

Annual Comprehensive Financial Report

Fiscal year ended June 30, 2022



School District 622

NORTH ST. PAUL | MAPLEWOOD | OAKDALE

Ready for tomorrow

Serving all or portions of
North St. Paul • Maplewood • Oakdale
Lake Elmo • Landfall • Pine Springs • Woodbury
Minnesota



ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2022

INDEPENDENT SCHOOL DISTRICT NO. 622
NORTH ST. PAUL – MAPLEWOOD – OAKDALE,
MINNESOTA

2520 East 12th Avenue
North St. Paul, MN 55109

Prepared by
Finance Department

Paul Imon Pedtke • Director of Finance

Janet Doman • Finance Supervisor

Travis Byrne, CPA • Accounting Supervisor

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INDEPENDENT SCHOOL DISTRICT NO. 622

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Section I

INTRODUCTION



School District 622

NORTH ST. PAUL | MAPLEWOOD | OAKDALE

Ready for tomorrow

December 12, 2022

To the School Board, Citizens, and Employees of Independent School District No. 622:

INTRODUCTION

State law requires that every public-school district publish, within six months of the close of each fiscal year, a complete set of audited financial statements. We are submitting the Annual Comprehensive Financial Report (ACFR) of Independent School District No. 622, North St. Paul – Maplewood – Oakdale (the District) for the fiscal year ended June 30, 2022. This report fairly presents the District's financial position and results of operations and cash flows in accordance with accounting principles generally accepted in the United States of America. Although the data was received from many sources, the District's administration accepts total responsibility for the accuracy, completeness, and fairness in presentation.

REPORT FORMAT

The ACFR is presented in three sections: introductory, financial, and statistical. The introductory section includes this letter of transmittal, an organizational chart, a list of School Board members and administration personnel, a map of the District, and the Certificate of Excellence in Financial Reporting. The financial section includes the independent auditor's report, management's discussion and analysis (MD&A), basic financial statements, required supplementary information, and supplemental information. The statistical section includes selected financial and demographic information, generally presented on a multi-year comparative basis.

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of the MD&A. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE REPORTING ENTITY AND ITS SERVICES

The financial reporting entity includes all the funds of the primary government (the District). Component units are legally separate entities for which the District (primary government) is financially accountable. There are no organizations considered to be component units of the District. The District is an independent political subdivision of the state of Minnesota.

The District was incorporated in 1930 and serves a portion of seven suburban communities within Ramsey and Washington Counties located along the eastern edge of the Minneapolis/St. Paul metropolitan area. The District encompasses all or part of the communities of Lake Elmo, Landfall, Maplewood, North St. Paul, Oakdale, Pine Springs, and Woodbury.

Housed within district boundaries are 10 private schools and 1 charter school, which account for a total enrollment of approximately 2,000 students. The private schools receive their funding from tuition and minimal per pupil funding from the state, whereas the charter school is recognized as a Minnesota public school and is funded by the state. Although separate legal entities, the District is the flow through fiscal host for state aid to the private schools and is required by state statutes to provide transportation to private and charter school students who reside within the District's boundaries.

The District's governing body is the School Board, consisting of seven members. School Board members are elected at large to serve four-year terms of office. Elections are held annually on the first Tuesday in November. The Superintendent of Schools is the Chief Administrative Officer and is appointed by the School Board.

Programs and Services

The District provides a full range of public education services appropriate to grade levels ranging from pre-kindergarten through Grade 12. These include regular and enriched academic programs, special education programs, and career/vocational education. Food service and transportation are provided as supporting programs. The community education program in the District includes early childhood and family education programs, an adult basic education program, and a variety of classes for lifelong learning experiences for children and adults.

Student Enrollment

The District enrolled 10,264 students (average daily membership) in 2021–2022 from a population of 82,900 people residing in a 43-square mile area. In terms of the number of students, the District is Minnesota's 14th largest school district.

The District has an increasingly diverse population of students with a variety of needs. For the 2021–2022 school year, 30 percent of our students were white, 26 percent were of Asian descent, 19 percent of the District's student population were Black, Hispanic students totaled 15 percent, 9 percent were multi-racial and American Indian, and Hawaiian/PI students totaled 1 percent.

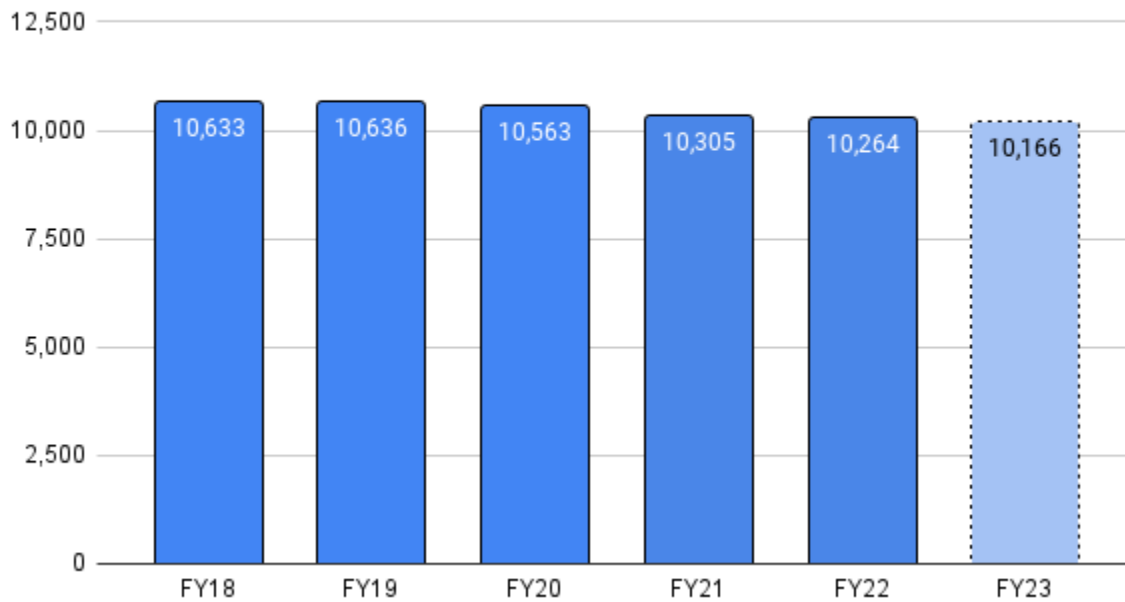
Compared to 40 percent in 2020–2021, in 2021–2022, 54 percent of our students qualified to receive free or reduced-price meals, this is an increase year over year and closer to the 2019–2020 rate of 55 percent. Across Minnesota in 2020 (2020–2021 school year), school districts saw their free and reduced numbers fall significantly due to the Universal Feeding Program initiated by the United States Department of Agriculture during the pandemic, which provides free meals for all students regardless of economic need.

The District continues to support a learning environment that lets students and staff develop to their fullest potential. All students, staff, and families are welcomed no matter what their background or beliefs. Our staff empowers and enables all students to learn and achieve their best outcomes. The District proudly boasts a significantly smaller racial achievement gap when compared to other districts state-wide.

Six-Year Enrollment and Projections

As with most public schools in Minnesota, the COVID-19 pandemic has had an impact on the District's enrollment over the last two years. In 2021–2022, the District had 10,264 Average Daily Membership (ADM), a decrease of 41 ADM, or 0.4 percent, from the 2020–2021 total of 10,305 ADM. With the COVID-19 vaccine and the return to schools full-time, this decrease is projected to stabilize into 2022–2023, and then be consistent over the next few years. With the District implementing a District-Wide Facilities Plan, and a planned increase in new housing developments over the next few years, the District could actually see a greater increase in student enrollment.

Adjusted Average Daily Membership (AADM)



District Schools and Facilities

During the 2021–2022 school year, the District operated 18 school buildings: an Early Childhood Learning Center, 2 comprehensive (Grades 9–12) high schools, 3 middle schools (Grades 6–8), 9 elementary schools (Pre-K through Grade 5), 1 school (Kindergarten through Grade 12) for students with special needs and adult basic education, 1 school (Post Grade 12) for a special needs transition program, and 1 learning center dedicated to senior learning and early childhood education students. In addition to learning spaces, the District also operates 2 ice arenas, a District Education Center, and a Transportation Center.

The average age of the District’s facilities is around 40 years; the District qualifies for long-term facilities maintenance funding and has been levying approximately \$4 million per year to maintain its existing buildings and extend the useful life of the assets. The District will also use other resources, such as operating capital, long-term facilities maintenance revenue, lease levy revenue, and abatement revenue to renovate or expand its buildings.

FINANCIAL STATEMENTS

The District’s financial statements have been audited by Malloy, Montague, Karnowski, Radosevich & Co., P.A., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2022, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified (clean) opinion that the District’s financial statements for the fiscal year ended June 30, 2022, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor’s report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the District was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited district’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. The District is also required to undergo an annual Minnesota state legal compliance audit under Minnesota Statutes § 6.65. These reports are available in a separate document.

FINANCIAL AND BUDGETARY CONTROL

All financial transactions of the District are accounted for in specific funds. The accounting system provides for complete, self-balancing accounts for each fund of the District. The system provides budgetary control for the activities of all of the District’s governmental funds, thereby ensuring legal compliance. Debt service requirements and project-length financial plans are adopted for the Capital Projects – Building Construction Fund. The system also provides budgetary control at the sub-function level by encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors.

LOCAL ECONOMIC CONDITION AND OUTLOOK

According to the Minnesota Department of Management and Budget (MMB) February 2022 Budget and Economic forecast, a General Fund surplus of \$9.25 billion is projected for fiscal year 2022–2023. MMB’s current Quarterly Review and Economic Update (October 2022) projects fiscal year 2023 revenues to be \$289 million higher, compared to the February 2022 forecast. The October 2022 report incorporates a three-quarter recession beginning in the fourth quarter of 2022 and a weakened outlook. IHS Markit (IHS), Minnesota’s macroeconomic consultant, expects annual real GDP to grow 1.7 percent this year and decline 0.5 percent next year, compared to increases of 3.7 percent and 2.7 percent in their February forecast. IHS expects this will be a mild recession by historical standards with a weak recovery beginning in the third quarter of 2023.

Minnesota’s seasonally adjusted unemployment rate is 2.1 percent as of October 2022. It was the third consecutive monthly increase, after over two years of steady decline. The number of unemployed in Minnesota grew to 65,873 workers, and the number of employed decreased to 3,007,238. Minnesota’s labor force shrunk to 3,073,111 workers, and the labor force participation rate dipped to 68.0 percent. The U.S. unemployment rate is up to 3.7 percent with a labor force participation rate of 62.2 percent.

The District boundaries are served by two counties, Washington and Ramsey. According to census information from the Washington County website, the county continued to experience growth, increasing 18.4 percent since 2010. Washington County’s estimated population in 2022 is 267,568, making it the fifth largest county in the state of Minnesota. According to the Metropolitan Council, as reported on the county’s website, Washington County’s population is expected to continue to grow. By the year 2040, the county’s population is projected to increase to 341,330. The Ramsey County website does not have updated population data for 2022, but boasts a population over 550,000 making it the second largest county in Minnesota. The District’s population has grown from 76,855 in 2010 to 82,900 in 2021. This represents more than a 7.9 percent increase.

Source data from the U.S. Census Bureau shows that the median household income in 2020 for Washington County was \$100,596 and Ramsey County \$68,871, as compared to \$74,593 for the state of Minnesota. Source data from the U.S. Census Bureau shows that the per capita income in 2020 for Washington County was \$68,525 and for Ramsey County \$55,583, while the state of Minnesota was \$62,005.

Source data from the 2020 U.S. Census Bureau, as reported on the county’s website, shows that 4.7 percent of Washington County’s and 12.3 percent of Ramsey County’s family population was below the federal poverty level.

The state of Minnesota assumes major responsibility for funding public education. In the District, approximately 26.5 percent of our revenues are generated locally from property taxes, 50.0 percent from general grants and aids, 20.7 percent from operating grants and contributions, 2.2 percent from charges for services, and 0.6 percent from other.

Reliance on the state for the majority of its operating revenues places the District in the position of being dependent on statewide economic conditions that drive state tax collections. The 2021 Legislature has provided some increase to the basic general education formula allowance and other categorical funding for the 2022–2023 school year. However, the 2.0 percent formula allowance increase does not keep pace with general inflation and the rising cost of providing quality education to all our students. Given the impact of the COVID-19 pandemic and its impact on students and schools, Minnesota school districts were awarded three rounds of federal Elementary and Secondary School Emergency Relief (ESSER) grants. For the District, these three grants total approximately \$25.0 million and are being used to help mitigate the impact the pandemic has had on student learning and achievement.

The District will continue to respond to allocating as many resources into the classroom by curtailing expenditures when possible and is committed to engage staff and community members in future budget discussions and to consider other options for increasing revenues and containing growth.

DISTRICT MISSION AND STRATEGIC PLAN

In the spring of 2016, the District convened a task force to develop a vision for education that will guide district goals for the next five years. The task force included parents, staff, School Board members, and a variety of leaders from the business, civic, and faith communities. Task force members had informational meetings to establish a shared base of knowledge about district enrollment and demographics, school finance, teaching and learning, community and partnerships, educational trends, and innovation. These informational meetings, led by a facilitator, were followed by planning meetings where the task force members developed mission outcomes for the District and four strategies for the future. The School Board approved the plan in December 2016. A brief summary of the plan is listed below.

Mission Statement: *We commit each day to develop and empower lifelong learners who thrive in diverse communities.*

Core Values: *We believe that:*

- ❖ Strong communities are inclusive and value diversity.
- ❖ Trust and transparency are essential to healthy and enduring relationships.
- ❖ Continuous learning and service to others are imperative to individual and community progress.
- ❖ Individuals learn and thrive through connections in a safe, caring, and supportive environment.
- ❖ Every individual has incredible potential and equal intrinsic value.
- ❖ High expectations with appropriate supports result in growth.
- ❖ School, family, and community partnerships enhance and support learning.

Strategies:

- ❖ **Strategy One** – We will engage our internal and external community to help us achieve our mission and mission outcomes.
- ❖ **Strategy Two** – We will develop and enhance community partnerships that support our mission and align with our core values.
- ❖ **Strategy Three** – We will develop and enhance programs and practices that ensure engagement of our diverse learners to achieve our mission outcomes.
- ❖ **Strategy Four** – We will build competitive 622 E-12 pathways that prepare all students for post-secondary.

LONG-TERM FINANCIAL PLANNING

The management of the District is responsible for establishing and maintaining internal controls designed to ensure that the assets of the District are protected from theft, misuse, or losses and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America and Minnesota Uniform Financial Accounting and Reporting Standards.

The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived, and 2) the valuation of the costs and benefits requires estimates and judgments by management.

In addition, the District has also adopted the following policies to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the School Board:

- ❖ **Fund Balance Policy** – Requires the District to maintain an unassigned fund balance of 8–10 percent of the expenditure budget.
- ❖ **Budget Policy** – Establishes a guideline for allocation of district resources.
- ❖ **Personnel Staffing Guidelines** – Personnel costs represent over 80 percent of General Fund expenditures. These guidelines, which set the staffing allocation for every allocated position in the District, are updated each February by the administration and the School Board.

The District's budget process is based, first, on development of a budget projection model that attempts to project resources and expenses over a multiple year period. The budget projection is used by the School Board and the administration to determine budget parameters and staffing guidelines. Second, the budget adopted in June is based upon the personnel staffing guidelines approved by the School Board and preparation of the non-personnel budget by school and department administrators, in accordance with School Board-approved budget parameters. The School Board resolution adopting the budget in June also includes a provision directing the administration to update the budget in January. This final budget reflects the District's actual enrollment count on December 31, the actual staff hired, and other dynamics such as employee contract settlements.

The level of budgetary control is at the fund level. However, in the General Fund; operating, special education, pupil transportation, capital expenditure, and quality compensation are maintained as separate internal accounts for budgeting purposes. The District also maintains an encumbrance accounting system as one method of maintaining budgetary control. Encumbered amounts lapse at year-end. However, outstanding encumbrances generally are reappropriated as part of the following year's budget.

As demonstrated by the statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management.

MAJOR INITIATIVES

Facilities Plan

The District updated its 10-year Long-Term Facilities Maintenance Plan to incorporate \$60 million in projects beginning in June 2018 through fiscal year 2019–2020. These projects were the renovation of Castle Elementary School for \$23 million and the renovation of Richardson Elementary School for \$25 million, which completed Phase 1 in the District-Wide Facilities Plan. These projects were accomplished using nonvoter-approved funding.

On May 14, 2019, district voters approved a building bond referendum for a total of \$275 million. The approved referendum provides the District with the opportunity to expand, remodel, and build new schools in the District. These voter-approved dollars, combined with long-term facilities maintenance bonds, will fund Phase 2 through Phase 4 of the District-Wide Facilities Plan.

Phase 2 of the District-Wide Facilities Plan began in the spring of 2019 and includes a \$105 million renovation of Carver Elementary School and John Glenn Middle School. The \$115 million Phase 3 of the plan began in the fall of 2019 and includes the renovation of Skyview Middle School and the construction of two new elementary schools. Phase 4 of the plan began in the spring of 2020 and includes the renovation of both of the District’s high schools.

The District-Wide Facilities Plan will emphasize and include the following points during construction.

- Modify entrances at all schools to better control visitor access
- Upgrade security equipment at all schools
- Site improvements to improve pedestrian and traffic safety
- Replacement of worn-out student furniture
- Improvements to meet district standards for improved learning spaces

Once completed, the District will downsize from nine elementary schools to seven, and from three middle schools to two. This will make the District more operationally efficient through energy utilization and economies of scale in staffing.

Other Initiatives

Beginning in 2021, the District began offering K-12 students an online learning experience. Students may enroll part-time or full-time. Any student in the state of Minnesota may enroll in our online programming.

In 2019–2020, the District started the implementation of 1 to 1 student to technology device beginning at the secondary schools and then eventually the elementary schools in 2021. This initiative became of vital importance in the implementation of the District’s distance learning program that occurred in late March 2020, due to the COVID-19 pandemic.

CERTIFICATE OF EXCELLENCE

This report will be submitted to the Association of School Business Officials (ASBO) International for consideration for the Certificate of Excellence in Financial Reporting.

The District received the Certificate of Excellence in Financial Reporting from ASBO International for excellence in the preparation and issuance of the District’s ACFR for the year ended June 30, 2021. It is the fourth year the District has received the award, which was earned by fewer than 10 percent of all school districts in the state.

ACKNOWLEDGMENTS

The preparation of this ACFR in a timely manner would not be possible without the assistance of the entire Business Department staff. I would like to particularly thank our Finance Supervisor, Janet Doman; Accounting Supervisor, Travis Byrne; Executive Administrative Assistant, Christine Thueson; former Accounting Specialist, Jodi Schmidt; and former Executive Administrative Assistant, Jo McCabe.

I would also like to thank the members of the School Board, administrative cabinet, and budget managers for their interest and support in planning and conducting the financial operations of the District in a fiscally responsible and progressive manner.

A handwritten signature in dark ink, appearing to read 'Paul Imon Pedtke', with a long horizontal stroke extending to the right.

Paul Imon Pedtke
Director of Finance

Secretary to School Board & Supt
May Her

Superintendent
Christine Tucci Osorio

Communications & Technology Innovation		Teaching & Learning	HR	Assistant Superintendent	Student Services	Community Education	Operations	Finance
Josh Anderson	Heidi Leigh	Equity	Amylee Yang	Troy Miller	Tricia St. Michaels	Tamra Lennox	Sara Guyette	Paul Imon Pedtke
COVID Response				COVID Response		Preschool	Facilities	Business/Finance
Communications	Instructional Practices		Hiring	Supervision of Elem Principals	Spec. Ed	ECFE	Transportation	Payroll
Social Media	CTE, CIS, Perkins		Recruitment	Co-Supervision of Secondary Principals with Supt	504	Early Childhood Screening	Nutrition Services	Contract Negotiations
Marketing	Title Programs, CARES, ESSER		LOA	Development of APs, Deans, & Assoc Admin	ELL	Adventure Connection	Operations and Maintenance	Procurement
Collaboration with T & L Curriculum & PD	Curriculum & PD		Employee Wellness	Collaboration with T & L Curriculum & PD	Collaboration with T & L Curriculum & PD	Youth and Adult Enrichment	Arenas	
Technology Integration, Blended Learning	College and Career, Pathways		Well-at-Work Clinic	School Safety	Mental Health	Driver Education	Construction	
Information Services	Teacher Eval		Contract Negotiations	School Resource Officers	Counselors, Social Workers, & Psych	Adult Basic Education		
PR	AVID, Young Scholars		Workers Compensation	Partnerships	Speech/DAPE	Aquatics		
Crisis Response	New Teacher Orientation				Harmony & Next Step Transition	Senior Citizens		
Tech Support	Bicultural Liaisons		Benefits	Restorative Practices, Culture & Climate	ECSE	Meals on Wheels		
Online Programs	Online Programs		Union Relations	Athletics	Health Services	Facility Use		
Media Relations	K-12 TOSAs, Nonpublic Licensed Tutors			Research, Eval, Assessment	Care and Treatment	Homeschool		
Network Support	MTSS			Elementary Gifted & Talented	Targeted Services	Non-Public Schools		
Enrollment Center Support				Student Enrollment & 622 Reception Desk	Title IX			
Online Programs				Q Comp	Alternative to Suspension (CARE)			
				MTSS	Instructional & Behavior Coaching			

INDEPENDENT SCHOOL DISTRICT NO. 622

School Board and Administration
as of June 30, 2022

SCHOOL BOARD

	<u>Position</u>
Michelle Yener	Chairperson
Nancy Livingston	Vice Chairperson
Caleb Anderson	Treasurer
Ben Jarman	Clerk
Steve Hunt	Director
Julia Martens	Director
Charlotte Nitardy	Director

ADMINISTRATION

Christine Tucci Osorio	Superintendent of Schools
May Her	Assistant to Superintendent
Troy Miller	Assistant Superintendent
Josh Anderson	Director of Communications and Technology Innovation
Amylee Yang	Director of Human Resources
Tamra Lennox	Director of Community Education
Paul Imon Pedtke	Director of Finance
Sara Guyette	Director of Operations
Tricia St. Michaels	Director of Student Services
Heidi Leigh	Director of Teaching and Learning



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

**The Certificate of Excellence in Financial Reporting
is presented to**

**ISD 622 North St. Paul -
Maplewood - Oakdale Schools**

**for its Annual Comprehensive Financial Report
for the Fiscal Year Ended June 30, 2021.**

The district report meets the criteria established for
ASBO International's Certificate of Excellence in Financial Reporting.



A handwritten signature in black ink, reading 'William A. Sutter'.

