,666	$ –
467	Long-term facilities maintenance	$ 741,403	$ 741,403	$ –
472	Medical Assistance	$ 75,469	$ 75,469	$ –
473	PPP loans	$ –	$ –	$ –
474	EIDL loans	$ –	$ –	$ –
464	Restricted fund balance	$ –	$ –	$ –
475	Title VII – Impact Aid	$ –	$ –	$ –
476	PILT	$ –	$ –	$ –
Committed				
418	Committed for separation	$ –	$ –	$ –
461	Committed fund balance	$ –	$ –	$ –
Assigned				
462	Assigned fund balance	$ 4,784,958	$ 4,784,958	$ –
Unassigned				
422	Unassigned fund balance	$ 10,954,234	$ 10,954,234	$ –
Food Service				
Total revenue		$ 3,693,381	$ 3,693,381	$ –
Total expenditures		$ 3,046,742	$ 3,046,741	$ 1
Nonspendable				
460	Nonspendable fund balance	$ 35,176	$ 35,176	$ –
Restricted				
452	OPEB liability not in trust	$ –	$ –	$ –
474	EIDL loans	$ –	$ –	$ –
464	Restricted fund balance	$ 1,134,398	$ 1,134,398	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –
Community Service				
Total revenue		$ 2,075,910	$ 2,075,910	$ –
Total expenditures		$ 2,254,992	$ 2,254,992	$ –
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
426	$25 taconite	$ –	$ –	$ –
431	Community education	$ (73,878)	$ (73,878)	$ –
432	ECFE	$ 28,338	$ 28,338	$ –
440	Teacher development and evaluation	$ –	$ –	$ –
444	School readiness	$ 256,530	$ 256,530	$ –
447	Adult basic education	$ –	$ –	$ –
452	OPEB liability not in trust	$ –	$ –	$ –
473	PPP loans	$ –	$ –	$ –
474	EIDL loans	$ –	$ –	$ –
464	Restricted fund balance	$ 76,745	$ 76,745	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –

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

		Audit	UFARS	Audit – UFARS
Building Construction				
Total revenue		$ 56,923	$ 56,923	$ –
Total expenditures		$ 7,816,477	$ 7,816,477	$ –
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
407	Capital projects levy	$ –	$ –	$ –
413	Projects funded by COP	$ –	$ –	$ –
467	Long-term facilities maintenance	$ –	$ 1	$ (1)
464	Restricted fund balance	$ 961,362	$ 961,361	$ 1
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –
Debt Service				
Total revenue		$ 7,067,020	$ 7,067,020	$ –
Total expenditures		$ 7,299,348	$ 7,299,349	$ (1)
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
425	Bond refundings	$ –	$ –	$ –
433	Maximum effort loan	$ –	$ –	$ –
451	QZAB payments	$ –	$ –	$ –
467	Long-term facilities maintenance	$ –	$ –	$ –
464	Restricted fund balance	$ 1,520,695	$ 1,520,695	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –
Trust				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
401	Student activities	$ –	$ –	$ –
402	Scholarships	$ –	$ –	$ –
422	Net position	$ –	$ –	$ –
Custodial				
Total revenue		$ 9,631	$ 9,632	$ (1)
Total expenditures		$ 6,050	$ 6,050	$ –
401	Student activities	$ –	$ –	$ –
402	Scholarships	$ 27,587	$ 27,587	$ –
448	Achievement and integration	$ –	$ –	$ –
464	Restricted fund balance	$ –	$ –	$ –
Internal Service				
Total revenue		$ 7,663,631	$ 7,663,631	$ –
Total expenditures		$ 9,798,094	$ 9,798,093	$ 1
422	Net position	$ 3,548,720	$ 3,548,721	$ (1)
OPEB Revocable Trust Fund				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
422	Net position	$ –	$ –	$ –
OPEB Irrevocable Trust Fund				
Total revenue		$ (100,692)	$ (100,692)	$ –
Total expenditures		$ 606,214	$ 606,214	$ –
422	Net position	$ 7,582,959	$ 7,582,959	$ –
OPEB Debt Service Fund				
Total revenue		$ 2,074,784	$ 2,074,785	$ (1)
Total expenditures		$ 2,033,025	$ 2,033,025	$ –
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
425	Bond refundings	$ –	$ –	$ –
464	Restricted fund balance	$ 354,963	$ 354,963	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –

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

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INDEPENDENT SCHOOL DISTRICT NO. 280
RICHFIELD, MINNESOTA

Federal Single Audit Reports

Year Ended
June 30, 2022

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INDEPENDENT SCHOOL DISTRICT NO. 280

