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Independent School District No. 861
Winona Area Public Schools

Basic Financial Statements

June 30, 2022

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Independent School District No. 861
Board of Education and Administration
June 30, 2022

Board of Education	Position	Term Expires
Nancy Denzer	Chairperson	2022
Tina Lehnertz	Vice Chairperson	2024
Micheal Hanratty	Clerk	2022
Karl Sonneman	Treasurer	2022
Jim Schul	Director	2024
Stephanie Smith	Director	2024
Steve Schild	Director	2022

Administration	
Annette Freiheit	Superintendent
Sarah Slaby	Director of Finance

Independent Auditor's Report

To the School Board
Independent School District No. 861
Winona Area Public Schools

Report on the Audit of the Financial Statements

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 861, Winona Area Public Schools as of and for the year ended June 30, 2022, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 861, Winona Area Public, as of June 30, 2022, and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund, Food Service Special Revenue Fund and Community Service Special Revenue 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Independent School District No. 861, Winona Area Public Schools 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 – Implementation of GASB 87

The District has adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The management of Independent School District No. 861 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.

Responsibilities of Management for the Financial Statements (Continued)
In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, which raise substantial doubt about the District's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

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

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

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and Required Supplementary information 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 Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also 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 accompanying supplementary information and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2022, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

BerganKDV, Ltd.

St. Cloud, Minnesota
November 17, 2022

Independent School District No. 861
Management's Discussion and Analysis

This section of Independent School District No. 861's (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the year that ended on June 30, 2022. Please read it in conjunction with the District's financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model that is required by the GASB Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June, 1999. GASB Statement No. 34 establishes reporting requirements that include financial statements, expanded disclosure and supplemental information, including the MD&A (this section).

Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2021-2022 years include the following:

- Net position increased by $3,844,446.
- Overall revenues were $49,831,023, while overall expenses totaled $45,986,577.
- General Fund balance decreased by $69,949.
- General Fund unassigned fund balance decreased $783,657.
- Our current bond amount outstanding is $23,560,000.

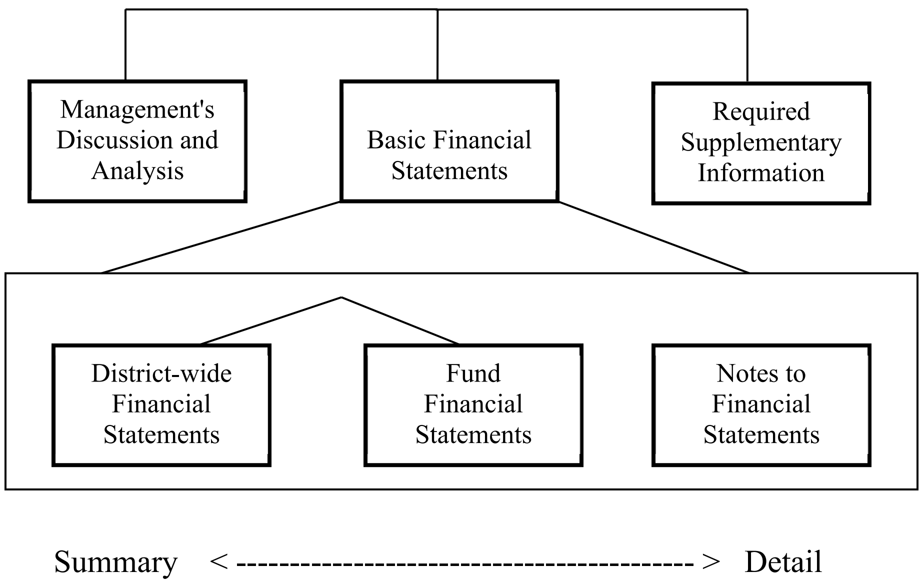
OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor's Report, Required Supplementary Information, which includes the MD&A, basic financial statements and supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund-financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The governmental fund statements tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.

VERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The diagram below shows how the various parts of this annual report are arranged and related to one another:



The major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain, are summarized on the following page. The remainder of the overview section of the MD&A highlights the structure and content of each of the statements.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements			
	District-Wide Statements	Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not fiduciary, such as special education and building maintenance.	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required Financial Statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances	• Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial focus.	Accrual accounting and economic resources focus.
Type of Assets/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term.	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can.
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All additions and deductions during the year, regardless of when cash is received or paid.

District-Wide Statements

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

The two district-wide statements report the District's net position and how they have 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.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

District-Wide Statements (Continued)

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

- To assess the overall health of the District you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements the District's activities are shown in one category:

- Governmental Activities – Most of the District's basic services are included here, such as regular and special education, transportation, administration, food services, and community education. Property taxes and state aids finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds, not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.

- The District establishes other funds to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal grants).

The District has two kinds of funds:

- Governmental Funds: Most of 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 funds statements provide a detailed short-term view that helps to determine whether there are more or fewer 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 district-wide statements, we provide additional information following the governmental funds statements that explains the relationship (or differences) between them.

- Fiduciary Funds: The District is the trustee, or fiduciary, for assets that belong to others. The District is responsible for ensuring the assets reported in these funds are used only by those to whom the assets belong. The District's fiduciary activities (consisting of a Custodial Fund, and an OPEB Trust Fund held for others) are reported in a separate Statement of Fiduciary Net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (DISTRICT-WIDE FINANCIAL STATEMENTS)

Net Position

The District's combined net position was negative $15,833,420 on June 30, 2022, (see details in Table A-1). This was an increase of $3,844,446 from a negative balance of $19,677,866 at June 30, 2021. This increase was due to a growth in restricted fund balances as well as the district's net investment in capital assets.

Table A-1

	Governmental Activities	
	2022	2021
Assets		
Total current assets	$ 42,402,801	$ 26,268,377
Total capital assets	27,007,395	26,878,609
Total assets	69,410,196	53,146,986
Deferred Outflows of Resources	10,102,125	11,280,442
Total assets and deferred outflows of resources	$ 79,512,321	$ 64,427,428
Liablities		
Current liabilities	$ 8,853,951	$ 8,049,562
Long-term liabilities	43,080,017	39,969,800
Total liabilities	51,933,968	48,019,362
Deferred Inflows of Resources	43,411,773	36,085,932
Net Position		
Net investment in capital assets	21,445,634	20,722,598
Restricted amounts	6,313,762	4,621,299
Unrestricted amounts	(43,592,816)	(45,021,763)
Total net position	(15,833,420)	(19,677,866)
Total liabilities, deferred inflows of resources and net position	$ 79,512,321	$ 64,427,428

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (DISTRICT-WIDE FINANCIAL STATEMENTS) (CONTINUED)

Change in Net Position

The increase in net position occurred as a result overall revenues exceeding expenses. A large factor in this is an increase in state and federal revenues tied to COVID-19 funding and higher reimbursement rates for the School Nutrition fund. A summary of the revenue and expenses is presented in Table A-2 below.

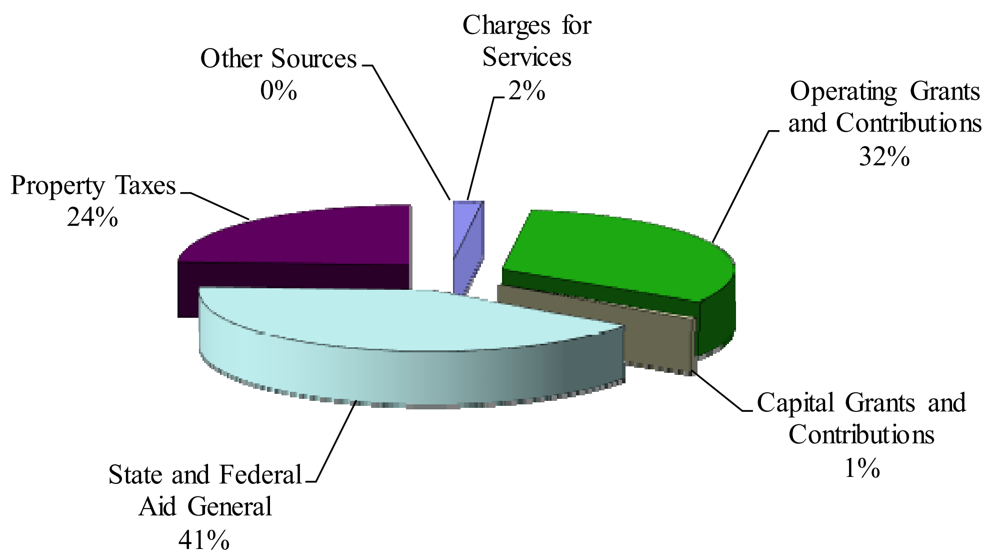
Table A-2

	Governmental Activities for the Year Ended June 30,	
	2022	2021
Revenues		
Program revenues		
Charges for services	$ 1,002,159	$ 1,093,087
Operating grants and contributions	15,940,144	17,293,412
Capital grants and contributions	258,999	296,898
General revenues		
Property taxes	12,052,891	13,035,062
State and federal aid-formula grants	20,574,202	17,462,971
Other sources	2,628	232,666
Total revenues	49,831,023	49,414,096
Expenses		
Administration	1,715,327	1,659,959
District Support Services	1,476,375	1,649,675
Elementary and Secondary Regular Education	15,044,330	11,112,547
Vocational Education Instruction	419,270	405,509
Special Education Instruction	10,018,675	10,202,321
Instructional Support Services	2,141,041	1,816,064
Pupil Support Services	5,933,846	5,507,266
Sites and Buildings	4,651,794	7,630,265
Fiscal and Other Fixed Cost Programs	213,861	229,159
Food Service	1,921,271	1,625,948
Community Service	1,929,414	1,875,280
Interest and Fiscal Charges on Long-Term Debt	521,373	244,464
Total expenses	45,986,577	43,958,457
Change in net position	3,844,446	5,455,639
Beginning of year net position	(19,677,866)	(25,133,505)
Ending of year net position	$ (15,833,420)	$ (19,677,866)

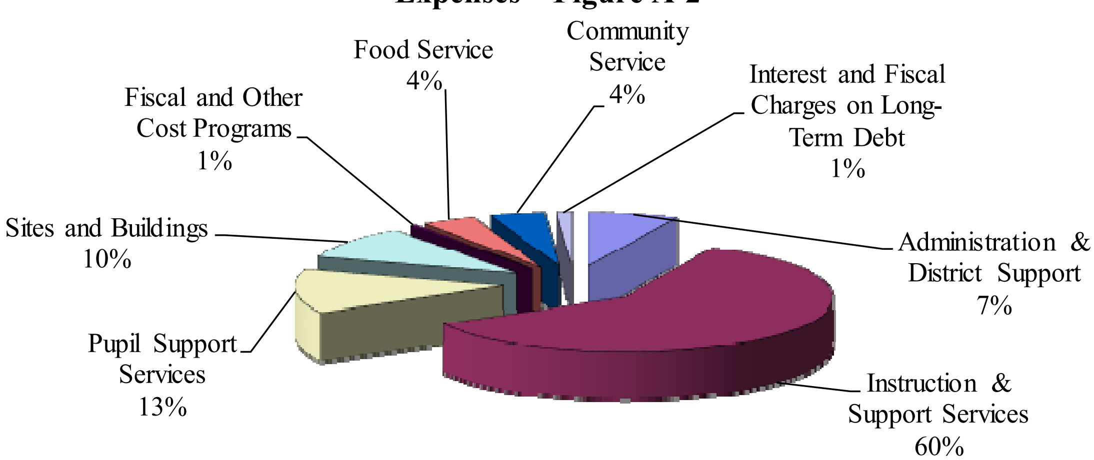
FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (DISTRICT-WIDE FINANCIAL STATEMENTS) (CONTINUED)

The District's total revenue consisted of program revenues of $17,201,302, property taxes of $12,052,891, aid payments from the state and federal governments of $20,574,202 and $2,628 from miscellaneous other sources. Expenses totaling $45,986,577 consisted mainly of education costs for regular, vocational and special needs programming totaling $25,482,275 between these three categories. Other areas of cost included: support services (District, administrative, instructional and pupil) $11,266,589, site, buildings and equipment $4,654,794, fiscal and other fixed cost program $213,861, food service $1,921,271, community education and services $1,929,414, interest and fiscal charges on long-term debt $521,373.