**William A. Sutter
President**

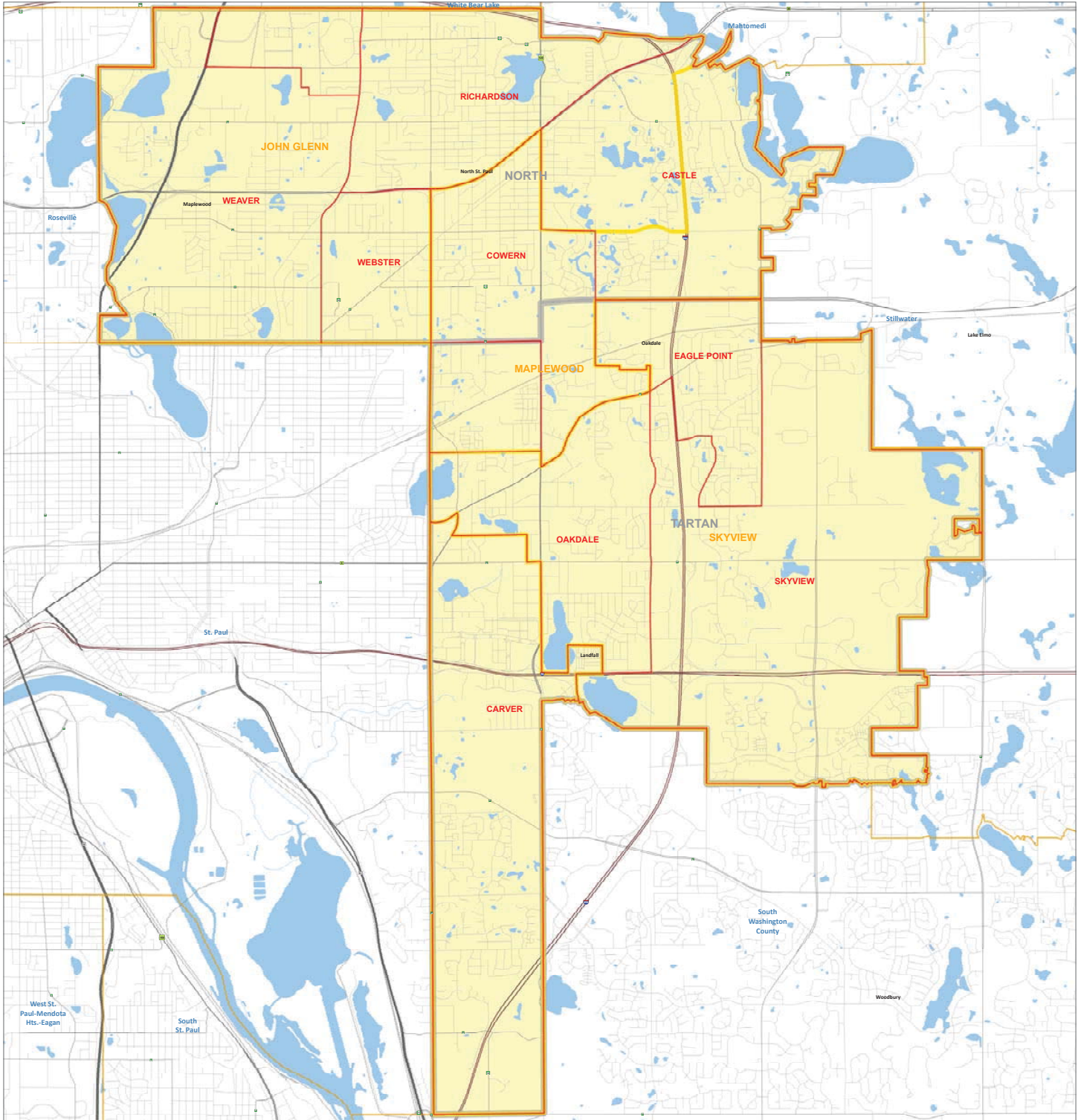
A handwritten signature in black ink, reading 'David J. Lewis'.

**David J. Lewis
Executive Director**

Public School District Attendance Areas and Educational Facility Locations

North St. Paul-Maplewood
622

Map 1 of 1



Public Educational Facilities or Programs*

- Elementary school
- Middle / Junior high school
- High / Secondary school
- School District Office
- Non-Public school
- Public Charter school
- Other School Program (examples):
 - Area Learning Program (ALP)
 - Targeted Services
 - College/University
 - Correctional
 - Secondary Education

Public School Attendance Areas

- Elementary School Attendance Area **ELEM**
- Middle School Attendance Area **MIDD**
- High School Attendance Area **HIGH**

Public School Districts*

- School District
- Adjacent School District
- INSET - SEE MAP 2 OF 2 (if applicable)**

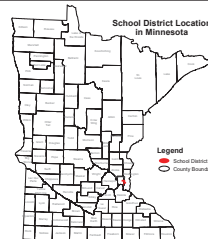
Other Features

- Interstate Highway
- U.S. Highway
- State Highway
- County Highway
- Road/Street
- Railroad
- Stream
- Lake/Pond
- Minor Civil Division (Cities, Townships and Unorganized areas)
- Public Land Survey Township / Range
- Public Land Survey Section

Data Sources:
 1. Minnesota Department of Education, IT Division, 2010
 2. Metropolitan Council, 2010, Minnesota Department of Transportation, 2004
 3. Minnesota Geographic Information Office
 4. U.S. Bureau of the Census, Minnesota Legislative GIS Office (modified to include amendments to the Minnesota State Constitution through May 2002)
 5. Minnesota Department of Natural Resources

Special Note:
 The school district boundary appearing on this map does not necessarily represent the legal boundary of the district. It is a generalization of boundaries drawn on maps in the late 1980s by county officials and modified by the U.S. Bureau of the Census, most recently for Census 2000. Since 2005, district boundaries have been modified by the Dept. of Education based on completed County Parcel Information. Please contact your county auditor or assessor to obtain an accurate legal description of the boundary.

Liability Statement:
 The Minnesota Department of Education does not warrant the results you may obtain by using this map. This map is provided without express or implied warranties, including warranties of merchantability and fitness. In no event will MDE be liable for any consequential, incidental or special damages, including any lost profits or lost savings, even if an MDE representative has been advised of the possibility of such damages or any other claim by any third party.



1 : 17,810

For further assistance with this map, contact:
 Julie Stoltz jstoltz@state.mn.us
 MN Department of Education
 Division of Information Technology
 550 Highway 55 West
 Roseville, MN 55113

Minnesota Department of
Education

Section II

FINANCIAL



School District 622

NORTH ST. PAUL | MAPLEWOOD | OAKDALE

Ready for tomorrow



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
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INDEPENDENT AUDITOR'S REPORT

To the School Board and Management of
Independent School District No. 622
North St. Paul – Maplewood – Oakdale, Minnesota

OPINIONS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 622 (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)

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.

Supplemental 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 supplemental 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. 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 supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Prior Year Comparative Information

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

(continued)

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 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 12, 2022

INDEPENDENT SCHOOL DISTRICT NO. 622

Management's Discussion and Analysis Fiscal Year Ended June 30, 2022

This section of Independent School District No. 622's (the District) Annual Comprehensive Financial Report (ACFR) presents management's discussion and analysis (MD&A) of the District's financial performance during the fiscal year ended June 30, 2022. Please read it in conjunction with the other components of the District's ACFR.

FINANCIAL HIGHLIGHTS

- The District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2022 by \$34,236,208 (net position deficit). The District's total net position increased by \$15,052,142 during the fiscal year ended June 30, 2022.
- Government-wide revenues totaled \$210,407,073 and were \$15,052,142 more than expenses of \$195,354,931.
- The General Fund's total fund balance (under the governmental fund presentation) decreased \$724,455 from the prior year, compared to a \$2,289,954 decrease planned in the budget.
- General Fund unassigned fund balance (excluding restricted account deficits) decreased from 16.4 percent to 12.9 percent of expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the ACFR consists of the following parts:

- Independent Auditor's Report;
- MD&A;
- Basic financial statements, including the government-wide financial statements, fund financial statements, and the notes to basic financial statements;
- Required supplementary information; and
- Supplemental 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. Funds (Food Service Special Revenue and Community Service Special Revenue) that do not meet the threshold to be classified as major funds are called nonmajor funds. Detailed financial information for nonmajor funds can be found in the supplemental information section.

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. For Minnesota schools, funds are established in accordance with Uniform Financial Accounting and Reporting Standards in accordance with statutory requirements and accounting principles generally accepted in the United States of America.

The District maintains the following kinds of funds:

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

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

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

Table 1 Summary Statement of Net Position as of June 30, 2022 and 2021		
	2022	2021
Assets		
Current and other assets	\$ 291,788,873	\$ 293,340,529
Capital assets, net of depreciation/amortization	367,530,162	281,472,430
Total assets	\$ 659,319,035	\$ 574,812,959
Deferred outflows of resources		
Bond refunding deferments	\$ 121,946	\$ 142,270
OPEB plan deferments	2,991,065	1,477,981
Pension plan deferments	38,606,575	41,155,070
Total deferred outflows of resources	\$ 41,719,586	\$ 42,775,321
Liabilities		
Current and other liabilities	\$ 35,271,900	\$ 29,600,788
Long-term liabilities	540,076,007	511,988,353
Total liabilities	\$ 575,347,907	\$ 541,589,141
Deferred inflows of resources		
Bond refunding deferments	\$ 715,070	\$ 528,039
Property taxes levied for subsequent year	53,186,011	52,242,376
OPEB plan deferments	7,317,132	3,020,426
Pension plan deferments	98,708,709	69,496,648
Total deferred inflows of resources	\$ 159,926,922	\$ 125,287,489
Net position		
Net investment in capital assets	\$ 73,471,104	\$ 67,677,174
Restricted	21,670,786	21,494,526
Unrestricted	(129,378,098)	(138,460,050)
Total net position	\$ (34,236,208)	\$ (49,288,350)

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

The District's increase in net investment in capital assets is due to the District repaying debt at a faster rate than the assets being depreciated/amortized and capital assets financed with the "pay-as-you-go" long-term facilities maintenance levy. The increase in net position restricted for food service and community service contributed to the growth in the restricted portion of net position. Changes in the District's share of the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) pension plans contributed to the change in deferred outflows of resources, long-term liabilities, deferred inflows of resources, and unrestricted net position.

The significant increase in capital assets is due to projects in the District-Wide Facilities Plan.

Table 2 presents a condensed version of the Statement of Activities of the District:

Table 2 Summary Statement of Activities for the Years Ended June 30, 2022 and 2021		
	2022	2021
Revenues		
Program revenues		
Charges for services	\$ 4,530,270	\$ 3,126,390
Operating grants and contributions	43,471,321	42,191,045
General revenues		
Property taxes	55,821,644	54,076,833
General grants and aids	105,281,368	101,160,565
Other	1,302,470	3,438,845
Total revenues	<u>210,407,073</u>	<u>203,993,678</u>
Expenses		
Administration	7,473,124	7,041,276
District support services	6,592,124	6,380,251
Elementary and secondary regular instruction	64,378,779	66,606,837
Vocational education instruction	3,590,461	3,228,314
Special education instruction	33,415,135	33,626,747
Instructional support services	8,586,341	11,407,837
Pupil support services	15,389,747	12,142,781
Sites and buildings	18,103,648	13,762,313
Fiscal and other fixed cost programs	768,719	722,769
Food service	7,344,301	6,400,159
Community service	10,881,695	9,712,528
Depreciation/amortization not included in other functions (excludes amounts directly allocated)	6,328,074	5,862,304
Interest and fiscal charges	12,502,783	11,303,663
Total expenses	<u>195,354,931</u>	<u>188,197,779</u>
Change in net position	15,052,142	15,795,899
Net position – beginning	<u>(49,288,350)</u>	<u>(65,084,249)</u>
Net position – ending	<u>\$ (34,236,208)</u>	<u>\$ (49,288,350)</u>

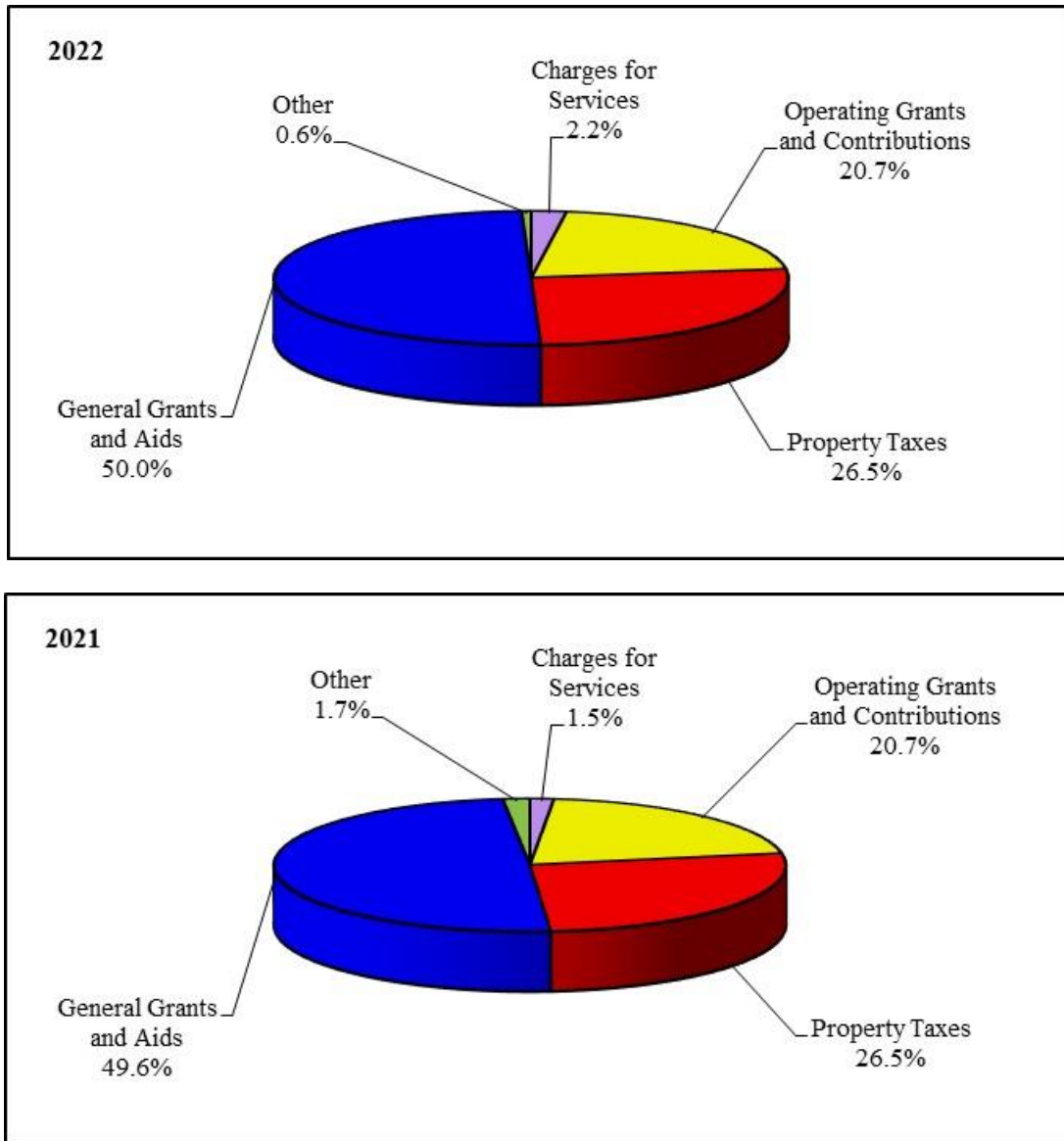
This statement is presented on an accrual basis of accounting, and it includes all of the governmental activities of the District. This statement includes depreciation and amortization expense, but excludes capital asset purchase costs, debt proceeds, and the repayment of debt principal.

Governmental activities revenues increased \$6,413,395 (3.1 percent) from the previous year, primarily attributed to increases in revenues from federal sources recognized through pandemic-related grants, increased property tax levy, and increased charges for services with less activity restrictions in the current year. These increases were partially offset by less revenue from other local sources, due to decreased investment earnings in the current year.

Governmental activities expenses were \$7,157,152 (3.8 percent) higher than last year, mainly due to increased salary and benefit, transportation, and utility costs in the current year.

Figure A shows further analysis of these revenue sources:

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

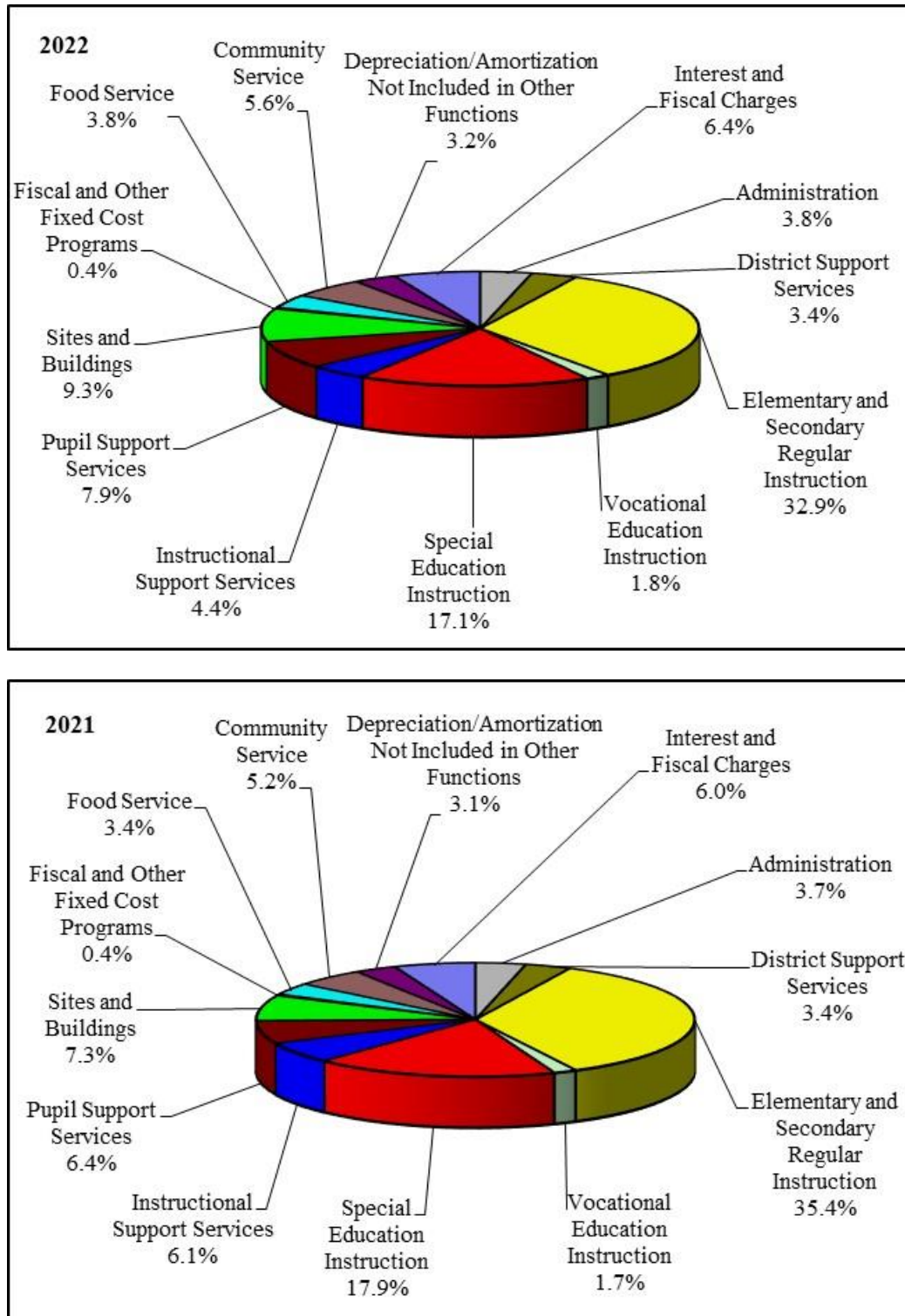


The largest share of the District's revenue is received from the state, including the basic general education aid formula and most of the operating grants.

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

Figure B shows further analysis of these expense functions:

Figure B – Expenses for Fiscal Years 2022 and 2021



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

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

Table 3 Governmental Fund Balances as of June 30, 2022 and 2021			
	<u>2022</u>	<u>2021</u>	<u>Change</u>
Major funds			
General	\$ 42,694,700	\$ 43,419,155	\$ (724,455)
Capital Projects – Building Construction	146,473,498	153,906,048	(7,432,550)
Debt Service			
Regular	3,772,654	3,606,351	166,303
OPEB	407,205	501,554	(94,349)
Nonmajor funds			
Food Service Special Revenue	3,871,972	3,377,449	494,523
Community Service Special Revenue	<u>3,440,544</u>	<u>3,152,395</u>	<u>288,149</u>
Total governmental funds	<u>\$200,660,573</u>	<u>\$207,962,952</u>	<u>\$ (7,302,379)</u>

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

At June 30, 2022, the District's governmental funds reported combined fund balances of \$200,660,573, a decrease of \$7,302,379 in comparison with the prior year. Of this amount, \$21,414,341 constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of the fund balance is: 1) not in spendable form (\$767,810), 2) restricted for particular purposes (\$171,855,984), or 3) assigned for particular purposes (\$6,622,438).

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

ANALYSIS OF THE GENERAL FUND

Table 4 summarizes the amendments to the General Fund budget:

Table 4 General Fund Budget				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Change</u>	<u>Percent Change</u>
Revenue	<u>\$ 161,984,583</u>	<u>\$ 162,392,548</u>	<u>\$ 407,965</u>	<u>0.3%</u>
Expenditures	<u>\$ 164,874,537</u>	<u>\$ 164,682,502</u>	<u>\$ (192,035)</u>	<u>(0.1%)</u>

The District is required to adopt an operating budget prior to the beginning of its fiscal year, referred to above as the original budget. During the year, the District amends the budget for known changes in circumstances, such as enrollment levels, legislative funding, and employee contract settlements.

Table 5 summarizes the operating results of the General Fund:

Table 5 General Fund Operating Results					
	<u>2022 Actual</u>	<u>Over (Under)</u> <u>Final Budget</u>		<u>Over (Under)</u> <u>Prior Year</u>	
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Revenue and other financing sources	\$ 165,531,515	\$ 3,138,967	1.9%	\$ 5,538,221	3.5%
Expenditures and other financing uses	<u>166,255,970</u>	<u>1,573,468</u>	1.0%	<u>11,269,398</u>	7.3%
Net change in fund balances	<u>\$ (724,455)</u>	<u>\$ 1,565,499</u>		<u>\$ (5,731,177)</u>	

The fund balance of the General Fund decreased \$724,455 from the prior year, compared to a \$2,289,954 decrease planned in the budget.

General Fund revenues and other financing sources were 1.9 percent over budget, primarily due to revenue from federal sources. The revenue growth over the prior year was due to more federal sources recognized through pandemic-related grants, partially offset by a decrease in state sources with less compensatory revenue in the current year.

General Fund expenditures and other financing uses were 1.0 percent over budget, primarily in supplies and materials. Expenditures increased from the prior year, mainly in salaries and purchased services, due to contractual increases and a return to the in-person learning model.

COMMENTS ON SIGNIFICANT ACTIVITIES IN OTHER FUNDS

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. This fund ended the year with a fund balance decrease of \$7,432,550, due to the spend down of current year and prior year bond issues. At June 30, 2022, this fund had a fund balance of \$146,473,498 restricted for long-term facilities maintenance (\$19,518,526), and capital projects (\$126,954,972) for future construction in accordance with the District-Wide Facilities Plan.

Debt Service Fund

The Debt Service Fund revenues and other financing sources exceeded expenditures and other financing uses by \$71,954 in the current year. The funding of the Debt Service Fund is largely controlled with each individual debt obligation's financing plan. The remaining fund balance of \$4,179,859 at June 30, 2022 is available for meeting future debt service obligations. The District issued \$11,085,000 of refunding bonds that were used to refund outstanding debt in the current year in order to reduce future debt service costs for district taxpayers.

Other Governmental Funds

The Food Service Special Revenue Fund ended the year with revenues exceeding expenditures, increasing equity by \$494,523, compared to a planned fund balance decrease of \$139,027. As students returned to a more traditional learning model, activity increased contributing to the favorable variance in revenues, which more than offset the amount of expenditures exceeding current year appropriations. As of June 30, 2022, the fund balance was 51.8 percent of expenditures.

The Community Service Special Revenue Fund ended the year with revenues exceeding expenditures, increasing equity by \$288,149, compared to a planned fund balance increase of \$306,240. Revenues and expenditures were more than prior year amounts and over budget, due to increased program participation with pandemic restrictions easing in the current year. As of June 30, 2022, the fund balance was 30.6 percent of expenditures.

Internal Service Fund

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

Operating revenues for the internal service funds for fiscal 2022 totaled \$22,825,378, while operating expenses totaled \$22,632,200.

The net position for the internal service funds as of June 30, 2022 was \$8,354,146, which represents a \$170,716 increase from the prior year. This increase is mainly due to medical expenses being lower than insurance premiums. As of June 30, 2022, the net position represents 36.9 percent of operating expenses.

