

Mankato Area Public Schools

Annual Financial Report

Fiscal Year Ended June 30, 2022



Submitted by Department of Business Services
10 Civic Center Plaza, Suite 1
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ISD77.org



**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
MANKATO, MINNESOTA**

YEAR ENDED JUNE 30, 2022

**PREPARED BY:
DISTRICT BUSINESS OFFICE**

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INDEPENDENT SCHOOL DISTRICT NO. 77
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INTRODUCTORY SECTION

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
BOARD OF EDUCATION AND ADMINISTRATION
JUNE 30, 2022**

BOARD OF EDUCATION

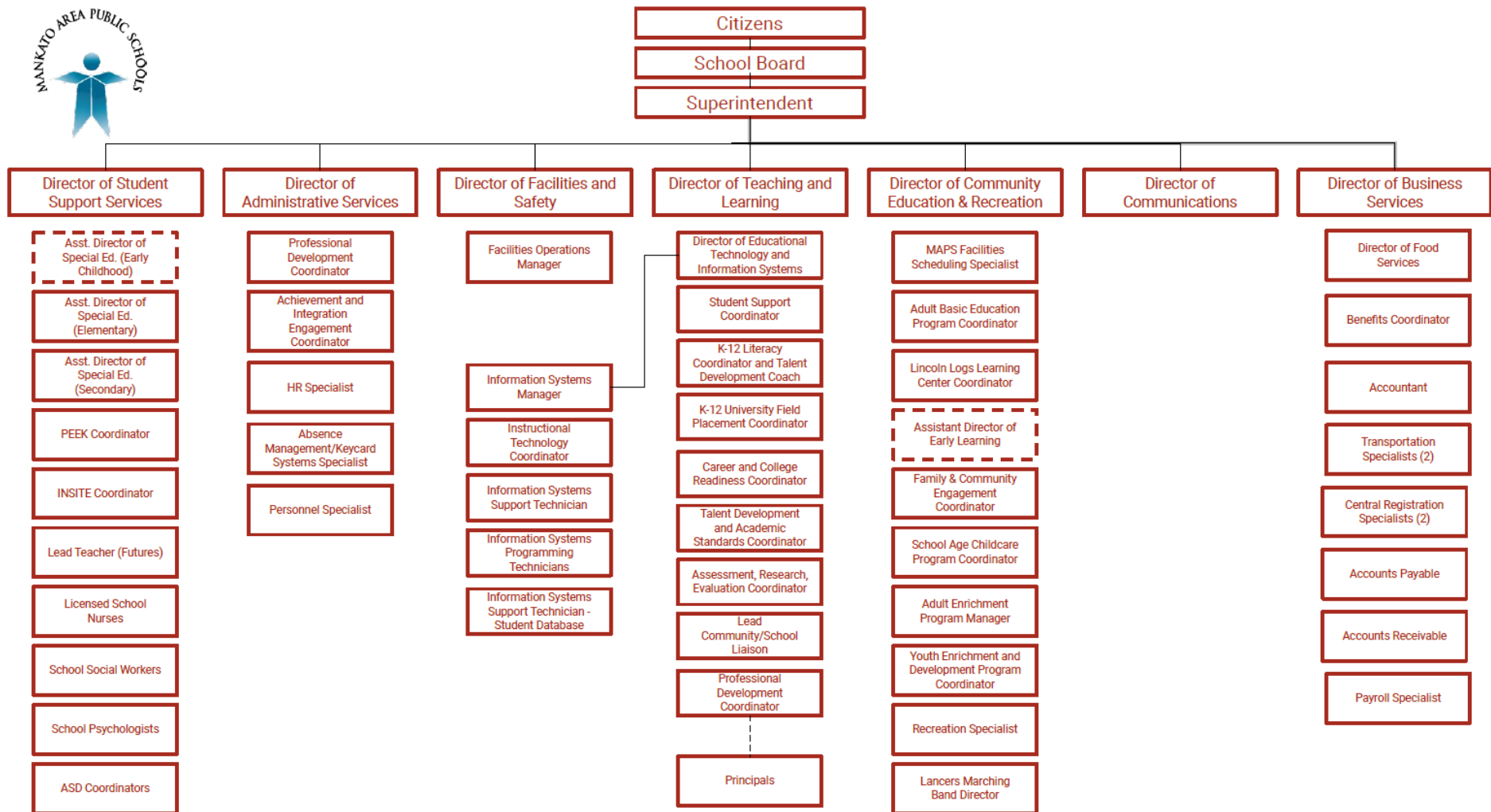
Jodi Sapp	Chairperson
Kristi Schuck	Vice Chairperson
Christopher Kind	Treasurer
Erin Roberts	Clerk
Liz Ratcliff	Director
Bukata Hayes	Director
Darren Wacker	Director

ADMINISTRATION

Paul Peterson	Superintendent
Tom Sager	Director of Business Services

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**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
ORGANIZATIONAL CHART
JUNE 30, 2022**



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ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

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

Mankato Area Public Schools ISD 77

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

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



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

William A. Sutter
President

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

David J. Lewis
Executive Director

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December 16, 2022

Mr. Tom Sager
Director of Business Services
Mankato Area Public Schools ISD 77
10 Civic Center Plaza, Suite 1
Mankato, MN 56001

Dear Mr. Sager,

Congratulations! On behalf of the Association of School Business Officials (ASBO) International, I am pleased to inform you that Mankato Area Public Schools ISD 77 has received ASBO's Certificate of Excellence in Financial Reporting for the fiscal year ended 2021. This award represents a significant achievement and reflects your commitment to transparency and high-quality financial reporting. We encourage you to use the [COE recipient's logo](#) to share your achievement in emails and marketing materials.

The Certificate of Excellence (COE) Review Team has provided their comments for the improvement of your Annual Comprehensive Financial Report. It is important to review the comments and address them before you prepare next year's report. Your district must include a copy of the original comments and the district's written responses to the comments in next year's application packet.

We hope you will use the attached press release to share this important achievement with your community. Your award certificate is also attached.

Congratulations to you and the members of your staff who worked so hard to earn the COE this year. We look forward to your continued participation in the COE program.

Sincerely,

David J. Lewis
Executive Director

School District Awarded for Outstanding Financial Reporting

Ashburn, VA – 2022 – The Association of School Business Officials International (ASBO) is pleased to award Mankato Area Public Schools ISD 77 the Certificate of Excellence in Financial Reporting (COE). ASBO International's COE recognizes districts that have met the program's high standards for financial reporting and transparency. The school district earned the Certificate of Excellence for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended 2021.

"The COE's mission is to promote and recognize excellence in financial reporting," ASBO International Executive Director David Lewis says. "The Annual Comprehensive Financial Report informs stakeholders about the financial and economic state of the district, making it an important communications tool for building trust and engaging with the school community."

By participating in the COE program, school districts demonstrate their commitment to financial transparency. Applicants submit their ACFR for review by a team of financial professionals who provide feedback to improve future documents. If the report meets the requirements of the program, it may receive the Certificate of Excellence. A district's participation in the COE program can facilitate bond rating and continuing bond disclosure processes.

The COE is proudly sponsored by ASBO International Strategic Partner American Fidelity.

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About ASBO International

Founded in 1910, the Association of School Business Officials International (ASBO) is a nonprofit organization that, through its members and affiliates, represents approximately 30,000 school business professionals worldwide. ASBO International is committed to providing programs, services, and a global network that promote the highest standards in school business. Its members support student achievement through effective resource management in various areas ranging from finance and operations to food services and transportation. Learn more at asbointl.org.

About American Fidelity

American Fidelity provides employer cost-savings solutions and supplemental insurance benefits to specific industries. Acting as an extension of the HR department, we educate, enroll, and support the development of robust, competitive insurance packages—all while ensuring seamless administration and employee satisfaction. As experts in employer benefit solutions, our salaried account managers deliver year-round support, help employers overcome benefit administrative challenges, and always offer a different perspective – a different opinion.



OFFICE OF DIRECTOR OF BUSINESS SERVICES

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December 7, 2022

To: Citizens of the Mankato Area Public
Schools Board of Education
Staff of the Mankato Area Public Schools

Date: November 17, 2022

INTRODUCTION

This report is the Annual Comprehensive Financial Report (ACFR) of Independent School District 77, Mankato, Minnesota (District) for the fiscal year ended June 30, 2022. The ACFR fully discloses the financial position of the District, a summary of operations for FY 22, and relevant information pertaining to the Mankato Area community. The data contained within this report comes from many sources, with many professionals contributing to its accuracy and completeness. The District always welcomes any observations and feedback from the community and District staff.

REPORT FORMAT

There are three main sections to this report: Introduction, financial, and finally, statistical. The introduction section includes the District's organizational chart, and a list of the District's principal officials. The financial section includes the independent auditor's report, Management's Discussion and Analysis (MD&A), financial statements, notes to financial statements, and a detailed report combining individual statements and schedules. This information is also included in the District's annual independent audit report. The statistical section includes selected financial and general information presented on a multi-year comparative basis. Where possible, historical data is presented for a 10-year period.

Standard accounting principles require District management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements as part of the audit process in a separate Management's Discussion and Analysis (MD&A) section of the report. This letter of transmittal will complement the MD&A and should be read in conjunction with it. The MD&A of the District is located following the report of the independent auditors.

DISTRICT ORGANIZATION

The Mankato Area Public Schools, Independent School District 77 is a nonprofit organization and is a local unit of government with elected school board officials. The District is a political subdivision and is recognized by the IRS as a 170C status. The District serves the communities of Mankato, North Mankato, Eagle Lake, Madison Lake, and Skyline. The District is located in Blue Earth, Nicollet, and Le Sueur Counties. All operations within the District are guided by its Mission and Vision:

Mission Statement

Mankato Area Public Schools (MAPS) is committed to working together equitably, with families and communities, so that each learner has the knowledge and skills to be a successful and contributing citizen in a diverse global society.

Vision Statement

Every learner will be seen for who they are inclusive of: race, national origin, home language, sex, gender, sexual orientation, disability, age, and/or religion. MAPS learners will experience a school environment that builds their voice and agency. Learners and families will be seen and heard. MAPS will assure that each learner has the skills to enter society with a joy for learning, a positive vision for the future and the ability to navigate the world with hope, dignity and their multiple talents.

The District will reach its mission and vision when:

- Each student is ready for kindergarten.
- Each student is reading well by 3rd grade.
- All achievement gaps are closed.
- All students are college and career ready by graduation.
- All students graduate.
- Each student, family and staff member feels safe, is welcome, and is treated with dignity and respect.

In FY 22, the District served a total of 8,400 E-12 students from a population of 63,382 citizens residing in a 140 square mile area. During this fiscal year, the District operated in 23 buildings: two high schools, one alternative high school, two middle school schools, ten elementary schools, four special services buildings, one Community Education and Recreation building, and two districtwide buildings. The District is organized by grade level with elementary schools serving students in pre-kindergarten through grade 5, middle schools serving grades 6-8, and the high schools serving Grades 9-12. The District provides general, special education and vocational instruction for Prek-12, a transitional program for students beyond grade 12, and robust Community Education and Recreation programs that serve residents from birth to senior citizens.

REPORTING ENTITY

The District's financial statements include all funds, departments, agencies, boards, commissions, and other component units for which the District is considered to be financially accountable. 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.

FINANCIAL STATEMENTS

The financial statements contained in this report disclose the financial position of the District as of June 30, 2022 and the financial operations for FY 22. The District's financial records and reports are maintained and prepared on a modified or full accrual basis of accounting in accordance with the Uniform Financial Accounting and Reporting System for Minnesota School Districts as well as the standards of the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants. These records are audited annually by an independent certified public accountant as required by Minnesota law. The accounting firm of CliftonLarsonAllen LLP performed the audit for the 2021-22 fiscal year. Their report is included in the financial section of this report. The auditor has given an unmodified ("clean") opinion on the District's financial statements. An unmodified opinion means that, in the judgment of the auditor, the financial statements present fairly, in all material respects, the financial position of the District and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

FEDERAL SINGLE AUDIT AND STATE COMPLIANCE AUDIT

The independent audit of the financial statements of the District is part of a broader, federally mandated Single Audit designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited district's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. The District is also required to undergo an annual Minnesota State Legal Compliance Audit under Minnesota Statute §6.65. Verification of the adherence to these requirements are contained within the District's independent audit report. For FY 22, with the exception of the Child Nutrition Cluster and State and Local Fiscal Recovery Fund, the District demonstrated no "material weaknesses" in internal controls, and complied with all direct and material requirements of the major federal programs tested (State and Local Fiscal Recovery Fund, Child Nutrition Cluster, and Education Stabilization Fund).

ACCOUNTING AND BUDGETING

A major function of the District's accounting system is to provide adequate internal accounting controls. These practices and controls are designed to provide reasonable safeguarding of assets against loss from unauthorized use, and the credibility of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable safeguarding establishes that the cost of internal controls should not exceed the benefits likely to be derived. In addition, the assessment of the cost and benefits requires estimates and judgments by District leadership. All internal control evaluations occur in this framework. The District believes that its internal accounting controls sufficiently safeguard assets and provide reasonable assurance for proper recording of financial transactions.

