INDEPENDENT SCHOOL DISTRICT NO. 197
WEST ST. PAUL – MENDOTA HEIGHTS – EAGAN,
MINNESOTA

Financial Statements and
Supplementary Information

Year Ended
June 30, 2022

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INDEPENDENT SCHOOL DISTRICT NO. 197

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INTRODUCTORY SECTION

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INDEPENDENT SCHOOL DISTRICT NO. 197

School Board and Administration
as of June 30, 2022

SCHOOL BOARD

	Board Position
Joanne Mansur	Board Chair
Marcus Hill	Vice Chair/Clerk
Byron Schwab	Treasurer
Brenda Corbett	Member
Sarah Larsen	Member
Terry Stamman	Member
Jon Vaupel	Member

ADMINISTRATION

Peter Olson-Skog	Superintendent
Peter Mau	Assistant Superintendent
Brian Schultz	Director of Finance
Cari Jo Drewitz	Director of Curriculum, Instruction, and Assessment
Lisa Grathen	Director of Community Education
Mark Fortman	Director of Operations
Brenda Albrecht	Director of Human Resources
Dave Sandum	Director of Technology
Sara Lein	Director of Special Education

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FINANCIAL SECTION

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MMKR
CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT

To the School Board and Management of
Independent School District No. 197
West St. Paul – Mendota Heights – Eagan, Minnesota

OPINIONS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Independent School District No. 197 (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

BASIS FOR OPINIONS

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

EMPHASIS OF MATTER

Change in Accounting Principle

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

(continued)

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RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

(continued)

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

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

Prior Year Comparative Information

We have previously audited the District's 2021 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated December 29, 2021. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

(continued)

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota
December 30, 2022

This section of Independent School District No. 197's (the District) financial statements presents management's discussion and analysis (MD&A) of the District's financial performance during the fiscal year ended June 30, 2022. Please read it in conjunction with the other components of the District's financial statements.

FINANCIAL HIGHLIGHTS

- The District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources at June 30, 2022 by $26,793,480 (net position deficit). The District's total net position increased by $1,327,886 during the fiscal year ended June 30, 2022.
- The General Fund's total fund balance (under the governmental fund presentation) decreased $1,489,497 from the prior year, compared to a $1,203,066 decrease, planned in the budget.
- The Capital Projects – Building Construction Fund had a year-end fund balance of $10,167,403, increasing by $6,136,116, as the District issued new long-term facilities maintenance bonds in the current year.
- As described in Note 1 of the notes to the basic financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, during the fiscal year ended June 30, 2022. As described in Note 1 of the basic financial statements, this standard changed the way lease transactions are reported by the District, but did not result in a restatement of net position in the current year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- Independent Auditor's Report;
- MD&A;
- Basic financial statements, including the government-wide financial statements, fund financial statements, and the notes to basic financial statements;
- Required supplementary information; and
- Supplementary information, consisting of combining and individual fund statements and schedules.

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

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

FUND FINANCIAL STATEMENTS

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

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

The District maintains the following kinds of funds:

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

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

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

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

	2022	2021
Assets		
Current and other assets	$ 64,548,594	$ 62,396,680
Capital assets, net of depreciation/amortization	174,330,030	166,752,405
Total assets	$ 238,878,624	$ 229,149,085
Deferred outflows of resources		
Pension plan deferments	$ 21,188,716	$ 23,095,086
OPEB plan deferments	1,130,602	611,166
Total deferred outflows of resources	$ 22,319,318	$ 23,706,252
Liabilities		
Current and other liabilities	$ 12,224,238	$ 13,913,115
Long-term liabilities, including due within one year	191,846,932	200,379,964
Total liabilities	$ 204,071,170	$ 214,293,079
Deferred inflows of resources		
Property taxes levied for subsequent year	$ 27,945,323	$ 28,565,456
Lease revenue for subsequent year	775,837	–
Pension plan deferments	52,784,805	36,968,284
Deferred charges on refunding	1,087,453	–
OPEB plan deferments	1,326,834	1,149,884
Total deferred inflows of resources	$ 83,920,252	$ 66,683,624
Net position		
Net investment in capital assets	$ 32,217,531	$ 31,112,937
Restricted	4,535,056	3,546,431
Unrestricted	(63,546,067)	(62,780,734)
Total net position	$ (26,793,480)	$ (28,121,366)

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

The District's increase in net investment in capital assets is due mostly to the relationship between the rate at which the District repays debt, compared to the rate the related assets are being depreciated/amortized. The increase in restricted net position is mostly related to increases in net position restricted for long-term facilities maintenance. The change in unrestricted net position was due to decreases in the District's General Fund balance, internal service fund net position, and changes in the District's share of the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) pension plans. This also contributed to the change in deferred outflows of resources, deferred inflows of resources, and long-term liabilities.

Capital assets, net of depreciation/amortization increased, as a result of the spending on capital projects accounted for in the Capital Projects – Building Construction Fund.

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

Table 2
Summary Statement of Activities
for the Years Ended June 30, 2022 and 2021

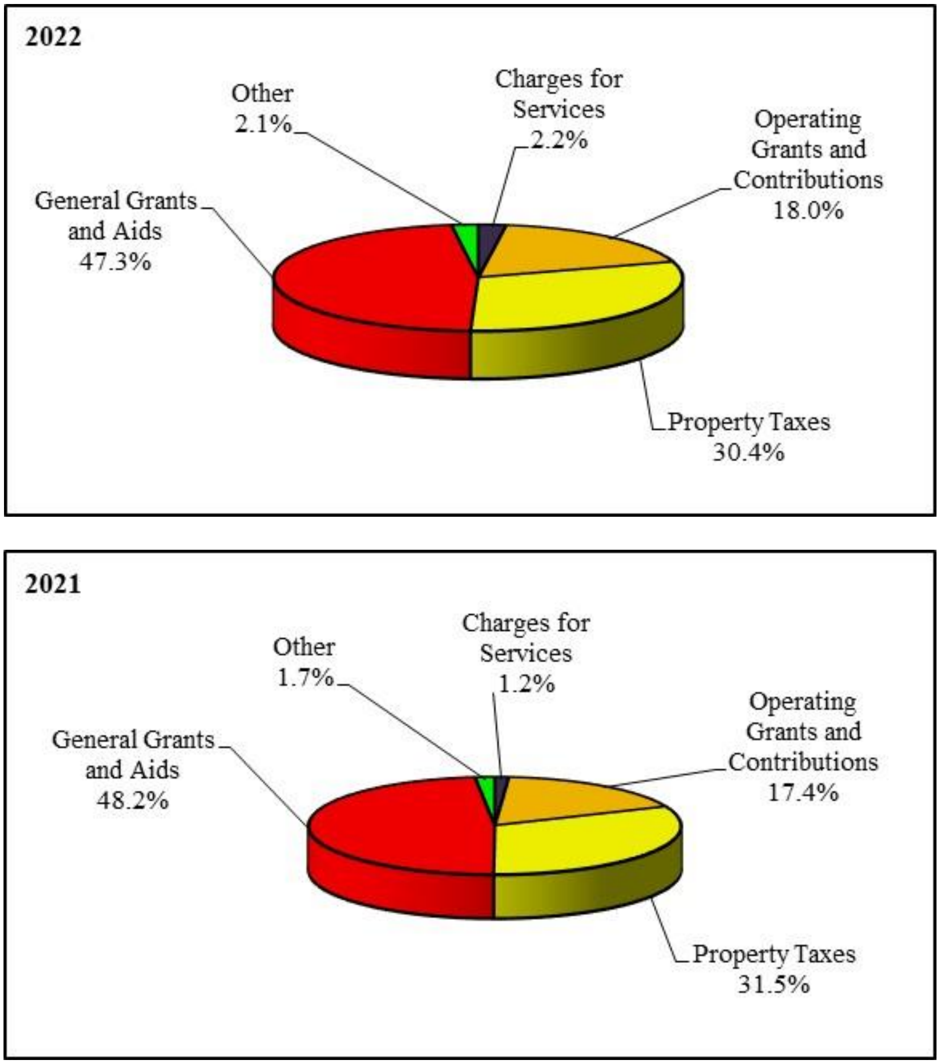
	2022	2021
Revenues		
Program revenues		
Charges for services	$ 2,265,902	$ 1,167,528
Operating grants and contributions	18,298,451	16,814,542
General revenues		
Property taxes	30,982,518	30,393,128
General grants and aids	48,292,314	46,445,283
Other	2,090,129	1,663,689
Total revenues	101,929,314	96,484,170
Expenses		
Administration	2,853,664	2,930,908
District support services	1,526,049	1,548,305
Elementary and secondary regular instruction	38,069,764	37,221,885
Vocational education instruction	612,009	639,421
Special education instruction	16,365,753	16,928,982
Community education instruction	61,481	61,630
Instructional support services	7,805,496	7,863,762
Pupil support services	9,230,044	6,996,723
Sites and buildings	7,447,104	7,234,897
Fiscal and other fixed cost programs	353,418	246,367
Food service	3,587,627	2,241,837
Community service	4,299,169	4,332,860
Depreciation/amortization not included in other functions	3,576,624	2,295,678
Interest and fiscal charges	4,813,226	4,587,883
Total expenses	100,601,428	95,131,138
Change in net position	1,327,886	1,353,032
Net position – beginning	(28,121,366)	(29,474,398)
Net position – ending	$ (26,793,480)	$ (28,121,366)

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

As seen above, total revenues for fiscal year 2022 were $5,445,144 more than the prior year. Charges for services increased from funds received in the food service and community service programs, due to increased activity as a result of fewer COVID-19 restrictions in the current fiscal year. Operating and general grants and aids increased in the current year, due to additional federal stimulus-related funding received as a result of the COVID-19 pandemic. Expenses increased, mainly due to increased costs in pupil support services for transportation, food service for supplies and materials, and higher depreciation/amortization related to increased capital assets from recent capital spending and the new lease standard.

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

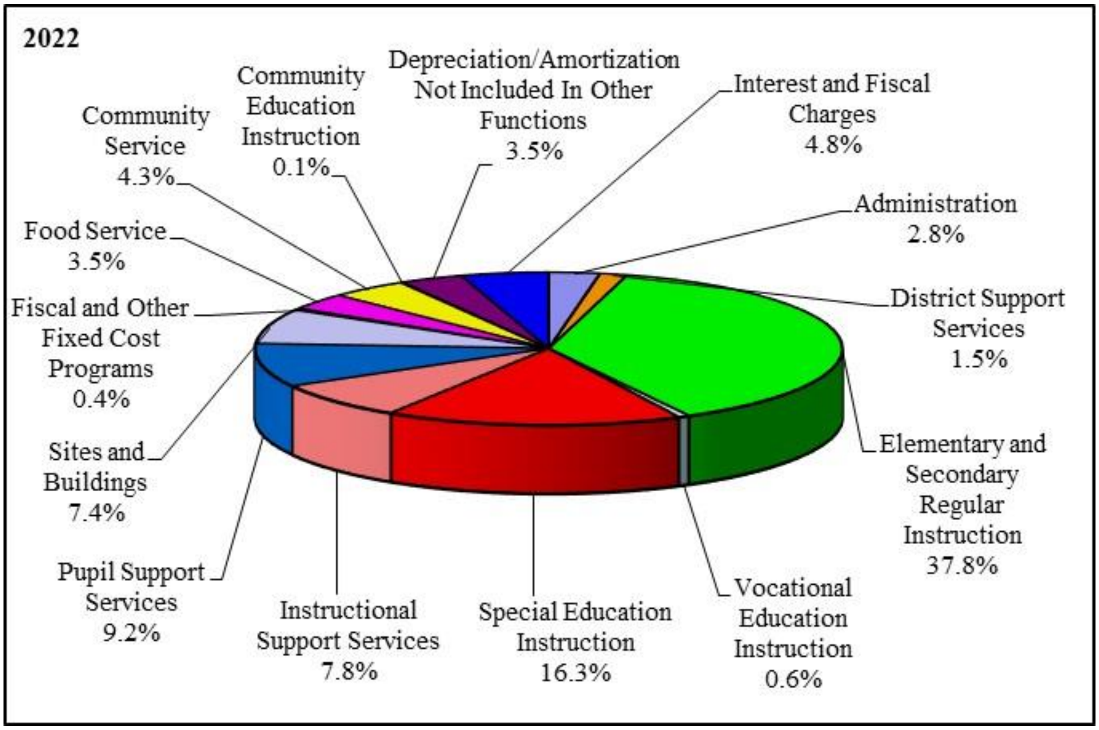
Figure A – Sources of Revenues for Fiscal Years 2022 and 2021

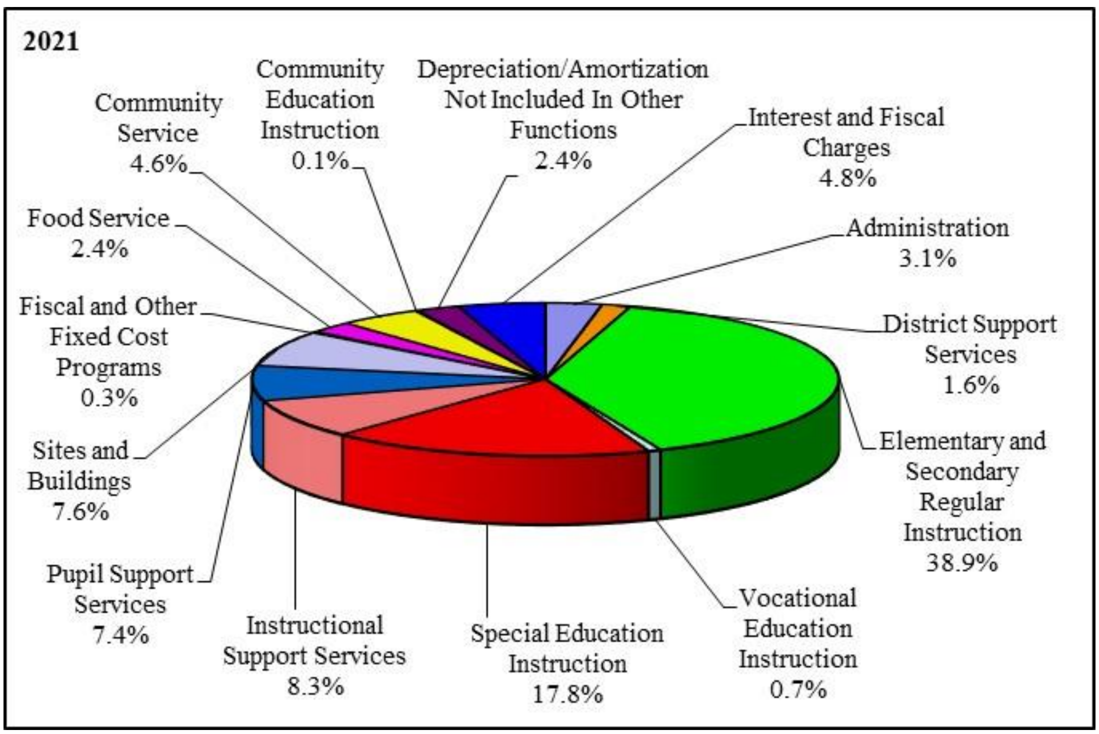


The largest share of the District's revenue is received from the state, including the general education aid formula and most of the operating grants.