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/amortization expense for fiscal years ended June 30, 2022 and 2021:

Table 6			
Capital Assets			
	<u>2022</u>	<u>2021</u>	<u>Change</u>
Land	\$ 19,577,877	\$ 19,577,877	\$ –
Construction in progress	216,716,100	127,541,206	89,174,894
Land improvements	12,640,898	12,621,784	19,114
Buildings and improvements	210,731,136	208,677,845	2,053,291
Furniture and equipment	22,689,886	22,379,108	310,778
Leased buildings and improvements	1,788,001	–	1,788,001
Less accumulated depreciation/amortization	<u>(116,613,736)</u>	<u>(109,325,390)</u>	<u>(7,288,346)</u>
Total	<u>\$ 367,530,162</u>	<u>\$ 281,472,430</u>	<u>\$ 86,057,732</u>
Depreciation/amortization expense	<u>\$ 7,836,939</u>	<u>\$ 7,436,107</u>	<u>\$ 400,832</u>

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

The changes presented in the table above reflect the ongoing activity and completion of projects at district sites during fiscal year 2022, consistent with the activity of the Capital Projects – Building Construction Fund discussed on the previous page.

The District defines capital assets as those with an initial, individual cost of \$5,000 or more, which benefit more than one fiscal year.

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

Long-Term Liabilities

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

Table 7 Outstanding Long-Term Liabilities			
	2022	2021	Change
General obligation bonds payable	\$ 418,170,000	\$ 355,625,000	\$ 62,545,000
Certificates of participation payable	8,605,000	9,330,000	(725,000)
Premium (discount) on bonds payable and certificates of participation payable	20,523,861	12,214,359	8,309,502
Finance purchase payable	431,510	851,176	(419,666)
Lease liability	1,269,061	—	1,269,061
Net/total pension liability	63,970,719	102,701,375	(38,730,656)
Net OPEB liability	21,369,569	25,760,736	(4,391,167)
Severance benefits payable	3,990,383	3,678,194	312,189
Compensated absences payable	1,745,904	1,827,513	(81,609)
Total	<u>\$ 540,076,007</u>	<u>\$ 511,988,353</u>	<u>\$ 28,087,654</u>

The increase in general obligation bonds payable and premium/discount is due to the issuance of general obligation bonds during fiscal year 2022, offset by scheduled principal payments and amortization. The change in certificates of participation payable and finance purchase payable is due to the scheduled principal payments during the current year.

The difference in the net/total pension liability reflects the change in the District's proportionate share of the state-wide PERA and TRA pension plans.

The decrease in the net OPEB liability is mainly due to assumption changes in the current year.

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	\$10,016,421,300
Limit rate	<u>15.0%</u>
Legal debt limit	<u>\$ 1,502,463,195</u>

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

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This ACFR is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives and utilizes. If you have questions about these statements, or need additional information, please contact the Business Services Department, Independent School District No. 622, 2520 East 12th Avenue, North St. Paul, Minnesota 55109.

BASIC FINANCIAL STATEMENTS

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INDEPENDENT SCHOOL DISTRICT NO. 622

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	\$ 238,229,384	\$ 243,415,702
Receivables		
Current taxes	29,535,796	30,913,325
Delinquent taxes	691,859	613,939
Accounts and interest	604,886	764,276
Due from other governmental units	21,959,138	16,927,174
Inventory	453,874	495,299
Prepaid items	313,936	210,814
Capital assets		
Not depreciated/amortized	236,293,977	147,119,083
Depreciated, net of accumulated depreciation/amortization	131,236,185	134,353,347
Total capital assets, net of accumulated depreciation/amortization	<u>367,530,162</u>	<u>281,472,430</u>
Total assets	659,319,035	574,812,959
Deferred outflows of resources		
Bond refunding deferments	121,946	142,270
OPEB plan deferments	2,991,065	1,477,981
Pension plan deferments	38,606,575	41,155,070
Total deferred outflows of resources	<u>41,719,586</u>	<u>42,775,321</u>
Total assets and deferred outflows of resources	<u>\$ 701,038,621</u>	<u>\$ 617,588,280</u>
Liabilities		
Salaries payable	\$ 1,151,428	\$ 1,259,114
Accounts and contracts payable	22,655,357	17,997,969
Accrued interest payable	6,259,765	5,057,568
Due to other governmental units	3,213,667	3,393,966
Unearned revenue	726,431	488,153
Claims incurred, but not reported	1,265,252	1,404,018
Long-term liabilities		
Due within one year	13,891,770	16,452,584
Due in more than one year	526,184,237	495,535,769
Total long-term liabilities	<u>540,076,007</u>	<u>511,988,353</u>
Total liabilities	575,347,907	541,589,141
Deferred inflows of resources		
Bond refunding deferments	715,070	528,039
Property taxes levied for subsequent year	53,186,011	52,242,376
OPEB plan deferments	7,317,132	3,020,426
Pension plan deferments	98,708,709	69,496,648
Total deferred inflows of resources	<u>159,926,922</u>	<u>125,287,489</u>
Net position		
Net investment in capital assets	73,471,104	67,677,174
Restricted for		
Capital asset acquisition	9,952,127	10,537,671
Food service	3,871,972	3,377,449
Community service	3,453,679	3,162,869
Other purposes (state funding restrictions)	4,393,008	4,416,537
Unrestricted	(129,378,098)	(138,460,050)
Total net position	<u>(34,236,208)</u>	<u>(49,288,350)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 701,038,621</u>	<u>\$ 617,588,280</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

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

2022			
Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental activities			
Administration	\$ 7,473,124	\$ —	\$ —
District support services	6,592,124	—	—
Elementary and secondary regular instruction	64,378,779	909,395	3,297,253
Vocational education instruction	3,590,461	—	18,323
Special education instruction	33,415,135	648,301	24,635,772
Instructional support services	8,586,341	—	—
Pupil support services	15,389,747	31,514	429,026
Sites and buildings	18,103,648	14,255	—
Fiscal and other fixed cost programs	768,719	—	—
Food service	7,344,301	112,372	7,865,293
Community service	10,881,695	2,814,433	7,225,654
Depreciation/amortization not included in other functions (excludes amounts directly allocated)	6,328,074	—	—
Interest and fiscal charges	12,502,783	—	—
Total governmental activities	<u>\$ 195,354,931</u>	<u>\$ 4,530,270</u>	<u>\$ 43,471,321</u>
General revenues			
Taxes			
Property taxes levied for general purposes			
Property taxes levied for community service			
Property taxes levied for debt service			
General grants and aids			
Other general revenues			
Investment earnings (charges)			
Total general revenues			
Change in net position			
Net position – beginning			
Net position – ending			

	2021
Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Governmental Activities	Governmental Activities
\$ (7,473,124)	\$ (7,041,276)
(6,592,124)	(6,380,251)
(60,172,131)	(63,673,075)
(3,572,138)	(3,214,442)
(8,131,062)	(7,862,121)
(8,586,341)	(11,404,738)
(14,929,207)	(11,970,654)
(18,089,393)	(13,762,313)
(768,719)	(722,769)
633,364	1,177,646
(841,608)	(860,384)
(6,328,074)	(5,862,304)
<u>(12,502,783)</u>	<u>(11,303,663)</u>
(147,353,340)	(142,880,344)
29,814,986	29,314,400
1,490,981	1,289,621
24,515,677	23,472,812
105,281,368	101,160,565
1,759,011	1,398,796
(456,541)	2,040,049
<u>162,405,482</u>	<u>158,676,243</u>
15,052,142	15,795,899
<u>(49,288,350)</u>	<u>(65,084,249)</u>
<u>\$ (34,236,208)</u>	<u>\$ (49,288,350)</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

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	\$ 37,801,378	\$ 166,814,456	\$ 15,701,419
Receivables			
Current taxes	16,149,700	–	12,572,313
Delinquent taxes	419,342	–	256,051
Accounts and interest	47,723	379,690	–
Due from other governmental units	20,073,981	–	63,048
Inventory	–	–	–
Prepaid items	312,786	–	–
Total assets	<u>\$ 74,804,910</u>	<u>\$ 167,194,146</u>	<u>\$ 28,592,831</u>
Liabilities			
Salaries payable	\$ 948,074	\$ 3,114	\$ –
Accounts and contracts payable	1,540,653	20,714,059	2,500
Due to other governmental units	1,849,796	3,475	–
Unearned revenue	–	–	–
Total liabilities	<u>4,338,523</u>	<u>20,720,648</u>	<u>2,500</u>
Deferred inflows of resources			
Unavailable revenue – delinquent taxes	357,073	–	205,800
Property taxes levied for subsequent year	27,414,614	–	24,204,672
Total deferred inflows of resources	<u>27,771,687</u>	<u>–</u>	<u>24,410,472</u>
Fund balances			
Nonspendable	312,786	–	–
Restricted	14,345,135	146,473,498	4,179,859
Assigned	6,622,438	–	–
Unassigned	21,414,341	–	–
Total fund balances	<u>42,694,700</u>	<u>146,473,498</u>	<u>4,179,859</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 74,804,910</u>	<u>\$ 167,194,146</u>	<u>\$ 28,592,831</u>

Nonmajor Funds	Total Governmental Funds	
	2022	2021
\$ 7,995,210	\$ 228,312,463	\$ 233,337,775
813,783	29,535,796	30,913,325
16,466	691,859	613,939
177,473	604,886	764,276
1,822,109	21,959,138	16,927,174
453,874	453,874	495,299
1,150	313,936	210,814
<u>\$ 11,280,065</u>	<u>\$ 281,871,952</u>	<u>\$ 283,262,602</u>
\$ 200,240	\$ 1,151,428	\$ 1,259,114
100,622	22,357,834	17,507,490
1,360,396	3,213,667	3,393,966
726,431	726,431	488,153
<u>2,387,689</u>	<u>27,449,360</u>	<u>22,648,723</u>
13,135	576,008	408,551
<u>1,566,725</u>	<u>53,186,011</u>	<u>52,242,376</u>
1,579,860	53,762,019	52,650,927
455,024	767,810	706,113
6,857,492	171,855,984	178,997,870
—	6,622,438	2,889,954
—	21,414,341	25,369,015
<u>7,312,516</u>	<u>200,660,573</u>	<u>207,962,952</u>
<u>\$ 11,280,065</u>	<u>\$ 281,871,952</u>	<u>\$ 283,262,602</u>

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INDEPENDENT SCHOOL DISTRICT NO. 622

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	\$ 200,660,573	\$ 207,962,952
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	484,143,898	390,797,820
Accumulated depreciation/amortization	(116,613,736)	(109,325,390)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable. Debt issuance premiums and discounts are excluded from net position until amortized, but are included in fund balances upon issuance as other financing sources and uses.		
General obligation bonds payable	(418,170,000)	(355,625,000)
Certificates of participation payable	(8,605,000)	(9,330,000)
Premiums and discounts on debt	(20,523,861)	(12,214,359)
Finance purchase payable	(431,510)	(851,176)
Lease liability	(1,269,061)	–
Net/total pension liability	(63,970,719)	(102,701,375)
Net OPEB liability	(21,369,569)	(25,760,736)
Severance benefits payable	(3,990,383)	(3,678,194)
Compensated absences payable	(1,745,904)	(1,827,513)
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.	(6,259,765)	(5,057,568)
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 Fund is included in the governmental activities in the Statement of Net Position.	8,354,146	8,183,430
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 – bond refunding deferments	121,946	142,270
Deferred outflows of resources – OPEB plan deferments	2,991,065	1,477,981
Deferred outflows of resources – pension plan deferments	38,606,575	41,155,070
Deferred inflows of resources – bond refunding deferments	(715,070)	(528,039)
Deferred inflows of resources – OPEB plan deferments	(7,317,132)	(3,020,426)
Deferred inflows of resources – pension plan deferments	(98,708,709)	(69,496,648)
Deferred inflows of resources – unavailable revenue – delinquent taxes	576,008	408,551
Total net position – governmental activities	\$ (34,236,208)	\$ (49,288,350)

INDEPENDENT SCHOOL DISTRICT NO. 622

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	\$ 29,752,186	\$ –	\$ 24,413,681
Investment earnings (charges)	(115,722)	(266,049)	(31,955)
Other	3,260,964	44,888	–
State sources	114,750,117	994,500	635,342
Federal sources	17,802,346	–	–
Total revenue	165,449,891	773,339	25,017,068
Expenditures			
Current			
Administration	8,088,212	–	–
District support services	6,739,530	–	–
Elementary and secondary regular instruction	68,418,615	–	–
Vocational education instruction	3,777,464	–	–
Special education instruction	35,404,012	–	–
Instructional support services	9,243,123	–	–
Pupil support services	15,250,823	–	–
Sites and buildings	16,516,620	–	–
Fiscal and other fixed cost programs	768,719	–	–
Food service	–	–	–
Community service	–	–	–
Capital outlay	–	93,297,520	–
Debt service			
Principal	1,663,606	–	13,105,000
Interest and fiscal charges	385,246	545,272	11,924,873
Total expenditures	166,255,970	93,842,792	25,029,873
Excess (deficiency) of revenue over expenditures	(806,079)	(93,069,453)	(12,805)
Other financing sources (uses)			
Debt issued	–	76,710,000	–
Refunding debt issued	–	–	11,085,000
Premium on debt issued	–	8,926,903	1,144,759
Sale of assets	47,213	–	–
Insurance recovery	34,411	–	–
Payment on refunded debt	–	–	(12,145,000)
Total other financing sources (uses)	81,624	85,636,903	84,759
Net change in fund balances	(724,455)	(7,432,550)	71,954
Fund balances			
Beginning of year	43,419,155	153,906,048	4,107,905
End of year	\$ 42,694,700	\$ 146,473,498	\$ 4,179,859

See notes to basic financial statements

Nonmajor Funds	Total Governmental Funds	
	2022	2021
\$ 1,488,320	\$ 55,654,187	\$ 54,138,195
(20,353)	(434,079)	2,016,959
2,926,805	6,232,657	4,521,308
5,978,196	122,358,155	124,323,615
9,112,751	26,915,097	18,831,204
<u>19,485,719</u>	<u>210,726,017</u>	<u>203,831,281</u>
—	8,088,212	6,958,610
—	6,739,530	6,382,259
—	68,418,615	64,827,482
—	3,777,464	3,155,374
—	35,404,012	33,157,742
—	9,243,123	11,119,969
—	15,250,823	12,071,057
—	16,516,620	15,108,124
—	768,719	722,769
7,068,682	7,068,682	6,337,591
11,197,958	11,197,958	9,718,614
436,407	93,733,927	105,414,714
—	14,768,606	11,488,166
—	12,855,391	14,467,186
<u>18,703,047</u>	<u>303,831,682</u>	<u>300,929,657</u>
782,672	(93,105,665)	(97,098,376)
—	76,710,000	—
—	11,085,000	—
—	10,071,662	—
—	47,213	42,430
—	34,411	—
—	(12,145,000)	—
<u>—</u>	<u>85,803,286</u>	<u>42,430</u>
782,672	(7,302,379)	(97,055,946)
<u>6,529,844</u>	<u>207,962,952</u>	<u>305,018,898</u>
<u>\$ 7,312,516</u>	<u>\$ 200,660,573</u>	<u>\$ 207,962,952</u>

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INDEPENDENT SCHOOL DISTRICT NO. 622

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.	\$ (7,302,379)	\$ (97,055,946)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are recorded in 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	92,128,597	107,535,904
Depreciation/amortization expense	(7,836,939)	(7,436,107)
A gain or loss on the disposal of capital assets, including the difference between the carrying value and any related sale proceeds, is included in the change in net position. However, only the sale proceeds are included in the change in fund balances.		
	(21,927)	(866)
The amount of debt issued is reported in the governmental funds as a source of financing. Debt obligations are not revenues in the Statement of Activities, but rather constitute long-term liabilities.		
General obligation bonds payable	(76,710,000)	–
Refunding bonds payable	(11,085,000)	–
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds payable	25,250,000	10,375,000
Certificates of participation payable	725,000	705,000
Finance purchase payable	419,666	408,166
Lease liability	518,940	–
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.		
	(1,202,197)	2,000,907
Debt issuance premiums and discounts are included in the change in net position as they are amortized over the life of the debt. However, they are included in the change in fund balances upon issuance as other financing sources and uses.		
	(8,309,502)	1,094,934
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	38,730,656	(14,402,615)
Net OPEB liability	4,391,167	47,437
Severance benefits payable	(312,189)	(345,606)
Compensated absences payable	81,609	(155,113)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is included in the governmental activities in the Statement of Activities.		
	170,716	2,491,547
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 – bond refunding deferments	(20,324)	(20,324)
Deferred outflows of resources – OPEB plan deferments	1,513,084	318,345
Deferred outflows of resources – pension plan deferments	(2,548,495)	(23,734,003)
Deferred inflows of resources – bond refunding deferments	(187,031)	88,006
Deferred inflows of resources – OPEB plan deferments	(4,296,706)	375,605
Deferred inflows of resources – pension plan deferments	(29,212,061)	33,566,990
Deferred inflows of resources – unavailable revenue – delinquent taxes	167,457	(61,362)
Change in net position – governmental activities	<u>\$ 15,052,142</u>	<u>\$ 15,795,899</u>

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INDEPENDENT SCHOOL DISTRICT NO. 622

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

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
Revenue				
Local sources				
Property taxes	\$ 29,298,455	\$ 29,298,455	\$ 29,752,186	\$ 453,731
Investment earnings (charges)	276,000	276,000	(115,722)	(391,722)
Other	3,015,255	3,015,255	3,260,964	245,709
State sources	117,683,958	113,930,185	114,750,117	819,932
Federal sources	11,710,915	15,872,653	17,802,346	1,929,693
Total revenue	161,984,583	162,392,548	165,449,891	3,057,343
Expenditures				
Current				
Administration	7,652,718	7,652,718	8,088,212	435,494
District support services	7,055,058	7,159,026	6,739,530	(419,496)
Elementary and secondary regular instruction	70,213,885	69,942,149	68,418,615	(1,523,534)
Vocational education instruction	3,687,514	3,687,514	3,777,464	89,950
Special education instruction	35,688,682	35,688,682	35,404,012	(284,670)
Instructional support services	8,153,398	8,129,131	9,243,123	1,113,992
Pupil support services	15,072,078	15,072,078	15,250,823	178,745
Sites and buildings	14,585,352	14,585,352	16,516,620	1,931,268
Fiscal and other fixed cost programs	717,000	717,000	768,719	51,719
Debt service				
Principal	1,663,606	1,663,606	1,663,606	—
Interest and fiscal charges	385,246	385,246	385,246	—
Total expenditures	164,874,537	164,682,502	166,255,970	1,573,468
Excess (deficiency) of revenue over expenditures	(2,889,954)	(2,289,954)	(806,079)	1,483,875
Other financing sources				
Sale of assets	—	—	47,213	47,213
Insurance recovery	—	—	34,411	34,411
Total other financing sources	—	—	81,624	81,624
Net change in fund balances	\$ (2,889,954)	\$ (2,289,954)	(724,455)	\$ 1,565,499
Fund balances				
Beginning of year			43,419,155	
End of year			\$ 42,694,700	

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	<u>2022</u>	<u>2021</u>
Assets		
Current assets		
Cash and temporary investments	\$ 9,916,921	\$ 10,077,927
Liabilities		
Current liabilities		
Accounts and contracts payable	297,523	490,479
Claims incurred, but not reported	<u>1,265,252</u>	<u>1,404,018</u>
Total liabilities	<u>1,562,775</u>	<u>1,894,497</u>
Net position		
Unrestricted	<u>\$ 8,354,146</u>	<u>\$ 8,183,430</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	<u>2022</u>	<u>2021</u>
Operating revenue		
Charges for services	\$ 22,825,378	\$ 22,782,023
Operating expenses		
Dental benefit claims	1,840,655	1,826,388
Medical benefit claims	19,434,530	17,333,843
Fees and stop-loss	<u>1,357,015</u>	<u>1,153,335</u>
Total operating expenses	<u>22,632,200</u>	<u>20,313,566</u>
Operating income	193,178	2,468,457
Nonoperating revenue		
Investment earnings (charges)	<u>(22,462)</u>	<u>23,090</u>
Change in net position	170,716	2,491,547
Net position		
Beginning of year	<u>8,183,430</u>	<u>5,691,883</u>
End of year	<u><u>\$ 8,354,146</u></u>	<u><u>\$ 8,183,430</u></u>

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INDEPENDENT SCHOOL DISTRICT NO. 622

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

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Contributions from governmental funds	\$ 22,825,378	\$ 22,782,023
Payments for dental benefit claims	(1,843,692)	(1,670,309)
Payments for medical benefit claims	(19,729,277)	(17,107,519)
Payments for fees and stop-loss	<u>(1,390,953)</u>	<u>(1,153,335)</u>
Net cash flows from operating activities	(138,544)	2,850,860
Cash flows from investing activities		
Investment income received (paid)	<u>(22,462)</u>	<u>23,090</u>
Net change in cash and cash equivalents	(161,006)	2,873,950
Cash and cash equivalents		
Beginning of year	<u>10,077,927</u>	<u>7,203,977</u>
End of year	<u><u>\$ 9,916,921</u></u>	<u><u>\$ 10,077,927</u></u>
Reconciliation of operating income to net cash flows from operating activities		
Operating income	\$ 193,178	\$ 2,468,457
Adjustments to reconcile operating income to net cash flows from operating activities		
Changes in assets and liabilities		
Prepaid items	—	4,801
Accounts and contracts payable	(192,956)	466,530
Claims incurred, but not reported	<u>(138,766)</u>	<u>(88,928)</u>
Net cash flows from operating activities	<u><u>\$ (138,544)</u></u>	<u><u>\$ 2,850,860</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 622

Statement of Fiduciary Net Position
as of June 30, 2022

	Post-Employment Benefits Trust Fund
Assets	
Cash and temporary investments	\$ 228,200
Investments, at fair value	
U.S. treasuries	2,645,137
Local government obligations	7,851,915
MNTrust Investment Shares Portfolio	1,030,096
Investment pools/mutual funds	1,524,467
Receivables	
Accounts and interest	49,480
Total assets	<u>13,329,295</u>
Net position	
Restricted for OPEB	<u>\$ 13,329,295</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	Post-Employment Benefits Trust Fund
Additions	
Contributions	
Employee	\$ 831,247
Investment earnings	
Total investment earnings (charges)	(479,145)
Less investment expense	9,110
Net investment earnings (charges)	(488,255)
Total additions	342,992
Deductions	
Benefits paid to plan members	831,247
Change in net position	(488,255)
Net position	
Beginning of year	13,817,550
End of year	\$ 13,329,295

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INDEPENDENT SCHOOL DISTRICT NO. 622

Notes to Basic Financial Statements June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Independent School District No. 622 (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a School Board elected by voters of the District. The District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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 (the 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. The fiduciary funds are only reported in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position at the fund financial statement level. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For capital assets that can be specifically identified with or allocated to functional areas, depreciation/amortization expense is included as a direct expense in the functional areas that utilize the related capital assets. For capital assets that essentially serve all functional areas, depreciation/amortization expense is reported as “depreciation/amortization not included in other functions.” Interest on 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. The Proprietary Fund (Internal Service Funds) is presented in the proprietary fund financial statements. Because the principal users of the internal services are the District’s governmental activities, the financial statement of the Proprietary Fund (Internal Service Funds) is consolidated into the governmental activities in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity. Fiduciary funds are presented in the fiduciary fund financial statements by type: pension (or other benefit) trust. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, this fund is excluded from the government-wide financial statements.

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 for service. 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.

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. Revenues are generally considered as available if collected within 60 days after year-end. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to funding formulas established by Minnesota Statutes. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within 60 days. 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 expenditures in governmental funds. In the General Fund, capital outlay expenditures are included within the applicable functional areas.

Proprietary and fiduciary fund financial statements 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 (MDE). Each fund is accounted for as an independent entity. A description of the funds included in this report is 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 under 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. The regular debt service account is used for all general obligation debt service except for the financial activities of the other post-employment benefits (OPEB) debt service account. The OPEB debt service account is used to pay principal, interest, and related costs on the 2018D Taxable OPEB Refunding Bond issue.

Nonmajor Governmental Funds

Food Service Special Revenue Fund – The Food Service Special Revenue Fund is used primarily to record financial activities of 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 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. The District's Internal Service Funds are used to account for dental and health insurance offered by the District to its employees as self-insured plans.