Budgetary control is maintained through an annual budget adopted by the School Board for all funds in accordance with state statutes and School Board policy. The adopted budget is the authorizing document for all expenditures. The School Board also approves all checks and wire payments issued each month. The superintendent and the director of business services are authorized to make financial commitments within budgetary guidelines for contracts not requiring sealed bids. Additional expenditure controls are maintained in the business office and in accordance with state statutes. For example, the District cannot incur a negative unassigned balance in the General Fund in excess of 2.50 percent of the prior year's expenditures. The budget is published annually in several forms to inform the public of the District's financial position and operating plan for the fiscal year. The School Board Finance Committee receives reports on a quarterly basis, with the full board receiving such updates in June, November, and February. Board work sessions are also used throughout the year on an as-needed basis to discuss such topics as budgeting planning, facility planning, and referendum planning. This information is also routinely shared with the District wide Leadership Team (DLT.) Principals and program leaders are provided annual allocations for staffing, supplies, equipment purchases, and other ancillary budgets such as use of compensatory aid, staff development, and Title I. Principals and program leaders have viewing access to the District's finance system, which allows for frequent and flexible access to monitoring budget performance in real time. District purchase requests must first be reviewed and approved by a supervisor and inputted into the District's finance system, or establish a payment voucher. These requests are then routed to the business office for review to ensure the availability of budgeted funds and appropriate use. Then final approval is made by either the District's director of business services or district accountant. Frequent monitoring and communication of revenues and expenditures by District leadership to the School Board, along with ongoing monitoring by principals and program leaders help provide budget integrity and an opportunity to detect abhorrent budget variances that require correction.

The budget is adopted by the School Board in June of each year for the fiscal year beginning July 1. In the January/February timeframe, the budget is revised based on fall enrollment updates, impact of employee contracts, audit results from the previous fiscal year, or other new information impacting revenues or expenditures, such as legislative updates or access to federal funds such as Corona Relief Funds. The revised budget is presented to the School Board for approval. To accurately track and report financial activities with a focus on program and site-based accounting, the District relies heavily on the Minnesota Department of Education's Uniform Financial Accounting Reporting System (UFARS).

SIGNIFICANT EVENTS

In addition to the state and federal funding formulas, the District's finances are directly related to student enrollment. For the past 15 years, the District's enrollment has been on an upward trajectory, peaking in FY 17 with a 4.1 percent increase over FY 16. Since that time, the rate of growth has tapered to more modest growth, until FY 21. In this year, and largely due to COVID-19, the District's enrollment dropped by 2.9 percent from FY 20. Going from FY 21 into FY 22, the District's enrollment dropped another 1.4 percent. During the year of the pandemic, and the first year of post-pandemic, the District experienced more students choosing homeschool, non-public school options, open enrollment into other (smaller) school districts around the District's parameter, and finally, families moving out of the community to find work in larger metropolitan centers. In the fall of 2020, the District realized roughly 350 fewer students than expected. In the fall of 2021, a loss of another 100 + students. This resulted in a significant loss of revenue and required the District to make mid-year plans on expense containment in FY 21, which turned out to be somewhat successful. Nonetheless, the District identified \$7.56 million in reductions for the 2021-22 school year. This was equivalent to roughly 6.5 percent of the District's general fund operating budget. Despite these reductions, the District was able to maintain relatively low classes, especially in the elementary grades. Many of the reductions came in the areas of support services, such as mentor coaches and intervention support. The District continues to work closely with community business and government partners to monitor local economic growth and its impact on student enrollment recovery after the pandemic. The Greater Mankato Area continues to be a growing and thriving community, and is one of four Metropolitan Statistical Areas (Duluth, Rochester, and Saint Cloud being the others) in greater Minnesota. This, and the work with an independent demographer, coupled with internal forecasting models, indicate the District's K-12 enrollment rebounding back to its high-water mark of 8,647 – but not for several years.

In FY 22, once the balanced budget was presented and board approved in June 2021, the District kept a watchful eye on enrollment counts through the summer of 2021. By October, it was clear that enrollment continued to decline. At this time, the District made a decision to leverage the ESSER III funds (\$8.1 million) it had available to help offset the revenue loss due to declining enrollment so that school district operations can continue, and students and staff maintain the tools and supports to successfully transition out of the pandemic. As a result of using these funds in this manner, the District was able to grow its total general fund balance by \$8.1 million, resulting in a total general fund balance of \$16.5 million, which is 14.4 percent (52 days of operation).

DISTRICT FINANCIAL PLANS FOR THE FUTURE

FY 23 and Beyond

In the spring of 2022, the District engaged the FY 23 budget cycle with the understanding and acceptance that the District would deficit spend in FY 23, using the fund balance that grew after FY 22. The driver behind this decision was a desire to help students and staff “return to normal,” and to the best of their abilities, address the loss of learning that occurred for students starting in the spring of 2020. With this planned deficit spend, coupled with continued decline in enrollment, the District will be faced with a substantial budget correction the spring of 2023 for the FY 24 budget. The required targeted amount for this reduction will be roughly \$9.5 million. This information was shared with the District Leadership Team and the District Community Finance Committee in October 2022. The process has already begun on identifying which areas of the District budget and operations will be impacted by this anticipated shortfall.

Upcoming Referendums: The District passed a renewal and increase to its local operating levy in November 2017. The total amount per pupil of generated revenue is currently at \$1,202 per pupil unit. This includes the \$424 per pupil in Local Operating Revenue and \$300 per pupil in the “board approved” levy. This generates approximately \$11 million for the District’s general fund. This is a 10-year levy, and the District will need to renew no later than November 2027. At this time, the District does not have any plans to increase this levy amount; however, will continue to monitor state and federal funding closely to determine any future need to expand this local property tax levy.

More immediate, is the District’s facility study and planning continues to evolve and progress. Since the spring of 2017, the District continued to review facility needs for a growing and thriving greater Mankato area. A Community group consisted of representatives of the cities of Mankato, North Mankato, Eagle Lake, and Madison Lake, along with parents and other community partner organizations. At that time, facility priorities identified included: Additional elementary school space. Additional space for Early Learning (PreK). Updating ongoing long-term maintenance at many school sites. But in the Spring 2020 through September 2021, the school district’s response to the pandemic took top priority. Nonetheless, the facility planning group continued to meet and assess district future needs.

In the fall of 2021, the district conducted a community facility survey. The survey was sent to all school district residents and focused on Future Enrollment, Safety and Security, Early Childhood Education, Special Education, Infrastructure, Support Services Spaces. Priorities identified in the survey included:

- Addressing elementary school capacity needs such as building a new elementary school; update and expand existing elementary schools; renovate and expand general education and special education classrooms at Washington, Roosevelt, Hoover, Eagle Lake, and Bridges elementary schools; add early childhood programming at Eagle Lake Elementary, and finally, update secure entrances, expand cafeteria/kitchen areas, and add student support services.
- There were 3,300 residents who responded, which the survey consultants indicated as “statistically significant.” Estimated cost for the priority projects outlined in the survey was \$75.8 million, and 63 percent of all respondents indicated support for projects presented.
- Although, in FY 22, and with the acknowledgment of declining enrollment, immediate facility needs have turned away from the potential to build new elementary school space. Instead, attention has shifted to adding secure entrances into the schools that don’t have them, adding special education space, and finally, athletic and community spaces such as the West High School pool – which has been decommissioned since 2020.

- Finally, there were many other district facility needs identified in this study. The District anticipates implementing a “phased in” referendum approach over the course of several years, starting possibly May 2023.
- Also in FY 22, the District purchased 75,000 vacated square feet from a local property owner and began renovation to convert the space into a district-wide early learning center to address the growing need and demand for Early Learning (PreK) services. A small portion of this space was able to open in September 2022, and the District anticipates it to be fully operational by August 2023.

Financial Management: Every spring, revenue and expense projection comprise the financial forecast for the following fiscal year. This forecast determines allocation for all program budgets which include staffing, supplies, capital allocations, and any special programs or initiatives. These allocations are reviewed by the Superintendent, Executive Cabinet members, principals, and other members of the District leadership team before it is reviewed by the school board finance committee and community advisory committee. The budget plan is then brought to the full school board in June for review and approval by June 30. For FY 22, the budget planning process required the District identify \$7.56 million in expense slow down to better align with revenues to create a structurally balanced budget for FY 22. Unfortunately, at this point in the spring of 2021, the District was not anticipating the continued drop in enrollment for the fall of 2021, which resulted in the aforementioned mid-year cost containment measures and the implementation of the budget reduction plan for FY 22. The State of Minnesota has increased the general funding formula by 2.47 percent for FY 22 and another 2.0 percent for FY 23. This, coupled with the federal CARES funding, will help stabilize school district budgets, but will remain not sufficient to off-set the many years of compounded funding gap created by formula increases not keeping pace with basic inflation and the general operating expense of managing a school district. In the spring of 2023, the Minnesota legislature will convene to set the State’s budget for the next biennium, FY 24 and FY 25. Governor Tim Walz was reelected in November, and Democrats took control of both the State House of Representatives and Senate. The State of Minnesota currently has a relatively healthy budget surplus, so many in public schools are hopeful and optimistic of positive financial outcomes from the legislature this coming spring.

Program Innovation: The District provides many opportunities for student growth and development well beyond the traditional “3 R’s.” As stated in part of the District’s Mission, “...so that each learner has the knowledge and skills to be a successful and contributing citizen in a diverse global society.” To this end, the district engages students in many ways and at many levels to fully develop their potential academically, socially, emotionally, and creatively. For example, the District’s Career Pathways program provides students with real life experiences and mentorships in areas such as healthcare, agribusiness, and trades. The District’s one-to-one laptop initiative ensures that all students in grade 6 through 12 have equal and equitable access to technology and the resources available to them in the global learning space. The District also places a priority emphasis (especially during the pandemic) on developing students’ social and emotional learning. This is done through a robust deployment of using and teaching Positive Behavior Intervention Strategies (PBIS) and restorative practices. Students also stay engaged in their learning through the District’s commitment to Achievement and Integration programming, as well as Alternative Delivery of Specialists Instructional Services (ADSIS). Because of the District’s commitment to innovation, students in MAPS 77 have consistently out-paced their state-wide peer groups in areas of standardized test scores, high school graduation rates, and the percentage of students going onto college.

ECONOMIC FACTORS

The District is located in Blue Earth, Nicollet, and Le Sueur Counties, at the confluence of the Blue Earth and Minnesota Rivers, and part of the Minnesota River Valley. The Greater Mankato Area is a regional hub for manufacturing, agribusiness, health care, and education. According to the most recent data at the Minnesota Department of Employment and Economic Development, the Great Mankato Area has experienced an average of a 1.8 percent per year growth in employment during the past seven years. This growth in jobs has subsequently been reflected in student enrollment growth within the district, with the exception of FY 21 and 22. Moreover, another indicator of a vibrant and growing Mankato community can be seen in the growth of the District's total market value on all properties. Property valuation has increased steadily over the past 10 years, averaging a 5.2 percent increase per year during this period. Total market valuation in 2021 was \$6.7 billion. A strong and diverse tax base is very important when the District is trying to pass either voter approved operation or bond referendums.

State funding comprises the majority of financial resources for E-12 public schools in Minnesota. In addition, in MAPS 77 roughly 16 percent (\$18.9 million) of the general fund revenues comes from local property taxes. Of this amount, roughly 58 percent comes from the previously referenced voter approved operating levy.

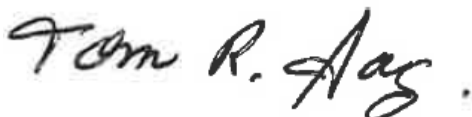
All E-12 public school districts in Minnesota are dependent on state funding for ongoing operations. Almost 40 percent of the state's general fund budget is dedicated to E-12 public schools. As such, the state-wide economic conditions, which promote tax revenue to fund schools, will remain a key driver of the school district's financial health now and into the future.

CERTIFICATE OF EXCELLENCE

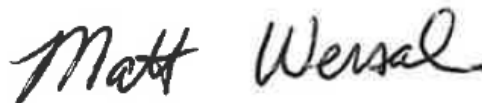
This 2022 report will be submitted to the Association of School Business Officials International for consideration for the Certificate of Excellence in Financial Reporting. This is the second time the Mankato Area Public Schools has submitted this report for consideration. The District is also thrilled to have received the ASBO's Certificate of Excellence in Financial Reporting for our annual comprehensive financial report for the year ended June 30, 2021.

ACKNOWLEDGMENTS

Preparing and submitting a ACFR requires the dedicated teamwork of many people. Special thank you goes to the Business Office staff and the District's auditors at CliftonLarsonAllen for their dedication, and to Superintendent Dr. Paul Peterson for his leadership and support.



Thomas R. Sager
Director of Business Services



Matt Wersal
District Accountant

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Board of Education
Mankato Public Schools
Independent School District No. 77
Mankato, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mankato Public Schools Independent School District No. 77, 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 for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditors' 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 discussed in Note 1 to the financial statements, effective July 1, 2021, the District adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-to-use lease asset and corresponding lease liability and lessors to recognize a lease receivable and corresponding deferred inflow of resources for all leases with lease terms greater than twelve months. Our opinion is not modified with respect to this matter.