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

Figure B – Expenses for Fiscal Years 2022 and 2021





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

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

	2022	2021	Change
Major funds			
General	$ 9,890,212	$ 11,379,709	$ (1,489,497)
Capital Projects – Building Construction	10,167,403	4,031,287	6,136,116
Debt Service	2,455,936	2,558,021	(102,085)
Nonmajor funds			
Food Service Special Revenue	584,501	–	584,501
Community Service Special Revenue	672,399	588,576	83,823
Total governmental funds	$ 23,770,451	$ 18,557,593	$ 5,212,858

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

At June 30, 2022, the District's governmental funds reported combined fund balances of $23,770,451, an increase of $5,212,858, in comparison with the prior year. Approximately 22.9 percent of this amount, $5,435,296, constitutes unassigned fund balance, which is available for spending at the District's discretion and meets the District's unassigned fund balance policy. The remainder of the fund balance is either nonspendable, assigned, or restricted to indicate that it is: 1) not in spendable form ($390,084), 2) assigned for subsequent year budget ($1,088,076), or 3) restricted for particular purposes ($16,856,995).

ANALYSIS OF THE GENERAL FUND

Table 4 summarizes the amendments to the General Fund budget:

Table 4
General Fund
Budget

	Original Budget	Final Budget	Change	Percent Change
Revenue and other financing sources	$ 78,469,961	$ 81,386,472	$ 2,916,511	3.7%
Expenditures	$ 78,044,765	$ 82,589,538	$ 4,544,773	5.8%

The District is required to adopt an operating budget prior to the beginning of its fiscal year, referred to above as the original budget. During the year, the District amended the budget for known significant changes in circumstances, such as: updated enrollment estimates, legislative changes, additional funding received from grants or other local sources, staffing changes, employee contract settlements, insurance premium changes, special education tuition changes, or for new debt issued.

Table 5 summarizes the operating results of the General Fund:

Table 5
General Fund
Operating Results

		Over (Under) Final Budget		Over (Under) Prior Year	
	2022 Actual	Amount	Percent	Amount	Percent
Revenue	$ 83,800,281	$ 2,423,809	3.0%	$ 3,820,073	4.8%
Expenditures	86,136,009	3,546,471	4.3%	$ 6,414,316	8.0%
Excess (deficiency) of revenue over expenditures	(2,335,728)	(1,122,662)			
Other financing sources (uses)	846,231	836,231	8,362.3%	$ 188,746	28.7%
Net change in fund balances	$ (1,489,497)	$ (286,431)			

Significant budget variances include the following:

Type	Approximate Amount	Reason
Revenue		
Local	$ 480,000	Fees and admissions, rent and donations came in higher than budget estimates.
State sources	$ 277,000	Pension benefits pass-through of financing sources received from the state of Minnesota were not budgeted for.
	$ 271,000	Current year estimates for general education and special education aid came in higher than budget estimates.
	$ 191,000	Prior year under accrual of state aid receivable was not budgeted.
Federal sources	$ 985,000	Received additional grants that were not included in the budget, but were used during the fiscal year.
Expenditures		
Salaries & Benefits	$ (865,000)	Spending came in under budget estimates for targeted services, training academies, and the quality compensation program (ATPPS). Unfilled positions also caused salaries and benefits to come in under budget, however, contracted services increased as a result. COVID-19 grant spending came in over budget estimates. We had grant funding to cover overage and will also carry additional funds into fiscal 2023.
Purchased services	$ 394,000	Utilities came in over budget, due to higher rates from providers and increased usage from maximizing outside air flow cycles.
	$ 158,000	Contracted substitute costs came in over budget, due to difficulty filling positions and increasing sub rates during the school year.
	$ 1,163,000	Contracted bussing costs were significantly higher than estimated in the budget, due to driver shortage. Needed to contract for more routes than usual.
Supplies and materials	$ 650,000	Spending came in over budget estimates for curriculum adoption materials, rebranding, and technology costs that were not anticipated.
	$ 354,000	Received additional federal funds to purchased technology devices that was not budgeted to be used this year.
Capital expenditures	$ 885,000	The District entered into debt agreements for technology equipment in fiscal year 2022 that were not included in the budget and were off-set with other financing sources.
Other	$ 277,000	Direct aid is included in expenditures related to the pass-through of pension costs, which were not budgeted.

Significant changes from the prior year include the following:

Type	Approximate Amount	Reason
Revenue		
Property taxes	$ 956,000	Increase in tax levy, due to a one-time asbestos abatement project that is part of the Long-Term Facilities Maintenance Program (LTFM).
State sources	$ (568,000)	Decrease in state aid, due to decreased student enrollment (off-set by an approved increase in general education formula allowance).
Federal sources	$ 2,803,000	Significant increase in federal aid, due to COVID-19 pandemic.
Other	$ 458,000	Prior year had decreases in various miscellaneous sources, due to pandemic: transportation fees, third-party billing, parking fees and student activities.
Expenditures		
Salaries	$ 2,244,000	Increased staffing costs, due to negotiated contract increases and COVID-19 grant additions.
Benefits	$ 545,000	Increases in benefits tied to salary increases, COVID-19 grant additions, and premium increases in the District's health insurance program.
Purchased services	$ 2,526,000	Contracted bussing costs significantly higher than prior year, due to driver shortage. Needed to contract for more routes than usual. Prior year was also unusually low as the District was in distance learning for most of the year.
	$ 1,084,000	Costs increased for substitutes from being in distance learning in the prior year. Utility costs also increased significantly compared to prior year, due to higher rates and usage.
	$ 192,000	Participated in new online school with ISD 199 that did not occur in prior year.
	$ (596,000)	Change in lease accounting per GASB Statement No. 87, *Leases,* requiring certain leases to be accounted for as a debt instrument.
Capital expenditures	$ (717,000)	Reduced spending in the LTFM program, due to issuance of a facility maintenance bond during the current year.
Other	$ 596,000	Change in lease accounting per GASB Statement No. 87, *Leases,* requiring certain leases to be accounted for as a debt instrument.

Other financing sources (uses) were greater than budget, as the District issued new finance purchase agreements of $837,797, that were not reflected in the District's budget.

ANALYSIS OF OTHER FUNDS

Food Service Special Revenue Fund – The Food Service Special Revenue Fund ended the year with revenues exceeding expenditures, increasing fund balance by $584,501.

Community Service Special Revenue Fund – The Community Service Special Revenue Fund ended the year with revenues exceeding expenditures, increasing fund balance by $83,823.

Capital Projects – Building Construction Fund – The Capital Projects – Building Construction Fund ended the year with revenues and other financing sources exceeding expenditures increasing fund balance by $6,136,116. This was mainly the result of the issuance of long-term facility maintenance (LTFM) bonds in the current year.

Debt Service Fund – The Debt Service Fund is controlled in accordance with each outstanding debt issue's financing plan. The restricted fund balance in this fund at June 30, 2022 is available to pay outstanding principal and interest on the general obligation bonds of the District.

Internal Service Fund – Internal service funds are used to account for the financing of goods and services provided by one department or agency of a government to other departments or agencies on a cost-reimbursement basis. The District currently maintains one internal service fund. This fund is used to account for the District's self-insured health and dental insurance functions.

Operating revenue and nonoperating revenue for the internal service fund for fiscal 2022 totaled $12,173,537, while operating expenses totaled $13,667,222. The net position balance for the internal service fund as of June 30, 2022 was $1,857,238.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

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

Table 6
Capital Assets

	2022	2021	Change
Land	$ 1,098,730	$ 1,098,730	$ –
Construction in progress	12,002,666	79,735,095	(67,732,429)
Buildings and improvements	222,890,229	150,616,090	72,274,139
Leased buildings and improvements	7,242,910	–	7,242,910
Furniture and equipment	14,191,097	13,877,478	313,619
Leased furniture and equipment	306,891	–	306,891
Less accumulated depreciation/amortization	(83,402,493)	(78,574,988)	(4,827,505)
Total	$ 174,330,030	$ 166,752,405	$ 7,577,625
Depreciation/amortization expense	$ 4,827,505	$ 3,428,391	$ 1,399,114

The decrease in construction in progress, along with an increase in buildings and improvements is largely due to the completion of construction in the current year. The increase in accumulated depreciation/amortization in fiscal 2022 is due to continued construction on projects related to previously issued building bonds, which are scheduled to be completed in future fiscal years, along with completion of construction in the current year.

Long-Term Liabilities

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

Table 7
Outstanding Long-Term Liabilities

	2022	2021	Change
General obligation bonds payable	$ 136,430,000	$ 131,710,000	$ 4,720,000
Premium on bonds payable	5,428,561	5,598,929	(170,368)
Lease liability	7,036,449	–	7,036,449
Financed purchases payable	2,297,439	2,361,826	(64,387)
Net pension liability	34,074,726	54,844,245	(20,769,519)
Net OPEB liability	5,928,906	5,198,592	730,314
Severance benefits payable	209,999	249,717	(39,718)
Compensated absences payable	440,852	416,655	24,197
Total	$ 191,846,932	$ 200,379,964	$ (8,533,032)

The increase in general obligation bonds payable is due to debt payments made in the current fiscal year offset by new bond issuances. The difference in the net pension liability, primarily reflects the change in the District's proportionate share of the state-wide pension obligations for the PERA and the TRA pension plan liabilities.

The increase in the lease liability is the result of the implementation of the new lease accounting standard in the current year.

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

Table 8
Limitations on Debt

District's market value	$ 7,650,594,901
Limit rate	15%
Legal debt limit	$ 1,147,589,235

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

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

These financial statements are designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department, Independent School District No. 197, 1897 Delaware Avenue, Mendota Heights, Minnesota 55118.

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<u>BASIC FINANCIAL STATEMENTS</u>

INDEPENDENT SCHOOL DISTRICT NO. 197

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

	Governmental Activities	
	2022	2021
Assets		
Cash and temporary investments	$ 36,075,363	$ 37,910,217
Receivables		
Current taxes	15,951,553	15,978,900
Delinquent taxes	350,377	265,495
Accounts and interest	365,154	310,787
Due from fiduciary fund	461,771	401,162
Due from other governmental units	10,178,455	7,026,412
Lease	775,837	–
Inventory	92,490	89,900
Prepaid items	297,594	413,807
Capital assets		
Not depreciated/amortized	13,101,396	80,833,825
Depreciated, net of accumulated depreciation/amortization	161,228,634	85,918,580
Total capital assets, net	174,330,030	166,752,405
Total assets	238,878,624	229,149,085
Deferred outflows of resources		
Pension plan deferments	21,188,716	23,095,086
OPEB plan deferments	1,130,602	611,166
Total deferred outflows of resources	22,319,318	23,706,252
Total assets and deferred outflows of resources	$ 261,197,942	$ 252,855,337
Liabilities		
Salaries and compensated absences payable	$ 3,720,723	$ 3,528,065
Accounts and contracts payable	5,117,689	7,695,106
Accrued interest payable	2,251,338	2,090,322
Due to other governmental units	1,014,311	389,923
Unearned revenue	120,177	209,699
Long-term liabilities		
Due within one year	6,094,663	5,634,222
Due in more than one year	185,752,269	194,745,742
Total long-term liabilities	191,846,932	200,379,964
Total liabilities	204,071,170	214,293,079
Deferred inflows of resources		
Property taxes levied for subsequent year	27,945,323	28,565,456
Lease revenue for subsequent years	775,837	–
Pension plan deferments	52,784,805	36,968,284
Deferred charges on refunding	1,087,453	–
OPEB plan deferments	1,326,834	1,149,884
Total deferred inflows of resources	83,920,252	66,683,624
Net position		
Net investment in capital assets	32,217,531	31,112,937
Restricted for		
Capital asset acquisition	702,807	1,055,287
Food service	584,501	–
Debt service	265,915	488,989
Community service	679,465	591,374
Other purposes (state funding restrictions)	2,302,368	1,410,781
Unrestricted	(63,546,067)	(62,780,734)
Total net position	(26,793,480)	(28,121,366)
Total liabilities, deferred inflows of resources, and net position	$ 261,197,942	$ 252,855,337

See notes to basic financial statements

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

Functions/Programs	2022 Expenses	2022 Program Revenues – Charges for Services	2022 Program Revenues – Operating Grants and Contributions	2022 Net (Expense) Revenue and Changes in Net Position – Governmental Activities	2021 Net (Expense) Revenue and Changes in Net Position – Governmental Activities
Governmental activities					
Administration	$ 2,853,664	$ –	$ –	$ (2,853,664)	$ (2,930,908)
District support services	1,526,049	8,434	–	(1,517,615)	(1,524,045)
Elementary and secondary regular instruction	38,069,764	354,807	942,488	(36,772,469)	(36,187,656)
Vocational education instruction	612,009	2,064	9,747	(600,198)	(619,244)
Special education instruction	16,365,753	–	10,988,365	(5,377,388)	(5,418,767)
Community education instruction	61,481	–	–	(61,481)	(61,630)
Instructional support services	7,805,496	–	353,500	(7,451,996)	(7,863,762)
Pupil support services	9,230,044	6,772	336,456	(8,886,816)	(6,664,259)
Sites and buildings	7,447,104	–	–	(7,447,104)	(7,234,897)
Fiscal and other fixed cost programs	353,418	–	–	(353,418)	(246,367)
Food service	3,587,627	95,893	3,939,695	447,961	(192,698)
Community service	4,299,169	1,797,932	1,728,200	(773,037)	(1,321,274)
Depreciation/amortization not included in other functions	3,576,624	–	–	(3,576,624)	(2,295,678)
Interest and fiscal charges	4,813,226	–	–	(4,813,226)	(4,587,883)
Total governmental activities	$ 100,601,428	$ 2,265,902	$ 18,298,451	(80,037,075)	(77,149,068)
General revenue					
Taxes					
Property taxes, levied for general purposes				20,668,207	19,542,966
Property taxes, levied for community service				1,034,660	1,129,154
Property taxes, levied for debt service				9,279,651	9,721,008
General grants and aids				48,292,314	46,445,283
Other general revenues				2,066,307	1,534,983
Investment earnings				23,822	128,706
Total general revenue				81,364,961	78,502,100
Change in net position				1,327,886	1,353,032
Net position – beginning				(28,121,366)	(29,474,398)
Net position – ending				$ (26,793,480)	$ (28,121,366)

INDEPENDENT SCHOOL DISTRICT NO. 197

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

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Assets			
Cash and temporary investments	$ 14,130,757	$ 10,728,258	$ 6,823,413
Receivables			
Current taxes	10,327,607	–	5,037,813
Delinquent taxes	229,787	–	108,228
Accounts and interest	113,341	8,875	5,878
Due from other governmental units	10,038,001	–	43
Due from other funds	461,771	–	–
Lease receivable	775,837	–	–
Inventory	64,071	–	–
Prepaid items	297,594	–	–
Total assets	$ 36,438,766	$ 10,737,133	$ 11,975,375
Liabilities			
Salaries and compensated absences payable	$ 3,576,496	$ –	$ –
Accounts and contracts payable	3,638,056	569,730	–
Due to other governmental units	982,301	–	–
Unearned revenue	30,600	–	–
Total liabilities	8,227,453	569,730	–
Deferred inflows of resources			
Lease revenue for subsequent years	775,837	–	–
Property taxes levied for subsequent year	17,386,802	–	9,458,122
Unavailable revenue – delinquent taxes	158,462	–	61,317
Total deferred inflows of resources	18,321,101	–	9,519,439
Fund balances			
Nonspendable	361,665	–	–
Restricted	3,005,175	10,167,403	2,455,936
Assigned	1,088,076	–	–
Unassigned	5,435,296	–	–
Total fund balances	9,890,212	10,167,403	2,455,936
Total liabilities, deferred inflows of resources, and fund balances	$ 36,438,766	$ 10,737,133	$ 11,975,375