Federal Single Audit Reports
Year Ended June 30, 2022

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

Federal Grantor/Pass-Through Grantor/Program Title	Federal ALN	Federal Expenditures		
U.S. Department of Agriculture				
Passed through Minnesota Department of Education				
Child nutrition cluster				
National School Lunch Program	10.555	$ 288,209		
COVID-19 – National School Lunch Program	10.555	2,174,392		
Total ALN 10.555			$ 2,462,601	
COVID-19 – School Breakfast Program	10.553		929,591	
Fresh Fruit and Vegetable Program	10.582		69,823	
Total child nutrition cluster				$ 3,462,015
Child and Adult Care Food Program	10.558			55,839
COVID-19 – Pandemic EBT Administrative Costs	10.649			3,135
U.S. Department of Transportation				
Passed through Minnesota Department of Transportation				
Highway Planning and Construction	20.205			61,625
U.S. Department of the Treasury				
Passed through Minnesota Department of Education				
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027			211,441
Federal Communications Commission				
Direct				
COVID-19 – Emergency Connectivity Fund Program	32.009			313,512
U.S. Department of Education				
Direct				
Indian Education Grants to Local Educational Agencies	84.060			10,666
Passed through Minnesota Department of Education				
Special education cluster				
Special Education Grants to States	84.027	2,044,351		
COVID-19 – Special Education Grants to States	84.027	128,814		
Total ALN 84.027			2,173,165	
Special Education Preschool Grants	84.173	28,432		
COVID-19 – Special Education Preschool Grants	84.173	21,048		
Total ALN 84.173			49,480	
Total special education cluster				2,222,645
Title I Grants to Local Educational Agencies	84.010			1,067,625
Special Education – Grants for Infants and Families	84.181			80,057
English Language Acquisition State Grants	84.365			121,965
Supporting Effective Instruction State Grants	84.367			144,801
Comprehensive Literacy Development	84.371			807,604
Education Stabilization Fund				
COVID-19 – Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D		2,590,746	
COVID-19 – American Rescue Plan – Elementary and Secondary School Emergency Relief (ARP ESSER) Fund	84.425U		608,120	
COVID-19 – American Rescue Plan – Elementary and Secondary School Emergency Relief (ARP ESSER) Fund – Homeless Children and Youth	84.425W		205	
Passed through ISD No. 271 – Bloomington				
COVID-19 – American Rescue Plan – Elementary and Secondary School Emergency Relief (ARP ESSER) Fund – Homeless Children and Youth	84.425W		25,445	
Total ALN 84.425				3,224,516
Passed through Southwest Metro Consortium				
Career and Technical Education – Basic Grants to States	84.048			10,193
Passed through YMCA of the Greater Twin Cities Area				
Twenty-First Century Community Learning Centers	84.287			65,058
U.S. Department of Health and Human Services				
Passed through Minnesota Department of Education				
COVID-19 – Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323			228,156
Total federal awards				$ 12,090,853

(continued)

Schedule of Expenditures of Federal Awards (continued)
Year Ended June 30, 2022

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

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

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

Note 4: The District had $193,684 of noncash assistance included in the National School Lunch Program, federal ALN 10.555.

Note 5: The District had $221,400 of noncash assistance included in the COVID-19 – Emergency Connectivity Fund Program, federal ALN 32.009.

Note 6: The District transferred $52,586 into Title I – ALN 84.010 from other title programs during the year.

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MMKR
CERTIFIED PUBLIC ACCOUNTANTS

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

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

To the School Board and Management of
Independent School District No. 280
Richfield, Minnesota

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

OPINION ON EACH MAJOR FEDERAL PROGRAM

We have audited Independent School District No. 280's (the District) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the Summary of Audit Results section of the accompanying Schedule of Findings and Questioned Costs.

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

BASIS FOR OPINION ON EACH MAJOR FEDERAL PROGRAM

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

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

(continued)

Malloy, Montague, Karnowski, Radosevich & Co., P.A.
5353 Wayzata Boulevard • Suite 410 • Minneapolis, MN 55416 • Phone: 952-545-0424 • Fax: 952-545-0569 • www.mmkr.com

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to on the previous page 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 on the previous page 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 on the previous page and performing such other procedures as we considered necessary in the circumstances.

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

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

(continued)

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as finding 2022-002 to be a significant deficiency.