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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the Schedule of Changes in the District's Total OPEB Liability and Related Ratios, the Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of District Pension Contributions 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 Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 schedule of changes in fund equities and the Uniform Financial Accounting and Reporting Standards Compliance Table is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of changes in fund equities and the Uniform Financial Accounting and Reporting Standards Compliance Table is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

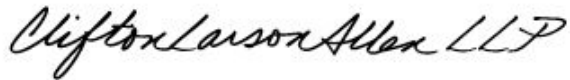
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical section but does not include the basic financial statements and our auditors' 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Rochester, Minnesota
December 7, 2022

REQUIRED SUPPLEMENTARY INFORMATION

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**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

This section of Independent School District No. 77's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2022. Please read it in conjunction with the District's financial statements, which immediately follows this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2021-2022 fiscal year include the following:

- Net Position of governmental activities increased a total of \$14,568,216. Most of the increase in net position was primarily due to the net effect of the large changes in District's proportionate share of the net pension liability, pension related deferred inflows, and pension related deferred outflows.
- The General Fund Balance increased from \$8,435,633 on June 30, 2021 to \$16,525,221 on June 30, 2022. The ending fund balance within the general fund represents 14.36% of annual expenditures. This represents 52 days of operations.
- Total K-12 Average Daily Membership decreased 124 students, down 1.46% from 2020-21.
- The Community Service Fund Balance experienced an increase in fund balance totaling \$659,830 to \$2,032,956 as of June 30, 2022. This increase is attributed to the Community Service Fund not incurring as much for expenditures as projected during the fiscal year ended June 30, 2022. Expenditures came in under budget as a result of the continued impact of the COVID-19 pandemic which resulted in savings in salaries and benefits, purchased services, and supplies.
- The Capital Projects/Construction Fund Balance increased from \$17,252,753 as of June 30, 2021 to \$30,464,517 as of June 30, 2022. The increase is due to proceeds from the issuance of the 2022B G.O. facilities maintenance bonds and the issuance of certificates of participation. The facilities maintenance bonds were issued to continue working on various projects including indoor air quality projects, fire safety projects, hazardous materials projects within District facilities. Most of these projects are still in construction in progress as of June 30, 2022. The certificates of participation were issued to purchase and renovate a building to be the first large preschool center in the District.
- The Debt Service Fund Balance increased from \$1,785,247 as of June 30, 2021 to \$1,805,165 as of June 30, 2022. The increase is due to the payments on bonds and refunded bond escrow agents being less than the refunding bond proceeds, property taxes, earnings on investments and state sources of revenue allocated to this fund during the fiscal year ended June 30, 2022.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditors' Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the District:

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.
- Proprietary funds statements offer short- and long-term financial information about the activities the district operates like businesses.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others to whom the resources belong.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's combined net position from Governmental activities was negative \$48,613,993 on June 30, 2022 (see Table A-1). This negative position is due to GASB 68 and GASB 75 that require the District to place its share of net pension liabilities and net OPEB liabilities, in their financial statements.

**Table A-1
The District's Net Position**

	Governmental Activities as of June 30,		Percentage Change
	2022	2021	
Current and Other Assets	\$ 98,530,894	\$ 73,885,530	33.36 %
Capital Assets	135,383,285	117,702,342	15.02
Total Assets	233,914,179	191,587,872	22.09
Deferred Outflows of Resources	32,740,353	39,248,945	(16.58)
Current Liabilities	16,630,524	15,858,917	4.87
Long-Term Liabilities	132,594,026	103,628,446	27.95
Net Pension Liability	48,565,333	79,888,519	(39.21)
Net OPEB Liability	6,631,631	5,492,149	20.75
Total Liabilities	204,421,514	204,868,031	(0.22)
Deferred Inflows of Resources	110,847,011	89,150,995	24.34
Net Position:			
Net Investment in Capital Assets	44,330,084	42,028,614	5.48
Restricted	12,172,790	7,863,300	54.81
Unrestricted	(105,116,867)	(113,074,123)	(7.04)
Total Net Position	\$ (48,613,993)	\$ (63,182,209)	(23.06)

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Position

The District's total revenues were \$145,577,741 for the year ended June 30, 2022. Unrestricted state aid accounted for 43%, property taxes accounted for 20%, operating and capital grants accounted for 33%, and charges for services accounted for 4% (see Figure A-1).

**Table A-2
Change in Net Position**

	Governmental Activities for the Fiscal Year Ended June 30,		Percentage Change
	2022	2021	
Revenues			
<u>Program Revenues</u>			
Charges for Services	\$ 5,046,681	\$ 3,089,640	63.34 %
Operating Grants and Contributions	46,648,534	42,372,488	10.09
Capital Grants and Contributions	1,314,929	1,385,982	(5.13)
<u>General Revenues</u>			
Property Taxes	29,428,550	28,090,726	4.76
Unrestricted State Aid	62,671,046	61,605,764	1.73
Investment Earnings	44,949	13,188	240.83
Other	423,052	311,016	36.02
Total Revenues	145,577,741	136,868,804	6.36
Expenses			
Administration	3,981,771	4,376,881	(9.03)
District Support Services	2,602,162	2,252,433	15.53
Regular Instruction	49,329,008	62,942,162	(21.63)
Vocational Education Instruction	2,300,356	2,200,654	4.53
Special Education Instruction	23,490,271	25,199,562	(6.78)
Instructional Support Services	7,031,163	7,119,124	(1.24)
Pupil Support Services	10,241,187	9,671,015	5.90
Sites and Buildings	20,333,234	10,123,137	100.86
Fiscal and Other Fixed Cost Programs	326,252	329,037	(0.85)
Food Service	5,220,167	4,351,721	19.96
Community Service	2,412,168	5,781,192	(58.28)
Interest and Fiscal Charges on Long-Term Liabilities	3,741,786	2,984,358	25.38
Total Expenses	131,009,525	137,331,276	(4.60)
Change in Net Position	14,568,216	(462,472)	
Beginning Net Position	(63,182,209)	(62,719,737)	
Ending Net Position	<u>\$ (48,613,993)</u>	<u>\$ (63,182,209)</u>	

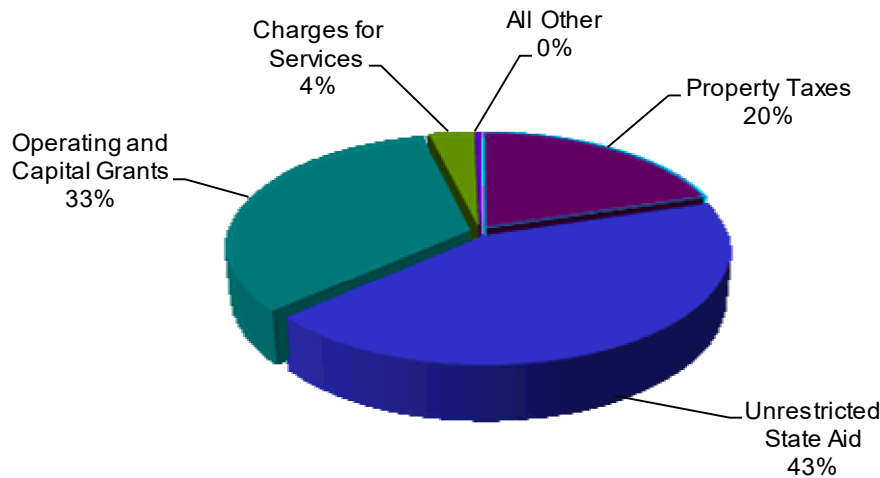
**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

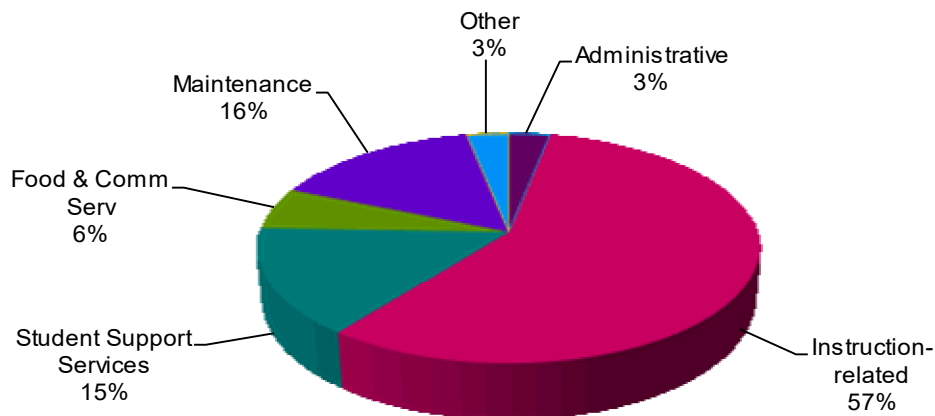
The total cost of all programs and services was \$131,009,525. Direct instruction related costs accounted for 57%, student support services accounted for 15%, buildings and equipment costs accounted for 16%, community education services and food service accounted for 6%, administration 3%, and other expenses accounted for 3% of the total (see Figure A-2).

In summary, the District has a stable overall financial position with which to continue operations.

**Figure A-1
Sources of District's Revenues for Fiscal 2022**



**Figure A-2
District Expenses for Fiscal 2022**



**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Typically, the District does not include in an analysis of all governmental funds a breakout of expenditures as depicted in Figure A-2 above. To do so distorts the latitude available to the District to allocate resources to instruction. All governmental funds include not only funds received for the general operation of the district, which are used for classroom instruction, but also includes resources from the Food Service and Community Education Funds, and from resources for fiscal service transactions. Funding for the general operation of the District is controlled by the state and the District does not have the latitude to allocate money received in Food Service or Community Education or for fiscal services to enhance classroom instruction resources. The District cannot take funds from these restricted areas and use the funds to hire teachers to enhance instruction. The previous graph, by pooling all expenditures, implies that the District does have equal access to all funds to impact classroom instruction. In Minnesota, that is simply not an option. Therefore, a more accurate analysis of resources allocated to instruction should be limited to an analysis of resources received for the general operation of the District.

**Table A-3
Program Expenses and Net Cost of Services**

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2022	2021		2022	2021	
Administration	\$ 3,981,771	\$ 4,376,881	(9.03)%	\$ 3,894,127	\$ 4,317,758	(9.81)%
District Support Services	2,602,162	2,252,433	15.53	2,581,055	2,201,747	17.23
Regular Instruction	49,329,008	62,942,162	(21.63)	31,475,245	49,507,603	(36.42)
Vocational Education Instruction	2,300,356	2,200,654	4.53	2,292,139	2,183,755	4.96
Special Education Instruction	23,490,271	25,199,562	(6.78)	4,569,225	7,093,347	(35.58)
Instructional Support Services	7,031,163	7,119,124	(1.24)	4,976,163	4,907,834	1.39
Pupil Support Services	10,241,187	9,671,015	5.90	10,037,498	9,352,347	7.33
Sites and Buildings	20,333,234	10,123,137	100.86	18,972,242	7,391,711	156.67
Fiscal and Other Fixed Cost Programs	326,252	329,037	(0.85)	326,252	329,037	(0.85)
Food Service	5,220,167	4,351,721	19.96	(1,356,904)	(447,857)	202.98
Community Service	2,412,168	5,781,192	(58.28)	(3,509,447)	661,526	(630.51)
Interest and Fiscal Charges on Long-Term Liabilities	3,741,786	2,984,358	25.38	3,741,786	2,984,358	25.38
Total	<u>\$ 131,009,525</u>	<u>\$ 137,331,276</u>	(4.60)	<u>\$ 77,999,381</u>	<u>\$ 90,483,166</u>	(13.80)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District's financial position is the product of many factors. The District continues to budget revenues conservatively and implements tight expenditure controls. Board of Education Policy establishes an unassigned fund balance level that equals a one-month operating reserve.

Overall, the District's total governmental fund balances increased by \$23,345,777 for the year ended June 30, 2022. This is primarily the result of the proceeds from the issuance of the 2022B G.O. facilities maintenance bonds only being partially expended in fiscal year 2022 in the capital projects fund, the issuance of certificates of participation in the capital projects funds, and as well as revenues exceeding expenditures and other financing used in the general fund in the amount of \$8,089,588.

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

GENERAL FUND

The General Fund includes the primary operations of the District in providing educational services to students from kindergarten through Grade 12, including pupil transportation activities and capital outlay projects.

Approximately 90% of General Fund operational revenue is controlled by a complex set of state funding formulas resulting in the local Board of Education having no meaningful authority to determine the level of resources. Other state formulas then determine what portion of the revenue will be provided by property taxes and what portion will come from state aid.

ENROLLMENT

Enrollment is a critical factor in determining revenue, with approximately 90% of General Fund revenue being determined by enrollment. The following chart shows that the number of students in each of the last five years.

**Table A-4
Five-Year Enrollment Trend
Average Daily Membership (ADM)**

Grade	2018	2019	2020	2021	2022
EC	136	149	150	122	125
HK	121	123	128	100	99
Kdgt.	559	557	549	510	517
1-3	2,062	2,032	2,012	1,908	1,783
4-6	2,077	2,111	2,122	1,971	1,923
7-12	3,613	3,681	3,851	3,891	3,932
Total E-12 ADM	8,568	8,653	8,812	8,502	8,379
ADM Change	63	85	159	(310)	(123)
Percent Change	0.74%	0.99%	1.84%	-3.52%	-1.45%

As depicted in Table A-4, average daily membership had increased steadily in previous years. Fiscal year 2021 experienced a 3.49% decrease in average daily membership primarily due to the COVID-19 pandemic and the related changes in the environment school districts had to operate and continued to impact in enrollment in fiscal year 2022. Students continued to opt into non-public schools, on-line schools, homeschooling, and open enrolling into other school districts around the District's perimeter, although at a slower pace. Nonetheless, current space limitations at many of the school sites, coupled with eventual and continued growth in the enrollment forecast, has the District evaluating future space expansion.

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

GENERAL FUND (CONTINUED)

The following schedule presents a summary of General Fund Revenues.

**Table A-5
General Fund Revenues**

	Year Ended		Change	
	June 30, 2022	June 30, 2021	Increase (Decrease)	Percent Change
Local Sources:				
Property Taxes	\$ 19,456,111	\$ 18,545,246	\$ 910,865	4.9 %
Earnings on Investments	30,184	4,721	25,463	539.4
Other	4,456,319	2,823,103	1,633,216	57.9
State Sources	87,108,798	86,528,732	580,066	0.7
Federal Sources	11,864,283	9,069,969	2,794,314	30.8
Total General Fund Revenues	<u>\$ 122,915,695</u>	<u>\$ 116,971,771</u>	<u>\$ 5,943,924</u>	5.1

Total General Fund Revenue increased by \$5,943,924 or 5.1% from the previous year, despite the drop in enrollment. This was primarily caused by an increase of federal funding in continued response to the pandemic. Basic general education revenue is determined by multiple state formulas, largely enrollment driven, and consists of an equalized mix of property tax and state aid revenue. Other state-authorized revenue including operating levy referendum and the property tax shift also involve an equalized mix of property tax and state aid revenue. The mix of property tax and state aid can change significantly from year to year without any net change on total revenue. Federal sources increased significantly due to federal grants received in response to the COVID-19 pandemic.