Nonmajor Funds	Total Governmental Funds 2022	Total Governmental Funds 2021
$ 1,833,001	$ 33,515,429	$ 33,992,795
586,133	15,951,553	15,978,900
12,362	350,377	265,495
231,334	359,428	310,733
140,411	10,178,455	7,026,412
–	461,771	401,162
–	775,837	–
28,419	92,490	89,900
–	297,594	413,807
$ 2,831,660	$ 61,982,934	$ 58,479,204
$ 144,227	$ 3,720,723	$ 3,528,065
201,481	4,409,267	7,128,553
32,010	1,014,311	389,923
89,577	120,177	209,699
467,295	9,264,478	11,256,240
–	775,837	–
1,100,399	27,945,323	28,565,456
7,066	226,845	99,915
1,107,465	28,948,005	28,665,371
28,419	390,084	503,707
1,228,481	16,856,995	9,643,952
–	1,088,076	–
–	5,435,296	8,409,934
1,256,900	23,770,451	18,557,593
$ 2,831,660	$ 61,982,934	$ 58,479,204

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Reconciliation of the Balance Sheet to the Statement of Net Position Governmental Funds as of June 30, 2022

(With Partial Comparative Information as of June 30, 2021)

	2022	2021
Total fund balances – governmental funds	$ 23,770,451	$ 18,557,593
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets are included in net position, but are excluded from fund balances because they do not represent financial resources.		
Cost of capital assets	257,732,523	245,327,393
Accumulated depreciation/amortization	(83,402,493)	(78,574,988)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable. Debt issuance premiums are excluded from net position until amortized, but are included in fund balances upon issuance as other financing sources and uses.		
General obligation bonds payable	(136,430,000)	(131,710,000)
Premium on bonds payable	(5,428,561)	(5,598,929)
Financed purchases payable	(2,297,439)	(2,361,826)
Lease liability	(7,036,449)	–
Net pension liability	(34,074,726)	(54,844,245)
Net OPEB liability	(5,928,906)	(5,198,592)
Severance benefits payable	(209,999)	(249,717)
Compensated absences payable	(440,852)	(416,655)
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.	(2,251,338)	(2,090,322)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the Statement of Net Position.	1,857,238	3,350,923
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – pension plan deferments	21,188,716	23,095,086
Deferred outflows of resources – OPEB plan deferments	1,130,602	611,166
Deferred inflows of resources – pension plan deferments	(52,784,805)	(36,968,284)
Deferred inflows of resources – deferred charges on refunding	(1,087,453)	–
Deferred inflows of resources – OPEB plan deferments	(1,326,834)	(1,149,884)
Deferred inflows of resources – unavailable revenue – delinquent taxes receivable	226,845	99,915
Total net position – governmental activities	$ (26,793,480)	$ (28,121,366)

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 197

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

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Revenue			
Local sources			
Property taxes	$ 20,585,572	$ –	$ 9,239,624
Investment earnings (losses)	(961)	25,990	(432)
Other	2,010,576	419,374	–
State sources	53,414,413	–	438
Federal sources	7,790,681	–	–
Total revenue	83,800,281	445,364	9,239,630
Expenditures			
Current			
Administration	2,904,528	–	–
District support services	1,553,947	–	–
Elementary and secondary regular instruction	37,977,967	–	–
Vocational education instruction	619,851	–	–
Special education instruction	16,613,147	–	–
Community education instruction	61,481	–	–
Instructional support services	7,961,078	–	–
Pupil support services	9,198,228	–	–
Sites and buildings	7,302,605	–	–
Fiscal and other fixed cost programs	277,485	–	–
Food service	–	–	–
Community service	–	–	–
Capital outlay	–	4,885,994	–
Debt service			
Principal	1,387,022	–	4,325,000
Interest and fiscal charges	278,670	69,910	5,093,641
Total expenditures	86,136,009	4,955,904	9,418,641
Excess (deficiency) of revenue over expenditures	(2,335,728)	(4,510,540)	(179,011)
Other financing sources (uses)			
Insurance recovery	8,434	–	–
Bonds issued	–	9,995,000	–
Refunding bonds issued	–	–	9,640,000
Premium on debt issued	–	651,656	1,026,926
Payment on refunded debt	–	–	(10,590,000)
Transfers in	–	–	–
Transfers out	–	–	–
Debt issued	837,797	–	–
Total other financing sources (uses)	846,231	10,646,656	76,926
Net change in fund balances	(1,489,497)	6,136,116	(102,085)
Fund balances			
Beginning of year	11,379,709	4,031,287	2,558,021
End of year	$ 9,890,212	$ 10,167,403	$ 2,455,936

See notes to basic financial statements

Nonmajor Funds	Total Governmental Funds 2022	Total Governmental Funds 2021
$ 1,030,392	$ 30,855,588	$ 30,410,646
(350)	24,247	124,439
1,893,825	4,323,775	2,678,251
1,525,632	54,940,483	55,477,389
4,142,263	11,932,944	7,675,473
8,591,762	102,077,037	96,366,198
–	2,904,528	2,765,626
–	1,553,947	1,536,946
–	37,977,967	33,884,644
–	619,851	589,325
–	16,613,147	15,912,876
–	61,481	61,630
–	7,961,078	7,648,322
–	9,198,228	6,698,751
–	7,302,605	9,404,705
–	277,485	246,367
3,262,460	3,262,460	2,283,094
4,471,320	4,471,320	4,230,651
189,658	5,075,652	35,257,108
–	5,712,022	5,232,082
–	5,442,221	5,215,617
7,923,438	108,433,992	130,967,744
668,324	(6,356,955)	(34,601,546)
–	8,434	24,260
–	9,995,000	–
–	9,640,000	–
–	1,678,582	–
–	(10,590,000)	–
–	–	273,333
–	–	(273,333)
–	837,797	906,558
–	11,569,813	930,818
668,324	5,212,858	(33,670,728)
588,576	18,557,593	52,228,321
$ 1,256,900	$ 23,770,451	$ 18,557,593

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INDEPENDENT SCHOOL DISTRICT NO. 197

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

	2022	2021
Total net change in fund balances – governmental funds	$ 5,212,858	$ (33,670,728)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are recorded as net position and the cost is allocated over their estimated useful lives as depreciation/amortization expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase.		
Capital outlays	4,855,329	37,693,271
Depreciation/amortization expense	(4,827,505)	(3,428,391)
The amount of debt issued is reported in the governmental funds as a source of financing. Debt obligations are not revenues in the Statement of Activities, but rather constitute long-term liabilities.	(20,472,797)	(906,558)
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds payable	14,915,000	4,305,000
Financed purchases payable	902,184	927,082
Lease liability	513,352	–
Interest on long-term debt is included in the change in net position as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due.	(161,016)	62,000
Debt issuance premiums and discounts are included in the change in net position as they are amortized over the life of the debt. However, they are included in the change in fund balances upon issuance as other financing sources and uses.	170,368	565,734
Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.		
Compensated absences payable	(24,197)	(31,596)
Net pension liability	20,769,519	(7,537,515)
Severance benefits payable	39,718	80,751
Net OPEB liability	(730,314)	363,316
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the Internal Service Fund is included in the governmental activities in the Statement of Activities.	(1,493,685)	(495,220)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – pension plan deferments	(1,906,370)	(13,497,411)
Deferred outflows of resources – OPEB plan deferments	519,436	(185,131)
Deferred inflows of resources – pension plan deferments	(15,816,521)	17,847,087
Deferred inflows of resources – deferred charges on refunding	(1,087,453)	–
Deferred inflows of resources – OPEB plan deferments	(176,950)	(721,141)
Deferred inflows of resources – delinquent taxes receivable	126,930	(17,518)
Change in net position – governmental activities	$ 1,327,886	$ 1,353,032

See notes to basic financial statements

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INDEPENDENT SCHOOL DISTRICT NO. 197

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

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Final Budget
Revenue				
Local sources				
Property taxes	$ 20,446,764	$ 20,446,764	$ 20,585,572	$ 138,808
Investment earnings (losses)	60,000	60,000	(961)	(60,961)
Other	1,308,000	1,472,973	2,010,576	537,603
State sources	52,832,105	52,548,979	53,414,413	865,434
Federal sources	3,813,092	6,847,756	7,790,681	942,925
Total revenue	78,459,961	81,376,472	83,800,281	2,423,809
Expenditures				
Current				
Administration	2,848,446	2,867,456	2,904,528	37,072
District support services	1,354,683	1,440,133	1,553,947	113,814
Elementary and secondary regular instruction	36,156,990	38,065,209	37,977,967	(87,242)
Vocational education instruction	219,403	230,403	619,851	389,448
Special education instruction	15,428,006	16,062,700	16,613,147	550,447
Community education instruction	–	–	61,481	61,481
Instructional support services	5,751,282	6,281,707	7,961,078	1,679,371
Pupil support services	7,178,702	7,974,776	9,198,228	1,223,452
Sites and buildings	8,109,317	7,720,648	7,302,605	(418,043)
Fiscal and other fixed cost programs	310,000	260,000	277,485	17,485
Debt service				
Principal	670,815	1,405,376	1,387,022	(18,354)
Interest and fiscal charges	17,121	281,130	278,670	(2,460)
Total expenditures	78,044,765	82,589,538	86,136,009	3,546,471
Excess (deficiency) of revenue over expenditures	415,196	(1,213,066)	(2,335,728)	(1,122,662)
Other financing sources				
Insurance recovery	10,000	10,000	8,434	(1,566)
Debt issued	–	–	837,797	837,797
Total other financing sources	10,000	10,000	846,231	836,231
Net change in fund balances	$ 425,196	$ (1,203,066)	(1,489,497)	$ (286,431)
Fund balances				
Beginning of year			11,379,709	
End of year			$ 9,890,212	

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 197

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

	2022	2021
Assets		
Current assets		
Cash and temporary investments	$ 2,559,934	$ 3,917,422
Receivables		
Accounts and interest	5,726	54
Total current assets	2,565,660	3,917,476
Liabilities		
Current liabilities		
Claims incurred, but not reported	708,422	566,553
Net position		
Unrestricted	$ 1,857,238	$ 3,350,923

INDEPENDENT SCHOOL DISTRICT NO. 197

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

	2022	2021
Operating revenue		
Charges for services		
Contributions from governmental funds	$ 12,173,962	$ 11,664,956
Operating expenses		
Health benefit claims	13,084,513	11,610,639
Dental benefit claims	582,709	553,804
Total operating expenses	13,667,222	12,164,443
Operating income (loss)	(1,493,260)	(499,487)
Nonoperating revenue		
Investment earnings (losses)	(425)	4,267
Change in net position	(1,493,685)	(495,220)
Net position		
Beginning of year	3,350,923	3,846,143
End of year	$ 1,857,238	$ 3,350,923

See notes to basic financial statements

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INDEPENDENT SCHOOL DISTRICT NO. 197

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

	2022	2021
Cash flows from operating activities		
Contributions from governmental funds	$ 12,168,290	$ 11,679,727
Payment for health claims	(12,948,521)	(11,657,590)
Payment for dental claims	(576,832)	(552,413)
Net cash flows from operating activities	(1,357,063)	(530,276)
Cash flows from investing activities		
Investment income received (paid)	(425)	4,267
Net change in cash and cash equivalents	(1,357,488)	(526,009)
Cash and cash equivalents		
Beginning of year	3,917,422	4,443,431
End of year	$ 2,559,934	$ 3,917,422
Reconciliation of operating income (loss) to net cash flows from operating activities		
Operating income (loss)	$ (1,493,260)	$ (499,487)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities		
Changes in assets and liabilities		
Accounts receivable	(5,672)	14,771
Claims incurred, but not reported	141,869	(45,560)
Net cash flows from operating activities	$ (1,357,063)	$ (530,276)

INDEPENDENT SCHOOL DISTRICT NO. 197

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

	Post-Employment Benefits Trust Fund	Custodial Fund
Assets		
Cash and temporary investments	$ –	$ 29,404
Minnesota State Board of Investment		
Retirement Money Fund	6,014,168	–
Total assets	6,014,168	29,404
Liabilities		
Due to governmental funds	461,771	–
Net position		
Restricted for other purposes	–	29,404
Restricted for OPEB	5,552,397	–
Total net position	$ 5,552,397	$ 29,404

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

	Post-Employment Benefits Trust Fund	Custodial Fund
Additions		
Contributions		
Private donations	$ –	$ 15,550
Retiree contributions	101,401	–
Investment earnings (losses)	(781,666)	37
Total additions	(680,265)	15,587
Deductions		
Other post-employment benefits	563,172	–
Other deductions	–	14,814
Total deductions	563,172	14,814
Change in net position	(1,243,437)	773
Net position		
Beginning of year	6,795,834	28,631
End of year	$ 5,552,397	$ 29,404

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Independent School District No. 197 (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a seven-member School Board elected by voters of the District to serve four-year terms. The District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

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

Component units are legally separate entities for which the District (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit.

Based on these criteria, there are no organizations considered to be component units of the District.

C. Government-Wide Financial Statement Presentation

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

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

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

The District applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available. For capital assets that can be specifically identified with, or allocated to functional areas, depreciation and amortization expense is included as a direct expense in the functional areas that utilize the related capital assets. For capital assets that essentially serve all functional areas, depreciation and amortization expense is reported as "depreciation/amortization not included in other functions." Interest on debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements. Fiduciary funds are presented in the fiduciary fund financial statements by type. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide financial statements.

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 available if collected within 60 days after year-end. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to funding formulas established by Minnesota Statutes. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within 60 days. Proceeds of long-term debt and acquisitions under leases are reported as other financing sources.

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

Internal service funds are presented in the proprietary fund financial statements. Because the principal users of the internal services are the District's governmental activities, the internal service funds are consolidated into the governmental activities column when presented in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. An internal service fund accounts for the financing of goods or services provided by one department to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The principal operating revenue of the District's internal service fund is charges to other district funds for service. Operating expenses for the internal service fund include the costs of providing services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Description of Funds

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

Major Governmental Funds

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

Capital Projects – Building Construction Fund – The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition or construction of major capital facilities and the District's long-term facilities maintenance (LTFM) program.

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

Nonmajor Governmental Funds

Food Service Special Revenue Fund – The Food Service Special Revenue Fund is used primarily to record financial activities of the District's child nutrition program.

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

Proprietary Funds

Internal Service Funds – Internal service funds account for the financing of goods or services provided by one department to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The District's internal service fund is used to account for dental and health insurance benefits offered by the District to its employees as self-insured plans.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary Funds

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

Custodial Fund – The Custodial Fund is used to account for resources received and held by the District for outside organizations. This fund is used to account for gifts donated for specific purposes.

E. Budgetary Information

Each June, the School Board adopts an annual budget for all governmental funds, except the Capital Projects – Building Construction Fund. The budget for each fund is prepared on the same basis of accounting as the fund financial statements. Legal budgetary control is at the fund level. Budgeted expenditure appropriations lapse at year-end. Expenditures exceeded budgeted amounts in the General Fund totaling $3,546,471 and the Food Service Special Revenue Fund totaling $863,043.

F. Cash and Investments

Cash and temporary investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund. Earnings from investments in the Capital Projects – Building Construction Fund are allocated directly to those accounts.

Cash and investments held by trustee include balances held in segregated accounts that are established for specific purposes. In the Post-Employment Benefits Trust Fund, trust accounts are established to pay other post-employment benefits (OPEB). Interest earned on these investments is allocated directly to those accounts.

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Receivables

All receivables are shown net of any allowance for uncollectibles. No allowances for uncollectibles have been recorded. The only receivables not expected to be fully collected within one year are lease receivable and property taxes receivable.