Revenues – Figure A-1



Expenses – Figure A-2



FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (DISTRICT-WIDE FINANCIAL STATEMENTS) (CONTINUED)

Fund Balance

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, the governmental funds reported a combined fund balance of $25,334,781. This is up $15,585,122 from the District's June 30, 2021, combined fund balance total of $9,749,659. The reason for the increase is unspent bond proceeds related to planned indoor air quality projects at Jefferson and Washington-Kosciusko Elementary Schools.

Revenue and Expenditures

Revenues and other financing sources of the District's governmental funds totaled $66,711,410 while total expenditures were $51,126,288. A summary of the revenues and expenditures reported on the governmental fund financial statements appears in Table A-6 below. Revenue increased due to federal grants received due to COVID-19 and expenditures increased due to the same.

Table A-3
Revenues and Expenditures – Governmental Funds

	2021 Beginning Fund Balance	2021 Revenue	2021 Expenditures	2021 Other	2021 Net Change in Fund Balance	2021 Ending Fund Balance
General	$ 5,441,675	$ 42,386,674	$ 40,450,472	$ (23,401)	$ 1,912,801	$ 7,354,476
Food Service	29,577	1,628,978	1,631,168	23,401	21,211	50,788
Community Service	528,517	1,977,661	1,876,272	-	101,389	629,906
Capital Projects	4,126,251	47,428	3,102,489	-	(3,055,061)	1,071,190
OPEB Debt Service	(2,732)	688,983	656,750	-	32,233	29,501
Debt Service	608,176	2,616,132	2,610,510	-	5,622	613,798
Totals	$ 10,731,464	$ 49,345,856	$ 50,327,661	$ -	$ (981,805)	$ 9,749,659

	2022 Beginning Fund Balance	2022 Revenue	2022 Expenditures	2022 Other	2022 Net Change in Fund Balance	2022 Net Change in Fund Balance
General	$ 7,354,476	$ 42,001,029	$ 42,070,978	$ -	$ (69,949)	$ 7,284,527
Food Service	50,788	2,508,947	1,889,808	-	619,139	669,927
Community Service	629,906	2,184,771	2,016,775	-	167,996	797,902
Capital Projects	1,071,190	(17,459)	1,860,154	16,204,546	14,326,933	15,398,123
OPEB Debt Service	29,501	694,040	657,075	-	36,965	66,466
Debt Service	613,798	2,647,527	2,631,498	488,009	504,038	1,117,836
Totals	$ 9,749,659	$ 50,018,855	$ 51,126,288	$ 16,692,555	$ 15,585,122	$ 25,334,781

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (DISTRICT-WIDE FINANCIAL STATEMENTS) (CONTINUED)

General Fund Budgetary Highlights

During the year ended June 30, 2022, the District revised its operating budget. The revision is necessary because when the initial budget is prepared and adopted (a budget must be in place prior to the beginning of the year on July 1), details of student enrollment, staffing levels and other significant information items are estimates. When these items become known, the budget is then revised. A similar revision is made each year for the same reasons.

The District's final General Fund budget anticipated expenditures would exceed revenues by $398,493. The actual result was $69,949 expenditures over revenues. Revenues came in over budget by $598,677 and expenditures came in over budget by $270,133.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's capital assets consist of items of value over $4,000 when purchased. The assets are then depreciated over the life of the asset using the lifespan recommended by the GASB. Detailed information regarding the District's capital assets can be found in Note 3 of the financial statements.

Long-Term Debt

At year-end, the District had a total of $25,836,369 of long-term debt. This consisted of bonded indebtedness including unamortized premium of $25,003,185, certificates of participation of $181,441, financed purchases of $11,725 and separation and severance of $640,018.

FACTORS BEARING ON THE DISTRICT'S FUTURE

- The political environment at the state level could have a significant effect on future finances. The State Legislature sets the amount of revenue from aids and levies that Minnesota school districts will receive.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This report is designed to provide the District's citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or would like additional information, contact Sarah Slaby, Director of Finance, at the District Office 903 Gilmore Avenue, Winona, Minnesota 55987.

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BASIC FINANCIAL STATEMENTS

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Independent School District No. 861
Statement of Net Position
June 30, 2022

	Governmental Activities
Assets	
Cash and investments	$ 32,589,459
Current property taxes receivable	5,512,826
Delinquent property taxes receivable	75,992
Accounts receivable	366,165
Interest receivable	101,958
Due from Department of Education	2,304,749
Due from other Minnesota school districts	60,982
Due from Federal Government through Department of Education	1,154,387
Due from other governmental units	77,117
Inventory	6,573
Prepaid items	152,593
Capital assets not depreciated	
Land	1,278,092
Construction in progress	950,636
Capital assets, net of accumulated depreciation	
Land improvements	3,238,833
Buildings	20,096,508
Furniture and equipment	1,443,326
Total assets	69,410,196
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	9,528,520
Deferred outflows of resources related to other postemployment benefits (OPEB)	212,137
Deferred outflow of recources related to loss on refunding	361,468
Total deferred outflows of resources	10,102,125
Total assets and deferred outflows of resources	$ 79,512,321
Liabilities	
Accounts payable	$ 708,543
Salaries and benefits payable	3,576,898
Interest payable	305,187
Due to other minnesota school districts	588,734
Due to other governmental units	279,227
Unearned revenue	231,667
Bond principal payable (net of premium)	
Payable within one year	3,095,000
Payable after one year	21,908,185
Certificates of participation payable	
Payable within one year	56,970
Payable after one year	124,471
Financed purchases payable	
Payable within one year	11,725
Severance payable:	
Payable after one year	455,000
Compensated absences payable	
Payable after one year	185,018
Net pension liability	16,665,926
Net OPEB liability	3,741,417
Total liabilities	51,933,968
Deferred Inflows of Resources	
Property taxes levied for subsequent year's expenditures	11,606,959
Deferred inflows of resources related to pensions	30,307,718
Deferred inflows of resources realted to OPEB	1,497,096
Total deferred inflows of resources	43,411,773
Net Position	
Net investment in capital assets	21,445,634
Restricted for	
Debt service	897,732
Other purposes	5,416,030
Unrestricted	(43,592,816)
Total net position	(15,833,420)
Total liabilities, deferred inflows of resources, and net position	$ 79,512,321

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Independent School District No. 861
Statement of Activities
Year ended June 30, 2022

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position: Governmental Activities
Governmental activities					
Administration	$ 1,715,327	$ 48	$ -	$ -	$ (1,715,279)
District support services	1,476,375	75,777	28,030	-	(1,372,568)
Elementary and secondary regular instruction	15,044,330	236,677	2,642,627	-	(12,165,026)
Vocational education instruction	419,270	-	920	-	(418,350)
Special education instruction	10,018,675	90,051	7,807,115	-	(2,121,509)
Instructional support services	2,141,041	-	380,583	-	(1,760,458)
Pupil support services	5,933,846	12,329	1,494,690	-	(4,426,827)
Sites and buildings	4,651,794	-	1,307	258,999	(4,391,488)
Fiscal and other fixed cost programs	213,861	-	-	-	(213,861)
Food service	1,921,271	48,052	2,460,142	-	586,923
Community education and services	1,929,414	539,225	1,124,730	-	(265,459)
Interest and fiscal charges on long-term debt	521,373	-	-	-	(521,373)
Total governmental activities	$ 45,986,577	$ 1,002,159	$ 15,940,144	$ 258,999	(28,785,275)

General revenues	
Taxes	
Property taxes, levied for general purposes	8,399,555
Property taxes, levied for community education	507,763
Property taxes, levied for debt service	3,145,573
State and federal aid-formula grants	20,574,202
Investment income	2,628
Total general revenues	32,629,721
Change in net position	3,844,446
Net position - beginning	(19,677,866)
Net position - ending	$ (15,833,420)

See notes to basic financial statements.

Independent School District No. 861
Balance Sheet - Governmental Funds
June 30, 2022

	General	Food Service	Community Service
Assets			
Cash and investments	$ 12,118,062	$ 768,760	$ 1,179,331
Current property taxes receivable	3,669,511	-	233,744
Delinquent property taxes receivable	54,193	-	3,182
Accounts receivable	362,179	3,333	653
Interest receivable	-	-	-
Due from Department of Education	2,283,231	-	3,936
Due from Federal Government through Department of Education	1,147,415	-	6,972
Due from other Minnesota school districts	1,233	-	59,749
Due from other governmental units	68,836	5,169	3,112
Inventory	-	6,573	-
Prepaid items	152,329	264	-
Total assets	$ 19,856,989	$ 784,099	$ 1,490,679
Liabilities			
Accounts payable	$ 342,061	$ 8,816	$ 15,506
Salaries and benefits payable	3,387,548	50,530	138,820
Due to other Minnesota school districts	575,559	-	13,175
Due to other governmental units	278,703	-	524
Unearned revenue	160,945	54,826	15,896
Total liabilities	4,744,816	114,172	183,921
Deferred Inflows of Resources			
Unavailable revenue - delinquent property taxes	54,193	-	3,182
Property taxes levied for subsequent year's expenditures	7,773,453	-	505,674
Total deferred inflows of resources	7,827,646	-	508,856
Fund Balances			
Nonspendable	152,329	6,837	-
Restricted	3,945,019	663,090	797,902
Unassigned	3,187,179	-	-
Total fund balances	7,284,527	669,927	797,902
Total liabilities, deferred inflows of resources, and fund balances	$ 19,856,989	$ 784,099	$ 1,490,679

Capital Projects	OPEB Debt Service	Debt Service	Total Governmental Funds
$ 15,638,325	$ 435,739	$ 2,449,242	$ 32,589,459
-	318,355	1,291,216	5,512,826
-	4,206	14,411	75,992
-	-	-	366,165
101,958	-	-	101,958
-	1,088	16,494	2,304,749
-	-	-	1,154,387
-	-	-	60,982
-	-	-	77,117
-	-	-	6,573
-	-	-	152,593
$ 15,740,283	$ 759,388	$ 3,771,363	$ 42,402,801
$ 342,160	$ -	$ -	$ 708,543
-	-	-	3,576,898
-	-	-	588,734
-	-	-	279,227
-	-	-	231,667
342,160	-	-	5,385,069
-	4,206	14,411	75,992
-	688,716	2,639,116	11,606,959
-	692,922	2,653,527	11,682,951
-	-	-	159,166
15,398,123	66,466	1,117,836	21,988,436
-	-	-	3,187,179
15,398,123	66,466	1,117,836	25,334,781
$ 15,740,283	$ 759,388	$ 3,771,363	$ 42,402,801

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Independent School District No. 861
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2022

Total fund balances - governmental funds	$ 25,334,781
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	
Cost of capital assets	65,914,578
Less accumulated depreciation	(38,907,183)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Bond principal payable	(23,560,000)
Certificates of participation	(181,441)
Financed purchase payable	(11,725)
Premium on bonds payable	(1,443,185)
Severance payable	(455,000)
Compensated absences	(185,018)
Net OPEB liability	(3,741,417)
Net pension liability	(16,665,926)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.	
Deferred outflows of resources related to pensions	9,528,520
Deferred inflows of resources related to pensions	(30,307,718)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to OPEB that are not recognized in the governmental funds.	
Deferred outflows of resources related to OPEB	212,137
Deferred inflows of resources related to OPEB	(1,497,096)
When a bond refunding occurs, the difference between the amount paid to the refunded bond escrow and the principal of the refunded debt is expensed in the governmental funds. These expenditures are capitalized on the statement of net position as deferred charges.	361,468
Delinquent property tax receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	75,992
Governmental funds do not report a liability for accrued interest on long-term liabilities until due and payable.	(305,187)
Total net position - governmental activities	$ (15,833,420)

Independent School District No. 861
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2022