The following schedule presents a summary of General Fund Expenditures.

**Table A-6
General Fund Expenditures**

	Year Ended		Change	
	June 30, 2022	June 30, 2021	Increase (Decrease)	Percent Change
Salaries	\$ 66,363,939	\$ 66,524,069	\$ (160,130)	(0.2)%
Employee Benefits	26,776,992	27,860,348	(1,083,356)	(3.9)
Purchased Services	10,884,512	9,814,458	1,070,054	10.9
Supplies and Materials	4,869,798	4,250,051	619,747	14.6
Capital Expenditures	3,861,422	5,446,580	(1,585,158)	(29.1)
Other Expenditures	2,290,055	1,581,912	708,143	44.8
Total Expenditures	<u>\$ 115,046,718</u>	<u>\$ 115,477,418</u>	<u>\$ (430,700)</u>	(0.4)

Total General Fund Expenditures decreased \$430,700 or 0.4% from the previous year.

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

GENERAL FUND (CONTINUED)

The total fund balance at June 30, 2021 is \$16,525,221. Of this amount \$6,379,952 is restricted for specific purposes by state requirements; \$690,000 is assigned for severance.

In our analysis of significant variances between original and final budget amounts and between final budget amounts and actual results in the General Fund, there are no variances in revenues or expenditures that will have a significant effect on future services or liquidity. The positive budgetary fluctuation in federal aid revenues is due to the District receiving significant funding. The expenditures ended the year under budget as well, primarily in sites and buildings and capital outlay. This was driven by fewer expenditures for Long Term Facilities Maintenance projects than anticipated.

Food Service Fund

The Food Service Fund accounts for the activities related to providing child nutrition services to support the K-12 academic program. The fund operates with the goal that revenues exceed expenditures on day-to-day school breakfast and lunch operations so that the excess can be used to systematically replace and upgrade kitchen equipment at all school kitchen locations. By operating in this manner, the child nutrition services program is self-supporting and does not rely upon resources from K-12 instruction programs other than for use of school facilities.

The Food Service Fund Balance at June 30, 2022 is \$3,751,378, an increase of \$1,385,453 from June 30, 2021.

Food Service Fund Revenues for the year ended June 30, 2022 totaled \$6,581,423. This was an increase of \$1,780,995 or 37.10% from the year ended June 30, 2021. Local sources from meal sales were slightly up while federal sources increased significant from the prior year due to all students qualifying for free meals for all fiscal year 2022 and serving more meals to students.

Food Service Fund Expenditures for the year ended June 30, 2022 totaled \$5,195,970. This was a increase of \$935,565 or 21.96% from the year ended June 30, 2021.

Community Service Fund

The Community Service Fund accounts for the activities related to providing education and recreation programs for Pre-Kindergarten and Post-Grade 12 students. The fund operates on the goal of breaking even on a yearly basis so that it does not rely upon resources from K-12 instruction programs other than for use of school facilities.

The Community Service Fund Balance at June 30, 2022 is \$2,032,956, an increase of \$659,830 from June 30, 2021.

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

GENERAL FUND (CONTINUED)

Community Service Fund (Continued)

Community Service Fund Revenues and Other Financing Sources for the year ended June 30, 2022 totaled \$6,891,204. This was an increase of \$849,073 or 14.1% from the year ended June 30, 2021. This decrease is largely due to the District receiving a large increase in federal sources in response to the pandemic as well increases in state sources related to increases in adult education, early childhood and family education, and nonpublic pupil aid revenues. These increases were partially offset by the decrease in tuition and fees that came about due to the cancellation or postponement of programs in response to the COVID-19 pandemic.

Community Service Fund Expenditures for the year ended June 30, 2022 totaled \$6,231,374. This was an increase of \$562,742 or 9.9% from the year ended June 30, 2021. This increase is directly the result of an increase in programming that was able to provided coming out of the pandemic.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of fiscal 2022, the District had invested over \$211.7 million in a broad range of capital assets, including school buildings, athletic facilities, computer, and audio-visual equipment (see Table A-7). Total depreciation expense for the year was \$6,557,796. The District has \$4.5 million of capital assets leased. These are referred to as Right-to Use assets. The leases are for a broad range of items, including buildings, computers, and audio-visual equipment. Total amortization expense for the year was \$635,787. (More detailed information about capital assets can be found in Note 3 to the financial statements.)

**Table A-7
Capital Assets**

	2022	2021	Percentage Change
Land	\$ 7,668,461	\$ 6,710,561	14.3 %
Construction in Progress	14,190,694	6,109,535	132.3
Land Improvements	12,327,254	11,874,758	3.8
Buildings and Improvements	159,573,909	149,873,793	6.5
Equipment	18,012,567	16,949,996	6.3
Less: Accumulated Depreciation	(80,340,854)	(73,816,301)	8.8
Right-to-Use Buildings	4,238,416	4,238,416	-
Right-to-Use Building Improvements	290,138	290,138	-
Right-to-Use Equipment	58,487	58,487	-
Less: Accumulated Amortization	(635,787)	(635,787)	-
Total District Capital Assets	<u>\$ 135,383,285</u>	<u>\$ 121,653,596</u>	11.3

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Debt Service Fund

The Debt Service Fund exists to service the principal and interest payments on long-term debt issued by the District to construct school facilities or acquire school equipment. Annual levies will provide revenue at a rate of 105% of pending debt service payments for a fiscal year. This rate is specified in statute to ensure that principal and interest payments can be made as scheduled even if there are late property tax payments or delinquencies that may arise.

The fund balance of \$1,805,165 as of June 30, 2022 was an increase of \$19,918 from fund balance as of June 30, 2021 because debt service expenditures and amounts paid to the refunded bond escrow agent were less than revenues the tax levy along with the allocated portions of earnings on investments and state sources as well the refunding bond proceeds during the year ended June 30, 2021. The fund balance amount along with the payable 2021 levy and state aid is sufficient to make pending principal and interest payments.

Bond Rating

The District's general obligation bonds carry ratings of A1.

Long-Term Liabilities

At year-end, the District had \$126,043,155 in general obligation bonds, bond premium/discount and lease purchase agreements, and leases payable under GASB 87. The District's long-term liabilities also include severance and wellness benefits payable, compensated absences payable, the District's net pension liability, and the District's net OPEB liability. More detailed information about the District's long-term liabilities is presented in Note 4 of the financial statements.

**Table A-8
The District's Long-Term Liabilities**

	2022	2021	Percentage Change
General Obligation Bonds	\$ 115,500,000	\$ 92,895,000	24.3 %
Direct-Borrowing Payable	1,598,000	-	
Net Bond Premium and Discount	4,880,168	3,717,012	31.3
Financed Purchase Leases Payable	1,582,463	2,096,156	(24.5)
GASB 87 Leases Payable	4,080,524	-	N/A
Severance and Wellness Benefits Payable	4,164,670	4,097,109	1.6
Compensated Absences Payable	788,201	823,169	(4.2)
Net Pension Liability	48,565,333	79,888,519	(39.2)
Net OPEB Liability	6,631,631	5,492,149	20.7
Total Long-Term Liabilities	<u>\$ 187,790,990</u>	<u>\$ 189,009,114</u>	(0.6)
Long-Term Liabilities:			
Due Within One Year	\$ 10,029,601	\$ 8,355,111	
Due in More Than One Year	122,564,425	95,273,335	
Net Pension Liability	48,565,333	79,888,519	
Net OPEB Liability	6,631,631	5,492,149	
Total	<u>\$ 187,790,990</u>	<u>\$ 189,009,114</u>	

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

FACTORS BEARING ON THE DISTRICT'S FUTURE

With the exception of the voter-approved excess operating referendum, the District is dependent on the state of Minnesota for its revenue authority. Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation. The state of Minnesota increased the general funding formula by 2.47 percent for FY 22 and another 2.0 percent for FY 23. This will help stabilize school district budgets, but will not remain sufficient to off-set the many years of compounded funding gap created by formula increases not keeping pace with basic inflation and the general operating expense of managing a school district.

The District will strive to maintain its long-standing commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility. The influx of federal funds has been quite beneficial in helping off-set expenses.

However, the most significant impact on the District's finances is the revenue lost due to lost enrollment. This lost revenue has lagging effects on the District's budgeting and planning process.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and 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 Business Office, Independent School District No. 77, 10 Civic Center Plaza, Suite One, Mankato, Minnesota 56001.

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BASIC FINANCIAL STATEMENTS

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**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
STATEMENT OF NET POSITION
JUNE 30, 2022**

	Governmental Activities
ASSETS	
Cash and Investments	\$ 69,936,559
Receivables:	
Property Taxes	15,309,549
Other Governments	12,740,189
Other	426,831
Prepaid Items	14,070
Inventories	103,696
Capital Assets:	
Land and Construction in Progress	21,859,155
Other Capital Assets, Net of Depreciation	109,572,876
Other Capital Assets, Net of Amortization	3,951,254
Total Assets	<u>233,914,179</u>
DEFERRED OUTFLOWS OF RESOURCES	
Losses on Debt Refunding	160,690
Pension Related	30,748,047
Other Postemployment Benefits Related	1,831,616
Total Deferred Outflows	<u>32,740,353</u>
LIABILITIES	
Salaries Payable	7,330,884
Accounts and Contracts Payable	7,177,213
Accrued Interest	1,630,348
Due to Other Governmental Units	199,928
Unearned Revenue	292,151
Long-Term Liabilities:	
Other Long-Term Liabilities Due Within One Year	10,029,601
Other Long-Term Liabilities Due in More Than One Year	122,564,425
Net Pension Liability	48,565,333
Net OPEB Liability	6,631,631
Total Liabilities	<u>204,421,514</u>
DEFERRED INFLOWS OF RESOURCES	
Property Taxes Levied for Subsequent Year	28,104,562
Leases	200,581
Gains on Debt Refunding	70,716
OPEB Related	4,023,337
Pension Related	78,447,815
Total Deferred Inflows of Resources	<u>110,847,011</u>
NET POSITION (DEFICIT)	
Net Investment in Capital Assets	44,330,084
Restricted for:	
State-Mandated Reserves	6,379,952
Food Service	3,751,378
Community Service	2,041,460
Unrestricted	(105,116,867)
Total Net Position	<u><u>\$ (48,613,993)</u></u>

See accompanying Notes to the Basic Financial Statements.

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
GOVERNMENTAL ACTIVITIES					
Administration	\$ 3,981,771	\$ 76,526	\$ (7,157)	\$ 18,275	\$ (3,894,127)
District Support Services	2,602,162	238	1,852	19,017	(2,581,055)
Regular Instruction	49,329,008	1,304,707	16,353,090	195,966	(31,475,245)
Vocational Education Instruction	2,300,356	469	7,748	-	(2,292,139)
Special Education Instruction	23,490,271	3,925	18,917,121	-	(4,569,225)
Instructional Support Services	7,031,163	69,509	1,242,808	742,683	(4,976,163)
Pupil Support Services	10,241,187	821	175,446	27,422	(10,037,498)
Sites and Buildings	20,333,234	127,132	938,027	295,833	(18,972,242)
Fiscal and Other Fixed Cost Programs	326,252	-	-	-	(326,252)
Food Service	5,220,167	268,804	6,308,267	-	1,356,904
Community Service	2,412,168	3,194,550	2,711,332	15,733	3,509,447
Interest and Fiscal Charges on Long-Term Liabilities	3,741,786	-	-	-	(3,741,786)
Total School District	<u>\$ 131,009,525</u>	<u>\$ 5,046,681</u>	<u>\$ 46,648,534</u>	<u>\$ 1,314,929</u>	<u>(77,999,381)</u>
GENERAL REVENUES					
Property Taxes Levied for:					
General Purposes					19,475,440
Community Service					896,579
Debt Service					9,056,531
State Aid Not Restricted to Specific Purposes					62,671,046
Earnings on Investments					44,949
Miscellaneous					423,052
Total General Revenues					<u>92,567,597</u>
CHANGE IN NET POSITION					14,568,216
Net Position - Beginning					<u>(63,182,209)</u>
NET POSITION - ENDING					<u>\$ (48,613,993)</u>

See accompanying Notes to the Basic Financial Statements.