H. Inventories

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

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are reported using the consumption method and recorded as expenses/expenditures at the time of consumption.

J. Property Taxes

The majority of the District's revenue in the General Fund is determined annually by statutory funding formulas. The total revenue allowed by these formulas is allocated between property taxes and state aids by the Legislature based on education funding priorities.

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes $2,062,205 of property tax levy collectible in 2022 as revenue to the District in fiscal year 2021–2022. The remaining portion of the taxes collectible in 2022 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded at their acquisition value at the date of donation. Leased capital assets are recorded based on the measurement of payments applicable to the lease term. The District maintains a threshold level of $5,000 or more 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 government-wide financial statements, but are not reported in the governmental fund financial statements. Capital assets are depreciated/amortized using the straight-line method over their estimated useful lives. Since assets are sold for an immaterial amount or scrapped when declared as no longer fit or needed for public school purpose by the District, no salvage value is taken into consideration for depreciation and amortization purposes. Useful lives vary from 20 to 50 years for buildings and improvements, and 5 to 20 years for furniture and equipment. Leased assets are amortized over the term of the lease or over the useful life of the applicable asset class previously described, if future ownership is anticipated.

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

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

L. Long-Term Obligations

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

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

M. Compensated Absences Payable

1. **Vacation Pay** – Under the terms of union contracts, certain employees accrue vacation at varying rates, portions of which may be carried over to future years. Employees are reimbursed for any unused, accrued vacation and related benefits upon termination. Vacation pay is accrued when incurred in the government-wide financial statements. Vacation pay is accrued in the governmental fund financial statements only when used or matured, due to employee termination or similar circumstances.

2. **Sick Pay** – Substantially all district employees are entitled to sick leave at various rates. For certain bargaining units, unused sick leave enters into the calculation of an employee’s severance upon termination.

These obligations are paid by the General Fund, Food Service Special Revenue Fund, and Community Service Special Revenue Fund.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Severance Benefits

The District provides lump sum severance pay benefits to eligible employees in accordance with provisions in certain collectively bargained contracts. Eligibility for these benefits is based on years of service and/or minimum age requirements. Severance benefits are calculated by converting a portion of an eligible employee's unused accumulated sick leave. No individual can receive severance benefits in excess of one year's salary. Members of certain employee groups may elect to receive district matching contributions paid into tax deferred matching contribution plans. Retirement benefits for certain employee groups are paid into a post-employment tax sheltered annuity account.

Severance payable and the District's share of related benefits are recorded as a liability in the government-wide financial statements as it is earned and it becomes probable that it will vest at some point in the future. Severance pay is accrued in the governmental fund financial statements when the liability matures, due to employee termination.

O. State-Wide Pension Plans

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

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

P. Other Post-Employment Benefits (OPEB) Plan

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Deferred Outflows/Inflows of Resources

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

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

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

The District also reports deferred inflows of resources related to deferred charges on refunding 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.

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

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

R. Net Position

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Fund Balance Classifications

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

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

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

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

- **Assigned** – Consists of internally imposed constraints. These constraints consist of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority.

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

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

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

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 amounts reported in the financial statements during the reporting period. Actual results could differ from those estimates.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. Risk Management and Self-Insurance

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

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

The District makes premium payments that include both employer and employee contributions to the internal service funds on behalf of program participants based on rates determined by insurance company estimates of monthly claims paid for each coverage class, plus the stop-loss health insurance premium costs and administrative service charges.

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

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

Year Ended June 30,	Claim Liability – Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments	Claim Liability – End of Year
2021	$ 18,029	$ 553,804	$ 552,413	$ 19,420
2022	$ 19,420	$ 582,709	$ 576,832	$ 25,297

Changes in the balance of health claim liabilities for the last two years were as follows:

Year Ended June 30,	Claim Liability – Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments	Claim Liability – End of Year
2021	$ 594,084	$ 11,610,639	$ 11,657,590	$ 547,133
2022	$ 547,133	$ 13,084,513	$ 12,948,521	$ 683,125

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

V. Prior Period Comparative Financial Information/Reclassification

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

W. Change in Accounting Principle

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

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the School Board, including checking accounts, savings accounts, and nonnegotiable certificates of deposit.

The following is considered the most significant risk associated with deposits:

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

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

At year-end, the carrying amount of the District's deposits was $55,860 and the balance on the bank records was $72,355. At June 30, 2022, all deposits were insured or collateralized by securities held by the District's agent in the District's name.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

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

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

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

Post-Employment Benefits Trust Fund – This fund represents investments administered by the District's Post-Employment Benefits Trust Fund investment managers. The District's investment policy, discussed previously, extends to the Post-Employment Benefits Trust Fund investments.

Minnesota Statutes authorize the Post-Employment Benefits Trust Fund to invest in obligations of the U.S. treasury, agencies, and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the state of Minnesota or its municipalities, bankers' acceptances, future contracts, corporate bonds, common stock and foreign stock of the highest quality, mutual funds, repurchase and reverse agreements, and commercial paper of the highest quality with a maturity no longer than 270 days and in the Minnesota State Board of Investment. Investments are stated at amortized cost methods that approximate fair value.

Concentration Risk – This is the risk associated with investing a significant portion of the District's investments (considered 5.0 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The District's investment policy does not address concentration risk.

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

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

The following table presents the District's deposit and investment balances at June 30, 2022, and information relating to potential investment risks:

Investment/Deposit	Credit Risk – Credit Rating	Credit Risk – Rating Agency	Fair Value Measurements Using	Interest Rate Risk – Maturity Duration in Years – Less Than 1	Interest Rate Risk – Maturity Duration in Years – 1 to 5	Total
U.S. treasuries	AAA	S&P	Level 1	$ 5,986,974	$ –	$ 5,986,974
Negotiable certificates of deposits	N/R	N/A	Level 2	$ –	$ 248,744	248,744
Investment pools/mutual funds						
Minnesota School District Liquid Asset Fund (MSDLAF)						
Liquid Class	AAA	S&P	Amortized cost	N/A	N/A	1,695,942
MAX Class	AAA	S&P	Amortized cost	N/A	N/A	9,475,930
MSDLAF Term Series	AAA	Fitch	Amortized cost	$ 14,500,000	$ –	14,500,000
Minnesota State Board of Investment Retirement Money Fund	N/R	N/A	Amortized cost	N/A	N/A	6,014,118
MNTrust Full Flex	N/R	N/A	Amortized cost	N/A	N/A	4,005,637
MNTrust Investment Shares Portfolio	AAA	S&P	Amortized cost	N/A	N/A	135,730
Total investments						42,063,075
Deposits						55,860
Total cash and investments						$ 42,118,935

N/A – Not Applicable
N/R – Not Rated

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

Statement of Net Position	
Cash and temporary investments	$ 36,075,363
Statement of Fiduciary Net Position	
Cash and investments held by trustee – Post-Employment Benefits Trust Fund	6,014,168
Cash and temporary investments – Custodial Fund	29,404
Total cash and investments	$ 42,118,935

The amount in investment pools/mutual funds includes amounts invested in the MNTrust Investment Shares Portfolio (MNTrust), MNTrust Full Flex, the Minnesota School District Liquid Asset Fund (MSDLAF), and the Minnesota State Board of Investment Retirement Money Fund, which are external investment pools regulated by Minnesota Statutes not registered with the Securities and Exchange Commission. The District's investments in these investment pools are measured at the net asset value per share provided by the pools, which are based on amortized cost methods that approximate fair value.

There are no restrictions or limitations on withdrawals from the MNTrust Investment Shares Portfolio, the MSDLAF Liquid Class, or the Minnesota State Board of Investment Retirement Money Fund. Investments in the MSDLAF MAX Class must be deposited for a minimum of 14 calendar days with the exception of direct investments of funds distributed by the state of Minnesota. Withdrawals prior to the 14-day restriction period may be subject to a penalty and there is a 24-hour hold on all requests for redemptions. Investments in the MNTrust Full Flex investments can be withdrawn weekly with one day's advance notice. MSDLAF Term Series investments have an early redemption penalty.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

The District's investment policy allows the District to invest within the various accounts of the Supplemental Investment Fund, as administered by the Minnesota State Board of Investment. Investments held in the external investment pools of the Supplemental Investment Fund are presented in the table on the previous page and in the Post-Employment Benefits Trust Fund in the Statement of Fiduciary Net Position.

NOTE 3 – LEASE RECEIVABLE

The District has entered into a lease receivable agreement for cell tower rental space on district property. The lease is reported using an incremental rate of 3.72 percent with a final maturity in fiscal 2052. During the current year, the District received principal and interest payments on this lease of $36,280.

NOTE 4 – CAPITAL ASSETS

Capital assets and accumulated depreciation and amortization activity for the year ended June 30, 2022 is as follows:

	Balance – Beginning of Year	Change in Accounting Principle*	Additions	Deletions	Completed Construction	Balance – End of Year
Capital assets, not depreciated/amortized						
Land	$ 1,098,730	$ –	$ –	$ –	$ –	$ 1,098,730
Construction in progress	79,735,095	–	4,457,470	–	(72,189,899)	12,002,666
Total capital assets, not depreciated/amortized	80,833,825	–	4,457,470	–	(72,189,899)	13,101,396
Capital assets, depreciated/amortized						
Buildings and improvements	150,616,090	–	152,040	–	72,122,099	222,890,229
Leased buildings and improvements	–	7,242,910	–	–	–	7,242,910
Furniture and equipment	13,877,478	–	245,819	–	67,800	14,191,097
Leased furniture and equipment	–	306,891	–	–	–	306,891
Total capital assets, depreciated/amortized	164,493,568	7,549,801	397,859	–	72,189,899	244,631,127
Less accumulated depreciation/amortization for						
Buildings and improvements	(68,657,368)	–	(3,582,560)	–	–	(72,239,928)
Leased buildings and improvements	–	–	(527,144)	–	–	(527,144)
Furniture and equipment	(9,917,620)	–	(564,356)	–	–	(10,481,976)
Leased furniture and equipment	–	–	(153,445)	–	–	(153,445)
Total accumulated depreciation/amortization	(78,574,988)	–	(4,827,505)	–	–	(83,402,493)
Net capital assets, depreciated/amortized	85,918,580	7,549,801	(4,429,646)	–	72,189,899	161,228,634
Total capital assets, net	$ 166,752,405	$ 7,549,801	$ 27,824	$ –	$ –	$ 174,330,030

*The change in accounting principle relates to the implementation of the lease standard in the current year.

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

Administration	$ 5,546
District support services	15,917
Elementary and secondary regular instruction	733,716
Vocational education instruction	3,303
Instructional support services	2,233
Pupil support services	166,984
Food service	323,182
Depreciation/amortization not included in other functions	3,576,624
Total depreciation/amortization expense	$ 4,827,505

NOTE 5 – LONG-TERM LIABILITIES

A. General Obligation Bonds Payable

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

Issue	Issue Date	Interest Rate	Face/Par Value	Final Maturity	Principal Outstanding
2015 Building Bonds	02/12/2015	2.00%	$ 3,275,000	02/01/2025	$ 1,935,000
2018 School Building Bonds	07/12/2018	2.00–5.00%	$ 155,760,000	02/01/2041	114,860,000
2021 Refunding Bonds	11/04/2021	5.00%	$ 9,640,000	02/01/2025	9,640,000
2022 Facilities Maintenance Bonds	03/03/2022	4.00%	$ 9,995,000	02/01/2037	9,995,000
Total general obligation bonds payable					$ 136,430,000

General Obligation School Building, Refunding Bonds, and Facilities Maintenance – These bonds were issued to finance acquisition and/or construction of capital facilities, refinance (refund) previous bond issues, or facilities maintenance. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated for the retirement of these bonds. The annual future debt service levies authorized are equal to 105 percent of the principal and interest due each year. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

On November 4, 2021, the District issued $9,640,000 General Obligation School Building Refunding Bonds, Series 2021B. These bonds were issued to refund the remaining outstanding obligations of the 2012A General Obligation School Building Bonds totaling $10,590,000. This refunding reduced the District's total future debt service payments by $600,849 and resulted in present value savings of $592,473.

B. Financed Purchases Payable

The District is obligated under financed purchase agreements for vans, buses, and technology equipment. The agreements call for periodic principal and interest payments through July 2025 and are being paid through the General Fund. The District currently has the following financed purchase agreements outstanding:

Financed Purchases Description	Interest Rate	Issue Date	Final Maturity	Principal Outstanding
Computers	1.20%	03/08/2019	07/15/2022	$ 114,374
Computers	1.92%	12/05/2019	07/15/2024	452,854
Computers	3.17%	01/19/2021	07/09/2024	466,824
Computers	3.17%	12/20/2021	07/01/2025	837,797
Bus	3.50%	07/12/2018	08/01/2023	303,889
Vans	4.75%	09/11/2020	09/11/2023	121,701
Total financed purchases payable				$ 2,297,439

If the District fails to make the specified rental payments or otherwise defaults on these agreements, the debtor may 1) enter the property and take possession without such possession and the rent due under this agreement, 2) exclude the District from possession of the property and attempt to sell or again lease the property, holding the District responsible for the rent due under this agreement until the property is sold or leased again, or 3) take legal action to force performance under the terms of the agreement.

NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

C. Lease Liability

The District has obtained the use of certain equipment and building space through lease financing agreements. The total amount of underlying lease assets by major classes and the related accumulated amortization is presented in Note 4 to the basic financial statements. Annual principal and interest on these agreements will be paid from the General Fund. The agreements are secured by the original property. The lessor also may repossess the property and seek full recovery of the losses upon default. The District currently has the following lease liability obligations outstanding:

Lease Description	Interest Rate	Lease Date	Final Maturity	Principal Outstanding
ALC	3.36%	09/01/2017	08/01/2027	$ 1,042,109
ELC	3.72%	02/18/2015	12/01/2037	5,842,037
Bus	2.95%	10/04/2018	10/01/2022	152,303
Total lease liability				$ 7,036,449

D. Other Long-Term Liabilities

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

District employees participate in two defined benefit pension plans, including two state-wide, cost-sharing, multiple-employer plans administered by the PERA and the TRA. The following is a summary of the net pension liabilities, deferred outflows and inflows of resources, and pension expense reported for these plans as of and for the year ended June 30, 2022:

Pension Plans	Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
State-wide, multiple-employer – PERA	$ 7,733,781	$ 6,013,254	$ 7,228,251	$ (67,270)
State-wide, multiple-employer – TRA	26,340,945	15,175,462	45,556,554	1,171,891
Total	$ 34,074,726	$ 21,188,716	$ 52,784,805	$ 1,104,621

NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

E. Minimum Debt Payments

Minimum annual principal and interest payments to maturity for general obligation bonds, leases, and financed purchases are as follows:

Year Ending June 30,	General Obligation Bonds Principal	General Obligation Bonds Interest	Lease Liability Principal	Lease Liability Interest	Financed Purchases Principal	Financed Purchases Interest
2023	$ 4,270,000	$ 5,342,534	$ 529,848	$ 250,812	$ 836,533	$ 48,136
2024	5,140,000	5,058,673	410,207	232,299	724,506	44,420
2025	5,375,000	4,826,623	444,320	217,153	522,052	21,685
2026	5,815,000	4,583,523	479,943	200,767	214,348	6,894
2027	6,090,000	4,298,823	517,137	183,083	–	–
2028–2032	34,415,000	17,533,413	1,834,115	704,360	–	–
2033–2037	40,730,000	11,218,368	2,520,501	306,711	–	–
2038–2042	34,595,000	3,496,805	300,378	3,277	–	–
	$ 136,430,000	$ 56,358,759	$ 7,036,449	$ 2,098,462	$ 2,297,439	$ 121,135

F. Changes in Long-Term Liabilities

	June 30, 2021	Change in Accounting Principle*	Additions	Retirements	June 30, 2022	Due Within One Year
General obligation bonds payable	$ 131,710,000	$ –	$ 19,635,000	$ 14,915,000	$ 136,430,000	$ 4,270,000
Premium on bonds payable	5,598,929	–	1,678,582	1,848,950	5,428,561	–
Lease liability	–	7,549,801	–	513,352	7,036,449	529,848
Financed purchases payable	2,361,826	–	837,797	902,184	2,297,439	836,533
Net pension liability	54,844,245	–	7,889,021	28,658,540	34,074,726	–
Net OPEB liability	5,198,592	–	741,042	10,728	5,928,906	–
Severance benefits payable	249,717	–	57,406	97,124	209,999	17,430
Compensated absences payable	416,655	–	440,852	416,655	440,852	440,852
	$ 200,379,964	$ 7,549,801	$ 31,279,700	$ 47,362,533	$ 191,846,932	$ 6,094,663

*The change in accounting principle relates to the implementation of the lease standard in the current year.