	General	Food Service	Community Service
Revenues			
Local property taxes	$ 8,438,299	$ -	$ 509,791
Other local and county revenues	1,405,663	23,501	849,639
Revenue from state sources	28,271,971	70,056	744,658
Revenue from federal sources	3,860,063	2,367,338	80,683
Sales and other conversion of assets	25,033	48,052	-
Total revenues	42,001,029	2,508,947	2,184,771
Expenditures			
Current			
Administration	1,785,060	-	-
District support services	1,552,248	-	-
Elementary and secondary regular instruction	15,131,049	-	-
Vocational education instruction	441,367	-	-
Special education instruction	10,444,763	-	-
Instructional support services	2,176,878	-	-
Pupil support services	5,928,210	-	-
Sites and buildings	3,714,663	-	-
Fiscal and other fixed cost programs	213,861	-	-
Food service	-	1,868,439	-
Community education and services	-	-	1,990,912
Capital outlay			
District support services	12,050	-	-
Elementary and secondary regular instruction	116,075	-	-
Special education instruction	8,890	-	-
Instructional support services	3,791	-	-
Pupil support services	35,238	-	-
Sites and buildings	164,030	-	-
Food service	-	21,369	-
Community education and services	-	-	25,863
Debt service			
Principal	315,517	-	-
Interest and fiscal charges	27,288	-	-
Total expenditures	42,070,978	1,889,808	2,016,775
Excess of revenues over (under) expenditures	(69,949)	619,139	167,996
Other Financing Sources (Uses)			
Bond issuance	-	-	-
Bond premium	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	(69,949)	619,139	167,996
Fund Balances			
Beginning of year	7,354,476	50,788	629,906
End of Year	$ 7,284,527	$ 669,927	$ 797,902

	Capital Projects	OPEB Debt Service	Debt Service	Total Governmental Funds
	$ -	$ 681,752	$ 2,476,351	$ 12,106,193
	(17,459)	1,402	6,014	2,268,760
	-	10,886	165,162	29,262,733
	-	-	-	6,308,084
	-	-	-	73,085
	(17,459)	694,040	2,647,527	50,018,855
	-	-	-	1,785,060
	-	-	-	1,552,248
	-	-	-	15,131,049
	-	-	-	441,367
	-	-	-	10,444,763
	-	-	-	2,176,878
	-	-	-	5,928,210
	1,860,154	-	-	5,574,817
	-	-	-	213,861
	-	-	-	1,868,439
	-	-	-	1,990,912
	-	-	-	12,050
	-	-	-	116,075
	-	-	-	8,890
	-	-	-	3,791
	-	-	-	35,238
	-	-	-	164,030
	-	-	-	21,369
	-	-	-	25,863
	-	520,000	2,355,000	3,190,517
	-	137,075	276,498	440,861
	1,860,154	657,075	2,631,498	51,126,288
	(1,877,613)	36,965	16,029	(1,107,433)
	15,490,000	-	-	15,490,000
	1,202,555	-	-	1,202,555
	-	-	488,009	488,009
	(488,009)	-	-	(488,009)
	16,204,546	-	488,009	16,692,555
	14,326,933	36,965	504,038	15,585,122
	1,071,190	29,501	613,798	9,749,659
	$ 15,398,123	$ 66,466	$ 1,117,836	$ 25,334,781

Independent School District No. 861
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances
of Activities - Governmental Funds
Year Ended June 30, 2022

Net change in fund balances - total governmental funds	$ 15,585,122
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlays	1,742,201
Depreciation expense	(1,613,415)
Total OPEB are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	(172,239)
Severance is recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	4,288
Governmental funds recognized pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.	1,934,341
Principal payments on long-term debt are recognized as expenditures in the governmental funds but as an increase in net position in the Statement of Activities.	3,190,517
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	(140,788)
Governmental funds report the effect of bond premiums when the debt is first issued, whereas these amounts are amortized in the Statement of Activities. Also, deferred amounts from refunding are amortized over the life of the bond in the Statement of Activities.	60,276
Proceeds from the sale of bonds are recognized as other financing sources in funds increasing fund balance but having no effect the governmental funds increasing fund balance but having no effect on net position in the Statement of Activities.	
Bonds Payable	(15,490,000)
Premium	(1,202,555)
Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	(53,302)
Change in net position - governmental activities	$ 3,844,446

Independent School District No. 861
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Local property taxes	$ 8,224,016	$ 8,339,108	$ 8,438,299	$ 99,191
Other local and county revenues	960,529	947,798	1,405,663	457,865
Revenue from state sources	28,315,024	28,206,164	28,271,971	65,807
Revenue from federal sources	1,548,683	3,876,026	3,860,063	(15,963)
Sales and other conversion of assets	-	33,256	25,033	(8,223)
Total revenues	39,048,252	41,402,352	42,001,029	598,677
Expenditures				
Current				
Administration	1,569,049	1,677,679	1,785,060	107,381
District support services	1,369,726	1,562,583	1,552,248	(10,335)
Elementary and secondary regular instruction	13,532,023	14,578,625	15,131,049	552,424
Vocational education instruction	455,968	447,029	441,367	(5,662)
Special education instruction	9,924,857	9,716,395	10,444,763	728,368
Instructional support services	2,277,537	2,597,011	2,176,878	(420,133)
Pupil support services	5,599,860	6,352,610	5,928,210	(424,400)
Sites and buildings	3,586,001	3,982,936	3,714,663	(268,273)
Fiscal and other fixed cost programs	231,080	213,861	213,861	-
Capital outlay				
District support services	28,000	40,050	12,050	(28,000)
Elementary and secondary regular instruction	10,250	133,018	116,075	(16,943)
Special education instruction	50	50	8,890	8,840
Instructional support services	1,480	20,408	3,791	(16,617)
Pupil support services	-	-	35,238	35,238
Sites and buildings	300,080	133,691	164,030	30,339
Debt service				
Principal	305,322	317,471	315,517	(1,954)
Interest and fiscal charges	35,594	27,428	27,288	(140)
Total expenditures	39,226,877	41,800,845	42,070,978	270,133
Net change in fund balances	$ (178,625)	$ (398,493)	(69,949)	$ 328,544
Fund Balances				
Beginning of year			7,354,476	
End of year			$ 7,284,527	

See notes to basic financial statements.

Independent School District No. 861
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - Food Service
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Other local and county revenues	$ 17,100	$ 34,018	$ 23,501	$ (10,517)
Revenue from state sources	87,000	62,000	70,056	8,056
Revenue from federal sources	951,750	1,825,074	2,367,338	542,264
Sales and other conversion of assets	617,100	45,100	48,052	2,952
Total revenues	1,672,950	1,966,192	2,508,947	542,755
Expenditures				
Current				
Food service	1,609,296	1,865,853	1,868,439	2,586
Capital outlay				
Food service	45,000	16,000	21,369	5,369
Total expenditures	1,654,296	1,881,853	1,889,808	7,955
Net change in fund balances	$ 18,654	$ 84,339	619,139	$ 534,800
Fund Balances				
Beginning of year			50,788	
End of year			$ 669,927	

Independent School District No. 861
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - Community Service
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Local property taxes	$ 518,420	$ 507,977	$ 509,791	$ 1,814
Other local and county revenues	822,519	821,916	849,639	27,723
Revenue from state sources	782,159	763,805	744,658	(19,147)
Revenue from federal sources	-	35,192	80,683	45,491
Total revenues	2,123,098	2,128,890	2,184,771	55,881
Expenditures				
Current				
Community education and services	2,080,031	2,147,546	1,990,912	(156,634)
Capital outlay				
Community service	5,650	9,150	25,863	16,713
Total expenditures	2,085,681	2,156,696	2,016,775	(139,921)
Net change in fund balances	$ 37,417	$ (27,806)	167,996	$ 195,802
Fund Balances				
Beginning of year			629,906	
End of year			$ 797,902	

See notes to basic financial statements.

Independent School District No. 861
Statement of Fiduciary Net Position
June 30, 2022

	Irrevocable OPEB Trust	Winona CO Collaborative Custodial Fund
Assets		
Current		
Cash and investments	$ 2,649,555	$ (1,691)
Due From Other Governments	-	1,777
Total assets	$ 2,649,555	$ 86
Liabilities		
Current		
Salaries and benefits payable	272,159	-
Unearned revenue	-	86
Total liabilities	272,159	86
Net Position		
Held in trust for OPEB	$ 2,377,396	$ -

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

	Irrevocable OPEB Trust	Winona CO Collaborative Custodial Fund
Additions		
Other local revenues	$ (395,283)	$ 116,136
Deductions		
Benefit payments	642,659	-
Special education	-	116,136
Total Deductions	642,659	116,136
Change in net position	(1,037,942)	-
Net Position		
Beginning of year	3,415,338	-
End of year	$ 2,377,396	$ -

Independent School District No. 861
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District operates under a school board form of government for the purpose of providing educational services to individuals within the District areas. The governing body consists of a seven-member board elected by the voters of the District to serve four-year terms.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies.

A. Reporting Entity

The financial statements present the District and its component units. The District includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the District are financially accountable and are included within the basic financial statements of the District because of the significance of their operational or financial relationships with the District.

The District is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of services performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the District.

As a result of applying the component unit definition criteria above, it has been determined the District has no component units.

The student activity accounts of the District are under board control and are reported in the General Fund.

B. Basic Financial Statement Information

The government-wide financial statements (i.e., the Statement of Net Position and the 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.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 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 items not properly included among program revenues are reported instead as general revenues.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statement Information (Continued)

Depreciation expense that can be specifically identified by function is included in the direct expenses of that function. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. The effect of interfund activity has been removed from these statements.

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

The Irrevocable OPEB Trust and Custodial Funds are presented in the fiduciary fund financial statements. Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the District, these funds are not incorporated into the government-wide statements.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. 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. 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. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to *Minnesota Statutes* and accounting principles generally accepted in the United States of America. *Minnesota Statutes* include state aid funding formulas for specific years. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within 60 days.

2. Recording of Expenditures

Expenditures are generally recorded when a liability is incurred. The exceptions to this general rule are that interest and principal expenditures in the Debt Service Fund, compensated absences and claims and judgments are recognized when payment is due.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Description of Funds:

Major Funds:

General Fund – The General Fund is used to account for all financial resources except those accounted for in another fund. It includes the general operations and pupil transportation activities of the district, as well as the capital related activities such as maintenance of facilities equipment purchases, health and safety projects, and disabled accessibility projects.

Food Service Special Revenue Fund – The Food Service Fund is used to account for food service revenues and expenditures. Revenues in the Food Service Fund consist of user fees and state and federal reimbursements restricted for the Food Service program.

Community Service Special Revenue Fund – The Community Service Fund is used to account for service provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs or other similar services. Revenue in the Community Service Fund consist of local property taxes, use fees, and state tax credits and aids restricted for the Community Service programs.

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.

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

Debt Service Fund – This fund is used to account for the accumulation of resources for, and payment of general obligation (G.O.) bond principal, interest, and related costs.

Fiduciary Funds:

Irrevocable OPEB Trust Fund – The Irrevocable OPEB Fund is used for reporting resources set aside and held in an irrevocable trust arrangement for postemployment benefits.

Custodial Fund – The Custodial Fund is established to account for cash and other assets held by the District as the agent for others. This fund accounts for money held and and/or receivable from Minnesota Department of Education under agency agreements with the Winona County Collaborative.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Budgeting

Budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America. Each June, the School Board adopts an annual budget for the following fiscal year for the General, Food Service, Community Service, Building Construction Fund, and Debt Service Funds. The approved budget is published in summary form in the District's legal newspaper by November 30 of each year. Reported budgeted amounts represent the amended budget as adopted by the School Board. Legal budgetary control is at the fund level.

Procedurally, in establishing the budgetary data reflected in these financial statements, the Superintendent submits to the School Board prior to July 1, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means to finance them. The budget is legally enacted by School Board action. Revisions to budgeted amounts must be approved by the School Board.

Total fund expenditures in excess of the budget require approval of the School Board. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at line item levels.

Budget provisions for the Debt Service Fund are set by state law governing required debt service levels.

E. Deposits and Investments

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments held by investment pools are measured at amortized cost.

1. **District Funds Other than the OPEB Trust Fund**

   Cash and 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 individual funds based on the average of month-end cash and investment balances.

   Minnesota Statutes requires all deposits be protected by federal deposit insurance, corporate surety bonds or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Deposits and Investments (Continued)

1. **District Funds Other than the OPEB Trust Fund (Continued)**
   Minnesota Statutes authorizes the District 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, repurchase and reverse repurchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days.

2. **OPEB Trust Fund**
   These funds represent investments administered by the District's OPEB Trust Fund investment managers. As of June 30, 2022, they were comprised of various pools with U.S. Bank.

   Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair value.

   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, ankers' acceptances, future contracts, corporate bonds, common stock and foreign stock of the highest quality, mutual funds, repurchase and reverse agreements, commercial paper of the highest quality with a maturity no longer than 270 days and in the State Board of Investments.