Fiduciary Funds

Post-Employment Benefits Trust Fund – The Post-Employment Benefits Trust Fund is used to administer resources received and held by the District as the trustee for others. The Post-Employment Benefits Trust Fund includes assets held in an irrevocable trust to fund post-employment insurance benefits of eligible employees.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Information

Each June, the School Board adopts an annual budget for the following fiscal year for all governmental funds. The budget for each fund is prepared 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 exceeded final budgeted appropriations by \$1,573,468, \$1,137,428, and \$365,472 in the General Fund, Food Service Special Revenue Fund, and Community Service Special Revenue Fund, respectively. The excess expenditures were approved by the School Board as required by Minnesota Statutes, and were financed with revenues in excess of budget, other financing sources, or available fund balances.

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.

Earnings from the investments of the Capital Projects – Building Construction Fund are allocated specifically to that fund.

Cash and investments held by trustee include balances held in segregated accounts that are established for specific purposes. In the Post-Employment Benefits Trust Fund, this represents assets contributed to an irrevocable trust established to finance the District's liability for post-employment insurance benefits. Interest earned on these investments is allocated directly to the escrow accounts.

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

Investments are generally stated at fair value, except for investments in certain external investment pools, which are stated at amortized cost. Short-term, highly liquid debt instruments (including commercial paper, bankers' acceptance, and U.S. treasury and agency obligations) purchased with a remaining maturity of one year or less may also be reported at amortized cost. Investment income is accrued at the Balance Sheet date. Guaranteed investment contracts are valued on a cost-basis measure and, therefore, are not subject to the fair value disclosure.

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Receivables

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

At June 30, 2022, the District reported the following receivables due from other governmental units:

Due from the MDE	\$ 21,389,769
Due from other Minnesota school districts	550,932
Due from other governmental units	<u>18,436</u>
Total due from other governmental units	<u>\$ 21,959,137</u>

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. Purchased food and supplies are recorded at cost on a first-in, first-out basis. Surplus commodities are stated at standardized costs, as determined by the U.S. Department of Agriculture.

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are recorded as expenses/expenditures at the time of consumption.

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 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 \$3,533,235 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 deferred inflow of resources (property taxes levied for subsequent year).

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

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is reported as a deferred inflow of resources (unavailable revenue) in the fund financial statements because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes is considered necessary.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 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 is not capitalized.

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since 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 purposes. Useful lives vary, ranging from 20 to 50 years for land improvements and buildings and improvements, and 5 to 20 years for furniture and 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. Capital assets that are not depreciated include land and construction in progress.

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. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. 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.

M. Compensated Absences Payable

1. **Vacation Pay** – Under the terms of union contracts, certain employees accrue vacation at varying rates, portions of which may be carried over to future years. Employees are reimbursed for any unused, accrued vacation and related benefits upon termination. Vacation pay is accrued when incurred in the government-wide financial statements. Unused vacation pay is accrued in governmental fund financial statements only when it has matured, due to employee termination or similar circumstances.
2. **Sick Pay** – Substantially all district employees are entitled to sick leave at various rates. Unused sick leave enters into the calculation of severance benefits for some employees upon termination.

N. Severance Benefits

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Members of certain employee groups may also elect to receive district matching contributions paid into tax-deferred matching contribution plans. The amount of any severance or retirement benefit due to an individual is reduced by the total contributions made to such a plan over the course of that individual's employment. Severance or retirement benefits are required to be paid out within 30 days following the effective date of retirement. Retirement benefits for eligible teachers are paid into a post-employment healthcare savings plan, administered by the Minnesota State Retirement System. For all other employees, severance benefits are paid out directly to the employee.

The amount of severance 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 or retirement pay is accrued in the governmental fund financial statements only when it becomes due and payable.

O. 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.

P. Other Post-Employment Benefits (OPEB) Plan

The District provides post-employment healthcare benefits to eligible employee groups in accordance with provisions in certain collectively bargained contracts based on years of service and/or minimum age requirements. See the Other Post-Employment Benefits (OPEB) Plan note for further information.

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 may be reported at amortized cost.

Q. Risk Management and Self-Insurance

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The District makes premium payments that include both employer and employee contributions to the internal service funds on behalf of program participants based on 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 of health insurance claim liabilities for the last two years are as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
2021	\$ 1,492,946	\$ 16,975,839	\$ 17,107,519	\$ 1,361,266
2022	\$ 1,361,266	\$ 19,597,596	\$ 19,729,277	\$ 1,229,585

Changes in the balance of dental insurance claim liabilities for the last two years are as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
2021	\$ –	\$ 1,713,061	\$ 1,670,309	\$ 42,752
2022	\$ 42,752	\$ 1,836,607	\$ 1,843,692	\$ 35,667

R. Net Position

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

- **Net Investment in Capital Assets** – Consists of capital assets, net of accumulated depreciation, reduced by any outstanding debt attributable to acquire capital assets.
- **Restricted Net Position** – Consists of net position restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- **Unrestricted Net Position** – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. 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 the School Board resolution, the District's 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 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.

T. Deferred Outflows/Inflows of Resources

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

The District reports deferred outflows and inflows of resources related to bond refunding deferments in the government-wide Statement of Net Position. A bond refunding deferment results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

The District also 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 economic experience, changes in actuarial assumptions, net collective difference between projected and actual investment earnings, changes in proportion, and contributions to the plan subsequent to the measurement date and before the end of the reporting period. These amounts are deferred and amortized as required under pension and OPEB standards.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

U. Use of Estimates

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

V. Prior Period Comparative Financial Information/Reclassification

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

W. 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. Adjustments to capital assets and long-term liabilities were made, but did not require a restatement of net position in the current year. See Note 3 and Note 4 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	\$ 42,591,919
Investments	208,913,893
Cash on hand	<u>3,387</u>
Total	<u><u>\$ 251,509,199</u></u>

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

Statement of Net Position	
Cash and temporary investments	\$ 238,229,384
Statement of Fiduciary Net Position	
Cash and temporary investments	
Post-Employment Benefits Trust Fund	228,200
Investments	
Post-Employment Benefits Trust Fund	<u>13,051,615</u>
Total	<u><u>\$ 251,509,199</u></u>

B. Deposits

In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the District's School Board.

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 policy does not further limit depository choices.

At year-end, the carrying amount of the District's deposits was \$42,591,919, while the balance on the bank records was \$48,399,137. 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.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Investments

The District has the following investments at year-end:

Investment Type	Credit Risk		Fair Value Measurements Using	Interest Risk – Maturity Duration in Years		Total
	Credit Rating	Rating Agency		Less Than 1	1 to 5	
U.S. treasuries	AA	S&P	Level 2	\$ 27,288,340	\$ 38,113,811	\$ 65,402,151
Local government obligations	AAA	S&P	Level 2	\$ 13,493,081	\$ 1,929,000	15,422,081
Local government obligations	AA	S&P	Level 2	\$ 12,904,093	\$ 5,999,313	18,903,406
Local government obligations	Aa	Moody's	Level 2	\$ 1,130,604	\$ 334,630	1,465,234
Guaranteed investment contract	AA	S&P	N/A	\$ 149,586	\$ –	149,586
Negotiable certificates of deposit	N/R	N/A	Level 2	\$ 242,509	\$ 727,305	969,814
Investment pools/mutual funds						
Minnesota School District Liquid Asset Fund – Liquid Class	AAA	S&P	Amortized Cost	N/A	N/A	110,146
Minnesota School District Liquid Asset Fund – MAX Class	AAA	S&P	Amortized Cost	N/A	N/A	320,129
MNTrust Investment Shares Portfolio	AAA	S&P	Amortized Cost	N/A	N/A	31,287,766
MNTrust Term Series	N/R	N/A	Amortized Cost	\$ 24,750,000	\$ –	24,750,000
MNTrust Limited Term Duration	N/R	N/A	Amortized Cost	N/A	N/A	16,923,960
MNTrust Full Flex	N/R	N/A	Amortized Cost	N/A	N/A	31,685,154
Goldman Sachs Government Institutional Fund	Aaa	Moody's	Level 3	N/A	N/A	7,599
Vanguard Total Bond Market ETF	N/R	N/A	Level 1	N/A	N/A	156,917
Vanguard Total Stock Market ETF	N/R	N/A	Level 1	N/A	N/A	1,359,950
Total						<u>\$208,913,893</u>

N/A – Not Applicable

N/R – Not Rated

The Minnesota School District Liquid Asset Fund (MSDLAF), Minnesota Trust (MNTrust) Investment Shares Portfolio, MNTrust Term Series, MNTrust Limited Term Duration, and MNTrust Full Flex are regulated by Minnesota Statutes and are external investment pools not registered with the Securities and Exchange Commission. The District's investment in these investment pools is measured at the net asset value per share provided by the pool, which is based on an amortized cost method that approximates fair value. For the MSDLAF and MNTrust, there are no unfunded commitments, redemption frequency is daily, and there is no redemption notice for the MSDLAF Liquid Class; the redemption notice period is 14 days for the MSDLAF MAX Class and 7 days for the MNTrust Term Series. MNTrust Term Series Portfolios are intended to be held until maturity; a participant's withdrawal prior to maturity will require 7-days' notice of redemption and will likely carry a penalty, which could be substantial in that it would be intended to allow the MNTrust Term Series Portfolio to recoup any associated penalties, charges, losses, or other costs associated with the early redemption of the investments therein. MN Trust Limited Term Duration must be deposited for a minimum of 30 calendar days.

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.

At year-end, \$1,524,466 of the District's investments were uninsured and not registered in the District's name, with the securities held by the purchasing agent, or by its trust department or agent, but not in the District's name.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

Post-Employment Benefits Trust Fund – This fund represents investments administered by the District’s OPEB Trust Fund investment managers. The District’s investment policy extends to the OPEB Trust Fund investments.

Minnesota Statutes authorize the OPEB Trust Fund to invest in obligations of the U.S. treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the state of Minnesota or its municipalities, bankers’ acceptances, future contracts, corporate bonds, common stock and foreign stock of the highest quality, mutual funds, repurchase and reverse repurchase agreements, and commercial paper if issued by a United States corporation or its Canadian subsidiary and if rated in the highest two quality categories by a nationally recognized rating agency; and in the State Board of Investments. Investments are stated at fair value.

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 policies do not address concentration risk.

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

NOTE 3 – 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	Completed Construction	Balance – End of Year
Capital assets, not depreciated/amortized						
Land	\$ 19,577,877	\$ –	\$ –	\$ –	\$ –	\$ 19,577,877
Construction in progress	127,541,206	–	91,221,082	–	(2,046,188)	216,716,100
Total capital assets, not depreciated/amortized	147,119,083	–	91,221,082	–	(2,046,188)	236,293,977
Capital assets, depreciated/amortized						
Land improvements	12,621,784	–	19,114	–	–	12,640,898
Buildings and improvements	208,677,845	–	7,103	–	2,046,188	210,731,136
Furniture and equipment	22,379,108	–	881,298	(570,520)	–	22,689,886
Leased buildings and improvements	–	1,788,001	–	–	–	1,788,001
Total capital assets, depreciated/amortized	243,678,737	1,788,001	907,515	(570,520)	2,046,188	247,849,921
Less accumulated depreciation/amortization for						
Land improvements	(5,509,763)	–	(539,852)	–	–	(6,049,615)
Buildings and improvements	(90,269,545)	–	(5,212,199)	–	–	(95,481,744)
Furniture and equipment	(13,546,082)	–	(1,531,699)	548,593	–	(14,529,188)
Leased buildings and improvements	–	–	(553,189)	–	–	(553,189)
Total accumulated depreciation/amortization	(109,325,390)	–	(7,836,939)	548,593	–	(116,613,736)
Net capital assets, depreciated/amortized	134,353,347	1,788,001	(6,929,424)	(21,927)	2,046,188	131,236,185
Total capital assets, net	\$ 281,472,430	\$ 1,788,001	\$ 84,291,658	\$ (21,927)	\$ –	\$ 367,530,162

* The remeasurement adjustment was for new lease standard requirements in the current year.

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

Elementary and secondary regular instruction	\$ 111,544
Special education instruction	66,113
Instructional support services	18,633
Pupil support services	1,168,233
Food service	144,342
Depreciation not included in other functions	6,328,074
Total depreciation/amortization expense	<u>\$ 7,836,939</u>

NOTE 4 – LONG-TERM LIABILITIES

A. General Obligation Bonds Payable

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

Issue	Issue Date	Interest Rate	Original Issue	Amounts of Installments	Remaining Maturities	Principal Outstanding
General obligation bonds payable						
2016A Refunding Bonds	11/17/2016	5.00%	\$ 34,050,000	\$260,000–\$5,200,000	02/01/2023–02/01/2027	\$ 10,385,000
2017A Alternative Facility Refunding Bonds	05/18/2017	3.00%	\$ 6,600,000	\$575,000–\$760,000	02/01/2023–02/01/2028	4,145,000
2018A Facilities Maintenance Bonds	09/13/2018	3.00–5.00%	\$ 44,885,000	\$210,000–\$5,485,000	02/01/2026–02/01/2039	44,885,000
2018D Taxable OPEB Refunding Bonds	11/15/2018	2.90–3.60%	\$ 13,985,000	\$1,595,000–\$1,935,000	02/01/2023–02/01/2027	9,060,000
2018E Alternative Facilities Refunding Bonds	11/15/2018	4.00–5.00%	\$ 3,530,000	\$265,000–\$445,000	02/01/2023–02/01/2029	2,675,000
2019A School Building Bonds	11/14/2019	3.00–5.00%	\$ 195,050,000	\$1,375,000–\$24,925,000	02/01/2030–02/01/2046	192,925,000
2019B Facilities Maintenance Bonds	11/14/2019	3.00–5.00%	\$ 61,325,000	\$325,000–\$5,295,000	02/01/2023–02/01/2042	60,340,000
2019C Alternative Facility Refunding Bond	11/14/2019	4.00–5.00%	\$ 7,040,000	\$415,000–\$845,000	02/01/2023–02/01/2031	5,960,000
2021A School Building and Refunding Bonds	12/16/2021	2.00–4.00%	\$ 87,795,000	\$2,840,000–\$11,390,000	02/01/2023–02/01/2034	87,795,000
Total general obligation bonds payable						<u>\$ 418,170,000</u>

These bonds were issued to finance acquisition and/or construction of capital facilities, to finance (refund) prior bond issues, or to finance OPEB obligations. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated for the retirement of these bonds. The annual future debt service levies authorized are equal 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.

In December 2021, the District issued \$11,085,000 of General Obligation Refunding Bonds, Series 2021A. The proceeds were used to refund, in advance of their stated maturities, the remaining maturities of the District's General Obligation School Building Crossover Refunding Bonds, Series 2010C, General Obligation Refunding Bonds, Series 2012A, General Obligation Alternative Facilities Refunding Bonds, Series 2012B, and General Obligation Capital Facilities and Tax Abatement Bonds, Series 2018B. This current refunding reduced the District's total future debt service payments by \$695,315, and resulted in a present value savings of \$664,030.

B. Certificates of Participation Payable

Issue	Issue Date	Interest Rate	Original Issue	Final Maturity	Principal Outstanding
Certificates of participation payable					
2010B Certificates of Participation	09/30/2010	2.00–3.50%	\$ 2,500,000	02/01/2025	\$ 625,000
2018C Certificates of Participation	09/13/2018	3.00–4.00%	\$ 9,405,000	02/01/2034	7,980,000
Total certificates of participation payable					<u>\$ 8,605,000</u>

The District sold certificates of participation under Minnesota Statutes § 123B.51 and § 465.71 to finance additions and improvements to existing school facilities or to refund prior certificates of participation issued. Scheduled future ad valorem lease obligation tax levies will be made to finance the retirement of principal and interest payments on the certificates. These certificates of participation are being paid by the General Fund.

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

C. Finance Purchase Payable

During fiscal year 2017, the District entered into a debt agreement to provide funds to finance the purchase of fiber optic equipment. The total amount of this finance purchase was \$1,650,204, at a 2.20 percent interest rate, and a final payment date of June 30, 2023. This finance purchase will be repaid through the General Fund. If the District does not make the payments on the date which payments are due, the District shall pay debtor a charge at the rate of 12.00 percent per annum or the highest lawful rate, whichever is less, from such due date until paid. If the District breaches any term of this agreement, the debtor may require that the District return the equipment and pay any and all amounts which may then be due and payable under the agreement, plus all payments remaining through the end of the then current fiscal period.

During fiscal year 2019, the District entered into a debt agreement to provide funds to finance the purchase of school buses. The total amount of this finance purchase was \$853,607, at a 3.65 percent interest rate, and a final payment date of February 15, 2023. This finance purchase will be repaid through the General Fund.

D. Lease Liability

The District has obtained the use of certain building space through a lease financing agreement. The total amount of underlying lease assets by major class and the related accumulated amortization is presented in Note 3 to the basic financial statements. Annual principal and interest on these agreements will be paid from the General Fund. The agreements are secured by the original property. The lessor also may repossess the property and seek full recovery of the losses upon default.

The District currently has the following lease liability obligations outstanding:

Lease Description	Interest Rate	Lease Date	Final Maturity	Principal Outstanding
Next Step building space	3.10%	08/01/2008	07/17/2023	\$ 404,201
John Glenn building space	3.10%	06/30/2017	02/01/2027	864,860
Total lease liability				<u>\$ 1,269,061</u>

E. Other Long-Term Liabilities

The District offers a number of benefits to its employees, including severance benefits, OPEB, pension benefits, and compensated absences. The details of these various benefit liabilities are discussed elsewhere in these notes. Such benefits are financed primarily from the General Fund. The District has also established a Post-Employment Benefits Trust Fund to finance OPEB obligations.

The District has three defined benefit pension plans, including two state-wide, cost-sharing, multiple-employer plans administered by the PERA and the TRA, and one single-employer plan administered by the District.

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

The following is a summary of the pension liabilities, deferred outflows and inflows of resources, and pension expense reported for these plans as of and for the year ended June 30, 2022:

Pension Plans	Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
State-wide, multiple-employer – PERA	\$ 15,266,851	\$ 11,897,551	\$ 14,182,545	\$ 164,730
State-wide, multiple-employer – TRA	48,375,609	26,703,096	84,323,121	902,330
Single-employer – District	328,259	5,928	203,043	(29,163)
Total	<u>\$ 63,970,719</u>	<u>\$ 38,606,575</u>	<u>\$ 98,708,709</u>	<u>\$ 1,037,897</u>

F. Changes in Long-Term Liabilities

	Beginning Balance	Change in Accounting Principle*	Additions	Retirements	Ending Balance	Due Within One Year
General obligation bonds payable	\$ 355,625,000	\$ –	\$ 87,795,000	\$ 25,250,000	\$ 418,170,000	\$ 10,115,000
Certificates of participation payable	9,330,000	–	–	725,000	8,605,000	745,000
Plus premium (discount)	12,214,359	–	10,071,662	1,762,160	20,523,861	–
Total bonds and certificates of participation payable	377,169,359	–	97,866,662	27,737,160	447,298,861	10,860,000
Finance purchase payable	851,176	–	–	419,666	431,510	431,510
Lease liability	–	1,788,001	–	518,940	1,269,061	535,122
Net/total pension liability	102,701,375	–	15,308,658	54,039,314	63,970,719	30,634
Net OPEB liability	25,760,736	–	1,276,980	5,668,147	21,369,569	–
Severance benefits payable	3,678,194	–	475,899	163,710	3,990,383	288,600
Compensated absences payable	1,827,513	–	1,617,773	1,699,382	1,745,904	1,745,904
	<u>\$ 511,988,353</u>	<u>\$ 1,788,001</u>	<u>\$ 116,545,972</u>	<u>\$ 90,246,319</u>	<u>\$ 540,076,007</u>	<u>\$ 13,891,770</u>

* The remeasurement adjustment was for new lease standard requirements in the current year.

G. Minimum Debt Payments

Minimum annual principal and interest payments to maturity for general obligation bonds, certificates of participation, finance purchase, and lease obligations are as follows:

Year Ending June 30,	General Obligation Bonds		Certificates of Participation		Finance Purchase		Lease	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 10,115,000	\$ 14,256,006	\$ 745,000	\$ 293,996	\$ 431,510	\$ 9,105	\$ 535,122	\$ 32,826
2024	11,800,000	13,451,646	770,000	271,046	–	–	199,149	20,567
2025	13,280,000	12,948,871	800,000	241,506	–	–	172,809	15,249
2026	13,485,000	12,385,381	610,000	210,581	–	–	178,207	9,851
2027	14,890,000	11,829,316	630,000	186,181	–	–	183,774	4,284
2028–2032	81,380,000	49,559,256	3,495,000	599,556	–	–	–	–
2033–2037	86,080,000	36,729,169	1,555,000	79,144	–	–	–	–
2038–2042	107,090,000	21,916,750	–	–	–	–	–	–
2043–2046	80,050,000	5,315,250	–	–	–	–	–	–
	<u>\$ 418,170,000</u>	<u>\$ 178,391,645</u>	<u>\$ 8,605,000</u>	<u>\$ 1,882,010</u>	<u>\$ 431,510</u>	<u>\$ 9,105</u>	<u>\$ 1,269,061</u>	<u>\$ 82,777</u>

NOTE 5 – FUND BALANCES

A. Classifications

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

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Nonmajor Funds	Total
Nonspendable					
Inventory	\$ –	\$ –	\$ –	\$ 453,874	\$ 453,874
Prepaid items	312,786	–	–	1,150	313,936
Total nonspendable	312,786	–	–	455,024	767,810
Restricted					
Student activities	146,329	–	–	–	146,329
Staff development	990,415	–	–	–	990,415
Operating capital	9,952,127	–	–	–	9,952,127
Safe schools	1,156,527	–	–	–	1,156,527
Long-term facilities maintenance	–	19,518,526	–	–	19,518,526
Medical Assistance	2,099,737	–	–	–	2,099,737
Capital projects	–	126,954,972	–	–	126,954,972
Debt service	–	–	3,772,654	–	3,772,654
OPEB debt service	–	–	407,205	–	407,205
Food service	–	–	–	3,418,098	3,418,098
Community education programs	–	–	–	1,781,493	1,781,493
Early childhood family education programs	–	–	–	704,361	704,361
School readiness	–	–	–	621,373	621,373
Adult basic education	–	–	–	295,681	295,681
Community service	–	–	–	36,486	36,486
Total restricted	14,345,135	146,473,498	4,179,859	6,857,492	171,855,984
Assigned					
Subsequent year's budget	6,622,438	–	–	–	6,622,438
Unassigned	21,414,341	–	–	–	21,414,341
Total	<u>\$ 42,694,700</u>	<u>\$ 146,473,498</u>	<u>\$ 4,179,859</u>	<u>\$ 7,312,516</u>	<u>\$ 200,660,573</u>

B. Minimum Unassigned Fund Balance Policy

The School Board has formally adopted a fund balance policy regarding the minimum unassigned fund balance for the General Fund. The policy establishes that the District will strive to maintain a minimum unassigned General Fund balance of 8.0 percent to 10.0 percent of the expenditure budget. At June 30, 2022, the unassigned fund balance of the General Fund (excluding restricted account deficits) was 12.9 percent of current year expenditures.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Descriptions

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

1. General Employees Retirement Fund (GERF)

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

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

2. Teachers Retirement Association (TRA)

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

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

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.

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

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 July 1, 2006 or after	1.4 %
All other years of service if service years are up to July 1, 2006	1.7 %
All other years of service if service years are July 1, 2006 or after	1.9 %

With these provisions:

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

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

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 \$2,111,696. 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 \$5,872,210. The District's contributions were equal to the required contributions for each year as set by state statutes.

NOTE 6 – 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:

	<i>in thousands</i>
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	<u>(538)</u>
Total employer contributions	448,670
Total nonemployer contributions	<u>37,840</u>
Total contributions reported in the Schedule of Employer and Nonemployer Allocations	<u>\$ 486,510</u>

Amounts reported in the allocation schedules may not precisely agree with financial statement amounts or actuarial valuations, due to the number of decimal places used in the allocations. 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 \$15,266,851 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 \$466,323. 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 0.3575 percent at the end of the measurement period and 0.3605 percent for the beginning of the period.