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

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

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

(continued)

REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated December 20, 2022, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Minneapolis, Minnesota
March 7, 2023

INDEPENDENT SCHOOL DISTRICT NO. 280

Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

A. SUMMARY OF AUDIT RESULTS

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

Financial Statements

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

Federal Awards

Internal controls over major federal award programs:		
Material weakness(es) identified?	__ Yes	X No
Significant deficiencies identified?	X Yes	__ None reported
Type of auditor's report issued on compliance for major programs?		
U.S. Department of Agriculture – Child Nutrition Cluster		Unmodified
U.S. Department of the Treasury – COVID-19 – Coronavirus State and Local Fiscal Recovery Funds		Unmodified
U.S. Department of Education – COVID-19 – Education Stabilization Fund		Unmodified
U.S. Department of Education – Comprehensive Literacy Development		Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	X Yes	__ No

Programs tested as major programs:

Program or Cluster	Federal ALN
U.S. Department of Agriculture – child nutrition cluster consisting of:	
– National School Lunch Program	10.555
– COVID-19 – National School Lunch Program	10.555
– COVID-19 – School Breakfast Program	10.553
– Fresh Fruit and Vegetable Program	10.582
U.S. Department of the Treasury – COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027
U.S. Department of Education – COVID-19 – Education Stabilization Fund	84.425
U.S. Department of Education – Comprehensive Literacy Development	84.371

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

B. FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESSES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

2022-001 Timeliness of Cash Reconciliations

Criteria – Internal controls over financial reporting are intended to allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. To be effective, control procedures such as periodic and year-end account and subledger reconciliations must be performed regularly, accurately, and in a timely manner.

Condition – During our audit, we noted that the monthly cash reconciliations prepared by Independent School District No. 280 (the District) were not being performed in a timely manner throughout the fiscal year, and the year-end reconciliation process was not completed until well after year-end. The effectiveness of this critical internal control was diminished, due to a lack of timeliness in completing the procedure.

Questioned Costs – Not applicable.

Context – Bank reconciliations were not being completed in a timely manner for the months of February 2022 through June 2022, and at year-end.

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

Cause – This reconciliation process was not being completed in a timely manner for several months during the year, and the year-end cash reconciliation process was not completed until well after the end of the fiscal year.

Effect – This condition subjected the District to a higher risk that misstatements could occur due to errors or fraud, and not be prevented or detected in a timely manner.

Recommendation – We recommend that district management review its internal controls to ensure the timely and accurate completion of monthly cash reconciliations.

View of Responsible Official and Planned Corrective Actions – The District agrees with the finding. District management will continue to review its internal control procedures to ensure monthly cash reconciliations are accurately completed in a timely manner going forward. The District has separately issued a Corrective Action Plan related to this finding.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER COMPLIANCE – U.S. DEPARTMENT OF AGRICULTURE, PASSED THROUGH MINNESOTA DEPARTMENT OF EDUCATION, CHILD NUTRITION CLUSTER – FEDERAL ALN 10.555, 10.553, AND 10.582; U.S. DEPARTMENT OF THE TREASURY, PASSED THROUGH MINNESOTA DEPARTMENT OF EDUCATION, COVID-19 – CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS – FEDERAL ALN 21.027; AND U.S. DEPARTMENT OF EDUCATION, PASSED THROUGH MINNESOTA DEPARTMENT OF EDUCATION, COMPREHENSIVE LITERACY DEVELOPMENT – FEDERAL ALN 84.371

2022-002 Internal Control Over Compliance With Federal Suspension and Debarment Requirements

Criteria – 2 CFR § 180 requires the District to establish and maintain effective internal control over compliance with requirements applicable to federal program expenditures, including suspension and debarment requirements applicable to the child nutrition cluster, coronavirus state and local fiscal recovery funds, and comprehensive literacy development federal programs.

Condition – During our audit, we noted the District did not have sufficient controls in place within its child nutrition cluster, coronavirus state and local fiscal recovery funds, and comprehensive literacy development federal programs to assure that it was not contracting for goods or services with parties that are suspended or debarred, or whose principals are suspended or debarred from participating in contracts involving the expenditures of federal program funds.

Questioned Costs – None. Our testing did not indicate any instances of noncompliance with these requirements.

Context – The District did not obtain the appropriate documentation for nine of nine vendors tested to ensure the vendors were not suspended or debarred from participation in federal program contracts. This was not a statistically valid sample.

Repeat Finding – This is a current year finding.

Cause – This was an oversight by district personnel.

Effect – Noncompliance with the procurement requirements could result in the District expending federal funds inappropriately or utilizing vendors that are not eligible to be parties to such transactions, which could be viewed as a violation of the award agreement.