F. Property Tax Receivable

Current property taxes receivable are recorded for taxes certified the previous December and collectible in the current calendar year, which have not been received by the District. Delinquent property taxes receivable represent uncollected taxes for the past six years and are deferred and included in the deferred inflows of resources section of the fund financial statements as unavailable revenue because they are not available to finance the operations of the District in the current year.

G. Property Taxes Levied for Subsequent Year's Expenditures

Property taxes levied for subsequent year's expenditures consist principally of property taxes levied in the current year which will be collected and recognized as revenue in the District's following year to properly match those revenues with the budgeted expenditures for which they were levied. This amount is equal to the amount levied by the School Board in December 2021, less various components and their related adjustments as mandated by the state. These portions of that levy were recognized as revenue in the fiscal year 2022. The remaining portion of the levy will be recognized when measurable and available.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Inventories

Inventories of commodities donated directly by the U.S. Department of Agriculture are recorded at market value. Other inventories are stated at cost as determined on a first-in, first-out (FIFO) basis. Inventories are recorded as expenditures when consumed rather than when purchased.

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are recorded as an expenditure at the time of consumption.

J. Property Taxes

The District levies its property tax during the month of December. December 28 is the last day the District can certify a tax levy to the County Auditor. Such taxes become a lien on January 1. The property tax is recorded as revenue when it becomes measurable and available. Winona and Wabasha Counties are the collecting agencies for the levy and remit the collections to the District three times a year. The Tax levy notice is mailed in March with the first half of the payment due on May 15 and the second half due on October 15. Delinquent collections for November and December are received the following January.

A portion of property taxes levied is paid by the State of Minnesota through various tax credits, which are included in revenue from state sources in the financial statements.

K. Capital Assets

Capital assets are capitalized as historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated acquisition value at the date of donation. The District maintains a threshold level of $4,000 for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the District-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 20 years for furniture and equipment.

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

The District does not possess any material amounts of infrastructure capital assets. Items such as sidewalks and other land improvements are considered to be part of the cost of building or other improvable property.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has three items that qualify for reporting in this category. A deferred charge on refunding, deferred outflows of resources related to pensions, and deferred outflows of resources related to OPEB are reported in the government-wide Statement of Net Position. A deferred charge on refunding 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. Deferred outflows of resources related to pensions is recorded for various estimate differences that will be amortized and recognized over future years. Deferred outflows of resources related to OPEB is recorded for various estimate differences that will be amortized and recognized over future years.

In addition to liabilities, the Statement of Financial Position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has four types of items which qualify for reporting in this category. The first item, 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. The second item is property taxes levied for subsequent years, which represent property taxes received or reported as a receivable before the period for which the taxes are levied and is reported as a deferred inflow of resources in both the government-wide Statement of Net Position and the Governmental Funds Balance Sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied and in the governmental fund financial statements during the year for which they are levied, if available. Deferred inflows of resources related to pensions is recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years. Deferred inflows of resources related to OPEB is recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years.

M. Long-Term Obligations

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Accrued Employee Benefits

Compensated Absences
Employees earn annual vacation at rates dependent upon each employee group labor contract. At June 30, 2022, unpaid vacation pay totaling $185,018 is recorded in the statement of net position.

Sick Pay
Substantially all District employees are entitled to sick leave at various rates. For certain employees, unused sick leave enters into the calculation of severance pay upon termination.

Severance and Other Postemployment Benefits
Accounting policies for severance and other postemployment benefits are described as follows:

1. Severance Payment - Nonaffiliated Employees, Plant Operation, and Maintenance Employees
A severance payment is available to nongroup employees and plant operation and maintenance employees who have completed at least 15 consecutive years of full or part time service with the District and are at least age 55 or employees who qualify for early retirement under the rule of 90 as prescribed by PERA. An eligible individual will receive an amount equal to $5.00 an hour for each unused hour of sick leave, reduced by the 403b matching dollars paid by the District over the employee's employment.

2. Severance Payment - Educational Office Professionals and Paraprofessionals
A severance payment is available to educational office professionals and paraprofessionals that have 15 years of service and who are at least 55 years of age, or employees who qualify for early retirement under the rule of 90 as prescribed by PERA. Qualified employees receive a severance payment equal to $4.50 an hour for each hour of unused sick leave, reduced by the amount of 403b matching dollars paid by the District over the employee's employment.

3. Severance Payment - School Nutrition Personnel
A severance payment is available to food service personnel that have completed at least 15 years of continuous service with the District and are at least age 55 or employees who qualify for early retirement under the rule of 90 as prescribed by PERA. Qualified employees receive a severance payment equal to $5.00 an hour for each unused hour of sick leave.

4. Severance Payment - Teachers
A severance payment is available to teachers who have taught a minimum of 15 years in the District and are at least 55 years of age. An eligible individual will receive an amount equal to $10 per day for each day of unused sick leave, up to 195 days, directly into the retiree's 403b account.

5. Other Postemployment Benefits - Educational Office Professionals, Teachers, and Paraprofessionals
Upon retirement, employees with at least 15 years of continuous service with the District and are at least age 55 will receive $40,000, which will be placed into a postretirement healthcare account. If the employee is less than full time, the $40,000 benefit is prorated based on the employee's FTE status for the last 5 years of their employment with the District.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Accrued Employee Benefits (Continued)

5. Other Postemployment Benefits - Educational Office Professionals, Teachers, and Paraprofessionals (Continued)

Starting with the 2005-2006 school year, teachers starting the school year who are age 50 with a minimum of 15 years of full-time service, the District will contribute $2,000 annually for teachers and $840 annually for paraprofessionals and educational office professionals into a healthcare savings account administered by the Minnesota State Retirement Association. Upon retirement, the cumulative amount of the deposits made for the teacher into the account will be subtracted from the $40,000 retirement incentive mentioned above.

6. Other Postemployment Benefits - School Nutrition Personnel

Upon retirement, employees with a minimum of 15 years of full-time service in the District and are at least 55 years of age are eligible to receive a postemployment health care benefit. The benefit is an amount equal to $40,000, reduced by 403(b) matching dollars paid by the District over the employee's employment.

Part-time employees with a minimum of 15 years of service in the District, working in a capacity in which the employee was eligible for insurance benefits, and who are at least 55 years of age is eligible to receive a postemployment health care benefit. The benefit is equal to a prorated payment of the $40,000 based on the employee's fractional time.

The District budgets for payments of severance pay for the year when it anticipates the retirement of personnel requires a severance payment. The payment of severance pay is recorded as a current expenditure in the year of the payment. The liability for severance totaled $455,000 and is recorded in the statement of net position.

O. Pensions

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 Teachers Retirement Association (TRA) and additions to/deductions from PERA's and TRA's fiduciary net position have been determined on the same basis as they are reported by PERA and 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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Unearned Revenue

Unearned revenues are those in which resources are received by the District before it has a legal claim to them. The District has reported unearned revenues in the General Fund for a variety of unexpended local grants and unearned fees. In the Food Service Fund, unearned revenues have been recorded for school lunch deposits. The District also recorded unearned revenue in the Community Service Fund related to unexpended local grants and fees.

Q. Fund Balance

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable portions of fund balance relate to prepaids and inventories. Restricted funds are constrained by outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Education. The District currently does not report any committed fund balances. The Board of Education passed a resolution authorizing the Director of Finance the ability to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts, usually in the General Fund only.

In accordance with the District's fund balance policy, when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available; it is the District's policy to use restricted first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned and unassigned fund balance is available, it is the District's policy to use committed first, then assigned and finally unassigned fund balance.

The District has a minimum fund balance policy, which identifies a minimum unassigned fund balance in the General Fund of 8-10% of annual operating expenditures. In the Food Service Fund and Community Service Fund the District has a minimum fund balance policy, which identifies a minimum total fund balance of 10% of operating expenditures.

R. Risk Management

The District is exposed to various risks of loss related to torts; theft or, damage to, and destruction of assets; error and omissions; injuries to employees; natural disasters and workers compensation. The District purchases commercial insurance coverage for such risks.

There has been no significant reduction in insurance coverage from the previous year in any of the District's policies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

S. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the District-wide and fiduciary fund financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the District-wide financial statement when there are limitations imposed on their use through external restrictions impose by creditors, grantors, laws, or regulations of other governments.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

1. District Funds Other than the OPEB Trust Fund

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

Custodial Credit Risk – Deposits: For deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy requires the District's deposits be collateralized as required by *Minnesota Statutes* 118.03 for an amount exceeding FDIC, SAIF, BIF, or FCUA coverage. As of June 30, 2022, the District's bank balance was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name and irrevocable letters of credit.

As of June 30, 2022, the District had the following deposits:

Checking	$ 16,950,134
Deposits (Nonpooled)	(178,332)
Total deposits	$ 16,771,802

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

1. District Funds Other than the OPEB Trust Fund

The District also invest idle funds as authorized by *Minnesota Statutes* as follows:

Investment	Fair Value	Investment Maturities
		Less Than 1 Year
Nonpooled Investments		
Negotiable Certificates of Deposit	$ 6,686,628	$ 6,686,628
Commercial Paper	2,866,483	2,866,483
US Treasuries	5,912,156	5,912,156
Total Nonpooled Investments	$ 15,465,267	$ 15,465,267

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper and corporate bonds to be in the top two ratings issued by nationally recognized statistical rating organizations. The District's investment policy limits investments to U.S. Treasury obligations, U.S. Government Agency and instrumentality obligations, Canadian Government obligations, certificates of deposit, banker's acceptances, commercial paper rated in the highest tier, investment-grade obligations, repurchase agreements, money market mutual funds, and local government investment pools. Pooled investments were rated at AAA. The Money market nonpooled investments were rated at AAA. The State and Local Government Securities were all rated higher than A unless the security was not rated.

Concentration of Credit Risk – This is the risk of loss attributed to the magnitude of an investment in a single issuer. The District places no limit on the amount the District may invest in any one issuer, although the investment policy states to eliminate risk of loss resulting from the over concentration of assets in a specific maturity, issuer, or class of securities, all cash and cash equivalents assets in all District funds shall be diversified by maturity, issuer and class of security. The policy also states unless matched to a specific cash flow, the District will not directly invest in securities maturing more than five years from the date of purchase or in accordance with state and local statutes and ordinances. The District's nonpooled investment in Massachusetts St Dev (6.4%), Honolulu, Hawaii (6.4%), Natixis, New York Branch Commercial Paper (18.3%), exceeded 5% of the total nonpooled investments.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

1. District Funds Other than the OPEB Trust Fund (Continued)

Interest Rate Risk – This is the risk that the market value of securities will fall due to the changes in market interest rates. The District's policy states investments will be managed in a manner to attain a market rate of return through various economic and budgetary cycles while preserving and protecting the capital in the investment portfolio and taking into account constraints on risk and cash flow requirements.

Custodial Credit Risk – Investments: For an investment, this is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy states that securities will be held by an independent third party custodian selected by the District as evidenced by safekeeping receipts in the District's name. The safekeeping institution shall annually provide a copy of their most recent report on internal controls.

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

- $204,124 of nonpooled investments using level 1 inputs
- $15,465,267 of nonpooled investments using level 2 inputs

2. OPEB Trust Fund

Credit Risk: As of June 30, 2022, the District's OPEB Trust Fund cash and cash equivalents and investments were unrated.