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2022**

	Major Funds						Total Governmental Funds
	General	Food Service	Community Service	Capital Projects	Debt Service	OPEB Debt Service	
ASSETS							
Cash and Investments	\$ 22,907,232	\$ 3,011,941	\$ 2,271,777	\$ 34,814,629	\$ 5,859,361	\$ 600,928	\$ 69,465,868
Receivables:							
Current Property Taxes	9,688,745	-	482,233	-	4,450,769	417,826	15,039,573
Delinquent Property Taxes	170,177	-	8,504	-	82,498	8,797	269,976
Accounts and Interest Receivable	57,100	68,481	95,647	-	-	-	221,228
Lease Receivable	205,603	-	-	-	-	-	205,603
Due from Other Minnesota School Districts	-	-	-	-	-	-	-
Due from Minnesota Department of Education	8,317,231	16,924	191,275	-	56,989	363	8,582,782
Due from Federal through Minnesota Department of Education	3,205,810	792,151	105,534	-	-	-	4,103,495
Due from Other Governmental Units	53,912	-	-	-	-	-	53,912
Inventory	-	103,696	-	-	-	-	103,696
Prepays	14,070	-	-	-	-	-	14,070
Total Assets	\$ 44,619,880	\$ 3,993,193	\$ 3,154,970	\$ 34,814,629	\$ 10,449,617	\$ 1,027,914	\$ 98,060,203
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE							
Liabilities:							
Salaries and Compensated Absences Payable	\$ 2,857,130	\$ 20,769	\$ 132,625	\$ -	\$ -	\$ -	\$ 3,010,524
Payroll Deductions and Employer Contributions Payable	4,320,360	-	-	-	-	-	4,320,360
Accounts and Contracts Payable	2,522,800	9,578	23,491	4,350,112	500	-	6,906,481
Due to Other Governmental Units	199,928	-	-	-	-	-	199,928
Unearned Revenue	69,584	211,468	11,099	-	-	-	292,151
Total Liabilities	9,969,802	241,815	167,215	4,350,112	500	-	14,729,444
Deferred Inflows of Resources:							
Unavailable Revenue - Property Taxes Levied for Subsequent Year	17,776,904	-	946,295	-	8,561,454	819,909	28,104,562
Unavailable Revenue - Delinquent Property Taxes	147,372	-	8,504	-	82,498	8,797	247,171
Unavailable Revenue - Leases	200,581	-	-	-	-	-	200,581
Total Deferred Inflows of Resources	18,124,857	-	954,799	-	8,643,952	828,706	28,552,314
Fund Balance:							
Nonspendable:							
Inventory	-	103,696	-	-	-	-	103,696
Prepays	14,070	-	-	-	-	-	14,070
Restricted for:							
Student Activities	524,814	-	-	-	-	-	524,814
Scholarships	58,754	-	-	-	-	-	58,754
Staff Development	306,356	-	-	-	-	-	306,356
Projects Funded by Certificates of Participation	-	-	-	6,907,926	-	-	6,907,926
Operating Capital	3,770	-	-	-	-	-	3,770
Community Education	-	-	1,094,817	-	-	-	1,094,817
Early Childhood and Family Education	-	-	285,384	-	-	-	285,384
Achievement and Integration	83,187	-	-	-	-	-	83,187
School Readiness	-	-	341,255	-	-	-	341,255
Adult Basic Education	-	-	258,168	-	-	-	258,168
LTFM	1,657,890	-	-	-	-	-	1,657,890
Medical Assistance	3,687,311	-	-	-	-	-	3,687,311
Restricted for Other Purposes:							
Expanded Summer Learning	57,870	-	-	-	-	-	57,870
Food Service	-	3,647,682	-	-	-	-	3,647,682
Community Service	-	-	53,332	-	-	-	53,332
Capital Projects	-	-	-	23,556,591	-	-	23,556,591
Debt Service	-	-	-	-	1,805,165	-	1,805,165
OPEB Debt Service	-	-	-	-	-	199,208	199,208
Assigned for:							
Separation/Retirement Benefits	690,000	-	-	-	-	-	690,000
Unassigned	9,441,199	-	-	-	-	-	9,441,199
Total Fund Balance	16,525,221	3,751,378	2,032,956	30,464,517	1,805,165	199,208	54,778,445
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 44,619,880	\$ 3,993,193	\$ 3,154,970	\$ 34,814,629	\$ 10,449,617	\$ 1,027,914	\$ 98,060,203

See accompanying Notes to the Basic Financial Statements.

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2022**

Total Fund Balance for Governmental Funds \$ 54,778,445

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Land	7,668,461
Construction in Progress	14,190,694
Land Improvements, Net of Accumulated Depreciation	6,962,111
Buildings and Improvements, Net of Accumulated Depreciation	96,807,337
Equipment, Net of Accumulated Depreciation	5,803,428
Right-to-Use Lease, Net of Accumulated Amortization	3,951,254

Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as unearned revenue in the funds. 247,171

When a bond defeasance occurs the difference between the amount paid to the refunded bond escrow and the principal of the defeased debt is expensed in the governmental funds. These expenditures are capitalized on the statement of net position as deferred charges.

Losses on Debt Refunding	160,690
Gains on Debt Refunding	(70,716)

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditures when due. (1,630,348)

The District's OPEB liability and related deferred inflows and outflows are recorded only on the statement of net position. Balances at year-end are:

Net OPEB Liability	(6,631,631)
Deferred Inflows of Resources - Other Post Employment Benefits	(4,023,337)
Deferred Outflows of Resources - Other Post Employment Benefits	1,831,616

The District's net pension liability and related deferred inflows and outflows are recorded only on the statement of net position. Balances at year-end are:

Net Pension Liability	(48,565,333)
Deferred Inflows of Resources - Pensions	(78,447,815)
Deferred Outflows of Resources - Pensions	30,748,047

Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at year-end are:

Bonds Payable	(115,500,000)
Direct-Borrowing Payable	(1,598,000)
Unamortized Premiums	(4,880,168)
GASB 87 Leases Payable	(4,080,524)
Financed Purchase Lease Payable	(1,582,463)
Severance and Health Benefits Payable	(4,164,670)
Compensated Absences Payable	(788,201)

Internal service funds are used by management to charge the costs of health and dental insurance services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. Internal service fund net position at year-end is:

199,959

Total Net Position of Governmental Activities \$ (48,613,993)

See accompanying Notes to the Basic Financial Statements.

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022**

	Major Funds						Total
	General	Food Service	Community Service	Capital Projects	Debt Service	OPEB Debt Service	Governmental Funds
REVENUES							
Local Sources:							
Property Taxes	\$ 19,456,111	\$ -	\$ 894,849	\$ -	\$ 8,235,182	\$ 802,943	\$ 29,389,085
Investment Income	30,184	4,833	4,013	(4,126)	8,996	1,032	44,932
Other	4,456,319	274,561	3,584,232	163,655	2	-	8,478,769
State Sources	87,108,798	190,094	1,783,760	-	570,441	3,633	89,656,726
Federal Sources	11,864,283	6,111,935	560,770	-	-	-	18,536,988
Total Revenues	122,915,695	6,581,423	6,827,624	159,529	8,814,621	807,608	146,106,500
EXPENDITURES							
Current:							
Administration	4,117,680	-	-	-	-	-	4,117,680
District Support Services	2,386,690	-	-	-	-	-	2,386,690
Elementary and Secondary Regular Instruction	51,992,893	-	-	-	-	-	51,992,893
Vocational Education Instruction	2,151,223	-	-	-	-	-	2,151,223
Special Education Instruction	23,868,687	-	-	-	-	-	23,868,687
Instructional Support Services	5,947,796	-	-	-	-	-	5,947,796
Pupil Support Services	10,356,064	-	-	-	-	-	10,356,064
Sites and Buildings	8,439,830	-	-	-	-	-	8,439,830
Fiscal and Other Fixed Cost Programs	326,252	-	-	-	-	-	326,252
Food Service	-	4,892,714	-	-	-	-	4,892,714
Community Service	-	-	6,195,287	-	-	-	6,195,287
Capital Outlay	3,861,422	303,256	24,663	18,489,425	-	-	22,678,766
Debt Service:							
Principal	1,344,650	-	11,424	-	5,390,000	780,000	7,526,074
Interest and Fiscal Charges	253,531	-	-	524,717	3,427,703	48,384	4,254,335
Total Expenditures	115,046,718	5,195,970	6,231,374	19,014,142	8,817,703	828,384	155,134,291
EXCESS(DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	7,868,977	1,385,453	596,250	(18,854,613)	(3,082)	(20,776)	(9,027,791)
OTHER FINANCING SOURCES (USES)							
Sale of Equipment	1,000	-	-	-	-	-	1,000
Insurance Recovery	60,819	-	-	-	-	-	60,819
Proceeds from Sale of Bonds	-	-	-	18,730,000	1,598,000	-	20,328,000
Bond Premium	-	-	-	1,716,377	-	-	1,716,377
Issuance of Certificates of Participation	-	-	-	11,620,000	-	-	11,620,000
Lease Proceeds	207,751	-	14,621	-	-	-	222,372
Payment to Refunded Bond Escrow Agent	-	-	-	-	(1,575,000)	-	(1,575,000)
Transfers In	-	-	48,959	-	-	-	48,959
Transfers Out	(48,959)	-	-	-	-	-	(48,959)
Total Other Financing Sources (Uses)	220,611	-	63,580	32,066,377	23,000	-	32,373,568
NET CHANGE IN FUND BALANCE	8,089,588	1,385,453	659,830	13,211,764	19,918	(20,776)	23,345,777
FUND BALANCE							
Beginning of Year	8,435,633	2,365,925	1,373,126	17,252,753	1,785,247	219,984	31,432,668
End of Year	\$ 16,525,221	\$ 3,751,378	\$ 2,032,956	\$ 30,464,517	\$ 1,805,165	\$ 199,208	\$ 54,778,445

See accompanying Notes to the Basic Financial Statements.

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

Net Change in Fund Balance - Total Governmental Funds **\$ 23,345,777**

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

Governmental funds report capital outlays and acquisition of right-to-use assets as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation or amortization expense.

Capital Outlays	20,289,352
Loss on Disposal of Capital Assets	(1,867)
Depreciation and Amortization Expense	(7,193,583)

Governmental funds report capital outlays and acquisition of right-to-use assets as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation or amortization expense.

Other Financing Source - Financed Purchase Lease	(356,801)
Change in Accrued Interest Expense - Financed Purchase Lease	(2,715)
Principal Payments - GASB 87 Leases	506,517
Principal Payments - Financed Purchase Leases	870,494

Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are unearned in the governmental funds.	39,465
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Pension expenditures in the governmental funds are measured by current year employer contributions. Pension expenses on the statement of activities are measured by the change in the net pension liability and the related deferred inflows and outflows of resources.	2,711,727
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In the statement of activities, certain operating expenses - severance benefits and compensated absences - are measured by amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (amounts actually paid).	(32,593)
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In the statement of activities, OPEB expenses are measured by the change in the net OPEB asset or liability. In the governmental funds, however, expenditures for this obligation are measured by the amount of financial resources paid to the District's irrevocable OPEB trust.	(200,239)
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The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

General Obligation Bond Proceeds	(31,948,000)
Bond Premium	(1,716,377)
Payment to Refunded Bond Escrow Agent	1,575,000
Repayment of Bond Principal	6,170,000
Change in Accrued Interest - General Obligation Bonds	(36,610)
Amortization of Bond Premium	553,221
Amortization of Deferred Charges on Refunding Bonds	(22,284)

Internal service funds are used by the District to charge the costs of employee health and dental benefits to individual funds. The net revenue of the internal service funds is reported with governmental activities.

	17,732
Total	\$ 14,568,216

See accompanying Notes to the Basic Financial Statements.

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2022**

	Governmental Activities - Internal Service Funds
ASSETS	
Cash and Investments	\$ 470,691
Total Assets	<u>470,691</u>
LIABILITIES	
Claims Payable for Dental Benefits	<u>270,732</u>
NET POSITION	
Unrestricted	<u><u>\$ 199,959</u></u>

See accompanying Notes to the Basic Financial Statements.

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2022**

	Governmental Activities - Internal Service Funds
OPERATING REVENUES	
Charges for Services:	
Dental Insurance Premiums	\$ 778,173
OPERATING EXPENSES	
Dental Insurance Claim Payments	710,116
General Administration Fees	50,342
Supplies and Materials	-
Total Operating Expenses	<u>760,458</u>
OPERATING INCOME	17,715
NONOPERATING INCOME	
Earnings on Investments	<u>17</u>
CHANGE IN NET POSITION	17,732
Net Position - Beginning	<u>182,227</u>
NET POSITION - ENDING	<u><u>\$ 199,959</u></u>

See accompanying Notes to the Basic Financial Statements.

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2022**

	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Interfund Services Provided	\$ 778,173
Payments for Administrative Costs	(50,342)
Payments for Retirement Benefits	(710,152)
Net Cash Provided by Operating Activities	<u>17,679</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received	<u>17</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	17,696
Cash and Cash Equivalents - Beginning	<u>452,995</u>
CASH AND CASH EQUIVALENTS - ENDING	<u><u>\$ 470,691</u></u>
Displayed on the Statement of Net Position as:	
Cash and Cash Equivalents	<u><u>\$ 470,691</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income	\$ 17,715
Adjustments to Reconcile Operating Income to Net Cash	
Cash Used by Operating Activities:	
Increase (Decrease) in Claims Payable	(36)
Net Cash Provided by Operating Activities	<u><u>\$ 17,679</u></u>

See accompanying Notes to the Basic Financial Statements.

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2022**

	OPEB Trust	Custodial Funds
ASSETS		
Cash and Investments	\$ 11,496,218	\$ 18,625
Accounts Receivable	324	-
Total Assets	<u>11,496,542</u>	<u>18,625</u>
LIABILITIES		
Accounts Payable and Due to Other Governments	-	2,000
Total Liabilities	<u>-</u>	<u>2,000</u>
NET POSITION		
Restricted for Payment of OPEB Benefits	11,496,542	-
Restricted for Scholarships	-	16,625
Total Net Position	<u>\$ 11,496,542</u>	<u>\$ 16,625</u>

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2022**

	OPEB Trust	Custodial Funds
ADDITIONS		
Gifts and Donations	\$ -	\$ 6,672
Employer Contributions	513,723	-
Earnings on Investments	(1,603,470)	-
Total Additions	<u>(1,089,747)</u>	<u>6,672</u>
DEDUCTIONS		
Scholarships Awarded	-	7,005
Retirement Benefits	1,417,763	-
Administrative Costs	3,823	-
Total Deductions	<u>1,421,586</u>	<u>7,005</u>
CHANGE IN NET POSITION	(2,511,333)	(333)
Net Position - Beginning of Year	<u>14,007,875</u>	<u>16,958</u>
NET POSITION - END OF YEAR	<u>\$ 11,496,542</u>	<u>\$ 16,625</u>

See accompanying Notes to the Basic Financial Statements.

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Independent School District No. 77 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) 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. The GASB pronouncements are recognized as accounting principles generally accepted in the United States of America for state and local governments.