District's proportionate share of the net pension liability	\$ 15,266,851
State's proportionate share of the net pension liability associated with the District	\$ 466,323

For the year ended June 30, 2022, the District recognized pension expense of \$127,115 for its proportionate share of the GERF's pension expense. In addition, the District recognized an additional \$37,615 as grant revenue for its proportionate share of the state of Minnesota's pension expense for the annual \$16 million contribution.

NOTE 6 – 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	\$ 91,040	\$ 467,662
Changes in actuarial assumptions	9,321,623	336,491
Net collective difference between projected and actual investment earnings	–	13,201,887
Changes in proportion	373,192	176,505
District's contributions to the GERF subsequent to the measurement date	2,111,696	–
Total	<u>\$ 11,897,551</u>	<u>\$ 14,182,545</u>

The \$2,111,696 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	\$ (545,476)
2024	\$ (85,413)
2025	\$ (159,541)
2026	\$ (3,606,260)

2. TRA Pension Costs

At June 30, 2022, the District reported a liability of \$48,375,609 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 1.1054 percent at the end of the measurement period and 1.0924 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	\$ 48,375,609
State's proportionate share of the net pension liability associated with the District	\$ 4,079,845

For the year ended June 30, 2022, the District recognized pension expense of \$948,011. It also recognized \$45,681 as a decrease to pension expense for the support provided by direct aid.

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,294,817	\$ 1,348,995
Changes in actuarial assumptions	17,727,260	42,193,051
Net collective difference between projected and actual investment earnings on pension plan investments	–	40,581,457
Changes in proportion	1,808,809	199,618
District's contributions to the TRA subsequent to the measurement date	5,872,210	–
Total	<u>\$ 26,703,096</u>	<u>\$ 84,323,121</u>

A total of \$5,872,210 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	\$ (31,036,422)
2024	\$ (23,550,034)
2025	\$ (5,444,972)
2026	\$ (7,035,555)
2027	\$ 3,574,748

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:

Asset Class	Target Allocation		Long-Term Expected Real Rate of Return
	GERF	TRA	
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	<u>100.00 %</u>	<u>100.00 %</u>	

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

F. Actuarial Methods and Assumptions

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

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

1. GERF

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

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

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

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

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

2. TRA

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

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

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

The following changes in actuarial assumptions occurred in 2021:

1. GERF

CHANGES IN ACTUARIAL ASSUMPTIONS

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

2. TRA

CHANGES IN ACTUARIAL ASSUMPTIONS

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

G. Discount Rate

1. GERF

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

2. TRA

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

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

H. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
GERF discount rate	5.50%	6.50%	7.50%
District's proportionate share of the GERF net pension liability	\$ 31,136,584	\$ 15,266,851	\$ 2,244,768
TRA discount rate	6.00%	7.00%	8.00%
District's proportionate share of the TRA net pension liability	\$ 97,721,085	\$ 48,375,609	\$ 7,908,385

I. Pension Plan Fiduciary Net Position

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

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

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

A. Plan Description

The District provides post-employment benefits to certain eligible employees through the OPEB Plan, a single-employer defined benefit plan administered by the District. Management of the plan is vested with the School Board of the District. All post-employment benefits are based on contractual agreements with employee groups. The District is phasing out post-employment medical and dental insurance to all district employees, in accordance with their respective master employment agreements. The eligibility for, amount of, duration of, and the District's contribution to the cost of the benefits provided varies by contract, hire dates, and date of retirement. 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.

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

B. Benefits Provided

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

The District is legally required to include any retirees for whom it provides health insurance coverage in the same insurance pool as its active employees, 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 has established the Post-Employment Benefits Trust Fund to finance these obligations.

D. Membership

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

Retirees and beneficiaries receiving benefits	369
Active plan members	<u>1,571</u>
Total members	<u><u>1,940</u></u>

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 that date. The components of the net OPEB liability of the District at year-end were as follows:

Total OPEB liability	\$ 34,698,864
Plan fiduciary net position	<u>(13,329,295)</u>
District's net OPEB liability	<u><u>\$ 21,369,569</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u><u>38.4%</u></u>

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

F. Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2022, using the entry-age, level percentage of pay actuarial cost 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	4.10% (net of investment expense)
20-year municipal bond yield	3.80%
Inflation rate	2.50%
Salary increases	3.00%
Healthcare trend rate	6.50%, grading to 5.00% over 6 years and then to 4.00% over the next 48 years
Dental trend rate	3.00%
Vision trend rate	5.00%
Medicare supplemental trend rate	4.00%

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

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Domestic equity	10.00 %	5.00 %
Fixed income	85.00	4.00 %
Cash	5.00	3.00 %
Total	100.00 %	4.10 %

G. Concentrations

At year-end, the District's OPEB Plan held investments in Cobb County, State of New York, and City of Des Moines, that represented 5 percent or more of the OPEB Plan's fiduciary net position.

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

H. Rate of Return

For the current year ended, the annual money-weighted rate of return on investments, net of investment expense, was a negative 3.50 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

I. 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 considered. The District discount rate used in the prior measurement date was 2.20 percent.

J. Changes in the Net OPEB Liability

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Beginning balance – July 1, 2021	\$ 39,578,286	\$ 13,817,550	\$ 25,760,736
Changes for the year			
Service cost	1,472,860	–	1,472,860
Interest	871,568	–	871,568
Assumption changes	(5,427,164)	–	(5,427,164)
Plan changes	32,662	–	32,662
Contributions – employer	–	2,053,278	(2,053,278)
Contributions – employee	–	831,247	(831,247)
Projected investment return	–	566,520	(566,520)
Differences between expected and actual experience	1,055,177	(1,054,775)	2,109,952
Benefit payments – employer-financed	(2,053,278)	(2,053,278)	–
Benefit payments – employee-financed	(831,247)	(831,247)	–
Total net changes	<u>(4,879,422)</u>	<u>(488,255)</u>	<u>(4,391,167)</u>
Ending balance – June 30, 2022	<u>\$ 34,698,864</u>	<u>\$ 13,329,295</u>	<u>\$ 21,369,569</u>

Plan changes since the prior measurement date include the following:

- The active superintendent is eligible for full family medical and dental coverage paid for by the District in retirement.

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

Assumption changes since the prior measurement date include the following:

- The 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.
- The salary increase rates for non-teachers were updated to reflect the latest experience study.
- The withdrawal rates were updated to reflect the latest experience study.
- The inflation rate was changed from 2.00 percent to 2.50 percent.
- The expected long-term investment return was changed from 3.00 percent to 4.10 percent.
- The discount rate was changed from 2.20 percent to 3.80 percent.

K. 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:

	<u>1% Decrease in Discount Rate</u>	<u>Current Discount Rate</u>	<u>1% Increase in Discount Rate</u>
OPEB discount rate	2.80%	3.80%	4.80%
Net OPEB liability	\$ 24,696,352	\$ 21,369,569	\$ 18,490,354

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:

	<u>1% Decrease in Healthcare Cost Trend Rate</u>	<u>Healthcare Cost Trend Rate</u>	<u>1% Increase in Healthcare Cost Trend Rate</u>
OPEB healthcare cost 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%
OPEB dental trend rate	2.00%	3.00%	4.00%
OPEB vision trend rate	4.00%	5.00%	6.00%
OPEB Medicare supplement trend rate	3.00%	4.00%	5.00%
Net OPEB liability	\$ 17,599,657	\$ 21,369,569	\$ 25,931,434

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)**L. OPEB Expense and Related Deferred Outflows of Resources and Deferred Inflows of Resources**

For the current year ended, the District recognized OPEB expense of \$1,276,980. 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	\$ 949,659	\$ 2,124,360
Changes in actuarial assumptions	1,289,909	5,192,772
Difference between projected and actual investment earnings	751,497	—
	<u>\$ 2,991,065</u>	<u>\$ 7,317,132</u>

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	\$ (534,416)
2024	\$ (551,379)
2025	\$ (566,063)
2026	\$ (519,845)
2027	\$ (730,793)
Thereafter	\$ (1,423,571)

NOTE 8 – PENSION BENEFITS 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. Eligibility for these benefits is based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements. The plan does not issue a publicly available financial report. These benefits are summarized as follows:

The District maintains various early retirement incentive payment plans for its employee groups. Each employee group plan contains benefit formulas based on years of service and/or minimum age requirements. No employee can receive severance or retirement benefits in excess of one year's salary.

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 annually by the District. There are no invested plan assets accumulated for payment of future benefits.

NOTE 8 – PENSION BENEFITS PLAN – DISTRICT (CONTINUED)

C. Membership

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

Active plan members	70
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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	3.00%

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

E. Discount Rate

The discount rate used to measure the total pension liability was 3.80 percent. The District discount rate used in the prior measurement date was 2.10 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.

F. Changes in the Total Pension Liability

	<u>Total Pension Liability</u>
Beginning balance – July 1, 2021	\$ 379,777
Changes for the year	
Service cost	17,685
Interest	7,994
Assumption changes	(18,065)
Differences between expected and actual experience	(25,401)
Benefit payments – employer-financed	(33,731)
Total net changes	<u>(51,518)</u>
Ending balance – June 30, 2022	<u>\$ 328,259</u>

NOTE 8 – PENSION BENEFITS PLAN – DISTRICT (CONTINUED)

Assumption changes since the prior measurement date include the following:

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

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:

	<u>1% Decrease in Discount Rate</u>	<u>Current Discount Rate</u>	<u>1% Increase in Discount Rate</u>
Pension discount rate	2.80%	3.80%	4.80%
Total pension liability	\$ 337,161	\$ 328,259	\$ 319,484

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

For the current year ended, the District recognized a negative pension expense of \$29,163. As of year-end, the District reported deferred outflows of resources and deferred inflows of resources related to this pension plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ –	\$ 187,989
Changes in actuarial assumptions	<u>5,928</u>	<u>15,054</u>
	<u>\$ 5,928</u>	<u>\$ 203,043</u>

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

<u>Year Ending June 30,</u>	<u>Pension Expense Amount</u>
2023	\$ (60,788)
2024	\$ (61,022)
2025	\$ (61,022)
2026	\$ (7,042)
2027	\$ (7,241)

NOTE 9 – FLEXIBLE BENEFIT PLAN

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

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

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

Amounts withheld for medical reimbursement and dependent care are paid by the District to a trust account maintained by an outside administrator on a monthly basis. Payments are made by the outside administrator to participating employees upon submitting a request for reimbursement of eligible expenses incurred by the employee. The medical reimbursement and dependent care activity is included in the financial statements 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 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 10 – COMMITMENTS AND CONTINGENCIES

A. 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.

B. Construction Contracts

The District is committed to various contracts awarded for construction and maintenance projects. The District's commitment for uncompleted work on these contracts at June 30, 2022 was \$97,087,172.

C. 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 claims are not presently determinable, the District believes that the resolution of these matters will not have a material adverse effect on its financial position.

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REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 622

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	0.4593%	\$ 21,575,613	\$ —	\$ 21,575,613	\$ 24,110,024	89.49%	78.70%
06/30/2016	06/30/2015	0.4116%	\$ 21,331,249	\$ —	\$ 21,331,249	\$ 24,164,168	88.28%	78.20%
06/30/2017	06/30/2016	0.3541%	\$ 28,751,165	\$ 375,475	\$ 29,126,640	\$ 21,939,530	131.05%	68.90%
06/30/2018	06/30/2017	0.3541%	\$ 22,605,512	\$ 284,216	\$ 22,889,728	\$ 22,809,532	99.11%	75.90%
06/30/2019	06/30/2018	0.3500%	\$ 19,416,564	\$ 636,932	\$ 20,053,496	\$ 23,496,733	82.64%	79.50%
06/30/2020	06/30/2019	0.3470%	\$ 19,184,852	\$ 596,307	\$ 19,781,159	\$ 24,554,191	78.13%	80.20%
06/30/2021	06/30/2020	0.3605%	\$ 21,613,622	\$ 666,458	\$ 22,280,080	\$ 25,700,593	84.10%	79.10%
06/30/2022	06/30/2021	0.3575%	\$ 15,266,851	\$ 466,323	\$ 15,733,174	\$ 25,740,237	59.31%	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	\$ 1,784,137	\$ 1,784,137	\$ —	\$ 24,164,168	7.38%
06/30/2016	\$ 1,645,472	\$ 1,645,472	\$ —	\$ 21,939,530	7.50%
06/30/2017	\$ 1,710,720	\$ 1,710,720	\$ —	\$ 22,809,532	7.50%
06/30/2018	\$ 1,762,249	\$ 1,762,249	\$ —	\$ 23,496,733	7.50%
06/30/2019	\$ 1,841,562	\$ 1,841,562	\$ —	\$ 24,554,191	7.50%
06/30/2020	\$ 1,927,545	\$ 1,927,545	\$ —	\$ 25,700,593	7.50%
06/30/2021	\$ 1,930,522	\$ 1,930,522	\$ —	\$ 25,740,237	7.50%
06/30/2022	\$ 2,111,696	\$ 2,111,696	\$ —	\$ 28,155,353	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. 622

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	1.2242%	\$ 56,410,255	\$ 3,968,323	\$ 60,378,578	\$ 55,880,148	100.95%	81.50%
06/30/2016	06/30/2015	1.1144%	\$ 68,936,661	\$ 8,455,794	\$ 77,392,455	\$ 56,560,535	121.88%	76.80%
06/30/2017	06/30/2016	1.0688%	\$ 254,934,302	\$ 25,589,195	\$ 280,523,497	\$ 55,599,679	458.52%	44.88%
06/30/2018	06/30/2017	1.0712%	\$ 213,830,952	\$ 20,669,481	\$ 234,500,433	\$ 57,658,824	370.86%	51.57%
06/30/2019	06/30/2018	1.0682%	\$ 67,092,958	\$ 6,303,801	\$ 73,396,759	\$ 59,013,621	113.69%	78.07%
06/30/2020	06/30/2019	1.0786%	\$ 68,750,191	\$ 6,084,429	\$ 74,834,620	\$ 61,234,275	112.27%	78.21%
06/30/2021	06/30/2020	1.0924%	\$ 80,707,976	\$ 6,763,297	\$ 87,471,273	\$ 63,346,430	127.41%	75.48%
06/30/2022	06/30/2021	1.1054%	\$ 48,375,609	\$ 4,079,845	\$ 52,455,454	\$ 65,967,410	73.33%	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	\$ 4,241,912	\$ 4,241,912	\$ —	\$ 56,560,535	7.50%
06/30/2016	\$ 4,169,871	\$ 4,169,871	\$ —	\$ 55,599,679	7.50%
06/30/2017	\$ 4,324,135	\$ 4,324,135	\$ —	\$ 57,658,824	7.50%
06/30/2018	\$ 4,426,203	\$ 4,426,203	\$ —	\$ 59,013,621	7.50%
06/30/2019	\$ 4,720,962	\$ 4,720,962	\$ —	\$ 61,234,275	7.71%
06/30/2020	\$ 5,027,197	\$ 5,027,197	\$ —	\$ 63,346,430	7.94%
06/30/2021	\$ 5,377,693	\$ 5,377,693	\$ —	\$ 65,967,410	8.15%
06/30/2022	\$ 5,872,210	\$ 5,872,210	\$ —	\$ 70,392,863	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. 622

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

	District Fiscal Year-End Date					
	2017	2018	2019	2020	2021	2022
Total pension liability						
Service cost	\$ 30,840	\$ 22,811	\$ 24,596	\$ 23,798	\$ 25,442	\$ 17,685
Interest	20,359	20,199	21,834	20,912	9,104	7,994
Assumption changes	—	(418)	1,182	9,739	1,243	(18,065)
Differences between expected and actual experience	—	30,125	—	(333,649)	—	(25,401)
Benefit payments	(56,254)	(39,359)	(13,266)	(15,583)	(19,729)	(33,731)
Net change in total pension liability	(5,055)	33,358	34,346	(294,783)	16,060	(51,518)
Total pension liability – beginning of year	595,851	590,796	624,154	658,500	363,717	379,777
Total pension liability – end of year	<u>\$ 590,796</u>	<u>\$ 624,154</u>	<u>\$ 658,500</u>	<u>\$ 363,717</u>	<u>\$ 379,777</u>	<u>\$ 328,259</u>
Covered-employee payroll	<u>\$ 4,245,066</u>	<u>\$ 3,252,385</u>	<u>\$ 3,349,956</u>	<u>\$ 2,812,756</u>	<u>\$ 2,897,139</u>	<u>\$ 3,132,175</u>
Total pension liability as a percentage of covered-employee payroll	<u>13.92%</u>	<u>19.19%</u>	<u>19.66%</u>	<u>12.93%</u>	<u>13.11%</u>	<u>10.48%</u>

Note 1: The District has not established a trust fund to finance GASB Statement No. 73-related benefits.

Note 2: The District implemented GASB Statement No. 73 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. 622

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-End Date					
	2017	2018	2019	2020	2021	2022
Total OPEB liability						
Service cost	\$ 1,418,232	\$ 1,386,666	\$ 1,513,621	\$ 1,725,232	\$ 1,844,562	\$ 1,472,860
Interest	1,409,951	1,420,441	1,271,446	1,205,112	946,007	871,568
Assumption changes	—	(616,650)	924,626	297,277	658,804	(5,427,164)
Plan changes	—	—	—	(135,589)	—	32,662
Differences between expected and actual experience	—	(4,078,413)	—	(121,654)	—	1,055,177
Benefit payments – employer-financed	(2,389,507)	(1,702,027)	(1,665,583)	(1,090,512)	(2,049,290)	(2,053,278)
Benefit payments – employee-financed	—	(886,342)	(988,965)	(1,134,151)	(820,700)	(831,247)
Net change in total OPEB liability	438,676	(4,476,325)	1,055,145	745,715	579,383	(4,879,422)
Total OPEB liability – beginning of year	41,235,692	41,674,368	37,198,043	38,253,188	38,998,903	39,578,286
Total OPEB liability – end of year	41,674,368	37,198,043	38,253,188	38,998,903	39,578,286	34,698,864
Plan fiduciary net position						
Contributions – employer	898,918	1,702,027	1,665,583	1,090,512	2,049,290	2,053,278
Contributions – employee	—	886,342	988,965	1,134,151	820,700	831,247
Investment earnings	149,619	320,268	328,488	386,335	395,722	566,520
Differences between expected and actual experience	—	(4,115)	(84,807)	(73,445)	231,098	(1,054,775)
Benefit payments – employer-financed	(2,389,507)	(1,702,027)	(1,665,583)	(1,090,512)	(2,049,290)	(2,053,278)
Benefit payments – employee-financed	—	(886,342)	(988,965)	(1,134,151)	(820,700)	(831,247)
Net change in plan fiduciary net position	(1,340,970)	316,153	243,681	312,890	626,820	(488,255)
Plan fiduciary net position – beginning of year	13,658,976	12,318,006	12,634,159	12,877,840	13,190,730	13,817,550
Plan fiduciary net position – end of year	12,318,006	12,634,159	12,877,840	13,190,730	13,817,550	13,329,295
Net OPEB liability	<u>\$ 29,356,362</u>	<u>\$ 24,563,884</u>	<u>\$ 25,375,348</u>	<u>\$ 25,808,173</u>	<u>\$ 25,760,736</u>	<u>\$ 21,369,569</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>29.56%</u>	<u>33.96%</u>	<u>33.66%</u>	<u>33.82%</u>	<u>34.91%</u>	<u>38.41%</u>
Covered-employee payroll	<u>\$ 76,079,920</u>	<u>\$ 72,697,272</u>	<u>\$ 74,878,190</u>	<u>\$ 80,898,370</u>	<u>\$ 83,325,321</u>	<u>\$ 89,873,601</u>
Net OPEB liability as a percentage of covered-employee payroll	<u>38.59%</u>	<u>33.79%</u>	<u>33.89%</u>	<u>31.90%</u>	<u>30.92%</u>	<u>23.78%</u>

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. 622

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

<u>Year</u>	<u>Annual Money-Weighted Rate of Return, Net of Investment Expense</u>
2017	1.1%
2018	2.6%
2019	1.9%
2020	2.4%
2021	4.8%
2022	(3.5%)

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. 622

Notes to Required Supplementary Information
June 30, 2022

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.

INDEPENDENT SCHOOL DISTRICT NO. 622

Notes to Required Supplementary Information (continued)
June 30, 2022

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.

INDEPENDENT SCHOOL DISTRICT NO. 622

Notes to Required Supplementary Information (continued)
June 30, 2022

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.

INDEPENDENT SCHOOL DISTRICT NO. 622

Notes to Required Supplementary Information (continued)
June 30, 2022

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.

INDEPENDENT SCHOOL DISTRICT NO. 622

Notes to Required Supplementary Information (continued)
June 30, 2022

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.

INDEPENDENT SCHOOL DISTRICT NO. 622

Notes to Required Supplementary Information (continued)
June 30, 2022

PENSION BENEFITS PLAN

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.
- The salary increase rates for non-teachers were updated to reflect the latest experience study.
- The withdrawal rates were updated to reflect the latest experience study.
- The discount rate was changed from 2.10 percent to 3.80 percent.

2021 CHANGES IN PLAN PROVISIONS

- The teachers' district matching contribution to the 403(b) Plan was increased from 3.50 percent to 3.60 percent of pay. Since we assumed teachers will receive \$2,000 annually for the District paid match for all future years. This plan change did not impact the liabilities.

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.10 percent to 2.40 percent.
- The mortality tables and salary increases were updated.

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality table was updated from 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.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.50 percent to 3.40 percent.
- Retirement rates now begin at age 55, even if eligibility requirements have not been met.

INDEPENDENT SCHOOL DISTRICT NO. 622

Notes to Required Supplementary Information (continued)
June 30, 2022

OTHER POST-EMPLOYMENT BENEFITS PLAN

2022 CHANGES IN PLAN PROVISIONS

- The active superintendent is eligible for full family medical and dental coverage paid for by the District in retirement.

2022 CHANGES IN ACTUARIAL ASSUMPTIONS

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale.
- The salary increase rates for non-teachers were updated to reflect the latest experience study.
- The withdrawal rates were updated to reflect the latest experience study.
- The inflation rate was changed from 2.00 percent to 2.50 percent.
- The expected long-term investment return was changed from 3.00 percent to 4.10 percent.
- The discount rate was changed from 2.20 percent to 3.80 percent.

2021 CHANGES IN PLAN PROVISIONS

- Only custodians hired before July 1, 2018 and not electing to participate in the Matching Retirement Plan are eligible to receive district paid medical and dental post-employment benefits.

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 2.40 percent to 2.20 percent.
- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-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.

2020 CHANGES IN PLAN PROVISIONS

- Only custodians hired before July 1, 2018 and not electing to participate in the Matching Retirement Plan are eligible to receive district paid medical and dental benefits.

INDEPENDENT SCHOOL DISTRICT NO. 622

Notes to Required Supplementary Information (continued)
June 30, 2022

OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The expected long-term investment rate was changed from 2.60 percent to 3.00 percent.
- The discount rate was changed from 3.10 percent to 2.40 percent.
- The healthcare trend rates, mortality tables, and salary increase rates were updated.

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN PLAN PROVISIONS

- Principals hired after July 1, 2018 need 10 years of service to be eligible for the subsidized retirement benefit.
- Custodians hired after July 1, 2018 are no longer eligible for subsidized medical and dental benefits. Custodians hired before July 1, 2018 may choose to have the current subsidized medical and dental benefits or make a one-time election to switch to a matching retirement plan.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality table was updated from 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.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

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

SUPPLEMENTAL INFORMATION

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GOVERNMENTAL FUNDS

Governmental fund reporting focuses primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. The governmental fund category for the District includes the General Fund, Capital Projects – Building Construction Fund, Debt Service Fund, Food Service Special Revenue Fund, and Community Service Special Revenue Fund.

The statements and schedules that follow are to provide further detail and support additional analysis for the District's major and nonmajor governmental funds.