Investments	Fair Value
Money Market	$ 257,534
Equity Fund	1,281,348
Bond Fund	1,460,372
Total investments - OPEB Trust Fund	$ 2,999,254

C. Deposits and Investments

Summary of total deposits, and investments as of June 30, 2022:

District funds other than Fiduciary Funds	
Petty cash	$ 1,000
Deposits (Note 3. A.)	16,950,134
Non-pooled deposits (Construction) (Note 3. A.)	173,058
Non-pooled investments (Construction)	15,465,267
Custodial Fund Cash	(1,691)
OPEB Trust Fund	
Deposits (Note 3. A.)	(349,699)
Investments	2,999,254
Total deposits and investments	$ 35,237,323

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Deposits and Investments (Continued)

Cash and investments are presented in the June 30, 2022, basic financial statements as follows**:**

Statement of Net Position	
Cash and investments	$ 32,589,459
Statement of Fiduciary Net Position	
Custodial fund - cash and cash equivalents	(1,691)
OPEB Irrevocable Trust Fund	
Cash and cash equivalents	(349,699)
Investments	2,999,254
Total deposits and investments	$ 35,237,323

NOTE 3 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 1,278,092	$ -	$ -	$ 1,278,092
Construction in progress	7,271,031	950,636	7,271,031	950,636
Total capital assets not being depreciated	8,549,123	950,636	7,271,031	2,228,728
Capital assets being depreciated				
Land improvements	4,787,233	1,904,642	-	6,691,875
Buildings	44,061,221	5,566,662	-	49,627,883
Furniture and equipment	6,979,021	591,292	204,221	7,366,092
Total capital assets being depreciated	55,827,475	8,062,596	204,221	63,685,850
Less accumulated depreciation for				
Land improvements	(3,231,938)	(221,104)	-	(3,453,042)
Buildings	(28,433,656)	(1,097,719)	-	(29,531,375)
Furniture and equipment	(5,832,395)	(294,592)	204,221	(5,922,766)
Total accumulated depreciation	(37,497,989)	(1,613,415)	204,221	(38,907,183)
Total capital assets being depreciated, net	18,329,486	6,449,181	-	24,778,667
Governmental activities, capital assets, net	$ 26,878,609	$ 7,399,817	$ 7,271,031	$ 27,007,395

NOTE 3 – CAPITAL ASSETS (CONTINUED)

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

Government Activities	
Administration	$ 21,671
District Support Services	22,530
Regular Instuction	1,178,274
Vocational Education Instruction	13,265
Special Education Instruction	29,301
Intructional Support Services	49,356
Pupil Support Services	164,621
Sites and Buildings	95,473
Food Services	37,715
Community Service	1,209
Total depreciation expense, Government Activities	$ 1,613,415

NOTE 4 – LONG-TERM LIABILITIES

A. Components of Long-Term Liabilities

The District has issued general obligation school building bonds to finance the construction of capital facilities or refinance previous bond issues. Assets of the Debt Service Fund, together with scheduled future tax levies, are dedicated for the retirement of these bonds. These levies are subject to reduction if fund balance amounts exceed limitation by Minnesota law.

	Issue Date	Interest Rates	Original Issue	Final Maturity	Total	Due Within One Year
Long-term liabilities						
Capital Facilities Bonds, 2013A	2/5/2013	2.0%-2.15%	$ 1,580,000	2/1/2028	$ 675,000	$ 105,000
Capital Facilities Bonds, 2013B	11/13/2013	2.0%-3.05%	2,140,000	2/1/2028	980,000	155,000
OPEB Refunding Bonds, 2016	4/17/2016	6.40%	6,495,000	2/1/2029	4,115,000	535,000
School Building Bonds, 2019	2/14/2019	5.00%	8,460,000	2/1/2023	2,300,000	2,300,000
Facilities Maintenance, 2022	3/10/2022	3.00%-4.00%	15,490,000	2/1/2037	15,490,000	-
Total G.O. Bonds					23,560,000	3,095,000
Bond Premiums					1,443,185	-
Certificate of Participation Payable					181,441	56,970
Financed purchases from direct borrowing					11,725	11,725
Severance payable					455,000	-
Compensated Absences Payable					185,018	-
Total all long-term liabilities					$ 25,836,369	$ 3,163,695

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

A. Components of Long-Term Liabilities (Continued)

The long-term bond liabilities listed above were issued to finance acquisition and construction of capital facilities. Bond principal payments are made by the Debt Service Fund. Financed Purchases are paid by the General Fund.

B. Changes in Long-Term Liabilities

	June 30, 2021	Additions	Retirements	June 30, 2022
Long-Term Liabilities				
G. O. Bonds	$ 10,945,000	$ 15,490,000	$ 2,875,000	$ 23,560,000
Bonds Premium	354,460	1,202,555	113,830	1,443,185
Certificates of Participation Payable	235,165	-	53,724	181,441
Financed Purchases Payable	273,515	-	261,790	11,725
Severance payable	430,364	109,664	85,028	455,000
Compensated Absences Payable	213,942	288,102	317,026	185,018
Total	$ 12,452,446	$ 17,090,321	$ 3,706,398	$ 25,836,369

General Obligation Bonds

On February 5, 2013, the District issued $1,580,000 of General Obligation Capital Facilities Bonds, Series 2013A. The proceeds of the issue were used to finance the betterment of capital projects in the District. Future ad valorem tax levies are dedicated to retire these bonds.

On November 13, 2013, the District issued $2,140,000 of General Obligation Capital Facilities Bonds, Series 2013B. The proceeds of the issue were used to finance the betterment of capital projects in the District. Future ad valorem tax levies are dedicated to retire these bonds.

On April 17, 2016, the District issued $6,495,000 in General Obligation Taxable OPEB Bonds, Series 2016A. Net proceeds of these bonds were used to purchase U.S. Treasury securities that were placed in an irrevocable trust for the purpose of generating resources for future debt service payments on the Series 2009A bonds. As a result, $5,970,000 of the Series 2009A Bonds were considered defeased. The reacquisition price exceeded the net carrying amount of the old debt by $696,161. This amount is reported as deferred outflows of resources in the statement of net position and amortized over the remaining life of the new bond. The advanced refunding was undertaken to reduce total debt service payments over the next 13 years by $1,284,686 and resulted in an economic gain (difference between the present values of the old and net debt service payments) of $1,074,288.

On February 14, 2019, the District issued $8,460,000 in General Obligation School Building Bonds, Series 2019A. The proceeds of the issue are to be used to finance the acquisition and betterment of school sites and facilities in the District. Future ad valorem tax levies are dedicated to retire these bonds.

On March 10, 2022, the District issued $15,490,000 in General Obligation School Building Bonds, Series 2022A. The proceeds of the issue are to be used to finance the betterment of school sites and facilities in the District. Future long term facilities maintenance funds are dedicated to retire these bonds.

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

B. Changes in Long-Term Liabilities (Continued)

Certificates of Participation
The District raised funds through the issuance of a certificate of participation during the year ended June 30, 2009. The loan in the amount of $1,855,000, dated May 13, 2009, was used to finance the construction of a track facility. This loan is structured as governmental lease purchase agreements for facility improvements. Repayment of principal is made through rental payments, which are structured to correspond to the related debt service requirements. Annual debt service payments go through August 1, 2024.

C. Minimum Debt Payments
Minimum annual principal and interest payments required to retire the G.O. Bond liabilities:

Year Ending June 30,	General Obligation Bonds Principal	Interest	Total
2023	$ 3,095,000	$ 767,607	$ 3,862,607
2024	2,945,000	689,098	3,634,098
2025	2,995,000	580,548	3,575,548
2026	1,390,000	470,248	1,860,248
2027	1,535,000	424,275	1,959,275
2028-2032	5,490,000	1,485,330	6,975,330
2033-2037	6,110,000	560,850	6,670,850
Total	$ 23,560,000	$ 4,977,956	$ 28,537,956

D. Financed Purchase Obligations
The District entered into various financed purchase agreements for office equipment. Minimum annual principal and interest payments required to retire the Financed Purchase liabilities:

Year Ending June 30,	Financed Purchases from Direct Borrowing Principal	Interest	Total
2023	$ 11,725	$ -	$ 11,725

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

E. Certificates of Participation

Year Ending June 30,	Certificates of Participation Principal	Interest	Total
2023	$ 56,970	$ 10,959	$ 67,929
2024	60,411	7,518	67,929
2025	64,060	3,869	67,929
Total	$ 181,441	$ 22,346	$ 203,787

Severance Payable
Severance payable consists of severance pay, which is convertible sick leave payable to employees upon retirement. Severance benefits have been paid by the General Fund, Food Service Fund, and Community Service Fund.

Compensated Absences
Compensated absences consist of unused vacation at June 30, 2022. In prior years, the General Fund, Food Service Fund, and Community Service Fund have been used to liquidate vacation payable.

NOTE 5 – FUND BALANCES/NET POSITION

Certain portions of fund balance are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities or as required by other outside parties.

NOTE 5 – FUND BALANCES/NET POSITION (CONTINUED)

Fund Equity

Fund equity balances are classified as follows to reflect the limitations and restrictions of the respective funds.

	General	Food Service	Community Service	Capital Projects	OPEB Debt Service	Debt Service	Total
Nonspendable for							
Inventory	$ -	$ 6,573	$ -	$ -	$ -	$ -	$ 6,573
Prepaid Items	152,329	264	-	-	-	-	152,593
Total nonspendable	152,329	6,837	-	-	-	-	159,166
Restricted/Reserved for							
Student Activities	211,217	-	-	-	-	-	211,217
Staff Development	418,390	-	-	-	-	-	418,390
Operating Capital	1,118,515	-	-	-	-	-	1,118,515
Medical Assistance	244,263	-	-	-	-	-	244,263
Capital Projects Levy	784,109	-	-	-	-	-	784,109
Basic Skills Extended Time	69,111	-	-	-	-	-	69,111
Long-Term Facilities Maintenance	993,890	-	-	15,231,197	-	-	16,225,087
Community Education	-	-	616,754	-	-	-	616,754
Early Childhood And Family Education	-	-	114,229	-	-	-	114,229
Adult Basic Education	-	-	25,972	-	-	-	25,972
School Readiness	-	-	40,947	-	-	-	40,947
Debt Service	-	-	-	-	66,466	1,117,836	1,184,302
Capital Projects	-	-	-	166,926	-	-	166,926
Food Service	-	663,090	-	-	-	-	663,090
Other purposes	105,524	-	-	-	-	-	105,524
Total restricted/reserved	3,945,019	663,090	797,902	15,398,123	66,466	1,117,836	21,988,436
Unassigned for							
General purposes	3,187,179	-	-	-	-	-	3,187,179
Total fund balances	$ 7,284,527	$ 669,927	$ 797,902	$ 15,398,123	$ 66,466	$ 1,117,836	$ 25,334,781

Restricted/Reserved for Student Activities – This balance represents available resources to be used for the extracurricular activity funds raised by the students.

Restricted/Reserved for Staff Development – This balance represents unspent staff development revenues set aside from general education revenue that were restricted/reserved for staff development related to Finance Code 316. Expenditures for staff development must equal at least 2% of the basic general education revenue, unless legal stipulations are met (*Minnesota Statutes* 122A.61, subdivision 1).

Restricted/Reserved for Operating Capital – This balance represents available resources in the General Fund to be used to purchase equipment and facilities.

Restricted/Reserved for Medical Assistance – This balance represents available resources to be used for medical assistance expenditures (*Minnesota Statutes* 125A.21, subd. 3).

Restricted/Reserved for Capital Projects Levy – This balance represents available resources from the capital projects levy to be used for building construction and other projects under *Minnesota Statues* 126C.10, subd. 14. All interest income attributable to the capital projects levy must be credited to this account.

NOTE 5 – FUND BALANCES/NET POSITION (CONTINUED)

Fund Equity (Continued)
Restricted/Reserved for Basic Skills Extended Time – This balance represents resources available for the basic skills extended time uses listed in *Minnesota Statutes* 126C.15, subd

Restricted/Reserved for Long-Term Facilities Maintenance (LTFM) – This balance represents available resources to be used for LTFM projects in accordance with the 10-year plan (*Minnesota Statutes* 123B.595, subd. 12).

Restricted/Reserved for Community Education – This balance represents the resources available to provide programming such as: nonvocational, recreational and leisure time activities, programs for adults with disabilities, noncredit summer programs, adult basic education programs, youth development and youth service programming, early childhood and family education, and extended day programs.

Restricted/Reserved for Early Childhood and Family Education – This balance represents the resources available to provide for services for early childhood and family education programming.

Restricted/Reserved for Adult Basic Education – This account will represent the balance of carryover monies for all activity involving adult basic education. This would include all state aid and any grants or local funding used in support of ABE.

Restricted/Reserved for School Readiness – This balance represents the resources available to provide for services for school readiness programs (*Minnesota Statutes* 124D.16).

Restricted/Reserved for Debt Service – These balances represent the positive Fund balance of the debt service fund and the OPEB debt service fund.

Restricted/Reserved for Capital Projects – This balance represents the positive Fund balance of the Capital Projects fund.

Restricted/Reserved for Food Service – This balance represents the positive Fund balance of the Food Service fund.

Restricted/Reserved for Other Purposes – This balance represents the earned but unspent balance of various grants received.

The District participates in various pension plans, total pension expense for the year ended June 30, 2022, was $94,349. The components of pension expense are noted in the following plan summaries.