Recommendation – We recommend that the District review its internal control procedures relating to suspension and debarment for all federal programs. Internal controls over compliance for this area should include verification that any vendor with which the District contracts for goods or services exceeding $25,000 is not listed as suspended or debarred on the federal Excluded Parties List System website.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER COMPLIANCE – U.S. DEPARTMENT OF AGRICULTURE, PASSED THROUGH MINNESOTA DEPARTMENT OF EDUCATION, CHILD NUTRITION CLUSTER – FEDERAL ALN 10.555, 10.553, AND 10.582; U.S. DEPARTMENT OF THE TREASURY, PASSED THROUGH MINNESOTA DEPARTMENT OF EDUCATION, COVID-19 – CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS – FEDERAL ALN 21.027; AND U.S. DEPARTMENT OF EDUCATION, PASSED THROUGH MINNESOTA DEPARTMENT OF EDUCATION, COMPREHENSIVE LITERACY DEVELOPMENT – FEDERAL ALN 84.371 (CONTINUED)

2022-002 Internal Control Over Compliance With Federal Suspension and Debarment Requirements (continued)

View of Responsible Official and Planned Corrective Actions – The District agrees with the finding. The District will review and update its policies and procedures relating to suspension and debarment for its federal programs to ensure compliance with the Uniform Guidance in the future. The District has separately issued a Corrective Action Plan related to this finding.

INDEPENDENT SCHOOL DISTRICT NO. 280

Corrective Action Plans and
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2022

A. FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESS IN INTERNAL CONTROL OVER FINANCIAL REPORTING

2022-001 Timeliness of Cash Reconciliations

Finding Summary

The monthly cash reconciliations prepared by Independent School District No. 280, Richfield, Minnesota (the District) were not being performed in a timely manner for the months of February 2022 through June 2022, and the year-end reconciliation process was not completed until well after year-end. The effectiveness of this critical internal control was diminished due to a lack of timeliness in completing the procedure.

Corrective Action Plan

Actions Planned – District management will continue to review its internal control procedures to ensure cash reconciliations are accurately completed in a timely manner going forward.

Official Responsible – The District's Director of Finance, James Gilligan.

Planned Completion Date – December 31, 2022.

Disagreement With or Explanation of Finding – The District agrees with this finding.

Plan to Monitor – The District's Chief Administrative Officer, Craig Holje, will monitor the implementation of these corrective actions as determined by the Director of Finance to ensure these control procedures are completed timely and accurately, and that district controls over financial reporting are functioning appropriately in the future.

7001 Harriet Avenue South, Richfield, MN 55423 (P) 612-798-6000 (F) 612-798-6057 (W) richfieldschools.org

B. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER COMPLIANCE – U.S. DEPARTMENT OF AGRICULTURE, PASSED THROUGH MINNESOTA DEPARTMENT OF EDUCATION, CHILD NUTRITION CLUSTER – FEDERAL ALN 10.555, 10.553, AND 10.582; U.S. DEPARTMENT OF THE TREASURY, PASSED THROUGH MINNESOTA DEPARTMENT OF EDUCATION, COVID-19 – CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS – FEDERAL ALN 21.027; AND U.S. DEPARTMENT OF EDUCATION, PASSED THROUGH MINNESOTA DEPARTMENT OF EDUCATION, COMPREHENSIVE LITERACY DEVELOPMENT – FEDERAL ALN 84.371

2022-002 Internal Control Over Compliance With Federal Suspension and Debarment Requirements

Finding Summary

2 CFR § 180 requires the District to establish and maintain effective internal control over compliance with requirements applicable to federal program expenditures, including applicable suspension and debarment requirements. The District did not have sufficient controls in place within its to the child nutrition cluster, coronavirus state and local fiscal recovery funds, and comprehensive literacy development federal programs to assure that it was not contracting for goods or services with parties that are suspended or debarred, or whose principals are suspended or debarred from participating in contracts involving the expenditures of federal program funds.

Corrective Action Plan

Actions Planned – The District will review policies and procedures relating to suspension and debarment for its federal programs and will ensure that all parties with which it contracts for goods or services are eligible to participate in contracts involving the expenditures of federal program funding.

Official Responsible – The District’s Director of Finance, James Gilligan.

Planned Completion Date – June 30, 2023.

Disagreement With or Explanation of Finding – The District agrees with this finding.

Plan to Monitor – The District’s Chief Administrative Officer, Craig Holje, will monitor the implementation of these corrective actions as determined by the Director of Finance to ensure appropriate controls are in place to verify that any vendor with which the District contracts for federal program goods or services exceeding $25,000 is not listed as suspended or debarred on the federal Excluded Parties List System website.

C. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER FINANCIAL REPORTING

2021-001 Timeliness of Cash Reconciliations

Repeat Finding – The monthly cash reconciliations prepared by the District were not being performed in a timely manner for several months throughout the 2021 fiscal year. The effectiveness of this critical internal control was diminished, due to a lack of timeliness in completing the procedure.

Actions Planned – The District added staff that had taken over the reconciliation process, which was current as of the June 30, 2021, fiscal year-end close.

Current Status – The monthly cash reconciliations prepared by the District were not being performed in a timely manner for several months throughout the 2022 fiscal year, and the year-end reconciliation process was not completed until well after year-end. See finding 2022-001 for the current status of this condition.