NOTE 6 – FUND BALANCES

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

A. Classifications

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Nonmajor Funds	Total
Nonspendable					
Prepaid items	$ 297,594	$ –	$ –	$ –	$ 297,594
Inventory	64,071	–	–	28,419	92,490
Total nonspendable	361,665	–	–	28,419	390,084
Restricted					
Student activities	150,445	–	–	–	150,445
Staff development	526,316	–	–	–	526,316
Operating capital	702,807	–	–	–	702,807
Medical Assistance	793,300	–	–	–	793,300
Long-term facilities maintenance	832,307	–	–	–	832,307
Capital projects	–	10,167,403	–	–	10,167,403
General debt service	–	–	2,455,936	–	2,455,936
Food service	–	–	–	556,082	556,082
Community education	–	–	–	189,740	189,740
Community service programs	–	–	–	465,504	465,504
Early childhood family education	–	–	–	17,155	17,155
Total restricted	3,005,175	10,167,403	2,455,936	1,228,481	16,856,995
Assigned					
Subsequent year's budget	1,088,076	–	–	–	1,088,076
Unassigned	5,435,296	–	–	–	5,435,296
Total	$ 9,890,212	$ 10,167,403	$ 2,455,936	$ 1,256,900	$ 23,770,451

B. Minimum Unrestricted Fund Balance Policy

The School Board has formally adopted a fund balance policy that states the School Board will maintain an unrestricted fund balance (all fund balances not restricted) as of June 30 each year at a minimum of 8.0 percent of the District's General Fund operating expenditure budget. At June 30, 2022, the unrestricted fund balance as a percentage of current year expenditures (excluding capital-related expenditures) is 8.7 percent.

When the unrestricted (all fund balances not restricted) fund balance is projected to decrease below 8.0 percent of the General Fund operating expenditures budget, the District shall initiate one or more of the following measures to ensure that the year-end General Fund unrestricted fund balance for the budget year in question does not fall below 8.0 percent:

1. Reduce expenditures through implementation of cost-containment measures.
2. Seek opportunities to increase revenue.
3. Develop and initiate a plan to achieve an 8.0 percent unrestricted fund balance over a designated period of time.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Descriptions

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

1. General Employees Retirement Fund (GERF)

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

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

2. Teachers Retirement Association (TRA)

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

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

B. Benefits Provided

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

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

1. GERF Benefits

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

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

2. TRA Benefits

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

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

Tier I Benefits

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

With these provisions:

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

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

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

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

Tier II Benefits

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

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

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

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

C. Contributions

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

1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Coordinated Plan members were required to contribute 6.5 percent of their annual covered salary in fiscal year 2022 and the District was required to contribute 7.5 percent for Coordinated Plan members. The District's contributions to the GERF for the year ended June 30, 2022, were $1,055,201. The District's contributions were equal to the required contributions as set by state statutes.

2. TRA Contributions

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

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

The District's contributions to the TRA for the plan's fiscal year ended June 30, 2022, were $3,102,809. The District's contributions were equal to the required contributions for each year as set by state statutes.

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

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

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

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

D. Pension Costs

1. GERF Pension Costs

At June 30, 2022, the District reported a liability of $7,733,781 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the state of Minnesota's contribution of $16 million. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the District totaled $236,135. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021, relative to the total employer contributions received from all of the PERA's participating employers. The District's proportionate share was 0.1811 percent at the end of the measurement period and 0.1834 percent for the beginning of the period.

District's proportionate share of the net pension liability	$	7,733,781
State's proportionate share of the net pension liability associated with the District	$	236,135

For the year ended June 30, 2022, the District recognized negative pension expense of $86,322 for its proportionate share of the GERF's pension expense. In addition, the District recognized an additional $19,052 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's pension expense for the annual $16 million contribution.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 83,925	$ 237,023
Changes in actuarial assumptions	4,722,088	171,599
Net collective difference between projected and actual investment earnings	–	6,687,083
Changes in proportion	152,040	132,546
District's contributions to the GERF subsequent to the measurement date	1,055,201	–
Total	$ 6,013,254	$ 7,228,251

The $1,055,201 reported as deferred outflows of resources related to pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2023	$ (316,769)
2024	$ (72,458)
2025	$ (91,384)
2026	$ (1,789,587)

2. TRA Pension Costs

At June 30, 2022, the District reported a liability of $26,340,945 for its proportionate share of the TRA's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the TRA in relation to total system contributions, including direct aid from the state of Minnesota, City of Minneapolis, Minneapolis Public Schools. The District's proportionate share was 0.6019 percent at the end of the measurement period and 0.5935 percent for the beginning of the period.

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

District's proportionate share of the net pension liability	$ 26,340,945
State's proportionate share of the net pension liability associated with the District	$ 2,221,687

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

For the year ended June 30, 2022, the District recognized pension expense of $1,196,767. It also recognized $24,876 as a decrease to pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 703,473	$ 731,505
Changes in actuarial assumptions	9,652,592	22,729,074
Net collective difference between projected and actual investment earnings on pension plan investments	–	22,095,975
Changes in proportion	1,716,588	–
District's contributions to the TRA subsequent to the measurement date	3,102,809	–
Total	$ 15,175,462	$ 45,556,554

A total of $3,102,809 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2023	$ (16,177,540)
2024	$ (12,534,230)
2025	$ (2,905,867)
2026	$ (3,829,018)
2027	$ 1,962,754

E. Long-Term Expected Return on Investment

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

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

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

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Assumptions	GERF	TRA
Inflation	2.25%	2.50%
Wage growth rate		2.85% before July 1, 2028, and 3.25% thereafter
Projected salary increase	3.00%	
Active member payroll growth		2.85% to 8.85% before July 1, 2028, and 3.25% to 9.25% thereafter
Investment rate of return	6.50%	7.50%

1. GERF

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

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

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

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

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

2. TRA

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

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

The following changes in actuarial assumptions occurred in 2021:

1. **GERF**

   CHANGES IN ACTUARIAL ASSUMPTIONS

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

2. **TRA**

   CHANGES IN ACTUARIAL ASSUMPTIONS

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

G. Discount Rate

1. **GERF**

   The discount rate used to measure the total pension liability in 2022 was 6.50 percent. The discount rate used to measure the total pension liability at the prior measurement date was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the GERF was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

2. **TRA**

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

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

H. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
GERF discount rate	5.50%	6.50%	7.50%
District's proportionate share of the GERF net pension liability	$ 15,772,966	$ 7,733,781	$ 1,137,140
TRA discount rate	6.00%	7.00%	8.00%
District's proportionate share of the TRA net pension liability	$ 53,209,988	$ 26,340,945	$ 4,306,185

I. Pension Plan Fiduciary Net Position

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

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

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

A. Plan Description

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

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

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

B. Benefits Provided

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

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

C. Contributions

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the District.

D. Membership

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

Retirees and beneficiaries receiving benefits	44
Active plan members	826
Total members	870

E. Net OPEB Liability of the District

The District's net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2020. The components of the net OPEB liability of the District at year-end were as follows:

Total OPEB liability	$ 11,481,303
Plan fiduciary net position	(5,552,397)
District's net OPEB liability	$ 5,928,906
Plan fiduciary net position as a percentage of the total OPEB liability	48.4%

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

F. Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2020 with a measurement date of June 30, 2022, using the entry-age method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.70%
Expected long-term investment return	3.00% (net of investment expenses)
20-year municipal bond yield	3.80%
Inflation rate	2.50%
Salary increases	Service graded table
Medical trend rate	6.25% 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 with MP-2019 Generational Improvement Scale.

The actuarial assumptions used in the latest valuation were based on those used to value pension liabilities for Minnesota school district employees. The state pension plans base their assumptions on periodic experience studies.

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

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Cash	2.00 %	3.00 %
Fixed income	98.00	3.00 %
Total	100.00 %	3.00 %

G. Rate of Return

For the current year ended, the annual money-weighted rate of return on investments, net of investment expense, was (11.5) percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

H. Discount Rate

The discount rate used to measure the total OPEB liability was 3.70 percent. The projection of cash flows used to determine the discount rate was determined by projecting forward the fiduciary net position (assets) as of the valuation date, increasing by the investment return assumption, and reducing by benefit payments in each period until assets are exhausted. Expected benefit payments by year were discounted using the expected asset return assumptions for the years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the 20-year municipal bond rate. The equivalent single rate is the discount rate. The contribution and benefit payment history, as well as the funding policy have also been taken into account. The District discount rate used in the prior measurement date was 2.30 percent.

I. Changes in the Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a-b)
Beginning balance – July 1, 2021	$ 11,994,426	$ 6,795,834	$ 5,198,592
Changes for the year			
Service cost	657,323	–	657,323
Interest	281,670	–	281,670
Assumption changes	(637,131)	–	(637,131)
Contributions – district and member	–	353,214	(353,214)
Net investment income	–	(780,767)	780,767
Benefit payments – paid through trust	(563,172)	(563,172)	–
Benefit payments – district and member-financed	(251,813)	(251,813)	–
Administrative expenses	–	(899)	899
Total net changes	(513,123)	(1,243,437)	730,314
Ending balance – June 30, 2022	$ 11,481,303	$ 5,552,397	$ 5,928,906

Assumption changes since the prior measurement date include the following:

- The discount rate was changed from 2.30 percent to 3.70 percent.
- The healthcare trend rates, mortality tables, and salary increase rates were updated.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

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

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

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
OPEB discount rate	2.70%	3.70%	4.70%
Net OPEB liability	$ 6,489,050	$ 5,928,906	$ 5,374,156

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

	1% Decrease in Healthcare Cost Trend Rate	Healthcare Cost Trend Rate	1% Increase in Healthcare Cost Trend Rate
OPEB medical trend rate	5.25% decreasing to 4.00% then 3.00%	6.25% decreasing to 5.00% then 4.00%	7.25% decreasing to 6.00% then 5.00%
Net OPEB liability	$ 4,927,888	$ 5,928,906	$ 7,084,609

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

For the current year ended, the District recognized OPEB expense of $741,042. As of year-end, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 138,437	$ 535,606
Changes in actuarial assumptions	287,598	791,228
Difference between projected and actual investment earnings	704,567	–
	$ 1,130,602	$ 1,326,834

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

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

Year Ending June 30,	OPEB Expense Amount
2023	$ (47,798)
2024	$ 62,003
2025	$ (5,534)
2026	$ (98,717)
2027	$ (106,186)

NOTE 9 – FLEXIBLE BENEFIT PLAN

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

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

The Plan is being administered by an independent contract administrator for healthcare and dependent care expense reimbursements. The District holds contributions to the Plan for healthcare and dependent care expense reimbursements until requests for reimbursement of claims are received from the administrator. The District withholds amounts from employee payroll checks equal to the amount of the health insurance premiums owing and makes the claim payments when due. The accounting for the activities of the flexible benefit plan is included within the General Fund.

All property of the Plan and income attributable to that property is solely the property of the District, subject to the claims of the District's general creditors. Participants' rights under the Plan are equal to those of general creditors of the District in an amount equal to eligible healthcare and dependent care expenses incurred by the participants. The District believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

NOTE 10 – INTERFUND TRANSACTIONS

At June 30, 2022, the District's General Fund had an interfund receivable of $461,771 from the Post-Employment Benefits Trust Fund, representing post-employment benefit costs to be reimbursed. Such interfund balances are reported in the fund financial statements, but are eliminated as necessary in the government-wide financial statements.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

A. Federal and State Receivables

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

B. Legal Contingencies

The District is a defendant in various lawsuits. Although the outcomes of these claims are not presently determinable, the District believes that the resolution of these matters will not have a material adverse effect on its financial position.

C. Construction Commitments

At June 30, 2022, the District had commitments totaling $5,928,703 under various construction contracts for which the work was not yet completed.

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REQUIRED SUPPLEMENTARY INFORMATION

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

District Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.1877%	$ 8,817,206	$ –	$ 8,817,206	$ 9,854,575	89.47%	78.70%
06/30/2016	06/30/2015	0.1749%	$ 9,064,226	$ –	$ 9,064,226	$ 10,271,570	88.25%	78.20%
06/30/2017	06/30/2016	0.1754%	$ 14,241,610	$ 186,010	$ 14,427,620	$ 10,873,967	130.97%	68.90%
06/30/2018	06/30/2017	0.1875%	$ 11,969,877	$ 150,528	$ 12,120,405	$ 12,092,570	98.99%	75.90%
06/30/2019	06/30/2018	0.1800%	$ 9,985,663	$ 327,540	$ 10,313,203	$ 12,099,942	82.53%	79.50%
06/30/2020	06/30/2019	0.1779%	$ 9,835,694	$ 305,820	$ 10,141,514	$ 12,534,528	78.47%	80.20%
06/30/2021	06/30/2020	0.1834%	$ 10,995,670	$ 339,147	$ 11,334,817	$ 13,081,579	84.05%	79.10%
06/30/2022	06/30/2021	0.1811%	$ 7,733,781	$ 236,135	$ 7,969,916	$ 13,029,660	59.36%	87.00%

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

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	$ 758,311	$ 758,311	$ –	$ 10,271,570	7.38%
06/30/2016	$ 815,665	$ 815,665	$ –	$ 10,873,967	7.50%
06/30/2017	$ 906,034	$ 906,034	$ –	$ 12,092,570	7.49%
06/30/2018	$ 907,687	$ 907,687	$ –	$ 12,099,942	7.50%
06/30/2019	$ 943,550	$ 943,550	$ –	$ 12,534,528	7.53%
06/30/2020	$ 981,011	$ 981,011	$ –	$ 13,081,579	7.50%
06/30/2021	$ 977,752	$ 977,752	$ –	$ 13,029,660	7.50%
06/30/2022	$ 1,055,201	$ 1,055,201	$ –	$ 14,068,068	7.50%

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

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

District Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.5808%	$ 26,762,846	$ 1,882,856	$ 28,645,702	$ 26,507,780	100.96%	81.50%
06/30/2016	06/30/2015	0.5457%	$ 33,756,942	$ 4,140,372	$ 37,897,314	$ 27,692,813	121.90%	76.80%
06/30/2017	06/30/2016	0.5630%	$134,288,933	$ 13,478,876	$147,767,809	$ 29,277,163	458.68%	44.88%
06/30/2018	06/30/2017	0.5736%	$114,500,965	$ 11,067,595	$125,568,560	$ 30,871,242	370.90%	51.57%
06/30/2019	06/30/2018	0.5760%	$ 36,178,191	$ 3,398,960	$ 39,577,151	$ 31,834,936	113.64%	78.07%
06/30/2020	06/30/2019	0.5873%	$ 37,434,625	$ 3,312,985	$ 40,747,610	$ 33,354,525	112.23%	78.21%
06/30/2021	06/30/2020	0.5935%	$ 43,848,575	$ 3,674,426	$ 47,523,001	$ 34,486,820	127.15%	75.48%
06/30/2022	06/30/2021	0.6019%	$ 26,340,945	$ 2,221,687	$ 28,562,632	$ 36,020,598	73.13%	86.63%