The General Fund typically liquidates the Liability related to the pensions.

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

Teachers' Retirement Association

A. Plan Description

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

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

B. Benefits Provided

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

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

Tier 1 Benefits

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

With these provisions:

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

- 3% per year early retirement reduction factor for all years under normal retirement age.

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

Teachers' Retirement Association (Continued)

C. Benefits Provided (Continued)

Tier 1 Benefits (Continued)

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

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

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

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

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

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

Teachers' Retirement Association (Continued)

D. Contribution Rate

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

	June 30, 2020		June 30, 2021		June 30, 2022	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic	11.0%	11.92%	11.0%	12.13%	11.0%	12.34%
Coordinated	7.5%	7.92%	7.5%	8.13%	7.5%	8.34%

The following is a reconciliation of employer contributions in TRA's ACFR "Statement of Changes in Fiduciary Net Position" to the employer contributions used in Schedule of Employer and Non-Employer Pension Allocations. Amounts are reported in thousands.

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

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

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

Teachers' Retirement Association (Continued)

E. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Actuarial Information	
Valuation date	July 1, 2021
Measurement date	June 30, 2021
Experience study	June 5, 2019 (demographic assumptions) November 6, 2017 (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	7.00%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028, and 3.25% thereafter 3.25% to 9.25% thereafter
Projected salary increase	2.85% to 8.85% before July 1, 2028 and 3.25 to 9.25 thereafter.
Cost of living adjustment	1.0% for January 2020 through January 2023, then increasing by 0.1% each year up to 1.5% annually.
Mortality Assumptions	
Pre-retirement	RP 2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP 2015 scale.
Post-retirement	RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projections uses the MP 2015 scale.
Post-disability	RP 2014 disabled retiree mortality table, without adjustment.

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

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

Teachers' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	35.5 %	5.10 %
International equity	17.5	5.30
Fixed income	20.0	0.75
Private markets	25.0	5.90
Unallocated Cash	2.0	0.00
Total	100.0 %	

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

Changes in actuarial assumptions since the 2020 valuation:

- The investment return assumption was changed from 7.5% to 7.0%.

F. Discount Rate

The discount rate used to measure the total pension liability was 7.0%. The discount rate used to measure the total pension liability at the prior measurement date was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2021 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

G. Net Pension Liability

On June 30, 2022, the District reported a liability of $12,468,076 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. District proportionate share was 0.2849% at the end of the measurement period and 0.2936% for the beginning of the year.

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

Teachers' Retirement Association (Continued)

G. Net Pension Liability (Continued)

District's proportionate share of net pension liability	$ 12,468,076
State's proportionate share of the net pension liability associated with the district	1,051,447
Total	$ 13,519,523

For the year ended June 30, 2022, the District recognized pension expense of $430,686. Included in this amount, the District recognized ($11,773) as pension expense for the support provided by direct aid.

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 348,004	$ 377,981
Changes in actuarial assumptions	4,569,468	12,721,016
Net difference between projected and actual earnings on plan investments	-	10,452,717
Changes in proportion	-	2,631,354
District contributions subsequent to the measurement date	1,489,989	-
Total	$ 6,407,461	$ 26,183,068

The $1,489,989 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

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

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

Teachers' Retirement Association (Continued)

G. Net Pension Liability (Continued)

Year Ending June 30,	Pension Expense Amount
2023	$ (10,281,902)
2024	(7,684,078)
2025	(1,884,514)
2026	(2,188,053)
2027	772,951
Total	$ (21,265,596)

H. Pension Liability Sensitivity

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.0% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percent lower (6.0%) and 1 percent higher (8.0%) than the current rate.

District proportionate share of NPL		
1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
$ 25,186,120	$ 12,468,076	$ 2,038,266

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

I. Pension Plan Fiduciary Net Position

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

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

Public Employees' Retirement Association

A. Plan Description

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

General Employees Retirement Plan

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

B. Benefits Provided

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

General Employees Plan Benefits

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

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1.0% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

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

Public Employees' Retirement Association (Continued)

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2022 and the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2022, were $522,131. The District's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At June 30, 2022, the District reported a liability of $4,197,850 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled $128,191.

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0983% at the end of the measurement period and 0.0981% for the beginning of the period.

District's proportionate share of net pension liability	$ 4,197,850
State's proportionate share of the net pension liability associated with the district	128,191
Total	$ 4,326,041

For the year ended June 30, 2022, the District recognized pension expense of ($336,337) for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized $10,343 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

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

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

At June 30, 2022, the District reported its proportionate share of deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 26,814	$ 128,436
Changes in actuarial assumptions	2,563,120	93,901
Net difference between projected and actual earnings on plan investments	-	3,651,670
Changes in proportion	8,994	250,643
District contributions subsequent to the measurement date	522,131	-
Total	$ 3,121,059	$ 4,124,650

The $522,131 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2023	$ (387,556)
2024	(116,574)
2025	(29,990)
2026	(991,602)
Total	$ (1,525,722)

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

Public Employees' Retirement Association (Continued)

E. Long-Term Expected Return on Investment

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

Asset Class	Final Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33.5 %	5.10 %
International stocks	16.5	5.30
Fixed income	25.0	0.75
Private markets	25.0	5.90
Total	100.0 %	

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. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5% was deemed to be within that range of reasonableness for financial reporting purposes.

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

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 29 years of service and 6.0% per year thereafter.

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

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

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

Public Employees′ Retirement Association (Continued)

F. Actuarial Methods and Assumptions (Continued)

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

The following changes in actuarial assumptions and plan provisions occurred in 2021:

General Employees Fund

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The mortality improvement scale was changed from scale MP-2019 to scale MP-2020.

Changes in Plan Provisions

- There have been no changes since the previous valuation.

G. Discount Rate

The discount rate used to measure the total pension liability in 2021 was 6.5%. 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 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.

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 (5.5%)	Current Discount Rate (6.5%)	1% Increase in Discount Rate (7.5%)
District's proportionate share of the PERA net pension liability	$ 8,561,472	$ 4,197,850	$ 617,233

I. Pension Plan Fiduciary Net Position

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

NOTE 7 – OTHER POSTEMPLOYEMENT BENEFIT PLAN

A. Plan Description

The district operates a single-employer retiree defined benefit plan (the Plan) that provides health insurance to eligible employees and their spouses. There are 514 active participants and 21 retired participants. Benefit and eligibility provisions are established through negotiations between the district and various unions representing District employees and are renegotiated each two-year bargaining period. Assets are accumulated in a trust that meet the criteria in Governmental Accounting Standards Board (GASB) Codification Section P52, Postemployment Benefits Other than Pensions--Reporting for Benefits Not Provided Through Trusts That Meet Specified Criteria--Defined Benefit. Therefore, the District reports a "net OPEB liability" in accordance with GASB Statement No. 75. The Plan does not issue a publicly available financial report.

B. Benefits Provided

Teachers, who are at least 55 years of age upon retirement and have been employed by the District for a minimum of 15 years at a minimum of 60% of a full contract, and their spouses are eligible to remain on the District's health insurance at their own cost until reaching age 65. Certain other non-teaching staff who are at least 55 years of age upon retirement and have been employed by the District full-time for a minimum of 15 years, and their spouses are eligible to remain on the District's health insurance at their own cost until reaching age 65.

The District contributes up to $40,000 to a health retirement account for eligible retired administration, teachers, office professionals, paraprofessionals, food service, and nonaffiliated plan members. For retired maintenance plan members, the District contributes the single health insurance premium, up to $40,000. The District also contributes 10% the final salary for retired administrators and teachers to the health retirement account. The District contributes eight days for each year of service (up to a maximum of 130 days) to a health retirement account for retired directors. The General Fund, Food Service Fund and Community Service Fund typically liquidate the Liability related to OPEB.

C. Actuarial Methods and Assumptions

The District's net OPEB liability was measured as of June 30, 2022, and the net OPEB liability was determined by an actuarial valuation as of July 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary Increases	various
Expected long-term rate of return (net of investment expense)	4.00%
Health Care Cost Trend Rates	6.25% in 2021 grading to 5.00% over 5 years and then to 4.00% over the next 48 years

Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale for the June 30, 2022, measurement date.

NOTE 7 – OTHER POSTEMPLOYEMENT BENEFIT PLAN (CONTINUED)

C. Actuarial Methods and Assumptions (Continued)

Discount Rate

The discount rate used to measure the net OPEB liability was 3.80%. The discount rate is based on the estimated investment return on the irrevocable trust for the funded portion of the OPEB liability and the estimated yield of 20-Year AA-rated municipal bonds for the unfunded portion. The discount rate was changed from 2.20% to 3.80%.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33.0 %	4.90 %
Fixed income	50.0	3.00
Private equity	17.0	4.90
Total	100.0 %	

NOTE 7 – OTHER POSTEMPLOYEMENT BENEFIT PLAN (CONTINUED)

D. Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Liability (Asset) (a) - (b)
Balances at June 30, 2021	$ 6,552,069	$ 3,415,338	$ 3,136,731
Changes for the Year:			
Service Cost	394,262	-	394,262
Interest Cost	146,059	-	146,059
Assumption Changes	(351,718)	-	(351,718)
Projected Investment Return	-	136,614	(136,614)
Differences Between Expected and Actual Economic Experience	-	(531,896)	531,896
Benefit Payments	(621,858)	(621,858)	-
Administrative Expense	-	(20,801)	20,801
Net Changes	(433,255)	(1,037,941)	604,686
Balances at June 30, 2022	$ 6,118,814	$ 2,377,397	$ 3,741,417

E. Net OPEB Liability Sensitivity

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

	1% Decrease In Discount Rate (2.80%)	Discount Rate (3.80%)	1% Increase In Discount Rate (4.80%)
Net OPEB Liability	$ 4,023,469	$ 3,741,417	$ 3,466,459

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 rate that is one percentage lower or one percentage higher than the current healthcare cost trend rate:

	Healthcare Cost		
	1% decrease (5.00% Decreasing to 4.00% Over 5 Years then 3.00%)	Current Trend Rates (6.00% Decreasing to 5.00% Over 5 Years then 4.00%)	1% Increase (7.00% Decreasing to 6.00% Over 5 Years then 5.00)
Net OPEB Liability	$ 3,408,184	$ 3,741,417	$ 4,136,464

NOTE 7 – OTHER POSTEMPLOYEMENT BENEFIT PLAN (CONTINUED)

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

For the year ended June 30, 2022, the District recognized OPEB expense of $172,244. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability Gains	$ -	$ 874,459
Changes in Actuarial Assumptions	212,137	562,314
Investment Gains	-	60,323
Total	$ 212,137	$ 1,497,096

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,	Pension Expense Amount
2023	$ (225,946)
2024	(209,692)
2025	(190,910)
2026	(46,907)
2027	(153,280)
Thereafter	(458,224)
Total	$ (1,284,959)

NOTE 8 – DEFINED CONTRIBUTION PLAN

The District provides eligible employees future retirements benefit through the District's 403(b) Plan (the Plan). Employees of the District are eligible to participate in the Plan commencing on the date of their employment. Eligible employees may elect to have a percentage of their pay contributed to the Plan. Some employees are eligible to receive a District match of employee contributions up to the qualifying amount set forth in their respective collective bargaining agreements. Contributions are invested in tax-deferred annuities selected and owned by Plan participants. The District contributions for the year ended June 30, 2022 are $96,350. The related employee contributions were $442,078 for the year ended June 30, 2022.

9 – FLEXIBLE BENEFIT PLAN

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

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

Payments of health insurance premiums are made by the District directly to the designated insurance companies. These payments are made on a monthly basis and are accounted for in the General, Food Service, and Community Service Funds. Payments for amount withheld for medical reimbursement and dependent care are made to participating employees upon submitting a request for reimbursement of eligible expenses.

NOTE 10 – JOINTLY GOVERNED ORGANIZATION

The District and 13 other school districts in Minnesota have entered into a Joint Powers Agreement to form the Minnesota Schools Wind Energy Cooperative (the Cooperative). The purpose of the cooperative is to acquire, develop, construct, finance, operate, and maintain a wind energy project to be located in Minnesota. The Cooperative is governed by a Joint Powers Board, which consists of two members (a school board member and the superintendent or another district employee) from each of the participating districts. Any district may withdraw from the Cooperative prior to the issuance of any project financing instruments, provided that the withdrawing district reimburses the Cooperative for its pro rata portion of the total development or other project costs other than obligations incurred by the Cooperative. Once financing instruments, other than Clean Renewable Energy Bonds (CREBs), have been issued, a district may withdraw provided it prepays the outstanding balance of its pro rata portion of any outstanding financing instruments. Upon issuance of the CREBs, no district may withdraw membership until the CREBs have been repaid in full. The District has not committed any financial resources to the Cooperative as of June 30, 2022.