B. Financial Reporting Entity

Independent School District No. 77 (the District) is an instrumentality of the state of Minnesota established to function as an education institution. The elected Board of Education (Board) is responsible for legislative and fiscal control of the District. A Superintendent is appointed by the Board and is responsible for administrative control of the District.

Accounting Principles Generally Accepted in the United States of America (GAAP) require that the District's financial statements include all funds, departments, agencies, boards, commissions, and other organizations which are not legally separate from the District. In addition, the District's financial statements are to include all component units – entities for which the District is financially accountable.

Financial accountability includes such aspects as appointing a voting majority of the organization's governing body, significantly influencing the programs, projects, activities, or level of services performed or provided by the organization or receiving specific financial benefits from, or imposing specific financial burden on, the organization. These financial statements include all funds of the District. There are no other entities for which the District is financially accountable.

Student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside of school hours. The Board of Education does have a fiduciary responsibility in establishing broad policies and ensuring that appropriate financial records are maintained for student activities. Therefore, in accordance with Minnesota state statutes, the student activity accounts are included in the General Fund.

C. Basic Financial Statement Presentation

The District-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. The fiduciary funds are only reported in the Statement of Fiduciary Net Position at the fund financial statement level.

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statement Presentation (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational, or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Depreciation expenses that can be specifically identified by function are included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. Generally, the effect of material interfund activity has been removed from the District-wide financial statements.

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.

Fiduciary funds are presented in the fiduciary fund financial statements by type; private-purpose trust, OPEB trust, and Custodial funds. 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 District-wide statements.

The Internal Service Fund is presented in the proprietary fund financial statements. Because the principal user of the internal services is the District's governmental activities, the financial statement of the Internal Service Fund is consolidated into the governmental column when presented in the District-wide financial statements. The cost of these services is reported in the appropriate functional activity.

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

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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.

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:

Revenue Recognition – Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to Minnesota Statutes and the accounting principles generally accepted in the United States of America. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition, and other miscellaneous revenue (except investment earnings) are recorded as revenue when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.

Recording of Expenditures – Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used. Principal and interest on long-term debt issues are recognized on their due dates.

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Description of Funds

The existence of the various District funds has been established by the state of Minnesota, Department of Education. The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. A description of each fund 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. It includes the general operations and pupil transportation activities of the District, as well as the capital related activities such as maintenance of facilities, equipment purchases, and health and safety projects.

Food Service Special Revenue Fund – The Food Service Fund is used to account for food service revenues and expenditures. Revenues for the Food Service Fund are generated from user fees, federal reimbursements, and state aids.

Community Service Special Revenue Fund – The Community Service Fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs, or other similar services. Revenues for the Community Service Fund are generated primarily from user fees, local property taxes, state credits, and federal reimbursements.

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources used for the acquisition or construction of major capital facilities. During the year ended June 30, 2020 there was no activity or funds within this fund, so it is not presented in these financial statements.

Debt Service Fund – The Debt Service Fund accounts for the accumulation of resources for and the payment of, bond and loan principal, interest, and related costs.

OPEB Debt Service Fund – The Other Postemployment Benefit (OPEB) Debt Service Fund accounts for the accumulation of resources for and the payment of, bond principal, interest, and other costs related to the Other Post Employment Benefit Bonds.

Proprietary Fund

Internal Service Fund – The Internal Service Fund accounts for financing of goods or services provided by one department to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The District's Internal Service Fund accounts for the District's dental self-insurance program.

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Fiduciary Funds

OPEB Trust Fund – The Other Post Employment Benefit (OPEB) Trust Fund is used to account for resources set aside and held in an irrevocable trust arrangement to pay Other Postemployment Benefits. District contributions to this fund must be expensed to an operating fund.

Custodial Fund – The Custodial Fund is established to account for resources held for others in a custodial capacity. The District's Custodial Fund is used to account for the resources of All Season's Arena and non-trusted scholarships.

E. Budgeting

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

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

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

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

F. Cash and Investments

Cash and investments consist of interest-bearing accounts, money market funds, mutual funds, municipal bonds, MN Trust, and MSDLAF fund investments. Cash balances from all funds, except the construction, fiduciary funds, are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Receivables

Represents amounts receivable from individuals, firms, and corporations for goods and services furnished by the District. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary. The only receivable not expected to be collected within one year are current property taxes receivable.

H. Inventories

Inventories are recorded using the consumption method of accounting and consist of food and other supplies on hand at June 30, 2022 and surplus commodities received from the federal government. Food and supply purchases are recorded at invoice cost, computed on a first-in, first-out method, and surplus commodities are stated at standardized cost, as determined by the U.S. Department of Agriculture.

I. Property Taxes

Property tax levies are established by the Board of Education in December each year and are certified to the County for collection the following calendar year. In Minnesota, counties act as collection agents for all property taxes and are responsible for spreading all levies over taxable property. Such taxes become a lien on January 1.

Taxes are generally due on May 15 and October 15 and counties generally remit taxes to Districts at periodic intervals as they are collected. A portion of property taxes levied is paid through various state tax credits which are included in revenue from state sources in the financial statements.

Generally, tax revenue is recognized in the fiscal year ending June 30, following the calendar year in which the tax levy is collectible, while the current calendar year tax levy is recorded as a deferred inflow of resources (property taxes levied for subsequent year). The majority of District revenue in the General Fund (and to a lesser extent in the District's Community Service Special Revenue Fund) is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between taxes and state aids by the Legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift."

In accordance with state law, the current tax shift consists of an amount equal to 31% of the District's 2000 Pay 2001 operating referendum levy, which is frozen at \$751,973, for the District. The tax shift also includes certain other levies that are recognized early based on statutory requirements.

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Property Taxes (Continued)

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 a deferred inflow of resources because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material. Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the state which will be recognized as revenue in the next fiscal year beginning July 1, 2022, are included in Property Taxes Levied for Subsequent Year to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

J. 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 as capital assets at their acquisition value at the date of donation. The District maintains a threshold level of \$4,000 for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the District-wide financial statements, but not in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment.

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

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

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K Deferred Outflows of Resources

In addition to assets, the financial statements reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. The District has three items that qualify for reporting as this element. The first relates to losses on refunding of certain bond issuances of the District which will be recognized over the shorter of the remaining years to maturity of the old bonds or the years to maturity of the related refunding bonds. The second relates to pension related deferred outflows of resources will be recognized as expenditures in subsequent years. The third relates to other postemployment benefits related deferred outflows of resources will be recognized as expenditures in subsequent years.

L. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period they are incurred.

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 received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. Pensions

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

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

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Accrued Employee Benefits

Vacation Pay and Sick Leave

Employees earn annual vacation pay at rates dependent upon each employee group labor contract. At June 30, certain employee groups may carry forward up to one year of unpaid vacation. The expenditure for vacation pay is recognized when payment is made.

Substantially all District employees are entitled to sick leave at various rates. For certain eligible employees, unused sick leave is converted to wellness units which are used to calculate severance pay upon termination.

Severance and Wellness Benefits Payable

Upon leaving the employment of the District, employees meeting years of service and age requirements receive reimbursement for unused wellness credits, sick days, or vacation days. Employees are compensated for each unused credit or day at a set reimbursement rate, with the maximum severance benefit specified in the employment contract. A liability is recorded for all eligible employees.

The District budgets for payment of severance benefits for the ensuing year when it anticipates the retirement of personnel requiring severance payments. The payment of severance benefits is recorded as a current expenditure in the year of the payment. Expenditures for severance pay made in 2022 were \$790,013. A liability for severance and wellness benefits payable totaling \$4,164,670 is recorded in the Statement of Net Position.

O. Net Other Postemployment Benefits Liability

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Trust Fund and additions to/deductions from OPEB Trust Fund's fiduciary net position have been determined on the same basis as they are reported by OPEB Trust Fund. For this purpose, OPEB Trust Fund recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. See Note 9 for further information.

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Fund Balance

In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned, and unassigned fund balances. Nonspendable portions of fund balance relate to inventories and prepaid items. Restricted funds are constrained from outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Education. The Board of Education passed a resolution authorizing the Superintendent and Director of Business Services to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the District's policy to use restricted first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned, and unassigned amounts are available, it is the District's policy to use committed first, then assigned, and finally unassigned amounts.

The District has a minimum fund balance policy, which identifies a minimum unassigned or restricted for other purposes fund balance of one month's expenditures in each of its funds.

The District's liabilities for compensated absences, severance and wellness benefits, pension, and OPEB are generally liquidated by the General Funds.

Q. Deferred Inflows of Resources

In addition to liabilities, the financial statements reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has six types of deferred inflows of resources. The first occurs because property tax receivables are recorded in the current year, but the revenue will be recorded in the subsequent year. The second type of deferred inflow of resources occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the District's year-end) under the modified accrual basis of accounting. The third type of deferred outflow is pension related as discussed in Note 7. The fourth relates to gains on refunding of certain bond issuances of the District which will be recognized over the shorter of the remaining years to maturity of the old bonds or the years to maturity of the related refunding bonds. The fifth relates to other postemployment benefits related deferred inflows of resources will be recognized as expenditures in subsequent years. The sixth relates to leasing activity where the District is a lessor.

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Unearned Revenues

Unearned revenues are those in which resources are received by the District before it has a legal claim to them. The General Fund reported unearned revenue for grant revenues. In the Food Service Fund, fees collected for student meals not used are classified as unearned. In the Community Service Fund, the District reported unearned revenues related to prepaid student and community courses.

S. Statement of Cash Flows

For purposes of the statement of cash flows, the District considers all demand accounts and savings accounts related to the Internal Service Fund to be cash and cash equivalents. Cash and cash equivalents are included in cash and investments.

T. Leases

The District determines if an arrangement is a lease at inception. Leases are included in lease assets and lease liabilities in the statement of net position.

Lease assets represent the District's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction.

Lease assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Lease assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Lease liabilities represent the District's obligation to make lease payments arising from the lease.

Lease liabilities are recognized at the commencement date based on the present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term.

U. Net Position

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

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 DEPOSITS AND INVESTMENTS

A. Deposits

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits will not be returned in full. The District does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits.

The District maintains a cash and investment pool that is available for use by all governmental and proprietary funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Investments". In accordance with Minnesota Statutes, the District maintains deposits at financial institutions which are authorized by the District's Board.

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds.

The District's deposits in banks at June 30, 2022 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

B. Investments

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

- 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 and receives the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less.
- General obligations of a state or local government with taxing powers 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, 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.

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

- 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, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

In addition, investments held in the OPEB Trust Fund may be invested as authorized by Minnesota state statute section 356A.06, Subdivision 7.

At June 30, 2022, the District had the following investments:

<u>Investments Measured at Fair Value</u>	<u>Fair Value</u>
Municipal Bonds	\$ 10,012,155
Mutual Funds	10,836,943
Total	<u>\$ 20,849,098</u>
<u>Investments Measured at Amortized Cost</u>	<u>Amortized Cost</u>
Minnesota School District Liquid Asset	
Fund Max Series (MSDMAX)	\$ 217,582
Minnesota School District Liquid Asset	
Fund Plus (MSDLAF+)	35,937,756
MN Trust Investment Shares	5,825
MN Trust Term Series Money Market	11,110,711
Municipal Bonds with Maturities at Purchase	
of Less Than One year	3,504,932
Money Market Funds	659,275
Total Investments at Amortized Cost	<u>\$ 51,436,081</u>

The Minnesota School District Liquid Asset Fund is an external investment pool not registered with the Securities Exchange Commission (SEC). The Plus Class has no redemption requirements. The Max Class may not be redeemed for at least 14 days, and a 24-hour hold is placed on redemption requests. Redemption prior to 14 days may be subject to penalty.

The MN Trust Investment Shares Portfolio, MN Trust Term Series Money Market, and MN Trust Limited Term Duration Series are external investment pools, and their investments are valued at amortized cost.

The District had investments in MN Trust Term Series with an interest rate of 0.03% and matures in July 2021. Redemption prior to the maturity date of the MN Trust Term Series may result in a penalty.

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

The remaining investments are held by PMA Financial Network as temporary investments of the District's cash.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Credit risk related to the District's investments is as follows:

	<u>Credit Risk</u>
Mutual Funds	NR
MSDMAX	AAAm
MSDLAF+	AAAm
MN Trust Investment Shares	AAAm
MN Trust Term Series Money Market	Not Rated
Municipal Bonds	AA+

Interest Rate Risk

The District has a formal investment policy that addresses permissible investments, portfolio diversification, and instrument maturities. Investment maturities are scheduled to coincide with projected school district cash flow needs. Within these parameters, it is the District's policy to stagger portfolio maturities to avoid undue concentration of assets, provide for stability of income, and limit exposure to fair value losses arising from rising interest rates. Information about the sensitivity of the fair values of the District's investments to market interest rate risk fluctuations is provided by the distribution of the District's investments by maturity.

As of June 30, 2022, the District's investments have the following maturities:

Type	Total	Maturity Duration in Years			No Maturities
		Less Than 1	1 to 2	2 to 5	
Mutual Funds	\$ 10,836,943	\$ -	\$ -	\$ -	\$ 10,836,943
MSDMAX	217,582	-	-	-	217,582
MSDLAF+	35,937,756	-	-	-	35,937,756
MN Trust Investment Shares	5,825	-	-	-	5,825
MN Trust Term Series Money Market	11,110,711	11,110,711	-	-	-
Municipal Bonds	13,517,087	3,504,932	10,012,155	-	-
Money Markets	659,275	-	-	-	659,275
Total	<u>\$ 72,285,179</u>	<u>\$ 14,615,643</u>	<u>\$ 10,012,155</u>	<u>\$ -</u>	<u>\$ 47,657,381</u>

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2022, all investments and collateral were listed in the name of the District.

Concentration of Credit Risk

The District does not have a formal policy limiting the amount of the total portfolio that may be invested with any one depository. The Investment Committee is responsible for investment decisions and activities under the direction of the Board of Education.