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

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	$ 2,076,970	$ 2,076,970	$ –	$ 27,692,813	7.50%
06/30/2016	$ 2,196,169	$ 2,196,169	$ –	$ 29,277,163	7.50%
06/30/2017	$ 2,315,946	$ 2,315,946	$ –	$ 30,871,242	7.50%
06/30/2018	$ 2,386,227	$ 2,386,227	$ –	$ 31,834,936	7.50%
06/30/2019	$ 2,570,756	$ 2,570,756	$ –	$ 33,354,525	7.71%
06/30/2020	$ 2,731,306	$ 2,731,306	$ –	$ 34,486,820	7.92%
06/30/2021	$ 2,928,390	$ 2,928,390	$ –	$ 36,020,598	8.13%
06/30/2022	$ 3,102,809	$ 3,102,809	$ –	$ 37,201,636	8.34%

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

INDEPENDENT SCHOOL DISTRICT NO. 197

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

	District Fiscal Year-End Date					
	2017	2018	2019	2020	2021	2022
Total OPEB liability						
Service cost	$ 578,701	$ 559,908	$ 647,717	$ 729,958	$ 777,727	$ 657,323
Interest	346,801	345,050	387,196	380,936	328,179	281,670
Assumption changes	–	(228,427)	360,798	334,669	(333,280)	(637,131)
Plan changes	–	–	(11,941)	–	–	–
Differences between expected and actual experience	–	–	415,313	–	(803,410)	–
Benefit payments	(919,592)	(1,010,675)	(648,524)	(662,964)	(644,437)	(814,985)
Net change in total OPEB liability	5,910	(334,144)	1,150,559	782,599	(675,221)	(513,123)
Total OPEB liability – beginning of year	11,064,723	11,070,633	10,736,489	11,887,048	12,669,647	11,994,426
Total OPEB liability – end of year	11,070,633	10,736,489	11,887,048	12,669,647	11,994,426	11,481,303
Plan fiduciary net position						
Contributions	283,418	477,763	361,279	363,399	243,275	353,214
Investment earnings	71,748	(23,106)	587,341	575,129	90,202	(780,767)
Benefit payments	(919,592)	(1,010,675)	(648,524)	(662,964)	(644,437)	(814,985)
Administrative expenses	–	(884)	(500)	(500)	(945)	(899)
Net change in plan fiduciary net position	(564,426)	(556,902)	299,596	275,064	(311,905)	(1,243,437)
Plan fiduciary net position – beginning of year	7,654,407	7,089,981	6,533,079	6,832,675	7,107,739	6,795,834
Plan fiduciary net position – end of year	7,089,981	6,533,079	6,832,675	7,107,739	6,795,834	5,552,397
Net OPEB liability	$ 3,980,652	$ 4,203,410	$ 5,054,373	$ 5,561,908	$ 5,198,592	$ 5,928,906
Fiduciary net position as a percentage of the total OPEB liability	64.04%	60.85%	57.48%	56.10%	56.66%	48.36%
Covered-employee payroll	$ 37,814,873	$ 38,949,319	$ 42,887,513	$ 44,174,138	$ 42,543,012	$ 43,819,302
Net OPEB liability as a percentage of covered-employee payroll	10.53%	10.79%	11.79%	12.59%	12.22%	13.53%

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

INDEPENDENT SCHOOL DISTRICT NO. 197

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

Year	Annual Money-Weighted Rate of Return, Net of Investment Expense
2017	0.9 %
2018	(0.3) %
2019	9.0 %
2020	8.4 %
2021	1.3 %
2022	(11.5) %

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

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PERA – GENERAL EMPLOYEES RETIREMENT FUND

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2020 CHANGES IN PLAN PROVISIONS

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

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

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

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2019 CHANGES IN PLAN PROVISIONS

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

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN PLAN PROVISIONS

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

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2017 CHANGES IN PLAN PROVISIONS

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

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2015 CHANGES IN PLAN PROVISIONS

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

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

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

TEACHERS RETIREMENT ASSOCIATION (TRA)

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN PLAN PROVISIONS

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

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

TEACHERS RETIREMENT ASSOCIATION (TRA) (CONTINUED)

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2015 CHANGES IN PLAN PROVISIONS

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

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

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

OTHER POST-EMPLOYMENT BENEFITS PLAN

2022 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 2.30 percent to 3.70 percent.
- The healthcare trend rates, mortality tables, and salary increase rates were updated.

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 2.50 percent to 2.30 percent.
- The healthcare trend rates, mortality tables, and salary increase rates were updated.

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.10 percent to 2.50 percent.
- The expected long-term investment return was changed from 3.50 percent to 3.90 percent.

2019 CHANGES IN PLAN PROVISIONS

- The subsidized teachers’ benefit increased to $28,000 and the benefit offset (cumulative employer matching contributions) also increased.
- The principals’ life insurance amount increased to $300,000.
- The new superintendent does not have a post-employment subsidized benefit.

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale, to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The discount rate was changed from 3.50 percent to 3.10 percent.
- The expected long-term investment return was changed from 3.40 percent to 3.50 percent.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The expected long-term investment return was changed from 3.70 percent to 3.40 percent.
- The discount rate was changed from 3.10 percent to 3.50 percent.

SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 197

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

	Special Revenue Funds		
	Food Service	Community Service	Total
Assets			
Cash and temporary investments	$ 696,886	$ 1,136,115	$ 1,833,001
Receivables			
Current taxes	–	586,133	586,133
Delinquent taxes	–	12,362	12,362
Accounts and interest	1,043	230,291	231,334
Due from other governmental units	–	140,411	140,411
Inventory	28,419	–	28,419
Total assets	$ 726,348	$ 2,105,312	$ 2,831,660
Liabilities			
Salaries and compensated absences payable	$ 49,219	$ 95,008	$ 144,227
Accounts and contracts payable	92,628	108,853	201,481
Due to other governmental units	–	32,010	32,010
Unearned revenue	–	89,577	89,577
Total liabilities	141,847	325,448	467,295
Deferred inflows of resources			
Property taxes levied for subsequent year	–	1,100,399	1,100,399
Unavailable revenue – delinquent taxes	–	7,066	7,066
Total deferred inflows of resources	–	1,107,465	1,107,465
Fund balances			
Nonspendable	28,419	–	28,419
Restricted	556,082	672,399	1,228,481
Total fund balances	584,501	672,399	1,256,900
Total liabilities, deferred inflows of resources, and fund balances	$ 726,348	$ 2,105,312	$ 2,831,660

INDEPENDENT SCHOOL DISTRICT NO. 197

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

	Special Revenue Funds		
	Food Service	Community Service	Total
Revenue			
Local sources			
Property taxes	$ –	$ 1,030,392	$ 1,030,392
Investment earnings (losses)	(69)	(281)	(350)
Other	95,893	1,797,932	1,893,825
State sources	75,948	1,449,684	1,525,632
Federal sources	3,863,747	278,516	4,142,263
Total revenue	4,035,519	4,556,243	8,591,762
Expenditures			
Current			
Food service	3,262,460	–	3,262,460
Community service	–	4,471,320	4,471,320
Capital outlay	188,558	1,100	189,658
Total expenditures	3,451,018	4,472,420	7,923,438
Net change in fund balances	584,501	83,823	668,324
Fund balances			
Beginning of year	–	588,576	588,576
End of year	$ 584,501	$ 672,399	$ 1,256,900

INDEPENDENT SCHOOL DISTRICT NO. 197

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

	2022	2021
Assets		
Cash and temporary investments	$ 14,130,757	$ 18,110,646
Receivables		
Current taxes	10,327,607	10,608,369
Delinquent taxes	229,787	169,734
Accounts and interest	113,341	93,624
Due from other governmental units	10,038,001	6,818,712
Due from other funds	461,771	401,162
Lease receivable	775,837	–
Inventory	64,071	44,360
Prepaid items	297,594	413,807
Total assets	$ 36,438,766	$ 36,660,414
Liabilities		
Salaries and compensated absences payable	$ 3,576,496	$ 3,377,650
Accounts and contracts payable	3,638,056	3,027,465
Due to other governmental units	982,301	353,947
Unearned revenue	30,600	209,699
Total liabilities	8,227,453	6,968,761
Deferred inflows of resources		
Lease revenue for subsequent years	775,837	–
Property taxes levied for subsequent year	17,386,802	18,236,117
Unavailable revenue – delinquent taxes	158,462	75,827
Total deferred inflows of resources	18,321,101	18,311,944
Fund balances		
Nonspendable for inventory	64,071	44,360
Nonspendable for prepaid items	297,594	413,807
Restricted for student activities	150,445	112,481
Restricted for staff development	526,316	483,097
Restricted for operating capital	702,807	1,055,287
Restricted for Medical Assistance	793,300	815,203
Restricted for long-term facilities maintenance	832,307	–
Assigned for subsequent year budget	1,088,076	–
Unassigned – long-term facilities maintenance restricted account deficit	–	(586,662)
Unassigned	5,435,296	9,042,136
Total fund balances	9,890,212	11,379,709
Total liabilities, deferred inflows of resources, and fund balances	$ 36,438,766	$ 36,660,414

INDEPENDENT SCHOOL DISTRICT NO. 197

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

	2022			2021
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$20,446,764	$20,585,572	$ 138,808	$19,548,280
Investment earnings (losses)	60,000	(961)	(60,961)	29,283
Other	1,472,973	2,010,576	537,603	1,403,553
State sources	52,548,979	53,414,413	865,434	54,011,169
Federal sources	6,847,756	7,790,681	942,925	4,987,923
Total revenue	81,376,472	83,800,281	2,423,809	79,980,208
Expenditures				
Current				
Administration				
Salaries	2,042,625	2,089,173	46,548	2,015,692
Employee benefits	706,262	671,121	(35,141)	663,275
Purchased services	53,010	41,254	(11,756)	23,144
Supplies and materials	27,713	42,972	15,259	16,498
Capital expenditures	2,000	–	(2,000)	2,199
Other expenditures	35,846	60,008	24,162	44,818
Total administration	2,867,456	2,904,528	37,072	2,765,626
District support services				
Salaries	899,582	965,360	65,778	847,911
Employee benefits	394,716	317,821	(76,895)	438,402
Purchased services	193,005	254,899	61,894	278,883
Supplies and materials	21,480	22,539	1,059	15,259
Other expenditures	(68,650)	(6,672)	61,978	(43,509)
Total district support services	1,440,133	1,553,947	113,814	1,536,946
Elementary and secondary regular instruction				
Salaries	25,455,860	24,160,131	(1,295,729)	22,978,760
Employee benefits	8,939,785	8,588,487	(351,298)	8,115,321
Purchased services	2,303,355	3,011,713	708,358	1,436,821
Supplies and materials	1,075,611	1,476,123	400,512	823,745
Capital expenditures	73,150	116,085	42,935	137,533
Other expenditures	217,448	625,428	407,980	392,464
Total elementary and secondary regular instruction	38,065,209	37,977,967	(87,242)	33,884,644

(continued)

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

	2022			2021
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Vocational education instruction				
Salaries	170,862	436,875	266,013	412,814
Employee benefits	39,636	145,390	105,754	146,766
Purchased services	560	–	(560)	149
Supplies and materials	10,345	34,721	24,376	27,170
Capital expenditures	9,000	–	(9,000)	–
Other expenditures	–	2,865	2,865	2,426
Total vocational education instruction	230,403	619,851	389,448	589,325
Special education instruction				
Salaries	11,032,441	11,163,593	131,152	10,878,752
Employee benefits	4,096,522	4,109,518	12,996	4,092,365
Purchased services	720,586	1,112,239	391,653	723,268
Supplies and materials	144,263	140,955	(3,308)	117,881
Capital expenditures	12,500	16,335	3,835	6,624
Other expenditures	56,388	70,507	14,119	93,986
Total special education instruction	16,062,700	16,613,147	550,447	15,912,876
Community education instruction				
Salaries	–	48,548	48,548	43,774
Employee benefits	–	7,986	7,986	14,192
Purchased services	–	3,551	3,551	3,226
Supplies and materials	–	1,396	1,396	438
Total community education instruction	–	61,481	61,481	61,630
Instructional support services				
Salaries	3,330,812	3,509,953	179,141	3,315,792
Employee benefits	1,170,939	1,266,671	95,732	1,203,333
Purchased services	1,231,946	941,059	(290,887)	796,243
Supplies and materials	510,564	1,355,607	845,043	1,566,139
Capital expenditures	15,249	845,120	829,871	731,774
Other expenditures	22,197	42,668	20,471	35,041
Total instructional support services	6,281,707	7,961,078	1,679,371	7,648,322
Pupil support services				
Salaries	3,880,463	3,949,707	69,244	3,598,391
Employee benefits	1,549,746	1,468,270	(81,476)	1,407,836
Purchased services	2,083,849	3,347,036	1,263,187	1,225,369
Supplies and materials	456,868	406,210	(50,658)	178,853
Capital expenditures	3,600	11,258	7,658	270,806
Other expenditures	250	15,747	15,497	17,496
Total pupil support services	7,974,776	9,198,228	1,223,452	6,698,751

(continued)

INDEPENDENT SCHOOL DISTRICT NO. 197

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

	2022			2021
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Sites and buildings				
Salaries	2,571,704	2,528,345	(43,359)	2,336,884
Employee benefits	975,191	889,591	(85,600)	825,275
Purchased services	2,888,512	2,467,294	(421,218)	3,215,119
Supplies and materials	387,975	317,522	(70,453)	1,005,921
Capital expenditures	897,266	1,072,705	175,439	2,012,874
Other expenditures	–	27,148	27,148	8,632
Total sites and buildings	7,720,648	7,302,605	(418,043)	9,404,705
Fiscal and other fixed cost programs				
Purchased services	260,000	277,485	17,485	246,367
Debt service				
Principal	1,405,376	1,387,022	(18,354)	927,082
Interest and fiscal charges	281,130	278,670	(2,460)	45,419
Total debt service	1,686,506	1,665,692	(20,814)	972,501
Total expenditures	82,589,538	86,136,009	3,546,471	79,721,693
Excess (deficiency) of revenue over expenditures	(1,213,066)	(2,335,728)	(1,122,662)	258,515
Other financing sources (uses)				
Insurance recovery	10,000	8,434	(1,566)	24,260
Transfers out	–	–	–	(273,333)
Finance purchases issued	–	837,797	837,797	906,558
Total other financing sources (uses)	10,000	846,231	836,231	657,485
Net change in fund balances	$ (1,203,066)	(1,489,497)	$ (286,431)	916,000
Fund balances				
Beginning of year		11,379,709		10,463,709
End of year		$ 9,890,212		$ 11,379,709