NOTE 11 – TRANSFERS

During June 30, 2022, the District transferred $488,009 from the Capital Projects Fund to the Debt Service Fund to comply with bond issuance requirements.

NOTE 12 – GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* establishes that a Subscription-Based Information Technology Arrangement (SBITA) results in a right-to-use subscription asset and a corresponding liability. Under this statement, a governmental entity generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. This statement will be effective for the year ending June 30, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

Independent School District No. 861
Winona Area Public Schools
Schedule of Changes in Net OPEB Liability
and Related Ratios

	June 30, 2017	June 30, 2018	June 30, 2019
Total OPEB Liability			
Service cost	$ 527,922	$ 499,410	$ 434,904
Interest	236,395	236,236	268,611
Plan Changes	-	-	9,843
Differences between expected and actual experience	-	-	(609,137)
Changes of assumptions	-	(169,757)	24,617
Benefit payments	(659,108)	(824,373)	(745,025)
Net change in total OPEB liability	105,209	(258,484)	(616,187)
Beginning of year	7,679,046	7,784,255	7,525,771
End of year	$ 7,784,255	$ 7,525,771	$ 6,909,584
Plan Fiduciary Net Pension (FNP)			
Projected investment income	453,392	330,462	258,744
Benefit payments	(659,108)	(824,373)	(745,025)
Administrative expense	(3,714)	(3,275)	(23,324)
Net change in plan fiduciary net position	(209,430)	(497,186)	(509,605)
Beginning of year	4,834,281	4,624,851	4,127,665
End of year	$ 4,624,851	$ 4,127,665	$ 3,618,060
Net OPEB asset	$ 3,159,404	$ 3,398,106	$ 3,291,524
Plan FNP as a percentage of the total OPEB liability	59.41%	54.85%	52.36%
Covered-employee payroll	$ 24,778,677	$ 25,522,037	$ 25,305,372
Net OPEB liability as a percentage of covered-employee payroll	12.75%	13.31%	13.01%

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

June 30, 2020	June 30, 2021	June 30, 2022
$ 521,378	$ 477,539	$ 394,262
257,203	186,468	146,059
-	(24,885)	-
-	(622,086)	-
281,956	(192,738)	(351,718)
(582,751)	(659,599)	(621,858)
477,786	(835,301)	(433,255)
6,909,584	7,387,370	6,552,069
$ 7,387,370	$ 6,552,069	$ 6,118,814
238,648	849,990	(395,282)
(587,432)	(659,599)	(621,858)
(20,394)	(23,935)	(20,801)
(369,178)	166,456	(1,037,941)
3,618,060	3,248,882	3,415,338
$ 3,248,882	$ 3,415,338	$ 2,377,397
$ 4,138,488	$ 3,136,731	$ 3,741,417
43.98%	52.13%	38.85%
$ 23,238,420	$ 23,238,420	$ 23,935,573
17.81%	13.50%	15.63%

Independent School District No. 861
Winona Area Public Schools
Schedule of Investment Returns

	June 30, 2017	June 30, 2018	June 30, 2019
Annual money-weighted rate of return, net of investment expense	4.30%	4.30%	4.30%

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

See notes to required supplementary information.

June 30, 2020	June 30, 2021	June 30, 2022
4.00%	26.10%	-11.60%

Independent School District No. 861
Schedule of District's and Non-employer
Proportionate Share of Net Pension Liability
Last Ten Years General Employees Retirement Fund

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension of Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.1460%	$ 6,861,686	$ -	$ 6,861,686	$ 7,651,708	89.68%	78.75%
2015	0.1292%	6,695,815	-	6,695,815	1,860,093	359.97%	78.19%
2016	0.1268%	10,295,531	134,405	10,429,936	1,984,467	518.81%	68.91%
2017	0.1196%	7,635,185	96,010	7,731,195	7,697,027	99.20%	75.90%
2018	0.1121%	6,218,848	204,030	6,422,878	7,523,293	82.66%	79.53%
2019	0.1022%	5,650,409	175,659	5,826,068	7,219,773	78.26%	80.23%
2020	0.0981%	5,881,543	181,321	6,062,864	7,029,520	83.67%	79.06%
2021	0.0983%	4,197,850	128,191	4,326,041	7,076,827	59.32%	87.00%

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

Schedule of District's and Non-employer
Proportionate Share of Net Pension Liability
Last Ten Years TRA Retirement Fund

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and 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 (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.3735%	$ 17,202,274	$ 1,210,819	$ 18,413,093	$ 17,048,760	100.9%	81.50%
2015	0.3420%	21,156,082	2,594,660	23,750,742	17,404,200	121.6%	76.77%
2016	0.3389%	80,835,736	8,113,435	88,949,171	17,675,373	457.3%	44.88%
2017	0.3324%	66,353,070	6,413,575	72,766,645	18,004,907	368.5%	51.57%
2018	0.3205%	20,132,628	1,891,248	22,023,876	17,709,773	113.7%	78.07%
2019	0.3117%	19,867,823	1,758,242	21,626,065	17,707,821	112.2%	78.21%
2020	0.2936%	21,691,561	1,817,816	23,509,377	17,022,008	127.4%	75.48%
2021	0.2849%	12,468,076	1,051,447	13,519,523	17,047,847	73.1%	86.63%

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

Independent School District No. 861
Schedule of District Contributions
General Employees Retirement Fund
Last Ten Years

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	$ 566,623	$ 139,507	$ -	$ 1,860,093	7.50%
2016	589,026	148,835	-	1,984,467	7.50%
2017	577,277	577,277	-	7,697,027	7.50%
2018	564,247	564,247	-	7,523,293	7.50%
2019	541,483	541,483	-	7,219,773	7.50%
2020	527,214	527,214	-	7,029,520	7.50%
2021	530,762	530,762	-	7,076,827	7.50%
2022	522,131	522,131	-	6,961,747	7.50%

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

Schedule of District Contributions
TRA Retirement Fund
Last Ten Years

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	$ 1,305,315	$ 1,305,315	$ -	$ 17,404,200	7.50%
2016	1,325,653	1,325,653	-	17,675,373	7.50%
2017	1,350,368	1,350,368	-	18,004,907	7.50%
2018	1,328,233	1,328,233	-	17,709,773	7.50%
2019	1,365,273	1,365,273	-	17,707,821	7.71%
2020	1,348,143	1,348,143	-	17,022,008	7.92%
2021	1,385,990	1,385,990	-	17,047,847	8.13%
2022	1,489,989	1,489,989	-	17,865,576	8.34%

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

TRA Retirement Fund

2021 Changes
Changes in Actuarial Assumptions
- The investment return assumption was changed from 7.5% to 7.0%.

2020 Changes
Changes in Actuarial Assumptions
- Assumed termination rates were changed to more closely reflect actual experience.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP 2015 scale.
- Assumed form of annuity election proportions were changed to more closely reflect actual experience for female retirees.

2019 Changes
Changes in Actuarial Assumptions
- None

2018 Changes
Changes in Actuarial Assumptions
- The discount rate was increased to 7.5% from 5.12%.
- The cost of living adjustment (COLA) was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% 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 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending July 1, 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 0% beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers was reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

TRA Retirement Fund (Continued)

2017 Changes
Changes in Actuarial Assumptions

- The discount rate was increased to 5.12% from 4.66%.
- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5% but remain at 2.0% for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 2.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for ten years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

2016 Changes
Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 8.0%.
- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- The price inflation assumption was lowered from 3% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.
- The post-retirement mortality assumption was changed to the RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP 2015 scale.
- The post-disability mortality assumption was changed to the RP 2014 disabled retiree mortality table, without adjustment.
- Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

TRA Retirement Fund (Continued)

2015 Changes
Changes of Benefit Terms
- The DTRFA was merged into TRA on June 30, 2015.

Changes in Actuarial Assumptions
- The annual COLA for the June 30, 2015, valuation assumed 2%. The prior year valuation used 2% with an increase to 2.5% commencing in 2034. The discount rate used to measure the total pension liability was 8.0%. This is a decrease from the discount rate at the prior measurement date of 8.25%.

Independent School District No. 861
Notes to the Required Supplementary Information

General Employees Fund

2021 Changes
Changes in Actuarial Assumptions
- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The mortality improvement scale was changed from scale MP-2019 to scale MP-2020.

Changes in Plan Provisions
- There have been no changes since the prior valuation.

2020 Changes
Changes in Actuarial Assumptions
- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changes as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retires electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

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

2019 Changes
Changes in Actuarial Assumptions
- The mortality projection scale was changed from MP-2017 to MP-2018.

General Employees Fund (Continued)

2019 Changes (Continued)
Changes in Plan Provisions
- The employer supplemental contribution was changed prospectively, decreasing from $31 million to $21 million per year. The State's special funding contribution was changes prospectively, requiring $16 million due per year through 2031.

2018 Changes
Changes in Actuarial Assumptions
- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

Changes in Plan Provisions
- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0%, 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 1.0% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age. Does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes
Changes in Actuarial Assumptions
- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

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

General Employees Fund (Continued)

2016 Changes
Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes
Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

Independent School District No. 861
Notes to the Required Supplementary Information

Post Employment Benefit Plan
The following changes were reflected in the valuation performed on behalf of the District's other postemployment benefits plan for the year ended June 30:

2021 Changes
Changes in Plan Provisions
- The discount rate was changed from 2.20% to 3.80%.

2020 Changes
Changes in Actuarial Assumptions
- There have been no changes since the prior valuation.

Changes in Plan Provisions
- The discount rate was changed from 2.50% to 2.20%.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers), with MP-2019 Generational Improvement Scale.

2019 Changes
Changes in Actuarial Assumptions
- There have been no changes since the prior valuation.

Changes in Plan Provisions
- The expected long-term investment return assumption was changed from 4.30% to 4.00%.
- The discount rate was changed from 3.60% to 2.50%.

2018 Changes
Changes in Actuarial Assumptions
- A GASB 74/75 subsidy was added for the new superintendent.

Changes in Plan Provisions
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.

2017 Changes
Changes in Actuarial Assumptions
- There have been no changes since the prior valuation.

Changes in Plan Provisions
- The discount rate was changed from 3.00% to 3.60%.