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	Special Revenue Funds		
	Food Service	Community Service	Total
Assets			
Cash and temporary investments	\$ 3,625,560	\$ 4,369,650	\$ 7,995,210
Receivables			
Current taxes	—	813,783	813,783
Delinquent taxes	—	16,466	16,466
Accounts and interest	—	177,473	177,473
Due from other governmental units	74,809	1,747,300	1,822,109
Inventory	453,874	—	453,874
Prepaid items	—	1,150	1,150
Total assets	<u>\$ 4,154,243</u>	<u>\$ 7,125,822</u>	<u>\$ 11,280,065</u>
Liabilities			
Salaries payable	\$ 68,897	\$ 131,343	\$ 200,240
Accounts and contracts payable	41,995	58,627	100,622
Due to other governmental units	2,662	1,357,734	1,360,396
Unearned revenue	168,717	557,714	726,431
Total liabilities	<u>282,271</u>	<u>2,105,418</u>	<u>2,387,689</u>
Deferred inflows of resources			
Unavailable revenue – delinquent taxes	—	13,135	13,135
Property taxes levied for subsequent year	—	1,566,725	1,566,725
Total deferred inflows of resources	<u>—</u>	<u>1,579,860</u>	<u>1,579,860</u>
Fund balances			
Nonspendable for inventory	453,874	—	453,874
Nonspendable for prepaid items	—	1,150	1,150
Restricted	3,418,098	3,439,394	6,857,492
Total fund balances	<u>3,871,972</u>	<u>3,440,544</u>	<u>7,312,516</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,154,243</u>	<u>\$ 7,125,822</u>	<u>\$ 11,280,065</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

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	\$ —	\$ 1,488,320	\$ 1,488,320
Investment earnings (charges)	(8,714)	(11,639)	(20,353)
Other	112,372	2,814,433	2,926,805
State sources	257,750	5,720,446	5,978,196
Federal sources	7,607,543	1,505,208	9,112,751
Total revenue	7,968,951	11,516,768	19,485,719
Expenditures			
Current			
Food service	7,068,682	—	7,068,682
Community service	—	11,197,958	11,197,958
Capital outlay	405,746	30,661	436,407
Total expenditures	7,474,428	11,228,619	18,703,047
Net change in fund balances	494,523	288,149	782,672
Fund balances			
Beginning of year	3,377,449	3,152,395	6,529,844
End of year	\$ 3,871,972	\$ 3,440,544	\$ 7,312,516

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	2022	2021
Assets		
Cash and temporary investments	\$ 37,801,378	\$ 41,542,669
Receivables		
Current taxes	16,149,700	16,399,681
Delinquent taxes	419,342	406,789
Accounts and interest	47,723	254,775
Due from other governmental units	20,073,981	15,457,492
Prepaid items	312,786	205,978
Total assets	<u>\$ 74,804,910</u>	<u>\$ 74,267,384</u>
Liabilities		
Salaries payable	\$ 948,074	\$ 1,077,235
Accounts and contracts payable	1,540,653	1,290,686
Due to other governmental units	1,849,796	2,202,505
Total liabilities	<u>4,338,523</u>	<u>4,570,426</u>
Deferred inflows of resources		
Unavailable revenue – delinquent taxes	357,073	294,273
Property taxes levied for subsequent year	27,414,614	25,983,530
Total deferred inflows of resources	<u>27,771,687</u>	<u>26,277,803</u>
Fund balances		
Nonspendable for prepaid items	312,786	205,978
Restricted for student activities	146,329	154,802
Restricted for staff development	990,415	789,120
Restricted for operating capital	9,952,127	10,442,659
Restricted for safe schools	1,156,527	1,859,761
Restricted for long-term facilities maintenance	–	95,012
Restricted for Medical Assistance	2,099,737	1,612,854
Assigned for subsequent year's budget	6,622,438	2,889,954
Unassigned	21,414,341	25,369,015
Total fund balances	<u>42,694,700</u>	<u>43,419,155</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 74,804,910</u>	<u>\$ 74,267,384</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

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	\$ 29,298,455	\$ 29,752,186	\$ 453,731	\$ 29,343,270
Investment earnings (charges)	276,000	(115,722)	(391,722)	144,823
Other	3,015,255	3,260,964	245,709	2,398,930
State sources	113,930,185	114,750,117	819,932	117,612,161
Federal sources	15,872,653	17,802,346	1,929,693	10,451,680
Total revenue	162,392,548	165,449,891	3,057,343	159,950,864
Expenditures				
Current				
Administration				
Salaries	5,309,785	5,740,409	430,624	4,895,108
Employee benefits	1,932,443	2,041,608	109,165	1,799,733
Purchased services	229,426	167,367	(62,059)	135,812
Supplies and materials	23,874	28,499	4,625	20,493
Capital expenditures	31,150	20,426	(10,724)	19,526
Other expenditures	126,040	89,903	(36,137)	87,938
Total administration	7,652,718	8,088,212	435,494	6,958,610
District support services				
Salaries	3,620,558	3,445,345	(175,213)	3,266,586
Employee benefits	1,444,035	1,345,073	(98,962)	1,280,281
Purchased services	897,684	861,074	(36,610)	754,226
Supplies and materials	570,724	753,372	182,648	955,734
Capital expenditures	571,125	319,523	(251,602)	112,801
Other expenditures	54,900	15,143	(39,757)	12,631
Total district support services	7,159,026	6,739,530	(419,496)	6,382,259
Elementary and secondary regular instruction				
Salaries	43,983,653	42,947,900	(1,035,753)	41,158,507
Employee benefits	16,955,729	16,753,388	(202,341)	16,539,993
Purchased services	6,335,755	5,937,348	(398,407)	4,368,606
Supplies and materials	2,118,578	2,047,164	(71,414)	2,113,888
Capital expenditures	174,749	338,813	164,064	264,887
Other expenditures	373,685	394,002	20,317	381,601
Total elementary and secondary regular instruction	69,942,149	68,418,615	(1,523,534)	64,827,482

INDEPENDENT SCHOOL DISTRICT NO. 622

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	2,026,488	2,262,335	235,847	1,753,065
Employee benefits	835,558	908,773	73,215	688,600
Purchased services	626,309	414,829	(211,480)	548,218
Supplies and materials	55,615	59,111	3,496	30,308
Capital expenditures	2,000	—	(2,000)	—
Other expenditures	141,544	132,416	(9,128)	135,183
Total vocational education instruction	3,687,514	3,777,464	89,950	3,155,374
Special education instruction				
Salaries	21,659,626	20,972,181	(687,445)	20,307,123
Employee benefits	8,447,053	8,202,375	(244,678)	8,088,091
Purchased services	4,933,490	5,338,257	404,767	3,940,135
Supplies and materials	316,150	560,601	244,451	312,827
Capital expenditures	49,463	44,685	(4,778)	228,372
Other expenditures	282,900	285,913	3,013	281,194
Total special education instruction	35,688,682	35,404,012	(284,670)	33,157,742
Instructional support services				
Salaries	5,852,521	6,347,030	494,509	6,281,805
Employee benefits	1,454,845	1,739,348	284,503	1,650,023
Purchased services	419,387	391,523	(27,864)	287,546
Supplies and materials	331,578	726,240	394,662	2,704,689
Capital expenditures	14,000	236	(13,764)	161,119
Other expenditures	56,800	38,746	(18,054)	34,787
Total instructional support services	8,129,131	9,243,123	1,113,992	11,119,969
Pupil support services				
Salaries	6,802,450	7,085,629	283,179	5,919,471
Employee benefits	2,265,723	2,354,292	88,569	2,061,176
Purchased services	4,364,168	4,082,055	(282,113)	2,347,202
Supplies and materials	808,800	1,219,933	411,133	861,963
Capital expenditures	803,437	481,908	(321,529)	857,607
Other expenditures	27,500	27,006	(494)	23,638
Total pupil support services	15,072,078	15,250,823	178,745	12,071,057

INDEPENDENT SCHOOL DISTRICT NO. 622

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	4,577,591	4,709,370	131,779
Employee benefits	2,250,730	2,127,518	(123,212)
Purchased services	4,616,973	5,152,565	535,592
Supplies and materials	593,500	767,374	173,874
Capital expenditures	2,016,691	3,365,497	1,348,806
Other expenditures	529,867	394,296	(135,571)
Total sites and buildings	14,585,352	16,516,620	1,931,268
Fiscal and other fixed cost programs			
Purchased services	700,000	699,469	(531)
Other expenditures	17,000	69,250	52,250
Total fiscal and other fixed cost programs	717,000	768,719	51,719
Debt service			
Principal	1,663,606	1,663,606	—
Interest and fiscal charges	385,246	385,246	—
Total debt service	2,048,852	2,048,852	—
Total expenditures	164,682,502	166,255,970	1,573,468
Excess (deficiency) of revenue over expenditures	(2,289,954)	(806,079)	1,483,875
Other financing sources			
Sale of assets	—	47,213	47,213
Insurance recovery	—	34,411	34,411
Total other financing sources	—	81,624	81,624
Net change in fund balances	\$ (2,289,954)	(724,455)	\$ 1,565,499
Fund balances			
Beginning of year		43,419,155	38,412,433
End of year		\$ 42,694,700	\$ 43,419,155

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	<u>2022</u>	<u>2021</u>
Assets		
Cash and temporary investments	\$ 3,625,560	\$ 2,862,453
Receivables		
Due from other governmental units	74,809	366,477
Inventory	<u>453,874</u>	<u>495,299</u>
Total assets	<u><u>\$ 4,154,243</u></u>	<u><u>\$ 3,724,229</u></u>
Liabilities		
Salaries payable	\$ 68,897	\$ 70,141
Accounts and contracts payable	41,995	117,574
Due to other governmental units	2,662	2,412
Unearned revenue	<u>168,717</u>	<u>156,653</u>
Total liabilities	282,271	346,780
Fund balances		
Nonspendable for inventory	453,874	495,299
Restricted for food service	<u>3,418,098</u>	<u>2,882,150</u>
Total fund balances	<u><u>3,871,972</u></u>	<u><u>3,377,449</u></u>
Total liabilities and fund balances	<u><u>\$ 4,154,243</u></u>	<u><u>\$ 3,724,229</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 622

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)	\$ 15,000	\$ (8,714)	\$ (23,714)	\$ 7,646
Other – primarily meal sales	112,000	112,372	372	74,722
State sources	295,000	257,750	(37,250)	2,896
Federal sources	5,775,973	7,607,543	1,831,570	7,500,187
Total revenue	<u>6,197,973</u>	<u>7,968,951</u>	<u>1,770,978</u>	<u>7,585,451</u>
Expenditures				
Current				
Salaries	2,001,330	2,255,425	254,095	2,033,675
Employee benefits	829,541	919,677	90,136	836,783
Purchased services	148,000	123,559	(24,441)	78,125
Supplies and materials	2,948,129	3,765,080	816,951	3,360,122
Other expenditures	10,000	4,941	(5,059)	28,886
Capital outlay	400,000	405,746	5,746	36,913
Total expenditures	<u>6,337,000</u>	<u>7,474,428</u>	<u>1,137,428</u>	<u>6,374,504</u>
Net change in fund balances	<u>\$ (139,027)</u>	494,523	<u>\$ 633,550</u>	1,210,947
Fund balances				
Beginning of year		<u>3,377,449</u>		<u>2,166,502</u>
End of year		<u>\$ 3,871,972</u>		<u>\$ 3,377,449</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	<u>2022</u>	<u>2021</u>
Assets		
Cash and temporary investments	\$ 4,369,650	\$ 4,297,151
Receivables		
Current taxes	813,783	832,351
Delinquent taxes	16,466	15,431
Accounts and interest	177,473	169,938
Due from other governmental units	1,747,300	1,028,366
Prepaid items	<u>1,150</u>	<u>4,836</u>
Total assets	<u><u>\$ 7,125,822</u></u>	<u><u>\$ 6,348,073</u></u>
Liabilities		
Salaries payable	\$ 131,343	\$ 111,663
Accounts and contracts payable	58,627	56,503
Due to other governmental units	1,357,734	1,179,606
Unearned revenue	<u>557,714</u>	<u>331,500</u>
Total liabilities	<u>2,105,418</u>	<u>1,679,272</u>
Deferred inflows of resources		
Unavailable revenue – delinquent taxes	13,135	10,474
Property taxes levied for subsequent year	<u>1,566,725</u>	<u>1,505,932</u>
Total deferred inflows of resources	<u>1,579,860</u>	<u>1,516,406</u>
Fund balances		
Nonspendable for prepaid items	1,150	4,836
Restricted for community education programs	1,781,493	1,763,096
Restricted for early childhood family education programs	704,361	596,504
Restricted for school readiness	621,373	530,633
Restricted for adult basic education	295,681	256,464
Restricted for community service	<u>36,486</u>	<u>862</u>
Total fund balances	<u><u>3,440,544</u></u>	<u><u>3,152,395</u></u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 7,125,822</u></u>	<u><u>\$ 6,348,073</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 622

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	\$ 1,667,582	\$ 1,488,320	\$ (179,262)	\$ 1,292,251
Investment earnings (charges)	40,000	(11,639)	(51,639)	15,146
Other – primarily tuition and fees	2,818,250	2,814,433	(3,817)	2,006,555
State sources	5,475,845	5,720,446	244,601	5,966,252
Federal sources	1,167,710	1,505,208	337,498	879,337
Total revenue	11,169,387	11,516,768	347,381	10,159,541
Expenditures				
Current				
Salaries	4,335,656	4,527,841	192,185	4,005,084
Employee benefits	1,603,495	1,499,931	(103,564)	1,488,724
Purchased services	4,305,939	4,550,725	244,786	3,659,609
Supplies and materials	529,578	550,064	20,486	514,865
Other expenditures	67,944	69,397	1,453	50,332
Capital outlay	20,535	30,661	10,126	15,590
Total expenditures	10,863,147	11,228,619	365,472	9,734,204
Net change in fund balances	\$ 306,240	288,149	\$ (18,091)	425,337
Fund balances				
Beginning of year		3,152,395		2,727,058
End of year		\$ 3,440,544		\$ 3,152,395

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	<u>2022</u>	<u>2021</u>
Assets		
Cash and temporary investments	\$ 166,814,456	\$ 169,618,730
Receivables		
Accounts and interest	<u>379,690</u>	<u>339,563</u>
Total assets	<u><u>\$ 167,194,146</u></u>	<u><u>\$ 169,958,293</u></u>
Liabilities		
Salaries payable	\$ 3,114	\$ 75
Accounts and contracts payable	20,714,059	16,042,727
Due to other governmental units	<u>3,475</u>	<u>9,443</u>
Total liabilities	20,720,648	16,052,245
Fund balances		
Restricted for long-term facilities maintenance	19,518,526	42,064,303
Restricted for capital projects	<u>126,954,972</u>	<u>111,841,745</u>
Total fund balances	<u>146,473,498</u>	<u>153,906,048</u>
Total liabilities and fund balances	<u><u>\$ 167,194,146</u></u>	<u><u>\$ 169,958,293</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 622

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 (charges)	\$ 1,000,000	\$ (266,049)	\$ (1,266,049)	\$ 1,813,952
Other	500,000	44,888	(455,112)	41,101
State sources	994,500	994,500	—	—
Total revenue	2,494,500	773,339	(1,721,161)	1,855,053
Expenditures				
Capital outlay				
Salaries	150,700	175,766	25,066	150,427
Employee benefits	49,944	55,979	6,035	50,215
Purchased services	3,880,000	2,453,371	(1,426,629)	7,174,384
Supplies and materials	—	670,959	670,959	754,771
Capital expenditures	100,242,500	89,941,445	(10,301,055)	97,232,414
Debt service				
Interest and fiscal charges	545,272	545,272	—	—
Total expenditures	104,868,416	93,842,792	(11,025,624)	105,362,211
Excess (deficiency) of revenue over expenditures	(102,373,916)	(93,069,453)	9,304,463	(103,507,158)
Other financing sources				
Debt issued	76,710,000	76,710,000	—	—
Premium on debt issued	8,926,903	8,926,903	—	—
Total other financing sources	85,636,903	85,636,903	—	—
Net change in fund balances	\$ (16,737,013)	(7,432,550)	\$ 9,304,463	(103,507,158)
Fund balances				
Beginning of year		153,906,048		257,413,206
End of year		\$ 146,473,498		\$ 153,906,048

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INDEPENDENT SCHOOL DISTRICT NO. 622

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

	Regular Debt Service Account	OPEB Debt Service Account	Totals	
			2022	2021
Assets				
Cash and temporary investments	\$ 14,342,585	\$ 1,358,834	\$ 15,701,419	\$ 15,016,772
Receivables				
Current taxes	11,539,009	1,033,304	12,572,313	13,681,293
Delinquent taxes	227,780	28,271	256,051	191,719
Due from other governmental units	63,041	7	63,048	74,839
Total assets	<u>\$ 26,172,415</u>	<u>\$ 2,420,416</u>	<u>\$ 28,592,831</u>	<u>\$ 28,964,623</u>
Liabilities				
Accounts and contracts payable	\$ 2,500	\$ —	\$ 2,500	\$ —
Deferred inflows of resources				
Unavailable revenue – delinquent taxes	181,942	23,858	205,800	103,804
Property taxes levied for subsequent year	<u>22,215,319</u>	<u>1,989,353</u>	<u>24,204,672</u>	<u>24,752,914</u>
Total deferred inflows of resources	<u>22,397,261</u>	<u>2,013,211</u>	<u>24,410,472</u>	<u>24,856,718</u>
Fund balances				
Restricted for debt service	<u>3,772,654</u>	<u>407,205</u>	<u>4,179,859</u>	<u>4,107,905</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 26,172,415</u>	<u>\$ 2,420,416</u>	<u>\$ 28,592,831</u>	<u>\$ 28,964,623</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	2022			
		Actual		
		Regular	OPEB	
	Budget	Debt Service	Debt Service	Total
		Account	Account	
Revenue				
Local sources				
Property taxes	\$ 24,752,914	\$ 22,496,429	\$ 1,917,252	\$ 24,413,681
Investment earnings (charges)	17,000	(28,697)	(3,258)	(31,955)
State sources	632,941	635,295	47	635,342
Total revenue	25,402,855	23,103,027	1,914,041	25,017,068
Expenditures				
Debt service				
Principal	13,105,000	11,460,000	1,645,000	13,105,000
Interest	11,822,028	11,459,113	362,915	11,822,028
Fiscal charges and other	124,759	102,370	475	102,845
Total expenditures	25,051,787	23,021,483	2,008,390	25,029,873
Excess (deficiency) of revenue over expenditures	351,068	81,544	(94,349)	(12,805)
Other financing sources (uses)				
Refunding debt issued	11,085,000	11,085,000	—	11,085,000
Premium on debt issued	1,144,759	1,144,759	—	1,144,759
Payment on refunded debt	(12,145,000)	(12,145,000)	—	(12,145,000)
Total other financing sources (uses)	84,759	84,759	—	84,759
Net change in fund balances	\$ 435,827	166,303	(94,349)	71,954
Fund balances				
Beginning of year		3,606,351	501,554	4,107,905
End of year		\$ 3,772,654	\$ 407,205	\$ 4,179,859

	2021
Over (Under) Budget	Actual
\$ (339,233)	\$ 23,502,674
(48,955)	35,392
2,401	742,306
<u>(385,787)</u>	<u>24,280,372</u>
—	10,375,000
—	14,062,066
<u>(21,914)</u>	<u>35,100</u>
<u>(21,914)</u>	<u>24,472,166</u>
(363,873)	(191,794)
—	—
—	—
<u>—</u>	<u>—</u>
—	—
<u>\$ (363,873)</u>	<u>(191,794)</u>
	<u>4,299,699</u>
	<u>\$ 4,107,905</u>

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INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods and services provided by one department or agency of a government to other departments or agencies on a cost-reimbursement basis. The District maintains two internal service funds. These funds are used to account for dental and health insurance offered by the District to its employees as self-insured plans.

The statements that follow are to provide further detail and support additional analysis for the District's internal service funds.

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	Dental Self-Insurance	Medical Self-Insurance	Totals	
			2022	2021
Assets				
Current assets				
Cash and temporary investments	\$ 424,447	\$ 9,492,474	\$ 9,916,921	\$ 10,077,927
Liabilities				
Current liabilities				
Accounts and contracts payable	117,063	180,460	297,523	490,479
Claims incurred, but not reported	35,667	1,229,585	1,265,252	1,404,018
Total liabilities	<u>152,730</u>	<u>1,410,045</u>	<u>1,562,775</u>	<u>1,894,497</u>
Net position				
Unrestricted	<u>\$ 271,717</u>	<u>\$ 8,082,429</u>	<u>\$ 8,354,146</u>	<u>\$ 8,183,430</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	Dental Self-Insurance	Medical Self-Insurance	Totals	
			2022	2021
Operating revenue				
Charges for services	\$ 1,873,384	\$ 20,951,994	\$ 22,825,378	\$ 22,782,023
Operating expenses				
Dental benefit claims	1,840,655	—	1,840,655	1,826,388
Medical benefit claims	—	19,434,530	19,434,530	17,333,843
Fees and stop-loss	103,483	1,253,532	1,357,015	1,153,335
Total operating expenses	<u>1,944,138</u>	<u>20,688,062</u>	<u>22,632,200</u>	<u>20,313,566</u>
Operating income (loss)	(70,754)	263,932	193,178	2,468,457
Nonoperating revenue				
Investment earnings (charges)	<u>—</u>	<u>(22,462)</u>	<u>(22,462)</u>	<u>23,090</u>
Change in net position	(70,754)	241,470	170,716	2,491,547
Net position				
Beginning of year	<u>342,471</u>	<u>7,840,959</u>	<u>8,183,430</u>	<u>5,691,883</u>
End of year	<u>\$ 271,717</u>	<u>\$ 8,082,429</u>	<u>\$ 8,354,146</u>	<u>\$ 8,183,430</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	Dental Self-Insurance	Medical Self-Insurance	Totals	
			2022	2021
Cash flows from operating activities				
Contributions from governmental funds	\$ 1,873,384	\$ 20,951,994	\$ 22,825,378	\$ 22,782,023
Payments for dental benefit claims	(1,843,692)	—	(1,843,692)	(1,670,309)
Payments for medical benefit claims	—	(19,729,277)	(19,729,277)	(17,107,519)
Payments for fees and stop-loss	(103,795)	(1,287,158)	(1,390,953)	(1,153,335)
Net cash flows from operating activities	(74,103)	(64,441)	(138,544)	2,850,860
Cash flows from investing activities				
Investment income received (paid)	—	(22,462)	(22,462)	23,090
Net change in cash and cash equivalents	(74,103)	(86,903)	(161,006)	2,873,950
Cash and cash equivalents				
Beginning of year	498,550	9,579,377	10,077,927	7,203,977
End of year	\$ 424,447	\$ 9,492,474	\$ 9,916,921	\$ 10,077,927
Reconciliation of operating income (loss) to net cash flows from operating activities				
Operating income (loss)	\$ (70,754)	\$ 263,932	\$ 193,178	\$ 2,468,457
Adjustments to reconcile operating income (loss) to net cash flows from operating activities				
Changes in assets and liabilities				
Prepaid items	—	—	—	4,801
Accounts and contracts payable	3,736	(196,692)	(192,956)	466,530
Claims incurred, but not reported	(7,085)	(131,681)	(138,766)	(88,928)
Net cash flows from operating activities	\$ (74,103)	\$ (64,441)	\$ (138,544)	\$ 2,850,860

Section III

STATISTICAL



School District 622

NORTH ST. PAUL | MAPLEWOOD | OAKDALE

Ready for tomorrow

STATISTICAL SECTION (UNAUDITED)

This section of Independent School District No. 622's (the District) Annual Comprehensive Financial Report (ACFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the District's most significant local revenue source, property taxes.

Debt Capacity

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

Operating Indicators

These schedules contain service and infrastructure data to help the reader understand how the information in the District's ACFR relates to the services the District provides, and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the District's ACFR for the relevant year.

INDEPENDENT SCHOOL DISTRICT NO. 622

Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year			
	2013	2014	2015	2016
Governmental activities				
Net investment in capital assets	\$ (3,627,039)	\$ 2,818,638	\$ 10,969,313	\$ 18,616,494
Restricted	2,169,170	2,153,681	3,437,107	9,894,250
Unrestricted	<u>7,875,488</u>	<u>(1,847,732)</u>	<u>(91,684,692)</u>	<u>(85,069,651)</u>
Total governmental activities net position	<u>\$ 6,417,619</u>	<u>\$ 3,124,587</u>	<u>\$ (77,278,272)</u>	<u>\$ (56,558,907)</u>

Note 1: The District implemented GASB Statement No. 68 in fiscal 2015. The District reported a change in accounting principle as a result of implementing this standard that decreased unrestricted net position by approximately \$88.6 million. Prior years were not restated.