INDEPENDENT SCHOOL DISTRICT NO. 197

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

	2022	2021
Assets		
Cash and temporary investments	$ 696,886	$ 50,258
Receivables		
Accounts and interest	1,043	2
Inventory	28,419	45,540
Total assets	$ 726,348	$ 95,800
Liabilities		
Salaries and compensated absences payable	$ 49,219	$ 46,834
Accounts and contracts payable	92,628	48,966
Total liabilities	141,847	95,800
Fund balances (deficit)		
Nonspendable for inventory	28,419	45,540
Restricted for food service	556,082	–
Unassigned – food service restricted account deficit	–	(45,540)
Total fund balances	584,501	–
Total liabilities and fund balances	$ 726,348	$ 95,800

INDEPENDENT SCHOOL DISTRICT NO. 197

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

	2022			2021
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings (losses)	$ 1,000	$ (69)	$ (1,069)	$ 74
Other – primarily meal sales	42,500	95,893	53,393	28,096
State sources	1,500	75,948	74,448	391
Federal sources	2,556,080	3,863,747	1,307,667	2,020,652
Total revenue	2,601,080	4,035,519	1,434,439	2,049,213
Expenditures				
Current				
Salaries	933,040	1,068,976	135,936	938,873
Employee benefits	376,415	413,260	36,845	349,233
Purchased services	247,740	137,222	(110,518)	185,263
Supplies and materials	979,080	1,641,612	662,532	808,577
Other expenditures	1,700	1,390	(310)	1,148
Capital outlay	50,000	188,558	138,558	39,452
Total expenditures	2,587,975	3,451,018	863,043	2,322,546
Excess (deficiency) of revenue over expenditures	13,105	584,501	571,396	(273,333)
Other financing sources				
Transfers in	–	–	–	273,333
Net change in fund balances	$ 13,105	584,501	$ 571,396	–
Fund balances				
Beginning of year		–		–
End of year		$ 584,501		$ –

INDEPENDENT SCHOOL DISTRICT NO. 197

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

	2022	2021
Assets		
Cash and temporary investments	$ 1,136,115	$ 991,585
Receivables		
Current taxes	586,133	538,832
Delinquent taxes	12,362	10,267
Accounts and interest	230,291	129,737
Due from other governmental units	140,411	207,659
Total assets	$ 2,105,312	$ 1,878,080
Liabilities		
Salaries and compensated absences payable	$ 95,008	$ 103,581
Accounts and contracts payable	108,853	110,797
Due to other governmental units	32,010	35,976
Unearned revenue	89,577	–
Total liabilities	325,448	250,354
Deferred inflows of resources		
Property taxes levied for subsequent year	1,100,399	1,036,352
Unavailable revenue – delinquent taxes	7,066	2,798
Total deferred inflows of resources	1,107,465	1,039,150
Fund balances		
Restricted for early childhood family education	17,155	12,141
Restricted for community education	189,740	312,219
Restricted for adult basic education	–	12,128
Restricted for community service programs	465,504	252,088
Total fund balances	672,399	588,576
Total liabilities, deferred inflows of resources, and fund balances	$ 2,105,312	$ 1,878,080

INDEPENDENT SCHOOL DISTRICT NO. 197

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

	2022			2021
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 1,036,352	$ 1,030,392	$ (5,960)	$ 1,130,793
Investment earnings (losses)	2,000	(281)	(2,281)	4,499
Other – primarily tuition and fees	2,074,930	1,797,932	(276,998)	879,268
State sources	1,522,788	1,449,684	(73,104)	1,465,420
Federal sources	245,088	278,516	33,428	666,898
Total revenue	4,881,158	4,556,243	(324,915)	4,146,878
Expenditures				
Current				
Salaries	2,905,230	2,475,288	(429,942)	2,518,808
Employee benefits	976,961	892,939	(84,022)	906,266
Purchased services	590,097	829,341	239,244	557,998
Supplies and materials	349,822	272,075	(77,747)	245,835
Other expenditures	1,585	1,677	92	1,744
Capital outlay	12,165	1,100	(11,065)	658
Total expenditures	4,835,860	4,472,420	(363,440)	4,231,309
Net change in fund balances	$ 45,298	83,823	$ 38,525	(84,431)
Fund balances				
Beginning of year		588,576		673,007
End of year		$ 672,399		$ 588,576

INDEPENDENT SCHOOL DISTRICT NO. 197

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

	2022	2021
Assets		
Cash and temporary investments	$ 10,728,258	$ 7,885,293
Receivables		
Accounts and interest	8,875	87,319
Total assets	$ 10,737,133	$ 7,972,612
Liabilities		
Accounts and contracts payable	$ 569,730	$ 3,941,325
Fund balances		
Restricted for capital projects	10,167,403	4,031,287
Total liabilities and fund balances	$ 10,737,133	$ 7,972,612

INDEPENDENT SCHOOL DISTRICT NO. 197

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

	2022	2021
Revenue		
Local sources		
Investment earnings	$ 25,990	$ 84,441
Other	419,374	367,334
Total revenue	445,364	451,775
Expenditures		
Capital outlay		
Purchased services	1,002,756	1,409,006
Capital expenditures	3,883,238	33,807,992
Debt service		
Interest and fiscal charges	69,910	–
Total expenditures	4,955,904	35,216,998
Excess (deficiency) of revenue over expenditures	(4,510,540)	(34,765,223)
Other financing sources		
Bonds issued	9,995,000	–
Premium on debt issued	651,656	–
Total other financing sources	10,646,656	–
Net change in fund balances	6,136,116	(34,765,223)
Fund balances		
Beginning of year	4,031,287	38,796,510
End of year	$ 10,167,403	$ 4,031,287

INDEPENDENT SCHOOL DISTRICT NO. 197

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

	2022	2021
Assets		
Cash and temporary investments	$ 6,823,413	$ 6,955,013
Receivables		
Current taxes	5,037,813	4,831,699
Delinquent taxes	108,228	85,494
Accounts and interest	5,878	51
Due from other governmental units	43	41
Total assets	$ 11,975,375	$ 11,872,298
Deferred inflows of resources		
Property taxes levied for subsequent year	$ 9,458,122	$ 9,292,987
Unavailable revenue – delinquent taxes	61,317	21,290
Total deferred inflows of resources	9,519,439	9,314,277
Fund balances		
Restricted for debt service	2,455,936	2,558,021
Total deferred inflows of of resources and fund balances	$ 11,975,375	$ 11,872,298

INDEPENDENT SCHOOL DISTRICT NO. 197

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

	2022			2021
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 9,292,987	$ 9,239,624	$ (53,363)	$ 9,731,573
Investment earnings (losses)	5,000	(432)	(5,432)	6,142
State sources	–	438	438	409
Total revenue	9,297,987	9,239,630	(58,357)	9,738,124
Expenditures				
Debt service				
Principal	4,325,000	4,325,000	–	4,305,000
Interest	5,016,772	5,016,772	–	5,165,573
Fiscal charges and other	81,626	76,869	(4,757)	4,625
Total expenditures	9,423,398	9,418,641	(4,757)	9,475,198
Excess (deficiency) of revenue over expenditures	(125,411)	(179,011)	(53,600)	262,926
Other financing sources (uses)				
Refunding bonds issued	9,632,265	9,640,000	7,735	–
Premium on debt issued	1,034,661	1,026,926	(7,735)	–
Payment on refunded debt	(10,590,000)	(10,590,000)	–	–
Transfers in	–	–	–	697,254
Transfers out	–	–	–	(697,254)
Total other financing sources (uses)	76,926	76,926	–	–
Net change in fund balances	$ (48,485)	(102,085)	$ (53,600)	262,926
Fund balances				
Beginning of year		2,558,021		2,295,095
End of year		$ 2,455,936		$ 2,558,021

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OTHER DISTRICT INFORMATION

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INDEPENDENT SCHOOL DISTRICT NO. 197

Government-Wide Revenue by Type
Last Ten Fiscal Years

	Program Revenues			General Revenues			
Year Ended June 30,	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Property Taxes	General Grants and Aids	Investment Earnings and Other	Total
2013	$ 3,629,207	$ 12,266,501	$ –	$ 21,923,449	$ 32,683,255	$ 346,233	$ 70,848,645
2014	3,532,962	11,519,000	–	17,585,848	39,743,815	727,974	73,109,599
2015	3,553,159	11,695,269	–	23,417,595	37,380,784	393,960	76,440,767
2016	3,558,864	12,119,900	–	24,496,152	38,397,409	479,694	79,052,019
2017	3,437,851	13,082,105	–	23,953,277	41,016,863	1,028,598	82,518,694
2018	3,579,240	13,242,441	–	24,452,163	40,748,007	1,181,158	83,203,009
2019	3,547,457	14,141,817	–	25,242,325	40,170,063	6,148,385	89,250,047
2020	2,902,897	14,310,121	449,881	29,785,294	44,641,227	2,755,837	94,845,257
2021	1,167,528	16,814,542	–	30,393,128	46,445,283	1,663,689	96,484,170
2022	2,265,902	18,298,451	–	30,982,518	48,292,314	2,090,129	101,929,314

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

INDEPENDENT SCHOOL DISTRICT NO. 197

Government-Wide Expenses by Function
Last Ten Fiscal Years

Year Ended June 30,	Administration	District Support Services	Elementary and Secondary Regular Instruction	Vocational Education Instruction	Special Education Instruction	Community Education Instruction	Instructional Support Services
2013	$ 1,988,353	$ 1,084,747	$ 26,651,339	$ 176,528	$ 9,685,706	$ –	$ 5,488,540
2014	2,193,695	1,132,039	26,415,767	185,532	10,720,519	–	5,390,644
2015	2,272,017	1,168,582	28,474,670	214,634	11,258,782	–	5,214,306
2016	2,392,415	1,211,351	30,410,328	184,771	12,508,454	–	9,400,257
2017	3,281,110	1,348,014	43,877,337	274,028	16,697,402	–	7,115,333
2018	3,275,089	1,385,122	44,687,715	290,758	17,327,793	48,804	7,497,520
2019	1,891,797	1,155,023	23,018,577	129,085	11,262,769	67,520	5,122,980
2020	2,942,485	1,398,148	38,219,650	537,144	16,610,160	59,500	6,994,147
2021	2,930,908	1,548,305	37,221,885	639,421	16,928,982	61,630	7,863,762
2022	2,853,664	1,526,049	38,069,764	612,009	16,365,753	61,481	7,805,496

Pupil Support Services	Sites and Buildings	Fiscal and Other Fixed Cost Programs	Food Service	Community Service	Depreciation/ Amortization Not Included in Other Functions	Interest and Fiscal Charges	Total
$ 4,877,629	$ 4,506,177	$ 204,009	$ 2,712,199	$ 3,599,914	$ 1,788,638	$ 3,765,692	$ 66,529,471
4,565,104	5,113,990	216,140	2,593,328	3,601,543	1,885,384	2,062,058	66,075,743
4,692,008	5,083,451	213,543	2,791,457	3,458,258	1,876,078	1,767,570	68,485,356
5,356,033	6,112,340	193,846	2,706,681	3,659,170	1,914,460	1,575,321	77,625,427
6,786,337	6,222,441	199,237	2,861,786	4,845,349	2,254,120	1,387,929	97,150,423
7,281,551	6,774,025	214,066	2,894,893	5,040,042	1,970,953	1,120,965	99,809,296
6,228,535	7,199,220	230,183	2,744,182	4,354,040	1,974,989	5,271,593	70,650,493
7,905,983	12,563,400	211,693	2,863,987	5,066,429	1,967,255	4,826,348	102,166,329
6,996,723	7,234,897	246,367	2,241,837	4,332,860	2,295,678	4,587,883	95,131,138
9,230,044	7,447,104	353,418	3,587,627	4,299,169	3,576,624	4,813,226	100,601,428

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General Fund Revenue by Source
Last Ten Fiscal Years

Year Ended June 30,	Local Property Tax Revenue	State Revenue	Federal Revenue	Other Local and Miscellaneous	Total
2013	$ 12,938,263	$ 38,262,473	$ 4,073,058	$ 1,131,388	$ 56,405,182
	23%	68%	7%	2%	100%
2014	8,945,050	45,682,006	2,649,674	1,404,074	58,680,804
	15%	78%	5%	2%	100%
2015	14,591,080	44,159,238	2,152,009	1,179,886	62,082,213
	24%	71%	3%	2%	100%
2016	15,519,233	45,503,634	2,083,686	1,304,520	64,411,073
	24%	71%	3%	2%	100%
2017	15,667,436	47,038,573	2,123,935	1,324,326	66,154,270
	24%	71%	3%	2%	100%
2018	15,924,963	48,616,794	2,139,550	1,450,832	68,132,139
	23%	72%	3%	2%	100%
2019	17,013,964	50,951,580	2,329,922	1,895,677	72,191,143
	23%	71%	3%	3%	100%
2020	18,890,894	53,165,517	2,287,859	2,134,414	76,478,684
	25%	69%	3%	3%	100%
2021	19,548,280	54,011,169	4,987,923	1,432,836	79,980,208
	24%	68%	6%	2%	100%
2022	20,585,572	53,414,413	7,790,681	2,009,615	83,800,281
	25%	64%	9%	2%	100%

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

INDEPENDENT SCHOOL DISTRICT NO. 197

General Fund Expenditures by Program
Last Ten Fiscal Years

Year Ended June 30,	Administration	District Support Services	Elementary and Secondary Regular Instruction	Vocational Education Instruction	Special Education Instruction	Community Education Instruction
2013	$ 1,933,016	$ 1,051,693	$ 24,953,263	$ 176,528	$ 9,685,706	$ –
	4%	2%	46%	–	18%	–
2014	2,200,264	1,127,422	25,290,373	191,564	11,093,208	–
	3%	2%	45%	–	20%	–
2015	2,281,630	1,167,212	27,437,971	221,798	11,628,950	–
	4%	2%	46%	–	20%	–
2016	2,351,424	1,205,122	29,107,133	185,070	12,807,507	–
	3%	2%	42%	–	19%	–
2017	2,436,796	1,297,236	30,495,933	188,271	12,611,155	–
	4%	2%	46%	–	19%	–
2018	2,454,020	1,313,697	31,623,170	209,670	13,258,849	48,804
	3%	2%	46%	–	19%	–
2019	2,567,830	1,270,427	32,585,724	201,288	14,698,814	67,520
	4%	2%	45%	–	20%	–
2020	2,664,367	1,368,218	33,827,949	507,868	15,149,820	59,500
	3%	2%	44%	–	20%	–
2021	2,765,626	1,536,946	33,884,644	589,325	15,912,876	61,630
	3%	2%	43%	–	20%	–
2022	2,904,528	1,553,947	37,977,967	619,851	16,613,147	61,481
	3%	2%	44%	1%	19%	–

Instructional Support Services	Pupil Support Services	Sites and Buildings	Other Programs	Total
$ 5,480,689	$ 4,907,782	$ 5,275,965	$ 1,036,679	$ 54,501,321
9%	9%	10%	2%	100%
5,490,580	5,088,147	5,252,753	689,673	56,423,984
10%	9%	10%	1%	100%
5,349,297	5,013,193	5,150,304	634,514	58,884,869
9%	9%	9%	1%	100%
9,464,335	5,424,087	7,048,064	1,263,427	68,856,169
14%	8%	10%	2%	100%
5,946,446	6,001,783	6,318,045	1,243,389	66,539,054
9%	9%	9%	2%	100%
6,374,998	7,113,859	6,692,455	1,503,641	70,593,163
9%	10%	9%	2%	100%
6,076,311	7,360,851	6,639,849	1,781,171	73,249,785
8%	10%	9%	2%	100%
6,881,647	7,193,031	8,388,694	1,373,796	77,414,890
9%	9%	11%	2%	100%
7,648,322	6,698,751	9,404,705	1,218,868	79,721,693
10%	8%	12%	2%	100%
7,961,078	9,198,228	7,302,605	1,943,177	86,136,009
9%	11%	9%	2%	100%

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INDEPENDENT SCHOOL DISTRICT NO. 197

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

	Year Collectible	General Fund	Community Service Special Revenue Fund	Debt Service Fund	Total All Funds
Levies					
	2013	$ 13,505,509	$ 864,681	$ 8,364,952	$ 22,735,142
	2014	14,482,514	890,943	8,071,949	23,445,406
	2015	15,471,359	898,894	8,312,231	24,682,484
	2016	15,713,768	966,076	7,433,486	24,113,330
	2017	15,810,548	1,128,722	7,386,069	24,325,339
	2018	16,997,815	1,217,957	7,064,074	25,279,846
	2019	18,739,703	1,283,189	9,693,393	29,716,285
	2020	19,315,969	1,131,866	9,740,851	30,188,686
	2021	20,321,764	1,036,352	9,292,987	30,651,103
	2022	19,449,007	1,100,399	9,458,122	30,007,528
Tax capacity rates					
	2013	0.07097	0.01624	0.15708	0.24429
	2014	0.07479	0.01629	0.14755	0.23863
	2015	0.07911	0.01544	0.14608	0.24063
	2016	0.08576	0.01564	0.12030	0.22170
	2017	0.08800	0.01789	0.11706	0.22295
	2018	0.09307	0.01752	0.10165	0.21224
	2019	0.09426	0.01732	0.13088	0.24246
	2020	0.08855	0.01381	0.11889	0.22125
	2021	0.09988	0.01195	0.10717	0.21900
	2022	0.08575	0.01231	0.10585	0.20391
Market value rates					
	2013	0.0018537	–	–	0.0018537
	2014	0.0019384	–	–	0.0019384
	2015	0.0018941	–	–	0.0018941
	2016	0.0017649	–	–	0.0017649
	2017	0.0016955	–	–	0.0016955
	2018	0.0016017	–	–	0.0016017
	2019	0.0016862	–	–	0.0016862
	2020	0.0015911	–	–	0.0015911
	2021	0.0014432	–	–	0.0014432
	2022	0.0014099	–	–	0.0014099

Note: Tax rates are expressed in terms of "net tax capacity." A property's tax capacity is determined by multiplying its taxable market value by a state-determined class rate. Class rates vary by property type and change periodically based on state legislation.