SUPPLEMENTARY INFORMATION

Independent School District No. 861
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - Debt Service
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Local property taxes	$ 2,627,950	$ 2,462,753	$ 2,476,351	$ 13,598
Other local and county revenues	-	5,000	6,014	1,014
Total revenues	2,627,950	2,632,949	2,647,527	14,578
Expenditures				
Debt service				
Principal	2,355,000	2,355,000	2,355,000	-
Interest and fiscal charges	275,948	275,948	276,498	550
Total expenditures	2,630,948	2,630,948	2,631,498	550
Excess of revenues over (under) expenditures	(2,998)	2,001	16,029	14,028
Other financing sources				
Transfers in	-	488,009	488,009	-
Net change in fund balances	$ (2,998)	$ 490,010	504,038	$ 14,028
Fund Balances				
Beginning of year			613,798	
End of year			$ 1,117,836	

Independent School District No. 861
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - OPEB Debt Service
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Local property taxes	$ 687,276	$ 678,826	$ 681,752	$ 2,926
Other local and county revenues	-	1,300	1,402	102
Revenue from state sources	-	10,639	10,886	247
Total revenues	687,276	690,765	694,040	3,275
Expenditures				
Debt service				
Principal	520,000	520,000	520,000	-
Interest and fiscal charges	137,600	137,600	137,075	(525)
Total expenditures	657,600	657,600	657,075	(525)
Net change in fund balances	$ 29,676	$ 33,165	36,965	$ 3,800
Fund Balances				
Beginning of year			29,501	
End of year			$ 66,466	

Independent School District No. 861
Uniform Financial Accounting And Reporting Standards
Compliance Table
Year Ended June 30, 2022

		Audit	UFARS	Audit-UFARS
01 GENERAL FUND				
Total revenue		$ 42,001,029	$ 42,001,026	$ 3
Total expenditures		42,070,978	42,070,978	-
Nonspendable:				
4.60	Nonspendable fund balance	152,329	152,329	-
Restricted/reserved:				
4.01	Student Activities	211,217	211,219	(2)
4.02	Scholarships	-	-	-
4.03	Staff Development	418,390	418,390	-
4.07	Capital Projects Levy	784,109	784,109	-
4.08	Cooperative Revenue	-	-	-
4.13	Building Projects Funded by COP/LP	-	-	-
4.14	Operating Debt	-	-	-
4.16	Levy Reduction	-	-	-
4.17	Taconite Building Maintenance	-	-	-
4.24	Operating Capital	1,118,515	1,118,515	-
4.26	$ 25 Taconite	-	-	-
4.27	Disabled Accessibility	-	-	-
4.28	Learning and Development	-	-	-
4.34	Area Learning Center	-	-	-
4.35	Contracted Alternative Programs	-	-	-
4.36	State Approved Alternative Program	-	-	-
4.38	Gifted and Talented	-	-	-
4.40	Teacher Development and Evaluation	-	-	-
4.41	Basic Skills Programs	-	-	-
4.45	Career Technical Programs	-	-	-
4.46	First Grade Preparedness	-	-	-
4.48	Achievement and Integration	-	-	-
4.49	Safe School Crime	-	-	-
4.51	QZAB Payments	-	-	-
4.52	OPEB Liabilities not Held in Trust	-	-	-
4.53	Unfunded Severance and Retirement Levy	-	-	-
4.59	Basic Skills Extended Time	69,111	69,111	-
4.67	Long Term Facilities Maintenance	993,890	993,890	-
Restricted:				
4.72	Medical Assistance	244,263	244,263	-
4.64	Restricted fund balance	105,524	105,524	-
4.75	Title VII - Impact Aid	-	-	-
4.76	Payments in Lieu of Taxes	-	-	-
Committed:				
4.18	Committed for separation	-	-	-
4.61	Committed	-	-	-
Assigned:				
4.62	Assigned fund balance	-	-	-
Unassigned:				
4.22	Unassigned fund balance	3,187,179	3,187,176	3
02 FOOD SERVICES FUND				
Total revenue		$ 2,508,947	$ 2,508,945	$ 2
Total expenditures		1,889,808	1,889,806	2
Nonspendable:				
4.60	Nonspendable fund balance	6,837	6,837	-
Restricted/reserved:				
4.52	OPEB Liabilities not Held in Trust	-	-	-
Restricted:				
4.64	Restricted fund balance	663,090	663,089	1
Unassigned:				
4.63	Unassigned fund balance	-	-	-
04 COMMUNITY SERVICES FUND				
Total revenue		$ 2,184,771	$ 2,184,771	$ -
Total expenditures		2,016,775	2,016,773	2
Nonspendable:				
4.60	Nonspendable fund balance	-	-	-
Restricted/reserved:				
4.26	$ 25 Taconite	-	-	-
4.31	Community Education	616,754	616,754	-
4.32	ECFE	114,229	114,229	-
4.40	Teacher Development and Evaluation	-	-	-
4.44	School Readiness	40,947	40,947	-
4.47	Adult Basic Education	25,972	25,972	-
4.52	OPEB Liabilities not Held in Trust	-	-	-
Restricted:				
4.64	Restricted fund balance	-	-	-
Unassigned:				
4.63	Unassigned fund balance	-	-	-

		Audit	UFARS	Audit-UFARS
06 BUILDING CONSTRUCTION FUND				
Total revenue		$ (17,459)	$ (17,458)	$ (1)
Total expenditures		1,860,154	1,860,153	1
Nonspendable:				
4.60	Nonspendable fund balance	-	-	-
Restricted/reserved:				
4.07	Capital Projects Levy	-	-	-
4.09	Alternative Facility Program	-	-	-
4.13	Building Projects Funded by COP	-	-	-
4.67	Long-term Facilities Maintenance	15,231,197	15,231,197	-
Restricted:				
4.64	Restricted fund balance	166,926	166,926	-
Unassigned:				
4.63	Unassigned fund balance	-	-	-
4.33	Maximum effort loan aid	-	-	-
07 DEBT SERVICE FUND				
Total revenue		$ 2,647,527	$ 2,647,527	$ -
Total expenditures		2,631,498	2,631,498	-
Nonspendable:				
4.60	Nonspendable fund balance	-	-	-
Restricted/reserved:				
4.25	Bond Refunding	-	-	-
4.33	Maximum effort load aid	-	-	-
4.51	QZAB Payments	-	-	-
4.67	LTFM	-	-	-
Restricted:				
4.64	Restricted fund balance	1,117,836	1,117,836	-
Unassigned:				
4.63	Unassigned fund balance	-	-	-
08 TRUST FUND				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Unassigned:				
4.01	Student Activities	$ -	$ -	$ -
4.02	Scholarships	-	-	-
4.22	Net position	-	-	-
18 CUSTODIAL				
Total revenue		$ 116,136	$ 116,136	$ -
Total expenditures		116,136	116,136	-
Restricted/Reserved				
4.01	Student Activities	$ -	$ -	$ -
4.02	Scholarships	-	-	-
4.48	Achievement and Integration	-	-	-
4.64	Restricted	-	-	-
20 INTERNAL SERVICE FUND				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Unassigned:				
4.22	Net position	-	-	-
25 OPEB REVOCABLE TRUST				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Unassigned:				
4.22	Net position	-	-	-
45 OPEB IRREVOCABLE TRUST				
Total revenue		$ (395,283)	$ (395,284)	$ 1
Total expenditures		642,659	642,658	1
Unassigned:				
4.22	Net position	2,377,396	2,377,397	(1)
47 OPEB DEBT SERVICE				
Total revenue		$ 694,040	$ 694,039	$ 1
Total expenditures		657,075	657,075	-
Nonspendable:				
4.60	Nonspendable fund balance	-	-	-
Restricted:				
4.64	Restricted fund balance	66,466	66,466	-
Unassigned:				
4.63	Unassigned fund balance	-	-	-

Independent School District No. 861
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Agency/Pass Through Agency/Program Title	Federal Assistance Listing Number	Expenditures
U.S. Department of Agriculture		
Through Minnesota Department of Education		
Child Nutrition Cluster		
School Breakfast Program	10.553	$ 364,924
Summer Food Service Program	10.559	364,376
National School Lunch Program	10.555	1,499,971
Commodities (Non-Cash)	10.555	131,368
Total Child Nutrition Cluster and U.S. Department of Agriculture		2,360,639
U.S. Department of Education		
Through Minnesota Department of Education		
Title I, Part A	84.010	537,983
Title IV, Part A - Student Support and Academic Enrichment	84.424	36,233
Title III, Part A - Language Enhancement	84.365	33,698
Title II, Part A - Improving Teacher Quality	84.367	64,766
Individuals with Disabilities Education Act Part C - Ages Birth through 2	84.181	35,622
Education Stabilization Fund		
COVID-19 Governor's Emergency Education Relief	84.425C	23,405
COVID-19 American Rescue Plan - Homeless II	84.425W	1,007
COVID-19 Elementary and Secondary School Emergency Relief	84.425D	120,419
COVID-19 Elementary and Secondary School Emergency Relief III	84.425U	1,164,198
COVID-19 Elementary and Secondary School Emergency Relief II	84.425D	611,090
Total Education Stabilization Fund		1,920,119
Special Education Cluster		
COVID-19 American Rescue Plan IDEA Part B Section 611	84.027X	129,656
Individuals with Disabilities Education Act Part B - CEIS	84.027	58,430
Special Education	84.027	711,065
Disabled Early Education	84.173	47,027
COVID-19 American Rescue Plan IDEA Part B CEIS	84.027X	23,454
Total Special Education Cluster		969,632
Through Owatonna Public Schools		
Adult Education Basic Grants to States	84.002	21,156
Through Goodhue County Education District		
Carl Perkins	84.048A	6,516
Total U.S. Department of Education		3,625,725
U.S. Department of the Treasury		
Through Minnesota Department of Education		
COVID-19 American Rescue Plan	21.027	105,985
U.S. Department of Health and Human Services		
Through Minnesota Department of Education		
COVID-19 Minnesota COVID-19 Testing Program	93.323	149,082
Total Federal Expenditures		$ 6,241,431

See notes to schedule of expenditures of federal awards.

Independent School District No. 861
Notes to the Schedule of Expenditures of Federal Awards

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Winona Area Public Schools (the District) under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for all awards. Under these principles certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – INDIRECT COST RATE

The District did not elect to use the 10 percent de minimis indirect cost rate, as allowed by under the Uniform Guidance.

NOTE 4 – PASS THROUGH GRANT NUMBERS

All pass-through entities listed above use the same Assistance Listing numbers as the federal grantors to identify these grants and have not assigned any additional identifying numbers.

NOTE 5 – INVENTORY

Inventories of commodities donated by the U.S. Department of Agriculture are recorded at market value in the Food Service Fund as inventory. Revenue and expenditures are recorded when commodities are used.

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

Board of Education
Winona Area Public Schools
Independent School District No. 861
Winona, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 861 (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 17, 2022.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance that we consider to be significant deficiencies, listed as Audit Finding 2022-001.

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

District's Response to the Findings
The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance. The District's response was not subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on the response.

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

BerganKDV, Ltd.

St. Cloud, Minnesota
November 17, 2022

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance

Independent Auditor's Report

Board of Education
Winona Area Public Schools
Independent School District No. 861
Winona, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

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

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

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

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

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

Report on Internal Control over Compliance (Continued)

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

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

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

BerganKDV, Ltd.

St. Cloud, Minnesota
November 17, 2022

Independent School District No. 861
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	Yes, Audit Finding 2022-001
Noncompliance material to financial statements noted?	No

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516?	No

Identification of Major Programs

Assistance Listing No.:	84.027/84.173
Name of Federal Program or Cluster:	Special Education Cluster
Assistance Listing No.:	84.425
Name of Federal Program or Cluster:	Education Stabilization Funds
Auditee qualified as low risk auditee?	No

Independent School District No. 861
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance

SECTION II – BASIC FINANCIAL STATEMENT FINDINGS

Audit Finding 2022-001

Criteria or Specific Requirement:
Internal control that supports the District's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements requires adequate segregation of accounting duties.

Condition:
The District does not have adequate segregation of accounting duties.

Context:
During the year ended June 30, 2022, the District had a lack of segregation of accounting duties due to a limited number of office employees. This lack of segregation of accounting duties can be demonstrated in the following areas, which is not intended to be an all-inclusive list:

- The Business Manager is able to record journal entries without review
- The Business Manager reconciles property taxes and receivables without review
- The Business Manager has access to all areas of the accounting system.

Management is aware of this condition and will take certain steps to compensate for the lack of segregation. However, due to the small accounting staff needed to handle all of the accounting duties, the cost of obtaining desirable segregation of accounting duties can often exceed benefits which could be derived. Due to this reason, management has determined a complete segregation of accounting duties is impractical to correct.

Context:
This finding impacts the internal control for all significant accounting functions.

Effect or Potential Effect:
The lack of adequate segregation of accounting duties could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Cause:
There are a limited number of office employees capable of performing these tasks.

Recommendation:
Continue to review the accounting system, including changes that may occur. Implement segregation whenever practical.

Independent School District No. 861
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance

SECTION II – BASIC FINANCIAL STATEMENT FINDINGS

Audit Finding 2022-001

CORRECTIVE ACTION PLAN (CAP):

Management's Response:

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

2. Actions Planned in Response to Finding
   Administration will review current segregation of accounting duties to determine if further segregation is possible

3. Official Responsible for Ensuring CAP
   Sarah Slaby, Business Manager, is the official responsible for ensuring corrective action of the deficiency.

4. Planned Completion Date for CAP
   The planned completion date for the CAP is June 30, 2023.

5. Plan to Monitor Completion of CAP
   The School Board will be monitoring this CAP.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONABLE COSTS

There were no questioned costs.

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None

Minnesota Legal Compliance

Independent Auditor's Report

Board of Education
Winona Area Public Schools
Independent School District No. 861
Winona, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 861, Winona, Minnesota, as of and for the year ended June 30, 2022, and the related notes to basic financial statements, and have issued our report thereon dated November 17, 2022.

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

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

BerganKDV, Ltd.

St. Cloud, Minnesota
November 17, 2022