C. Balance Sheet Presentation

The deposits and investments are presented in the financial statements as follows:

Deposits	\$ 9,156,033
Cash on Hand	10,190
Minnesota School District Liquid Asset Fund Max Series (MSDMAX)	217,582
Minnesota School District Liquid Asset Plus (MSDLAF+)	35,937,756
MN Trust Investment Shares	5,825
MN Trust Term Series Money Market	11,110,711
Municipal Bonds	13,517,087
Mutual Funds	10,836,943
Money Markets	659,275
Total	<u><u>\$ 81,451,402</u></u>
Cash and Investments - Statement of Net Position	\$ 69,936,559
Cash and Investments - Statement of Fiduciary Net Position	11,514,843
Total Cash and Investments	<u><u>\$ 81,451,402</u></u>

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

D. Fair Value Measurements

The District uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The District follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the District has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.

Assets measured at fair value on a recurring basis:

Investment	Level 1	Level 2	Level 3	Total
Mutual Funds	\$ -	\$ 10,836,943	\$ -	\$ 10,836,943
Municipal Bonds	-	10,012,155	-	10,012,155
Total	<u>\$ -</u>	<u>\$ 20,849,098</u>	<u>\$ -</u>	<u>\$ 20,849,098</u>

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 3 CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 6,710,561	\$ 957,900	\$ -	\$ 7,668,461
Construction in Progress	6,109,535	19,246,863	(11,165,704)	14,190,694
Total Capital Assets, Not Being Depreciated	12,820,096	20,204,763	(11,165,704)	21,859,155
Capital Assets, Being Depreciated				
Land Improvements	11,874,758	452,496	-	12,327,254
Buildings and Improvements	149,873,793	9,700,116	-	159,573,909
Equipment	16,949,996	1,097,681	(35,110)	18,012,567
Total Capital Assets, Being Depreciated	178,698,547	11,250,293	(35,110)	189,913,730
Accumulated Depreciation for:				
Land Improvements	(4,797,110)	(568,033)	-	(5,365,143)
Buildings and Improvements	(58,526,417)	(4,240,155)	-	(62,766,572)
Equipment	(10,492,774)	(1,749,608)	33,243	(12,209,139)
Total Accumulated Depreciation	(73,816,301)	(6,557,796)	33,243	(80,340,854)
Total Capital Assets, Being Depreciated, Net	104,882,246	4,692,497	(1,867)	109,572,876
Capital Assets, Being Amortized				
Right-to-Use Buildings	4,238,416	-	-	4,238,416
Right-to-Use Building Improvements	290,138	-	-	290,138
Right-to-Use Equipment	58,487	-	-	58,487
Total Capital Assets, Being Amortized	4,587,041	-	-	4,587,041
Accumulated Amortization for:				
Right-to-Use Buildings	-	(567,935)	-	(567,935)
Right-to-Use Building Improvements	-	(48,356)	-	(48,356)
Right-to-Use Equipment	-	(19,496)	-	(19,496)
Total Accumulated Amortization	-	(635,787)	-	(635,787)
Total Capital Assets, Being Amortized, Net	4,587,041	(635,787)	-	3,951,254
Governmental Activities Capital Assets, Net	\$ 122,289,383	\$ 24,261,473	\$ (11,167,571)	\$ 135,383,285

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 3 CAPITAL ASSETS (CONTINUED)

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

Governmental Activities

Administration	\$ 32,202
District Support Services	158,031
Regular Instruction	6,167,573
Vocational Education Instruction	2,534
Special Education Instruction	285,246
Instructional Support Services	3,891
Pupil Support Services	12,091
Sites and Buildings	64,684
Food Service	204,489
Community Service	262,842
Total Depreciation and Amortization Expense, Governmental Activities	<u><u>\$ 7,193,583</u></u>

NOTE 4 LONG-TERM LIABILITIES

A. Components of Long-Term Liabilities

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

Issue Date	Net Interest Rate	Series Number	Original Issue	Maturities	Principal Outstanding	
					Due Within One Year	Total
2/19/2014	4.00%	2014A	\$ 69,500,000	2015-2034	\$ 3,200,000	\$ 6,700,000
11/5/2015	2.0% - 2.75%	2015B	6,140,000	2020-2029	45,000	6,020,000
3/29/2016	2.0%	2016A	9,700,000	2020-2027	1,545,000	7,520,000
6/30/2016	1.3% - 2.15%	2016B	5,040,000	2019-2024	795,000	1,595,000
10/22/2020	2.0% - 5.0%	2020A	20,130,000	2022-2041	695,000	19,665,000
10/22/2020	0.70% - 1.95%	2020B	43,650,000	2025-2034	-	43,650,000
11/18/2021	0.49%	2021A	1,598,000	2022-2026	394,000	1,598,000
3/8/2022	3.00-5.00%	2022A	11,620,000	2022-2042	460,000	11,620,000
5/31/2022	3.00-4.00%	2022B	18,730,000	2022-2037	-	18,730,000
Total General Obligation Bonds and Direct Borrowings					7,134,000	117,098,000
Bond Premiums					573,865	4,880,168
Bond Discounts					-	-
Financed Purchase Lease Payable					817,443	1,582,463
GASB 87 Leases Payable					535,960	4,080,524
Severance and Health Benefits Payable					180,132	4,164,670
Compensated Absences Payable					788,201	788,201
Total					<u><u>\$ 10,029,601</u></u>	<u><u>\$ 132,594,026</u></u>

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 4 LONG-TERM LIABILITIES (CONTINUED)

B. Minimum Debt Payments

Minimum annual principal and interest payments required to retire General Obligation Bonds payable, Financed Purchase Lease Payable, and GASB 87 Lease Payable are as follows:

<u>Year Ending June 30.</u>	General Obligation Bonds Payable		Direct Borrowings Payable	
	Principal	Interest	Principal	Interest
2023	\$ 6,740,000	\$ 3,879,668	\$ 394,000	\$ 9,418
2024	7,070,000	3,921,259	395,000	5,900
2025	7,310,000	2,654,983	404,000	3,964
2026	7,445,000	2,500,256	405,000	1,985
2027	8,055,000	2,332,854	-	-
2028-2032	41,895,000	8,555,675	-	-
2033-2037	27,990,000	3,542,424	-	-
2038-2042	8,995,000	741,400	-	-
Total	<u>\$ 115,500,000</u>	<u>\$ 28,128,519</u>	<u>\$ 1,598,000</u>	<u>\$ 21,267</u>

<u>Year Ending June 30.</u>	Financed Purchase Lease Payable		GASB 87 Lease Payable	
	Principal	Interest	Principal	Interest
2023	\$ 817,443	\$ 68,815	\$ 535,960	\$ 143,360
2024	316,687	32,080	401,401	127,322
2025	142,139	18,313	324,261	114,009
2026	141,091	11,617	346,434	101,752
2027	103,960	5,271	372,162	88,188
2028-2032	61,143	924	1,559,374	245,026
2033-2037	-	-	540,932	16,153
2038-2042	-	-	-	-
Total	<u>\$ 1,582,463</u>	<u>\$ 137,020</u>	<u>\$ 4,080,524</u>	<u>\$ 835,810</u>

<u>Year Ending June 30.</u>	Total	
	Principal	Interest
2023	\$ 8,487,403	\$ 4,101,261
2024	8,183,088	4,086,561
2025	8,180,400	2,791,269
2026	8,337,525	2,615,610
2027	8,531,122	2,426,313
2028-2032	43,515,517	8,801,625
2033-2037	28,530,932	3,558,577
2038-2042	8,995,000	741,400
Total	<u>\$ 122,760,987</u>	<u>\$ 29,122,616</u>

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 4 LONG-TERM LIABILITIES (CONTINUED)

C. Description of Long-Term Liabilities

General Obligation School Building Bonds, Series 2014A

On February 19, 2014, the District issued \$69,500,000 of General Obligation School Building Bonds, Series 2014A. The proceeds of the issue were used to finance the construction and betterment of various school sites and facilities. Assets of the Debt Service fund, together with scheduled ad valorem tax levies, are dedicated to retire these bonds.

General Obligation Crossover Refunding Bonds, Series 2015B

On November 5, 2015, the District issued \$6,140,000 of General Obligation Crossover Refunding Bonds, Series 2015B. The proceeds of the issue will be used to refund a portion of the General Obligation School Building Bonds, Series 2008A, which were callable in February 2019. The new issue was issued at a premium of \$75,686. Assets of the Debt Service fund, together with scheduled ad valorem tax levies, are dedicated to retire these bonds. The difference between the cash flows required to service the old debt and the cash flows required to service the new debt and complete this refunding will total a gross savings of \$743,658. The present value of the net economic gain resulting from this transaction is \$608,646.

General Obligation Crossover Refunding Bonds, Series 2016A

On March 29, 2016, the District issued \$9,700,000 of General Obligation Crossover Refunding Bonds, Series 2016A. The proceeds of the issue will be used to refund the General Obligation School Building Bonds, Series 2008A, which were callable in February 2019. The new issue was issued at a premium of \$325,494. Assets of the Debt Service fund, together with scheduled ad valorem tax levies, are dedicated to retire these bonds. The difference between the cash flows required to service the old debt and the cash flows required to service the new debt and complete this refunding will total a gross savings of \$1,148,351. The present value of the net economic gain resulting from this transaction is \$1,034,991.

General Obligation Crossover Refunding Bonds, Series 2016B

On June 30, 2016, the District issued \$5,040,000 of Taxable General Obligation OPEB Crossover Refunding Bonds, Series 2016B. The proceeds of the issue were used to refund the General Obligation Taxable OPEB Bonds, Series 2009A, which were called in February 2018. Assets of the Debt Service fund, together with scheduled ad valorem tax levies, are dedicated to retire these bonds. The difference between the cash flows required to service the old debt and the cash flows required to service the new debt and complete this refunding will total a gross savings of \$424,953. The present value of the net economic gain resulting from this transaction is \$390,672.

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 4 LONG-TERM LIABILITIES (CONTINUED)

C. Description of Long-Term Liabilities (Continued)

General Obligation Facilities Maintenance Bonds, Series 2020A

On October 22, 2020, the District issued \$20,130,000 of General Obligation Facilities Maintenance Bonds, Series 2020A. The proceeds of the issue were used for various long term facilities maintenance projects as described in the District's 10-year facility plan and to pay certain costs associated with the issuance of the bonds. Assets of the Debt Service fund, together with scheduled ad valorem tax levies, are dedicated to retire these bonds.

General Obligation Crossover Refunding Bonds, Series 2020B

On October 22, 2020, the District issued \$43,650,000 of Taxable General Obligation Crossover Refunding Bonds, Series 2020B. The proceeds of the issue were used to refund the 2025 through 2034 maturities, aggregating to \$41,390,000 in principal amount, of the General Obligation School Building Bonds, Series 2014A. The noted maturities of the 2014A bonds are to be called in February of 2024, but the issuance met the requirements of an in-substance defeasance. Therefore, \$41,390,000 of bonds payable related to the 2014A was removed from the District's financial statements in fiscal year 2021. Assets of the Debt Service fund, together with scheduled ad valorem tax levies, are dedicated to retire these bonds. The difference between the cash flows required to service the old debt and the cash flows required to service the new debt and complete this refunding will total a gross savings of \$3,592,906. The present value of the net economic gain resulting from this transaction is \$3,157,866.

General Obligation Refunding Bonds, Series 2021A

On November 18, 2021, the District issued \$1,598,000 of General Obligation Refunding Bonds, Series 2021A. The proceeds of the issue were used to refund the General Obligation Crossover Refunding Bonds, Series 2015A. Assets of the Debt Service fund, together with scheduled ad valorem tax levies, are dedicated to retire these bonds. The difference between the cash flows required to service the old debt and the cash flows required to service the new debt and complete this refunding will total a gross savings of \$52,534. The present value of the net economic gain resulting from this transaction is \$51,070.

Certificates of Participation, Series 2022A

On March 8, 2022, the District issued \$11,620,000 of Certificates of Participations, Series 2022A. The proceeds of the issue were used for the acquisition and remodel of a facility for early childhood programming and additional storage space and to pay certain costs associated with the issuance of the bonds. Assets of the Debt Service fund, together with scheduled ad valorem tax levies, are dedicated to retire these bonds.

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 4 LONG-TERM LIABILITIES (CONTINUED)

C. Description of Long-Term Liabilities (Continued)

General Obligation Facilities Maintenance Bonds, Series 2022B

On May 31, 2022, the District issued \$18,730,000 of General Obligation Facilities Maintenance Bonds, Series 2022B. The proceeds of the issue were used for various long term facilities maintenance projects as described in the District's 10-year facility plan and to pay certain costs associated with the issuance of the bonds. Assets of the Debt Service fund, together with scheduled ad valorem tax levies, are dedicated to retire these bonds.

Leases Payable

The District entered into leases for the use of copy machines, iPads, networking equipment, the ECFE building, a tractor and mower, and custodial equipment. Due to the implementation of GASB 87 in the fiscal year ended June 30, 2022, these assets were capitalized as intangible right-to-use assets.

Severance and Wellness Benefits Payable

Severance and wellness benefits payable consist of severance payable to employees upon retirement. Severance has been paid by the General and Special Revenue Funds.

Compensated Absences Payable

Employees earn annual vacation pay at rates dependent upon each employee group labor contract. At June 30, certain employee groups may carry forward up to one year of unpaid vacation. At June 30, 2022, unpaid vacation totaling \$788,201 is recorded in the Statement of Net Position. Vacation benefits have been paid by the General and Special Revenue Funds.