Note 2: The District implemented GASB Statement Nos. 73, 74, and 75 in fiscal 2017. The District reported a change in accounting principle as a result of implementing these standards that decreased net position by approximately \$40.7 million. Prior years were not restated.

Note 3: The District implemented GASB Statement No. 84 in fiscal 2020. The District reported a change in accounting principle as a result of implementing this standard that increased net position by approximately \$1.4 million. Prior years were not restated.

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$ 30,883,474	\$ 42,479,174	\$ 54,284,456	\$ 60,029,619	\$ 67,677,174	\$ 73,471,104
11,882,766	17,937,368	18,041,164	19,124,929	21,494,526	21,670,786
<u>(157,811,420)</u>	<u>(181,077,725)</u>	<u>(142,463,824)</u>	<u>(144,238,797)</u>	<u>(138,460,050)</u>	<u>(129,378,098)</u>
<u><u>\$(115,045,180)</u></u>	<u><u>\$(120,661,183)</u></u>	<u><u>\$ (70,138,204)</u></u>	<u><u>\$ (65,084,249)</u></u>	<u><u>\$ (49,288,350)</u></u>	<u><u>\$ (34,236,208)</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 622

Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year			
	2013	2014	2015	2016
Governmental activities				
Expenses				
Administration	\$ 5,696,613	\$ 5,870,601	\$ 6,245,577	\$ 5,771,511
District support services	3,746,860	5,323,307	5,774,518	5,488,991
Elementary and secondary regular instruction	60,757,308	61,107,836	60,183,399	59,768,865
Vocational education instruction	2,720,883	2,363,819	2,515,435	2,516,188
Special education instruction	22,326,972	24,410,545	24,607,274	26,599,484
Instructional support services	7,489,802	7,283,020	6,131,212	5,660,427
Pupil support services	11,547,693	11,787,561	11,916,602	10,920,870
Sites and buildings	9,870,233	11,215,056	10,812,813	11,170,601
Fiscal and other fixed cost programs	383,858	463,639	555,882	470,182
Food service	5,796,121	6,079,470	6,141,087	6,370,475
Community service	7,960,612	8,004,445	7,985,251	7,805,422
Depreciation/amortization not included in other functions	3,704,183	3,880,837	3,910,796	4,163,925
Interest and fiscal charges	6,965,589	6,632,460	5,758,210	5,036,685
Total governmental activities expenses	148,966,727	154,422,596	152,538,056	151,743,626
Program revenues				
Charges for services				
Administration	20,702	—	—	—
District support services	—	755	650	584
Elementary and secondary regular instruction	700,148	622,423	628,944	607,666
Special education instruction	113,680	120,144	497,901	472,197
Instructional support services	1,775	—	—	—
Pupil support services	—	14,810	6,058	21,400
Sites and buildings	28,391	28,391	91,272	32,432
Food service	2,584,370	2,400,712	2,289,582	2,092,912
Community service	2,449,255	2,587,985	2,517,772	2,589,207
Operating grants and contributions	22,034,721	25,576,890	26,964,610	31,942,343
Capital grants and contributions	952,882	—	—	—
Total governmental activities program revenues	28,885,924	31,352,110	32,996,789	37,758,741
Net (expense) revenue	(120,080,803)	(123,070,486)	(119,541,267)	(113,984,885)
General revenues and other changes in net position				
Taxes				
Property taxes, levied for general purposes	18,502,147	12,076,889	19,282,605	19,224,086
Property taxes, levied for community service	1,535,454	801,183	1,724,194	1,752,007
Property taxes, levied for capital projects	—	595,000	3,274,500	5,067,600
Property taxes, levied for debt service	14,786,406	14,708,372	14,744,302	15,225,727
General grants and aids	80,141,530	89,699,343	87,618,485	88,736,879
Other general revenues	1,199,488	1,804,768	1,078,630	1,446,262
Investment earnings (charges)	86,979	91,899	64,637	65,189
Special item – joint school proceeds	—	—	—	3,186,500
Total general revenues and other changes in net position	116,252,004	119,777,454	127,787,353	134,704,250
Change in net position	\$ (3,828,799)	\$ (3,293,032)	\$ 8,246,086	\$ 20,719,365

2017	2018	2019	2020	2021	2022
\$ 7,466,083	\$ 7,433,391	\$ 4,423,233	\$ 6,668,941	\$ 7,041,276	\$ 7,473,124
5,966,624	5,236,940	6,907,285	6,658,582	6,380,251	6,592,124
79,932,765	78,793,770	42,145,810	67,588,760	66,606,837	64,378,779
3,397,939	3,610,472	1,993,449	3,332,719	3,228,314	3,590,461
34,871,665	34,039,463	22,991,502	33,575,951	33,626,747	33,415,135
8,670,260	9,479,409	4,192,984	7,660,257	11,407,837	8,586,341
13,068,258	13,398,446	11,520,302	13,469,001	12,142,781	15,389,747
11,726,835	13,438,257	12,677,451	18,191,945	13,762,313	18,103,648
474,151	489,040	579,213	627,090	722,769	768,719
6,544,722	6,459,417	6,646,397	6,570,489	6,400,159	7,344,301
9,551,438	9,925,090	9,504,655	10,489,222	9,712,528	10,881,695
4,390,145	4,442,365	4,703,063	5,170,911	5,862,304	6,328,074
5,376,641	2,518,357	5,314,873	11,936,234	11,303,663	12,502,783
191,437,526	189,264,417	133,600,217	191,940,102	188,197,779	195,354,931
—	—	—	—	—	—
252	—	—	—	—	—
512,913	476,094	452,147	896,954	476,023	909,395
1,415,409	828,527	636,686	569,089	542,551	648,301
—	—	—	—	3,099	—
66,827	372	14,675	—	23,440	31,514
28,391	28,391	28,391	15,000	—	14,255
1,997,179	1,989,753	1,992,335	1,433,227	74,722	112,372
3,020,126	2,984,453	3,067,090	2,417,595	2,006,555	2,814,433
29,999,231	31,322,826	34,362,400	37,129,318	42,191,045	43,471,321
—	—	—	—	—	—
37,040,328	37,630,416	40,553,724	42,461,183	45,317,435	48,001,591
(154,397,198)	(151,634,001)	(93,046,493)	(149,478,919)	(142,880,344)	(147,353,340)
25,272,032	32,998,727	31,837,809	31,668,746	29,314,400	29,814,986
1,749,722	1,465,393	1,224,887	1,169,525	1,289,621	1,490,981
—	—	2,016,746	—	—	—
13,677,118	13,188,145	12,758,290	15,835,212	23,472,812	24,515,677
94,256,869	94,724,709	92,067,945	97,804,719	101,160,565	105,281,368
1,512,578	3,069,617	1,360,208	2,600,958	1,398,796	1,759,011
178,049	571,407	2,303,587	4,060,811	2,040,049	(456,541)
—	—	—	—	—	—
136,646,368	146,017,998	143,569,472	153,139,971	158,676,243	162,405,482
\$ (17,750,830)	\$ (5,616,003)	\$ 50,522,979	\$ 3,661,052	\$ 15,795,899	\$ 15,052,142

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INDEPENDENT SCHOOL DISTRICT NO. 622

Governmental Activities Tax Revenues by Source and Levy Type
Last Ten Fiscal Years
(Accrual Basis of Accounting)

Fiscal Year	Property Tax					Total
	General Purposes	Community Service	Capital Projects – Building Construction	Debt Service		
2013	\$ 18,502,147	\$ 1,535,454	\$ –	\$ 14,786,406	\$ 34,824,007	
2014	12,076,889	801,183	595,000	14,708,372	28,181,444	
2015	19,282,605	1,724,194	3,274,500	14,744,302	39,025,601	
2016	19,224,086	1,752,007	5,067,600	15,225,727	41,269,420	
2017	25,272,032	1,749,722	–	13,677,118	40,698,872	
2018	32,998,727	1,465,393	–	13,188,145	47,652,265	
2019	31,837,809	1,224,887	2,016,746	12,758,290	47,837,732	
2020	31,668,746	1,169,525	–	15,835,212	48,673,483	
2021	29,314,400	1,289,621	–	23,472,812	54,076,833	
2022	29,814,986	1,490,981	–	24,515,677	55,821,644	

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

INDEPENDENT SCHOOL DISTRICT NO. 622

Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	2013	2014	2015	2016
General Fund				
Nonspendable	\$ 300,392	\$ 219,027	\$ 123,613	\$ 110,472
Restricted	662,931	682,388	686,109	4,965,791
Assigned	906,131	2,416,709	—	688,388
Unassigned	13,624,343	3,859,715	3,165,529	7,219,267
Total General Fund	<u>\$ 15,493,797</u>	<u>\$ 7,177,839</u>	<u>\$ 3,975,251</u>	<u>\$ 12,983,918</u>
All other governmental funds				
Nonspendable	\$ 410,243	\$ 384,206	\$ 348,973	\$ 387,054
Restricted	23,966,355	13,089,039	4,352,026	6,305,882
Unassigned	—	(953,601)	(1,050,458)	(111,117)
Total all other governmental funds	<u>\$ 24,376,598</u>	<u>\$ 12,519,644</u>	<u>\$ 3,650,541</u>	<u>\$ 6,581,819</u>
Total all governmental funds	<u>\$ 39,870,395</u>	<u>\$ 19,697,483</u>	<u>\$ 7,625,792</u>	<u>\$ 19,565,737</u>

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$ 135,441	\$ 67,208	\$ 168,115	\$ 202,298	\$ 205,978	\$ 312,786
7,083,939	11,167,322	12,673,306	14,218,265	14,954,208	14,345,135
—	—	—	1,627,333	2,889,954	6,622,438
<u>8,333,657</u>	<u>14,205,740</u>	<u>19,439,417</u>	<u>22,364,537</u>	<u>25,369,015</u>	<u>21,414,341</u>
<u>\$ 15,553,037</u>	<u>\$ 25,440,270</u>	<u>\$ 32,280,838</u>	<u>\$ 38,412,433</u>	<u>\$ 43,419,155</u>	<u>\$ 42,694,700</u>
\$ 359,746	\$ 378,461	\$ 419,079	\$ 480,929	\$ 500,135	\$ 455,024
7,039,779	7,761,793	47,913,164	266,125,536	164,043,662	157,510,849
<u>—</u>	<u>(762,614)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>\$ 7,399,525</u>	<u>\$ 7,377,640</u>	<u>\$ 48,332,243</u>	<u>\$ 266,606,465</u>	<u>\$ 164,543,797</u>	<u>\$ 157,965,873</u>
<u>\$ 22,952,562</u>	<u>\$ 32,817,910</u>	<u>\$ 80,613,081</u>	<u>\$ 305,018,898</u>	<u>\$ 207,962,952</u>	<u>\$ 200,660,573</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

Changes in Fund Balances of Governmental Funds
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)

	Fiscal Year			
	2013	2014	2015	2016
Revenues				
Local sources				
Property taxes	\$ 34,707,494	\$ 28,200,652	\$ 39,301,527	\$ 41,241,560
Investment earnings (charges)	86,979	91,899	64,637	60,511
Other	7,097,809	7,579,988	7,110,809	7,262,660
State sources	94,808,633	106,725,356	105,986,111	111,966,489
Federal sources	8,320,500	8,550,877	8,423,874	8,712,733
Total revenues	145,021,415	151,148,772	160,886,958	169,243,953
Expenditures				
Current				
Administration	5,611,039	5,641,309	6,204,965	5,654,357
District support services	3,675,221	5,106,056	5,735,305	5,388,840
Elementary and secondary regular instruction	59,133,667	59,860,270	59,933,326	58,694,319
Vocational education instruction	2,720,883	2,363,819	2,588,707	2,548,516
Special education instruction	22,317,638	24,385,026	25,137,862	27,069,630
Instructional support services	8,796,278	7,559,074	6,292,004	5,912,360
Pupil support services	11,242,143	11,512,561	11,819,255	10,501,822
Sites and buildings	11,375,982	11,928,628	11,578,003	10,510,561
Fiscal and other fixed cost programs	383,858	463,639	555,882	470,182
Food service	5,625,832	5,846,417	6,029,586	6,220,243
Community service	7,950,933	7,984,285	8,030,226	7,826,285
Capital outlay	1,232,397	2,993,148	3,575,719	3,781,807
Debt service				
Principal	9,525,000	9,890,000	10,075,000	10,555,000
Interest and fiscal charges	7,233,800	7,042,452	6,185,195	5,360,627
Total expenditures	156,824,671	162,576,684	163,741,035	160,494,549
Excess of revenues over (under) expenditures	(11,803,256)	(11,427,912)	(2,854,077)	8,749,404
Other financing sources (uses)				
Debt issued (bonds, COP, and leases)	9,505,000	—	—	—
Refunding debt issued	—	—	—	—
Premium (discount) on debt issued	457,832	—	—	—
Payment on refunded debt	—	(8,745,000)	(9,240,000)	—
Sale of capital assets	—	—	22,386	4,041
Insurance recovery	—	—	—	—
Transfers in	—	—	—	—
Transfers out	—	—	—	—
Total other financing sources (uses)	9,962,832	(8,745,000)	(9,217,614)	4,041
Net change in fund balances before special item	(1,840,424)	(20,172,912)	(12,071,691)	8,753,445
Special item – joint school proceeds	—	—	—	3,186,500
Net change in fund balances	\$ (1,840,424)	\$ (20,172,912)	\$ (12,071,691)	\$ 11,939,945
Debt service as a percentage of noncapital expenditures	11.0%	10.7%	10.3%	10.2%

2017	2018	2019	2020	2021	2022
\$ 40,817,821	\$ 47,647,300	\$ 47,730,721	\$ 48,659,575	\$ 54,138,195	\$ 55,654,187
160,556	498,788	2,200,477	3,979,886	2,016,959	(434,079)
8,412,015	9,385,723	7,548,353	7,937,517	4,521,308	6,232,657
111,781,088	116,623,750	121,475,797	124,784,172	124,323,615	122,358,155
9,230,012	9,458,712	9,679,362	10,117,798	18,831,204	26,915,097
170,401,492	183,614,273	188,634,710	195,478,948	203,831,281	210,726,017
5,783,733	6,021,308	6,123,786	6,398,476	6,958,610	8,088,212
7,333,244	5,408,214	7,033,681	6,592,282	6,382,259	6,739,530
57,954,053	60,768,822	61,855,615	64,129,244	64,827,482	68,418,615
2,614,558	2,881,870	2,856,573	3,199,061	3,155,374	3,777,464
26,955,254	27,340,010	30,833,016	32,296,691	33,157,742	35,404,012
6,316,256	7,094,088	7,313,652	7,125,288	11,119,969	9,243,123
11,924,489	12,438,955	13,062,086	13,874,495	12,071,057	15,250,823
17,993,944	19,502,211	17,341,987	18,054,395	15,108,124	16,516,620
474,151	489,040	579,213	627,090	722,769	768,719
6,299,829	6,395,767	6,590,513	6,477,956	6,337,591	7,068,682
8,626,479	9,153,833	10,330,248	10,278,737	9,718,614	11,197,958
567,162	1,157,139	22,816,994	46,782,603	105,414,714	93,733,927
11,210,555	10,695,434	11,496,478	12,017,002	11,488,166	14,768,606
5,078,944	4,417,107	4,472,612	8,798,135	14,467,186	12,855,391
169,132,651	173,763,798	202,706,454	236,651,455	300,929,657	303,831,682
1,268,841	9,850,475	(14,071,744)	(41,172,507)	(97,098,376)	(93,105,665)
1,650,204	—	61,183,607	256,375,000	—	76,710,000
40,650,000	—	17,515,000	7,040,000	—	11,085,000
5,554,794	—	955,346	8,904,133	—	10,071,662
(45,878,674)	—	(17,805,000)	(8,150,000)	—	(12,145,000)
141,660	14,873	17,962	16,288	42,430	47,213
—	—	—	—	—	34,411
—	—	—	74,403	—	—
—	—	—	(74,403)	—	—
2,117,984	14,873	61,866,915	264,185,421	42,430	85,803,286
3,386,825	9,865,348	47,795,171	223,012,914	(97,055,946)	(7,302,379)
—	—	—	—	—	—
\$ 3,386,825	\$ 9,865,348	\$ 47,795,171	\$ 223,012,914	\$ (97,055,946)	\$ (7,302,379)
10.2%	9.1%	9.2%	11.0%	13.4%	13.0%

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INDEPENDENT SCHOOL DISTRICT NO. 622

General Governmental Tax Revenues by Source and Levy Type
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

Fiscal Year	Property Tax					Total
	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Community Service Special Revenue Fund		
2013	\$ 18,454,543	\$ –	\$ 14,724,362	\$ 1,528,589	\$ 34,707,494	
2014	12,083,629	595,000	14,721,038	800,985	28,200,652	
2015	19,420,261	3,274,500	14,870,547	1,736,219	39,301,527	
2016	19,209,883	5,067,600	15,212,498	1,751,579	41,241,560	
2017	25,352,714	–	13,713,233	1,751,874	40,817,821	
2018	32,975,199	–	13,203,868	1,468,233	47,647,300	
2019	31,745,839	2,016,746	12,743,296	1,224,840	47,730,721	
2020	31,638,741	–	15,850,121	1,170,713	48,659,575	
2021	29,343,270	–	23,502,674	1,292,251	54,138,195	
2022	29,752,186	–	24,413,681	1,488,320	55,654,187	

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

INDEPENDENT SCHOOL DISTRICT NO. 622

Tax Capacities and Market Values
Last Ten Fiscal Years

For Taxes Collectible	Tax Capacity Valuation			
			Fiscal Disparities	
	Agricultural	Nonagricultural	Contribution	Distribution
2013	\$ 165,549	\$ 76,691,891	\$ (13,335,710)	\$ 11,567,832
2014	223,970	78,001,023	(12,698,773)	11,458,013
2015	430,038	84,043,471	(12,968,373)	11,680,027
2016	483,265	85,701,033	(12,907,022)	12,212,058
2017	285,764	90,107,004	(13,134,465)	13,170,723
2018	318,512	96,865,289	(13,169,645)	14,066,923
2019	325,055	103,830,911	(14,925,918)	14,686,489
2020	259,256	111,278,472	(15,668,595)	15,587,524
2021	159,950	117,603,257	(16,153,498)	15,979,965
2022	143,986	121,946,654	(16,704,882)	17,454,035

Note: The District has presented taxable market value, which is the best information available to represent estimated actual value of property.

Source: State of Minnesota School Tax Report

<u>Tax Increment</u>		<u>Total Taxable</u>		<u>Total Direct Tax Rate</u>	<u>Taxable Market Value</u>	<u>Tax Capacity as a Percentage of Market Value</u>
\$	(1,088,314)	\$	74,001,248	32.55 %	\$ 6,299,805,800	1.17 %
	(1,457,211)		75,527,022	37.64	6,424,286,100	1.18
	(1,334,853)		81,850,310	35.86	6,970,239,000	1.17
	(1,978,412)		83,510,922	35.57	7,129,353,400	1.17
	(2,421,303)		88,007,723	33.58	7,463,934,900	1.18
	(2,780,741)		95,300,338	30.09	7,972,970,100	1.20
	(2,999,419)		100,917,118	29.04	8,533,938,800	1.18
	(3,155,727)		108,300,930	32.50	9,166,542,200	1.18
	(3,358,079)		114,231,595	31.84	9,660,166,400	1.18
	(3,644,330)		119,195,463	32.17	10,016,421,300	1.19

INDEPENDENT SCHOOL DISTRICT NO. 622

Property Tax Rates – Direct and Overlapping Governments
Last Ten Fiscal Years

Rate	Tax Collection Calendar Year	ISD No. 622	Overlapping Rates Municipalities (1)				
			City of Lake Elmo	City of Landfall	City of Maplewood	City of North St. Paul	City of Oakdale
Tax capacity rate	2013	32.552%	27.818%	37.704%	48.659%	36.719%	44.065%
Market value rate	2013	0.16666%	–	–	0.02230%	0.05985%	–
Tax capacity rate	2014	37.643%	27.761%	47.797%	48.378%	36.185%	41.201%
Market value rate	2014	0.15062%	–	–	0.01965%	0.07060%	–
Tax capacity rate	2015	35.864%	23.798%	48.731%	46.353%	35.169%	39.131%
Market value rate	2015	0.14365%	–	–	0.00870%	0.06663%	–
Tax capacity rate	2016	35.569%	23.121%	55.903%	48.507%	38.707%	39.492%
Market value rate	2016	0.13668%	–	–	0.00913%	0.05610%	–
Tax capacity rate	2017	33.582%	20.018%	56.649%	47.248%	41.866%	39.721%
Market value rate	2017	0.21590%	–	–	0.00767%	0.05321%	–
Tax capacity rate	2018	30.089%	22.442%	80.742%	45.911%	42.465%	38.544%
Market value rate	2018	0.19486%	–	–	0.00725%	0.05024%	–
Tax capacity rate	2019	29.039%	22.927%	50.012%	44.693%	43.363%	39.227%
Market value rate	2019	0.18694%	–	–	0.00657%	0.04713%	–
Tax capacity rate	2020	32.504%	23.477%	51.212%	44.646%	40.689%	37.616%
Market value rate	2020	0.18509%	–	–	0.00633%	0.04704%	–
Tax capacity rate	2021	31.840%	23.638%	64.491%	41.953%	38.179%	38.821%
Market value rate	2021	0.16749%	–	–	–	0.03994%	–
Tax capacity rate	2022	32.173%	30.546%	57.567%	43.662%	44.140%	39.533%
Market value rate	2022	0.15595%	–	–	–	–	–

(1) Municipalities listed include those with district learning sites.

(2) Counties listed include those with district learning sites.

(3) The miscellaneous other levy includes Metro Watershed, Metropolitan Council, Metropolitan Mosquito Control District, Ramsey-Washington Metro Watershed District, Regional Railroad Authority, Regional Rail 519, South Washington Watershed District, Transit District 509, Washington County HRA 187, Woodbury HRA 316, and Valley Branch Watershed District.