Source: State of Minnesota School Tax Report

INDEPENDENT SCHOOL DISTRICT NO. 197

Tax Capacities and Market Values
Last Ten Fiscal Years

		Net Tax Capacities		
			Fiscal Disparities	
For Taxes Collectible	Real Agriculture	Real Nonagricultural	Contribution	Distribution
2013	$ 21,084	$ 62,186,681	$ (11,772,054)	$ 4,872,997
2014	21,594	63,154,038	(11,607,913)	4,898,962
2015	22,388	65,904,165	(11,282,312)	4,898,619
2016	22,575	68,692,682	(11,218,335)	5,012,111
2017	17,100	70,219,141	(11,397,427)	5,459,243
2018	51,683	76,095,042	(11,740,170)	5,986,246
2019	3,781	82,226,527	(12,532,519)	6,295,554
2020	–	89,143,780	(13,328,563)	6,672,767
2021	–	95,588,999	(14,502,315)	6,962,268
2022	–	98,662,183	(15,779,487)	7,507,138

Note: Tax capacity is calculated by applying class rates (for specific property classifications such as residential, commercial, etc.) to the assessed market value. Class rates are periodically changed by the state.

Source: State of Minnesota School Tax Report

Tax Increment	Total Taxable	Market Value
$ (1,543,025)	$ 53,765,683	$ 4,818,570,950
(1,874,247)	54,592,434	4,898,881,201
(1,300,844)	58,242,016	5,142,038,575
(1,147,181)	61,361,852	5,382,458,225
(1,169,377)	63,128,680	5,507,775,025
(1,193,339)	69,199,462	5,969,114,825
(1,142,524)	74,850,819	6,408,981,450
(1,196,541)	81,291,443	6,919,691,425
(1,407,842)	86,641,110	7,368,620,750
(1,587,778)	88,802,056	7,650,594,901

INDEPENDENT SCHOOL DISTRICT NO. 197

Property Tax Levies and Receivables
Last Ten Fiscal Years

For Taxes Collectible	Original Levy			
	Local Spread	Fiscal Disparities	Property Tax Credits	Total Spread
2013	$ 20,875,959	$ 1,859,183	$ –	$ 22,735,142
2014	21,353,659	2,091,747	–	23,445,406
2015	22,577,461	2,105,023	–	24,682,484
2016	21,992,264	2,121,066	–	24,113,330
2017	22,194,651	2,130,688	–	24,325,339
2018	22,975,871	2,303,975	–	25,279,846
2019	27,428,145	2,288,140	–	29,716,285
2020	27,518,843	2,669,843	–	30,188,686
2021	28,083,417	2,567,686	–	30,651,103
2022	27,361,634	2,645,894	–	30,007,528

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

Source: State of Minnesota School Tax Report

Uncollected Taxes Receivable as of June 30, 2022

Delinquent		Current	
Amount	Percent	Amount	Percent
$ –	– %	$ –	– %
–	–	–	–
–	–	–	–
10,007	0.04	–	–
2,344	0.01	–	–
4,175	0.02	–	–
20,523	0.07	–	–
53,444	0.18	–	–
259,884	0.85	–	–
–	–	15,951,553	53.16
$ 350,377		$ 15,951,553	

Students Served
Last Ten Fiscal Years

	Average Daily Membership (ADM) (for Students Served or Tuition Paid)					
Year Ended June 30,	Pre-Kindergarten and Handicapped Kindergarten	Kindergarten	Elementary	Secondary	Total	Total Pupil Units
2013	99	340	2,207	2,103	4,749	5,458
2014	106	352	2,298	2,079	4,835	5,337
2015	111	372	2,308	2,102	4,893	5,313
2016	107	345	2,364	2,097	4,913	5,333
2017	114	347	2,339	2,192	4,992	5,430
2018	136	374	2,408	2,186	5,104	5,542
2019	157	320	2,474	2,224	5,175	5,620
2020	155	348	2,457	2,276	5,236	5,691
2021	144	288	2,349	2,252	5,033	5,484
2022	170	336	2,211	2,256	4,973	5,424

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

Note 2: Beginning in fiscal 2015, changes in ADM weightings as noted below reduced the calculated pupil units.

Note 3: ADM is weighted as follows in computing pupil units:

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

Source: Minnesota Department of Education student reporting system

OTHER REQUIRED REPORTS

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CERTIFIED PUBLIC ACCOUNTANTS

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

To the School Board and Management of
Independent School District No. 197
West St. Paul – Mendota Heights – Eagan, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 197 (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 30, 2022.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

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REPORT ON COMPLIANCE AND OTHER MATTERS

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

DISTRICT'S RESPONSE TO FINDING

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

PURPOSE OF THIS REPORT

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

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

Minneapolis, Minnesota
December 30, 2022

MMKR
CERTIFIED PUBLIC
ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT

ON MINNESOTA LEGAL COMPLIANCE

To the School Board and Management of
Independent School District No. 197
West St. Paul – Mendota Heights – Eagan, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 197 (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 30, 2022.

MINNESOTA LEGAL COMPLIANCE

In connection with our audit, we noted that the District failed to comply with provisions of the claims and disbursements section 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 as described in the Schedule of Findings and Questioned Costs as finding 2022-002. Also, in connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, miscellaneous provisions and uniform financial accounting and reporting standards sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

DISTRICT'S RESPONSE TO FINDING

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

(continued)

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PURPOSE OF THIS REPORT

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

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

Minneapolis, Minnesota
December 30, 2022

A. FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER FINANCIAL REPORTING

2022-001 Segregation of Duties

Criteria – Generally, a system of internal control contemplates a segregation of duties such that no individual has responsibility to execute a transaction, has physical access to the related assets, and has responsibility or authority to record the transaction.

Condition – Due to the limited size of Independent School District No. 197's (the District) office staff, the District has limited segregation of duties in several areas. These areas include cash receipts, cash disbursements, bank reconciliations, investment accounting, and payroll.

Questioned Costs – Not applicable.

Context – In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements.

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

Cause – The internal controls over cash receipts, cash disbursements, bank reconciliations, investment accounting, and payroll are not properly segregated.

Effect – This lack of ideal segregation of duties subjects the District to a higher risk that errors or fraud could occur and not be detected in a timely manner.

Recommendation – We recommend that the District segregate duties as best it can within the limits of the staff available. Any modifications in internal controls in this area should be viewed from a cost-benefit perspective.

View of Responsible Official and Planned Corrective Actions – The District agrees with the finding and has separately issued a Corrective Action Plan related to this finding.

B. MINNESOTA LEGAL COMPLIANCE FINDINGS

2022-002 Payment of Claims

Criteria – Minnesota Statutes § 471.425, Subd. 2.

Condition – Minnesota Statutes require school districts to pay vendor claims according to the terms of each contract or within 35 days after the receipt of the goods or services or the invoice for the goods or services. If such claims are not paid within the allowable statutory time period, districts must pay interest on the unpaid obligations at the rate of 1.5 percent per month or part of a month. For 4 of 40 disbursements selected for testing, the District did not pay the claim within the required time period, and did not pay interest on the unpaid obligations.

Questioned Costs – Not applicable.

Context – Four of forty claims tested were not in compliance.

Repeat Finding – This is a current year finding.

Cause – This was an oversight by district personnel.

Effect – The claims were not paid within the 35-day period as required by Minnesota Statutes.

Recommendation – We recommend that the District review procedures in place to ensure that all claims are paid within statutory requirements.

View of Responsible Official and Planned Corrective Actions – District management will review payment schedules and processes to ensure claims are paid within statutory timelines. The District has issued a separate Corrective Action Plan related to this finding.

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INDEPENDENT SCHOOL DISTRICT NO. 197

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

		Audit	UFARS	Audit – UFARS
General Fund				
Total revenue		$ 83,800,281	$ 83,800,281	$ –
Total expenditures		$ 86,136,009	$ 86,136,008	$ 1
Nonspendable				
460	Nonspendable fund balance	$ 361,665	$ 361,665	$ –
Restricted				
401	Student activities	$ 150,445	$ 150,445	$ –
402	Scholarships	$ –	$ –	$ –
403	Staff development	$ 526,316	$ 526,316	$ –
407	Capital projects levy	$ –	$ –	$ –
408	Cooperative revenue	$ –	$ –	$ –
413	Projects funded by COP	$ –	$ –	$ –
414	Operating debt	$ –	$ –	$ –
416	Levy reduction	$ –	$ –	$ –
417	Taconite building maintenance	$ –	$ –	$ –
424	Operating capital	$ 702,807	$ 702,807	$ –
426	$25 taconite	$ –	$ –	$ –
427	Disabled accessibility	$ –	$ –	$ –
428	Learning and development	$ –	$ –	$ –
434	Area learning center	$ –	$ –	$ –
435	Contracted alternative programs	$ –	$ –	$ –
436	State approved alternative program	$ –	$ –	$ –
438	Gifted and talented	$ –	$ –	$ –
440	Teacher development and evaluation	$ –	$ –	$ –
441	Basic skills programs	$ –	$ –	$ –
448	Achievement and integration	$ –	$ –	$ –
449	Safe schools levy	$ –	$ –	$ –
451	QZAB payments	$ –	$ –	$ –
452	OPEB liability not in trust	$ –	$ –	$ –
453	Unfunded severance and retirement levy	$ –	$ –	$ –
459	Basic skills extended time	$ –	$ –	$ –
467	Long-term facilities maintenance	$ 832,307	$ 832,307	$ –
472	Medical Assistance	$ 793,300	$ 793,300	$ –
473	PPP loans	$ –	$ –	$ –
474	EIDL loans	$ –	$ –	$ –
464	Restricted fund balance	$ –	$ –	$ –
475	Title VII – Impact Aid	$ –	$ –	$ –
476	PILT	$ –	$ –	$ –
Committed				
418	Committed for separation	$ –	$ –	$ –
461	Committed fund balance	$ –	$ –	$ –
Assigned				
462	Assigned fund balance	$ 1,088,076	$ 1,088,076	$ –
Unassigned				
422	Unassigned fund balance	$ 5,435,296	$ 5,435,296	$ –
Food Service				
Total revenue		$ 4,035,519	$ 4,035,518	$ 1
Total expenditures		$ 3,451,018	$ 3,451,018	$ –
Nonspendable				
460	Nonspendable fund balance	$ 28,419	$ 28,419	$ –
Restricted				
452	OPEB liability not in trust	$ –	$ –	$ –
474	EIDL loans	$ –	$ –	$ –
464	Restricted fund balance	$ 556,082	$ 556,082	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –
Community Service				
Total revenue		$ 4,556,243	$ 4,556,244	$ (1)
Total expenditures		$ 4,472,420	$ 4,472,421	$ (1)
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
426	$25 taconite	$ –	$ –	$ –
431	Community education	$ 189,740	$ 189,740	$ –
432	ECFE	$ 17,155	$ 17,155	$ –
440	Teacher development and evaluation	$ –	$ –	$ –
444	School readiness	$ –	$ –	$ –
447	Adult basic education	$ –	$ –	$ –
452	OPEB liability not in trust	$ –	$ –	$ –
473	PPP loans	$ –	$ –	$ –
474	EIDL loans	$ –	$ –	$ –
464	Restricted fund balance	$ 465,504	$ 465,504	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –

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

		Audit	UFARS	Audit – UFARS
Building Construction				
Total revenue		$ 445,364	$ 445,364	$ –
Total expenditures		$ 4,955,904	$ 4,955,905	$ (1)
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
407	Capital projects levy	$ –	$ –	$ –
413	Projects funded by COP	$ –	$ –	$ –
467	Long-term facilities maintenance	$ –	$ –	$ –
464	Restricted fund balance	$ 10,167,403	$ 10,167,403	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –
Debt Service				
Total revenue		$ 9,239,630	$ 9,239,630	$ –
Total expenditures		$ 9,418,641	$ 9,418,642	$ (1)
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
425	Bond refundings	$ –	$ –	$ –
433	Maximum effort loan	$ –	$ –	$ –
451	QZAB payments	$ –	$ –	$ –
467	Long-term facilities maintenance	$ –	$ –	$ –
464	Restricted fund balance	$ 2,455,936	$ 2,455,936	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –
Trust				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
401	Student activities	$ –	$ –	$ –
402	Scholarships	$ –	$ –	$ –
422	Net position	$ –	$ –	$ –
Custodial				
Total revenue		$ 15,587	$ 15,587	$ –
Total expenditures		$ 14,814	$ 14,814	$ –
401	Student activities	$ –	$ –	$ –
402	Scholarships	$ –	$ –	$ –
448	Achievement and integration	$ –	$ –	$ –
464	Restricted	$ 29,404	$ 29,403	$ 1
Internal Service				
Total revenue		$ 12,173,537	$ 12,173,537	$ –
Total expenditures		$ 13,667,222	$ 13,667,222	$ –
422	Net position	$ 1,857,238	$ 1,857,238	$ –
OPEB Revocable Trust Fund				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
422	Net position	$ –	$ –	$ –
OPEB Irrevocable Trust Fund				
Total revenue		$ (680,265)	$ (680,266)	$ 1
Total expenditures		$ 563,172	$ 563,172	$ –
422	Net position	$ 5,552,397	$ 5,552,397	$ –
OPEB Debt Service Fund				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
425	Bond refundings	$ –	$ –	$ –
464	Restricted fund balance	$ –	$ –	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –

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

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