Source: Ramsey County and Washington County

			Counties (2)			
City of Pine Springs	City of White Bear Lake	City of Woodbury	Ramsey County	Washington County	Miscellaneous Other (3)	Total North St. Paul Resident
7.901%	21.496%	39.440%	65.240%	34.225%	26.464%	160.975%
—	—	0.02700%	—	0.00191%	—	0.227%
7.451%	21.102%	38.076%	59.105%	32.811%	25.512%	158.445%
—	—	0.02594%	—	0.00449%	—	0.221%
6.850%	20.368%	34.657%	54.462%	30.186%	24.083%	149.578%
—	—	0.01308%	—	0.00406%	—	0.210%
7.235%	19.690%	35.287%	54.012%	30.564%	24.527%	152.815%
—	—	0.01216%	—	0.00390%	—	0.193%
9.110%	18.969%	35.122%	51.173%	30.448%	23.442%	150.063%
—	—	0.04119%	—	0.00378%	—	0.269%
8.730%	19.058%	33.670%	49.473%	29.983%	23.720%	145.747%
—	—	0.01116%	—	0.00353%	—	0.245%
9.285%	20.190%	33.177%	48.565%	29.682%	26.019%	146.986%
—	—	0.00664%	—	0.00330%	—	0.234%
9.193%	20.629%	32.489%	48.081%	28.944%	24.027%	145.301%
—	—	0.00615%	—	0.00342%	—	0.232%
9.034%	20.355%	32.298%	43.859%	27.435%	23.523%	137.401%
—	—	0.00584%	—	0.00325%	—	0.207%
9.427%	22.271%	32.217%	43.987%	27.532%	23.816%	144.116%
—	—	0.00551%	—	0.00308%	—	0.156%

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INDEPENDENT SCHOOL DISTRICT NO. 622

Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2022			2013		
	Net Tax Capacity	Rank	Percentage of Tax Capacity Value	Net Tax Capacity	Rank	Percentage of Tax Capacity Value
3M	\$ 3,419,875	1	2.87 %	\$ 4,248,507	1	5.74 %
Tamarack Village Shopping Center	2,071,428	2	1.74	1,390,808	3	1.88
Xcel Energy	1,769,132	3	1.48	1,170,890	4	1.58
Ramco-Gershenson Properties, LP	1,682,642	4	1.41	—	—	—
IRPF Woodbury City Place, LLC	1,378,952	5	1.16	—	—	—
Maplewood Mall, LLC	754,476	6	0.63	1,558,260	2	2.11
Hazelwood Medical Building LLC	414,916	7	0.35	—	—	—
TCA Real Estate LLC	376,600	8	0.32	230,757	10	0.31
Berwald Investment Company	324,742	9	0.27	—	—	—
Regent at Maplewood LLC	321,126	10	0.27	262,500	9	0.35
DBRA Red Woodbury, LLC	—	—	—	813,798	5	1.10
CW Birch Run LLC	—	—	—	505,544	6	0.68
I&G Oakdale, LLC	—	—	—	494,806	7	0.67
State Farm Mutual Insurance	—	—	—	463,584	8	0.63
Total	<u>\$ 12,513,889</u>		<u>10.50 %</u>	<u>\$ 11,139,454</u>		<u>15.05 %</u>

Source: Ramsey County and Washington County

INDEPENDENT SCHOOL DISTRICT NO. 622

Property Tax Levies, Collections, and Receivables
Last Ten Fiscal Years

For Taxes Collectible	Original Levy			First Year Levy Recognized		Collections	
	Local Spread	Fiscal Disparities	Total Spread	Amount	Percentage of Levy	Received in Subsequent Years	
2013	\$ 30,881,429	\$ 5,004,519	\$ 35,885,948	\$ 35,526,707	99.0 %	\$ 359,241	
2014	33,892,337	5,656,755	39,549,092	39,299,428	99.4	249,664	
2015	35,275,869	6,160,750	41,436,619	41,140,417	99.3	296,202	
2016	35,150,119	6,122,239	41,272,358	40,994,167	99.3	230,130	
2017	41,335,193	6,484,783	47,819,976	47,537,122	99.4	255,400	
2018	40,021,342	7,753,031	47,774,373	47,500,513	99.4	242,451	
2019	41,037,488	7,227,934	48,265,422	47,965,017	99.4	199,591	
2020	47,162,174	7,410,363	54,572,537	54,186,761	99.3	246,332	
2021	47,549,688	8,118,426	55,668,114	55,323,437	99.4	—	
2022	48,287,546	8,431,700	56,719,246	27,183,450	47.9	—	

Note: Delinquent taxes receivable are written off after seven years. The amount of collections has been adjusted to reflect the write-off of delinquent taxes receivable.

Source: State of Minnesota School Tax Report

Total to Date		Uncollected Taxes Receivable as of June 30, 2022			
		Delinquent		Current	
Amount	Percentage of Levy	Amount	Percent	Amount	Percent
\$ 35,885,948	100.0 %	\$ —	— %	\$ —	— %
39,549,092	100.0	—	—	—	—
41,436,619	100.0	—	—	—	—
41,224,297	99.9	48,061	0.1	—	—
47,792,522	99.9	27,454	0.1	—	—
47,742,964	99.9	31,409	0.1	—	—
48,164,608	99.8	100,814	0.2	—	—
54,433,093	99.7	139,444	0.3	—	—
55,323,437	99.4	344,677	0.6	—	—
27,183,450	47.9	—	—	29,535,796	52.1
		<u>\$ 691,859</u>		<u>\$ 29,535,796</u>	

INDEPENDENT SCHOOL DISTRICT NO. 622

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities						Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Premium (Discount) on Bonds	Certificates of Participation	Finance Purchase	Lease	Total Primary Government		
2013	\$ 151,900,000	\$ 1,620,109	\$ 6,520,000	\$ —	\$ —	\$ 160,040,109	36.13 %	\$ 2,073
2014	134,065,000	1,530,035	5,720,000	—	—	141,315,035	30.32	1,806
2015	115,575,000	1,429,255	4,895,000	—	—	121,899,255	24.97	1,542
2016	105,860,000	1,277,180	4,055,000	—	—	111,192,180	32.94	1,331
2017	90,730,000	5,456,546	3,185,000	1,429,649	—	100,801,195	28.00	1,221
2018	81,155,000	4,874,531	2,290,000	1,204,215	—	89,523,746	23.36	1,128
2019	121,610,000	5,319,827	10,780,000	1,656,344	—	139,366,171	N/A	1,755
2020	366,000,000	13,309,293	10,035,000	1,259,342	—	390,603,635	N/A	4,692
2021	355,625,000	12,214,359	9,330,000	851,176	—	378,020,535	N/A	4,703
2022	418,170,000	20,523,861	8,605,000	431,510	1,269,061	448,999,432	N/A	5,416

N/A – Not Available

(1) See the Schedule of Demographic and Economic Statistics for personal income and total ISD No. 622 population data.

Note: Details regarding the District's outstanding debt can be found in the notes to basic financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 622

Ratio of Net General Obligation Bonded Debt
to Market Value and Net General Obligation Bonded Debt
per Capita
Last Ten Fiscal Years

Fiscal Year	Gross Bonded Debt	Less Debt Service Funds on Hand	Net Bonded Debt	Market Value	Percent of Net Debt to Market Value	Estimated Population	Net Bonded Debt per Capita
2013	\$ 153,520,109	\$ 21,612,076	\$ 131,908,033	\$6,299,805,800	2.09 %	77,210	\$ 1,708
2014	135,595,035	12,032,786	123,562,249	6,424,286,100	1.92	78,239	1,579
2015	117,004,255	2,729,885	114,274,370	6,970,239,000	1.64	79,060	1,445
2016	107,137,180	3,278,833	103,858,347	7,129,353,400	1.46	83,540	1,243
2017	96,186,546	2,980,193	93,206,353	7,463,934,900	1.25	82,540	1,129
2018	86,029,531	3,088,612	82,940,919	7,972,970,100	1.04	79,342	1,045
2019	126,929,827	3,165,547	123,764,280	8,533,938,800	1.45	79,394	1,559
2020	379,309,293	4,299,699	375,009,594	9,166,542,200	4.09	83,254	4,504
2021	367,839,359	4,107,905	363,731,454	9,660,166,400	3.77	80,380	4,525
2022	438,693,861	4,179,859	434,514,002	10,016,421,300	4.34	82,900	5,241

Source: Annual school district census and U.S. Census

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INDEPENDENT SCHOOL DISTRICT NO. 622

Direct and Overlapping Debt
as of June 30, 2022

Governmental Unit	2021-2022 Taxable Net Tax Capacity	Bonded Debt	Percent Allocable to ISD No. 622	Portion Allocable to ISD No. 622
Independent School District No. 622	\$ 119,195,463	\$ 438,693,861	100.00 %	\$ 438,693,861
Overlapping debt				
Ramsey County	736,796,858	138,095,000	8.29	11,448,076
Washington County	381,159,791	95,335,000	13.60	12,965,560
City of Lake Elmo	24,732,545	25,590,000	25.38	6,494,742
City of Maplewood	56,144,405	50,448,086	84.58	42,668,991
City of North St. Paul	13,581,670	16,390,000	100.00	16,390,000
City of Oakdale	36,382,276	18,240,000	98.74	18,010,176
City of White Bear Lake	36,098,331	17,820,000	0.03	5,346
City of Woodbury	127,581,605	46,635,000	11.46	5,344,371
Metropolitan Council	5,197,211,231	218,520,000	2.17	4,741,884
Total overlapping debt				<u>118,069,146</u>
Total direct and overlapping debt				<u><u>\$ 556,763,007</u></u>

Note 1: The percentage of overlapping debt applicable is estimated using taxable net tax capacity values. Applicable percentages were estimated by determining the portion of the overlapping entity's taxable net tax capacity value that is within the District's boundaries and dividing it by the overlapping government's total taxable net tax capacity value.

Note 2: The Washington County HRA, Metropolitan Council, and Metropolitan Airports Commission are governmental units with overlapping debt applicable to the District. Overlapping debt information for these units of government applicable to the District was not readily available.

Source: Ramsey County and Washington County

INDEPENDENT SCHOOL DISTRICT NO. 622

Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year			
	2013	2014	2015	2016
Debt limit	\$ 944,970,870	\$ 963,642,915	\$ 1,045,549,350	\$ 1,069,403,010
Total net debt applicable to the limit	130,287,924	122,032,214	112,845,115	102,581,167
Legal debt margin	<u>\$ 814,682,946</u>	<u>\$ 841,610,701</u>	<u>\$ 932,704,235</u>	<u>\$ 966,821,843</u>
Total net debt applicable to the limit as a percentage of debt limit	13.79%	12.66%	10.79%	9.59%

Note: Under state finance law, the District's outstanding general obligation debt should not exceed 15 percent of total market property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

Source: State of Minnesota School Tax Report

2017	2018	2019	2020	2021	2022
\$ 1,119,590,235	\$ 1,195,945,515	\$ 1,280,090,820	\$ 1,374,981,330	\$ 1,449,024,960	\$ 1,502,463,195
87,749,807	78,066,388	118,444,453	361,700,301	351,517,095	413,990,141
<u>\$ 1,031,840,428</u>	<u>\$ 1,117,879,127</u>	<u>\$ 1,161,646,367</u>	<u>\$ 1,013,281,029</u>	<u>\$ 1,097,507,865</u>	<u>\$ 1,088,473,054</u>
7.84%	6.53%	9.25%	26.31%	24.26%	27.55%

Legal Debt Margin Calculation for Fiscal Year 2022

Market value	\$10,016,421,300
Debt limit (15% of market value)	1,502,463,195
Debt applicable to the limit	
General obligation bonds	418,170,000
Less amount set aside for repayment of general obligation debt	<u>(4,179,859)</u>
Total net debt applicable to the limit	<u>413,990,141</u>
Legal debt margin	<u>\$ 1,088,473,054</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

Demographic and Economic Statistics Last Ten Fiscal Years

Fiscal Year	City of North St. Paul			Total ISD No. 622 Population (3)	School Enrollment (4)	Ramsey County Unemployment Rate (5)
	Population (1)	Personal Income (1)	Per Capita Personal Income (2)			
2013	11,618	\$ 442,831,688	\$ 38,116	77,210	10,912	4.9 %
2014	11,951	466,089,000	39,000	78,239	10,727	4.0
2015	12,006	488,211,984	40,664	79,060	10,715	3.5
2016	12,104	337,520,040	27,885	83,540	10,669	3.6
2017	12,069	359,994,132	29,828	82,540	10,480	3.3
2018	12,099	383,223,726	31,674	79,342	10,633	2.7
2019	12,159	382,412,709	31,451	79,394	10,636	3.3
2020	12,161	398,990,249	32,809	83,254	10,454	6.9
2021	12,364	N/A	N/A	80,380	10,099	4.1
2022	N/A	N/A	N/A	82,900	10,013	2.3

N/A – Not Available

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

Note 2: Unemployment rate for 2022 is an average through July 2022.

Sources:

- (1) City of North St. Paul's ACFR for the year ended December 31, 2021.
- (2) The per capita personal income used is for that of Ramsey County, in which the City of North St. Paul resides.
- (3) Annual school district census and U.S. Census.
- (4) The District.
- (5) Minnesota Department of Employment and Economic Development.

INDEPENDENT SCHOOL DISTRICT NO. 622

Principal Employers
Current Year and Nine Years Ago

Employer	Fiscal Year			
	2022		2013	
	Employees	Rank	Employees	Rank
3M Company	12,000	1	10,000	1
Independent School District No. 622	1,880	2	1,550	2
M Health Fairview (formerly HealthEast Care System/St. John's Hospital)	973	3	1,500	3
Cub Foods	420	4	274	6
Target Stores	400	5	—	—
Canvas Health, Inc.	300	6	—	—
Ramsey County Care Center	240	7	300	5
Costco	200	8	—	—
City of Maplewood	188	9	460	4
Home Depot	150	10	136	10
Volunteers of America – Maplewood Campus	—	—	260	7
Menards	—	—	220	8
Ramsey County Parks and Recreation	—	—	206	9
Total	<u>16,751</u>		<u>14,906</u>	
Total ISD No. 622 population (see the Schedule of Demographic and Economic Statistics)	<u>82,900</u>		<u>77,210</u>	
Percent of principal employers to total ISD No. 622 population	<u>20.2%</u>		<u>19.3%</u>	

Note: Total number of employees working for employers within the District's boundaries is not readily available. The District has provided total population to provide a comparison base to reference between current year and nine years ago.

INDEPENDENT SCHOOL DISTRICT NO. 622

Employees by Classification
Last Ten Fiscal Years

Employees (1)	Fiscal Year			
	2013	2014	2015	2016
District directors/superintendent	7	7	7	7
Supervisors, coordinators, specialists, and technical support	87	83	92	90
Principals and assistant principals	26	28	23	23
Teachers	727	751	726	715
Clerical staff	85	81	80	74
Educational support (paras, EAs, behavior staff, etc.)	407	416	402	388
Engineers, custodians, drivers, and monitors	207	204	205	201
Nutrition services	70	74	74	75
Community education (ABE, building supervisors)	43	44	41	39
Total	<u>1,659</u>	<u>1,688</u>	<u>1,650</u>	<u>1,612</u>

- (1) This schedule is a headcount based on contract group; if an employee has multiple contract groups, they are reflected multiple times. Full-time and part-time employees count the same.

Source: The District's Human Resources Department

2017	2018	2019	2020	2021	2022
7	8	8	8	8	9
107	107	126	126	108	130
24	22	23	25	23	23
739	732	746	775	770	715
68	67	64	74	63	64
440	469	430	406	370	341
195	202	177	174	172	178
73	74	72	71	71	73
34	39	36	26	35	34
1,687	1,720	1,682	1,685	1,620	1,567

INDEPENDENT SCHOOL DISTRICT NO. 622

Teacher Data
Year Ended June 30, 2022

	Salary Schedule				
	BA	BA + 15	BA + 30	BA + 45	MA
Low range	\$ 41,550	\$ 42,907	\$ 44,264	\$ 45,623	\$ 46,982
High range	\$ 60,535	\$ 63,697	\$ 66,855	\$ 70,011	\$ 73,170
Number of teachers	78	22	22	50	222
Average salary	\$ 67,640				
Average education	MA				
Number of full-time equivalents	715				

N/A – Not Applicable

Source: The District's Human Resources Department

MA + 15		MA + 30		MA + 45		MA + 60		PHD	Total
\$	48,414	\$	49,847	\$	51,281	\$	52,709	\$ 54,141	N/A
\$	75,460	\$	77,748	\$	80,031	\$	82,321	\$ 84,609	N/A
	50		42		49		176	4	715

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INDEPENDENT SCHOOL DISTRICT NO. 622

Student to Staff Ratios
Last Ten Fiscal Years

Fiscal Year	ISD No. 622 Student to Teacher Ratios (1)	Minnesota Department of Education Student to Staff Ratio (2)			
		ISD No. 622	Washington County Average	Ramsey County Average	State Average
2013	15.01	14.49	14.17	14.00	12.93
2014	14.28	13.77	13.85	13.60	12.82
2015	14.76	14.31	14.21	13.40	12.56
2016	14.92	14.46	14.42	13.40	12.69
2017	14.18	13.74	13.66	13.40	12.49
2018	14.53	14.10	13.92	13.40	12.45
2019	14.26	13.83	13.72	11.87	12.45
2020	13.63	13.20	N/A	N/A	N/A
2021	13.38	13.00	N/A	N/A	N/A
2022	14.35	12.32	N/A	N/A	N/A

N/A – Not Available

- (1) This data is computed using only full-time equivalent licensed classroom teaching staff.
- (2) This data is computed by dividing total students (Minnesota Department of Education enrollment numbers pre-kindergarten through Grade 12) by total certified staff. Certified staff includes classroom teachers, administrators, special education teachers, and all other licensed professionals measured in full-time equivalents.

Source: Minnesota Department of Education

INDEPENDENT SCHOOL DISTRICT NO. 622

Operating Indicators by Function
Standardized Testing and Graduation Rates
Last Ten Fiscal Years

	Fiscal Year			
	2013	2014	2015	2016
Standardized tests				
MCA Reading (1)				
Grade 3	54 %	53 %	58 %	55 %
Grade 5	62	64	64	64
Grade 7	39	44	46	50
Grade 10	57	57	56	53
MCA Math (1)				
Grade 3	78	71	75	70
Grade 5	68	64	65	61
Grade 7	46	51	52	52
Grade 11	52	49	49	50
ACT				
Average composite score	N/A	N/A	N/A	19.7
Graduation data				
ISD No. 622's graduation rate	82	81	83	82
State graduation rate	80	81	82	82

N/A – Not Available

- (1) Percent of students scoring at or above proficiency on the Minnesota Comprehensive Assessment Test (II). Percentages not available for 2020, due to COVID-19.

Source: Minnesota Department of Education, the District's Testing Department, the District's Registrar, and ACT Corporation

2017	2018	2019	2020	2021	2022
53 %	52 %	46 %	N/A	32 %	33 %
64	66	63	N/A	46	48
47	46	45	N/A	39	23
59	62	58	N/A	53	51
67	65	50	N/A	34	44
64	59	55	N/A	26	30
53	45	44	N/A	25	18
48	49	50	N/A	39	24
20.1	19.5	19.0	21.3	20.0	17.7
82	85	84	83	81	N/A
83	83	84	84	83	N/A

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INDEPENDENT SCHOOL DISTRICT NO. 622

School Facilities
as of June 30, 2022

Facility	Use	Constructed	Acres	Square Footage	Capacity	Enrollment (1)
Carver Elementary	School	1958–1960–1996–2000	10	61,691	560	564
Castle Elementary	School	1969–1988–2019	10	74,604	650	410
Cowern Elementary	School	1953–1958–1962–2004	9	51,283	400	425
Oakdale Elementary	School	1967–1970–1990–2000	10	63,550	500	467
Richardson Elementary	School	1954–1966–2004–2019	8	80,773	650	456
Skyview Elementary	School	1996	49	206,000	500	462
Eagle Point Elementary	School	1965–1966–2004	20	53,904	375	424
Weaver Elementary	School	1967–1969	12	44,850	425	500
Webster Elementary	School	1964–1966	9	43,775	350	386
District Education Center (DEC)	School/Office	1967–1999	1	91,900	N/A	N/A
Gladstone Community Education Center	Early Child/ Adult Ed	1951–1955–1957–1961	9	43,803	N/A	–
Beaver Lake Education Center	Early Child/ Pre-K	1940–1951–1962–2013	9	41,450	N/A	19
Harmony Learning Center	Special Ed/ Adult Ed/ Care and Treatment	1962–1992–2000	10	40,555	N/A	41
John Glenn Middle	School	1962–1967–1977–1988	21	137,084	1,050	701
Maplewood Middle	School	1961–1967	25	113,400	1,050	555
Skyview Middle	School	1996	49	206,000	1,050	724
North High	School	1997	23	265,000	1,695	1,543
Tartan High	School	1971–1976	46	259,700	1,575	1,583
Polar Arena	Ice Arena	1969–1970–1975	N/A	32,827	N/A	N/A
Tartan Arena	Ice Arena	1996	N/A	64,816	N/A	N/A

N/A – Not Available

(1) Enrollment data from October 17, 2022.

Source: The District's Operations and Maintenance Department and Enrollment Department, and ADM served per Minnesota School District Profiles Report

INDEPENDENT SCHOOL DISTRICT NO. 622

Food Service
School Lunch Program Data
Last Ten Fiscal Years

Fiscal Year	Total Lunches Served	Days	Average Daily Participation	Free Lunch	
				Number Served	Percent of Total
2013	1,292,609	173	7,472	581,380	44.98 %
2014	1,258,602	169	7,447	591,275	46.98
2015	1,318,624	173	7,622	624,210	47.34
2016	1,320,613	172	7,678	624,498	47.29
2017	1,287,654	172	7,486	629,546	48.89
2018	1,267,024	170	7,453	602,634	47.56
2019	1,232,355	166	7,424	585,728	47.53
2020	1,107,654	208	5,325	661,606	59.73
2021	945,437	172	5,497	861,622	91.13
2022	1,058,578	172	6,155	1,058,578	100.00

Source: The District's Food Service Department

Reduced-Price Lunch	
Number Served	Percent of Total
146,577	11.34 %
137,725	10.94
154,099	11.69
173,808	13.16
168,921	13.12
202,397	15.97
202,166	16.40
144,542	13.05
—	—
—	—

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INDEPENDENT SCHOOL DISTRICT NO. 622

Student Enrollment
Last Ten Fiscal Years

Year Ended June 30,	Average Daily Membership (ADM) (for Students Served or Tuition Paid)					Total Pupil Units
	Pre-Kindergarten and Handicapped Kindergarten	Kindergarten	Elementary	Secondary	Total	
2013	170.78	688.57	4,451.89	5,601.03	10,912.27	12,738.68
2014	189.04	662.05	4,499.22	5,376.75	10,727.06	12,501.65
2015	201.93	641.06	4,497.53	5,374.84	10,715.36	11,790.31
2016	221.12	625.09	4,534.08	5,288.64	10,668.93	11,726.67
2017	273.72	569.58	4,430.34	5,206.78	10,480.42	11,521.79
2018	352.61	594.81	4,474.14	5,211.11	10,632.67	11,674.89
2019	391.38	608.30	4,443.69	5,192.62	10,635.99	11,674.52
2020	383.65	623.02	4,366.01	5,189.93	10,562.61	11,600.60
2021	333.71	562.22	4,212.26	5,197.22	10,305.41	11,344.87
2022	370.55	564.73	4,216.49	5,111.75	10,263.52	11,285.88

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

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

	Pre-Kindergarten	Handicapped Kindergarten	Half-Day Kindergarten	Full-Day Kindergarten	Elementary 1-3	Elementary 4-6	Secondary
Fiscal 2013 through 2014	1.250	1.000	0.612	0.612	1.115	1.060	1.300
Fiscal 2015 through 2022	1.000	1.000	0.550	1.000	1.000	1.000	1.200

Source: Minnesota Department of Education student reporting system

INDEPENDENT SCHOOL DISTRICT NO. 622

Expenditures per Student
Last Ten Fiscal Years

	Fiscal Year			
	2013	2014	2015	2016
Expenditures per student (ADM) (1)				
General Fund				
District level administration	\$ 400	\$ 522	\$ 574	\$ 541
School level administration	476	505	491	472
Regular instruction	4,829	5,058	5,082	5,009
Career and technical instruction	232	209	231	228
Special education	1,905	2,161	2,235	2,408
Student activities/athletics	205	218	226	242
Instructional support services	515	519	462	443
Pupil support services	289	302	296	254
Operations, maintenance, and other	735	849	865	826
Student transportation	626	667	706	664
Capital expenditures	595	533	508	379
Total General Fund expenditures	<u>\$ 10,807</u>	<u>\$ 11,543</u>	<u>\$ 11,676</u>	<u>\$ 11,466</u>
ADM used per profile model format	<u>11,690</u>	<u>11,253</u>	<u>11,212</u>	<u>11,140</u>

N/A – Not Available

(1) Average daily membership (ADM) is a measure of student attendance.

Source: Minnesota Department of Education School District Profiles Report

2017	2018	2019	2020	2021	2022
\$ 601	\$ 616	\$ 664	\$ 780	\$ 807	N/A
491	507	513	548	610	N/A
5,004	5,191	5,329	5,619	5,937	N/A
238	259	259	293	301	N/A
2,445	2,457	2,789	2,924	3,144	N/A
247	252	250	249	224	N/A
468	529	548	520	893	N/A
277	305	343	376	422	N/A
850	888	920	904	1,010	N/A
751	735	748	798	653	N/A
1,114	1,165	1,007	1,142	800	N/A
<u>\$ 12,486</u>	<u>\$ 12,904</u>	<u>\$ 13,370</u>	<u>\$ 14,153</u>	<u>\$ 14,802</u>	<u>N/A</u>
<u>10,933</u>	<u>11,064</u>	<u>11,004</u>	<u>10,845</u>	<u>10,438</u>	<u>N/A</u>

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