D. Changes in Long-Term Debt

Changes in long-term debt during the year are summarized as follows:

	June 30, 2021	Additions	Retirements	June 30, 2022
Bonds Payable	\$ 92,895,000	\$ 30,350,000	\$ 7,745,000	\$ 115,500,000
Direct Borrowings Payable	\$ -	\$ 1,598,000	\$ -	1,598,000
Bond Premiums	3,717,012	1,716,377	553,221	4,880,168
Bond Discount	-	-	-	-
GASB 87 Leases Payable	4,587,041	-	506,517	4,080,524
Financed Purchase				
Lease Payable	2,096,156	356,801	870,494	1,582,463
Severance and Wellness				
Benefits Payable	4,097,109	857,574	790,013	4,164,670
Compensated Absences				
Payable	823,169	904,547	939,515	788,201
Total	<u>\$ 108,215,487</u>	<u>\$ 35,783,299</u>	<u>\$ 11,404,760</u>	<u>\$ 132,594,026</u>

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 5 RESTRICTED AND ASSIGNED FUND BALANCES

Fund Equity

Certain portions of fund balance are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities, or as required by other outside parties. In addition, certain portions of fund balance have been assigned by the District for use for specific purposes.

The following is a summary of the restricted and assigned fund balances for the governmental funds.

A. Restricted for Student Activities

This is the amount of funds at year-end that relates to student activity funds that are restricted to be utilized by the student activity group that the funds were raised to benefit.

B. Restricted for Scholarships

This is the amount of cash that is restricted for scholarship funds that are only be utilized for that purpose.

C. Restricted for Staff Development

In accordance with state statute, this fund balance restriction represents available resources dedicated exclusively for staff development.

D. Restricted for Operating Capital

The District levies taxes and receives state aid to be used for the purchase of equipment, books, and vehicles and to purchase, rent, improve, and repair school facilities as allowed by state statute. The cumulative excess of such revenues over equipment and facilities expenditures is reported as a restriction of fund balance in the General Fund.

E. Restricted for Community Education

The fund balance restriction represents accumulated resources available to provide general community education programming.

F. Restricted for Early Childhood and Family Education

This fund balance restriction represents accumulated resources available to provide services for early childhood family education programming.

G. Restricted for School Readiness

The fund balance restriction represents accumulated resources available to provide school readiness programming in accordance with funding made available for that purpose.

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 5 RESTRICTED AND ASSIGNED FUND BALANCES (CONTINUED)

Fund Equity (Continued)

H. Restricted for Adult Basic Education

The fund balance restriction represents accumulated resources available to provide school readiness programming in accordance with funding made available for that purpose.

I. Restricted for Medical Assistance

Represents resources to be used for Medical Assistance expenditures.

J. Restricted for Achievement and Integration

Represents resources to be used for Achievement and Integration expenditures.

K. Restricted for Projects Funded by Certificates of Participation

Represents resources from certificates of participation to be used for the acquisition and remodel of a facility for early childhood programming and additional storage space.

L. Restricted for Long-Term Facilities Maintenance

Represents unspent State aid to finance facilities plans approved by its board and the commissioner.

M. Restricted for Other Purposes

Represents amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

N. Assigned for Separation/Retirement Benefits

This assignment represents resources segregated by the District for the payment of retirement benefits.

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 6 DEFINED BENEFIT PENSION PLANS

Substantially all employees of the District are required by state law to belong to multiple-employer pension plans administered by Teachers' Retirement Association (TRA) or Public Employees' Retirement Association (PERA), all of which are administered on a statewide basis. Disclosures relating to these plans follow:

A. Plan Description

The District participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA) and Teachers Retirement Fund (TRA). PERA's and TRA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's and TRA's defined benefit pension plans are tax-qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Plan (GERF)

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

2. Teachers Retirement Fund (TRA)

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

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

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided

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

1. General Employee Retirement Plan Benefits

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

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

2. TRA Benefits

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

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefits (Continued)

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

Tier 1	Step Rate Formula	Percentage
Basic	First Ten Years of Service	2.2% per Year
	All Years After	2.7% per Year
Coordinated	First Ten Years if Service Years Are Up to July 1, 2006	1.2% per Year
	First Ten Years if Service Years Are July 1, 2006 or After	1.4% per Year
	All Other Years of Service if Service Years Are Up to July 1, 2006	1.7% per Year
	All Other Years of Service if Service Years Are July 1, 2006 or After	1.9% per Year

With these provisions:

- (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) 3.0% 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).

or

Tier II Benefits

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

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

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

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

C. Contributions

1. General Employee Retirement Plan Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature. Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2022 and the District was required to contribute 7.50% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2022 were \$1,195,201. The District's contributions were equal to the required contributions as set by state statute.

2. TRA Contributions

Per Minnesota Statutes, Chapter 354 rates for the fiscal year for coordinated were 7.5% for the employee and 8.34% for the employer. Basic rates were 11.00% for the employee and 12.34% for the employer. The District's contributions to TRA for the plan's fiscal year ended June 30, 2022 were \$4,489,438. The District's contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

1. General Employee Retirement Plan Pension Costs

At June 30, 2022, the District reported a liability of \$9,471,854 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 \$289,158, for a total net pension liability of \$9,761,012 associated with the District. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.2218% at the end of the measurement period and 0.2286% for the beginning of the period.

For the year ended June 30, 2022, the District recognized pension expense of \$11,693 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional \$23,330 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$16 million to the General Employees Fund.

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employee Retirement Plan Pension Costs (Continued)

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 58,193	\$ 289,865
Changes in Actuarial Assumptions	5,783,317	209,523
Net Difference Between Projected and Actual		
Earnings on Plan Investments	-	8,203,025
Changes in Proportion	172,004	363,086
District Contributions Subsequent to the Measurement Date	1,195,201	-
Total	<u>\$ 7,208,715</u>	<u>\$ 9,065,499</u>

The \$1,195,201 related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023.

Other amounts reported as deferred outflows and deferred inflows of resources related to General Employee Retirement Plan pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2023	\$ (477,781)
2024	(159,632)
2025	(177,178)
2026	(2,237,394)

2. TRA Pension Costs

At June 30, 2022, the District reported a liability of \$39,093,479 for its proportionate share of 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 TRA in relation to total system contributions including direct aid from the state of Minnesota, city of Minneapolis, and Minneapolis School District. The District's proportionate share was 0.8933% at the end of the measurement period and 0.8958% for the beginning of the period.

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs

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

Description	Amount
District's Proportionate Share of the TRA Net Pension Liability	\$ 39,093,479
State's Proportionate Share of the Net Pension Liability Associated with the District	3,297,095
Total	<u>\$ 42,390,574</u>

For the year ended June 30, 2022, the District recognized pension expense of \$2,785,209. It also recognized \$(315,849) as pension expense and grant revenue for the on-behalf support provided by direct aid.

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 1,058,822	\$ 1,107,267
Changes in Actuarial Assumptions	14,326,287	35,270,599
Net Difference Between Projected and Actual Earnings on Plan Investments	-	32,779,688
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	3,664,785	224,762
District Contributions Subsequent to the Measurement Date	4,489,438	-
Total	<u>\$ 23,539,332</u>	<u>\$ 69,382,316</u>

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs (Continued)

A total of \$4,489,438 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to TRA will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Pension Expense Amount</u>
2023	\$ (24,374,160)
2024	(18,725,428)
2025	(4,121,031)
2026	(5,826,328)
2027	2,714,525
Thereafter	-

3. Aggregate Pension Costs and Balances

	<u>TRA</u>	<u>GERF</u>	<u>Total</u>
Net Pension Liability	\$ 39,093,479	\$ 9,471,854	\$ 48,565,333
Deferred Outflows of Resources	23,539,332	7,208,715	30,748,047
Deferred Inflows of Resources	69,382,316	9,065,499	78,447,815
Pension Costs	2,469,360	35,023	2,504,383

E. Actuarial Assumptions

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

<u>Assumptions</u>	<u>GERF</u>	<u>TRA</u>
Inflation	2.25% per Year	2.50% per Year 2.85% before July 1, 2028 and 3.25% to 9.25% thereafter
Active Member Payroll Growth	3.00% per Year	7.00%
Investment Rate of Return	6.50%	7.00%

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

PERA salary growth assumptions were based on a service-related table. PERA mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on Pub-2010 General Employee Mortality table for General Employees Plan for males or females, as appropriate, with slight adjustments to fit PERA's experience. PERA benefit increases after retirement for retirees are assumed to be 1.25% per year for the General Employees Plan. The assumption for long-term rate of return on pension plan investments is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5% was deemed to be within that range of reasonableness for financial reporting purposes.

TRA pre-retirement mortality rates were based on the RP-2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP-2015 scale. Post-retirement mortality rates were based on the RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale. Post-disability mortality rates were based on the RP-2014 disabled retiree mortality table, without adjustment. TRA cost of living benefit increases 1.0% for January 2020 through January 2023, then increasing by 0.1% each year up to 1.5% annually.

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

The following changes in actuarial assumptions for PERA occurred in 2021:

- The investment return and single discount rates were changed from 7.50% to 6.50%.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

The following changes in actuarial assumptions for TRA occurred in 2021:

- The investment return assumption was changed from 7.5% to 7.00%.

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Long-Term Expected Return on Investment

The State Board of Investment, which manages the investments of PERA and 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 arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	PERA Target Allocation	TRA Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.5 %	35.5 %	5.10%
International Equity	16.5	17.5	5.30%
Private Markets	25.0	25.0	5.90%
Fixed Income	25.0	20.0	0.75%
Unallocated Cash	-	2.0	0.00%
Totals	100.0 %	100.0 %	

G. Discount Rate

The discount rate used to measure the PERA General Employees Plan liability in 2021 was 6.50% (7.50% at the prior measurement date). 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 positions of the General Employees Fund were 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.

The discount rate used to measure the TRA pension liability was 7.00% (7.50% at the prior measurement date). There was no change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contribution will be made at the fiscal year 2021 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)

H. Pension Liability Sensitivity

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

Description	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
<u>GERF Discount Rate</u>	5.50%	6.50%	7.50%
District's Proportionate Share of the GERF Net Pension Liability	\$ 19,317,746	\$ 9,471,854	\$ 1,392,698
<u>TRA Discount Rate</u>	6.00%	7.00%	8.00%
District's Proportionate Share of the TRA Net Pension Liability	\$ 78,970,730	\$ 39,093,479	\$ 6,390,954

I. Pension Plan Fiduciary Net Position

Detailed information about General Employees Plan's fiduciary's net position is available in a separately issued PERA financial report. That report may be obtained on the Internet at www.mnpera.org.

Detailed information about TRA'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 TRA at 60 Empire Drive #400, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-2409 or 1-800-657-3669.

NOTE 7 DEFINED CONTRIBUTION PLAN

The District provides eligible employees future retirement benefits through the District's 403(b) plan (the Plan). Employees of the District are eligible to participate in the Plan commencing on the date of their employment. Eligible employees may elect to have a percentage of their pay contributed to the Plan. Some employees are eligible to receive a District match of employee contributions up to the qualifying amounts set forth in their respective collective bargaining agreements. Contributions are invested in tax-deferred annuities selected and owned by Plan participants. The amount of pension expense recognized by the employer in the reporting period ended June 30, 2022 and 2021 was \$927,453 and \$897,886, respectively.

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN

A. Plan Description

The District operates a single-employer retiree benefit plan (the Plan) that provides health insurance, dental insurance, and postretirement life insurance to eligible employees and their spouses through the District's insurance and self-insured dental plans. There are 865 active participants and 71 retired participants. Benefit and eligibility provisions are established through negotiations between the District and various unions representing District employees and are renegotiated each two-year bargaining period.

B. Funding Policy and Contributions

The District has assets designated for OPEB. These assets are in a qualified irrevocable trust which is included as a fiduciary fund in these financial statements. The District's investment policy is to follow state statutes as listed in Note 2. The District is assumed to make no future contributions to the trust. Benefit payments equal to the annual direct subsidy plus implicit subsidy are assumed to be made from the trust.

Contribution requirements are also negotiated between the District and union representatives. The District contributes up to 100% of the cost of current year premiums for eligible retired plan members and their spouses. The District also contributes an implicit rate subsidy for retired plan members. This is due to the actual cost for retirees being higher than the average per-person premium for the entire group. For fiscal year 2022, total contributions to the plan were \$1,417,763.

C. Investment Policy

The Trust does not have a formal investment policy. The entire portfolio of investments of the Trust is invested in mutual funds.

For the year ended June 30, 2022, the annual money-weighted rate of return on investments, net of investment expense, was (11.48)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

D. Net OPEB Liability of the District

The components of the net OPEB liability (asset) of the District at June 30, 2022 were as follows:

Total OPEB Liability	\$ 18,128,173
Plan Fiduciary Net Position	11,496,542
District's Net OPEB Liability	<u>\$ 6,631,631</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	63.42%

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

E. Actuarial Methods and Assumptions

Van Iwaarden Associates has conducted the actuarial valuation of the District's postretirement benefit plans. The most recent report, dated June 30, 2022, documents the Plan's fiscal year 2022 net OPEB liability based on GASB Statement No. 75.

The long-term expected rate of return on OPEB plan investments that are expected to be used to finance the payment of benefits, to the extent that (1) the OPEB plan's fiduciary net position is projected to be sufficient to make projected benefit payments and (2) OPEB plan assets are expected to be invested using a strategy to achieve that return, and a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale), to the extent that the conditions above are not met.

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 June 30, 2020. Liabilities in this report were calculated as of the valuation date and rolled forward to the measurement date using standard actuarial roll-forward techniques.

The total OPEB liability was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method

Entry age normal

Investment Gains and Losses: Each year's gain or loss is straight-line amortized over 5 years.

Amortization Method

Effects of Assumption Changes and Experience Gains and Losses: Each change is straight-line amortized over a period equal to the average of the expected remaining service lives of all members that are provided with OPEB through the plan.

Inflation

2.25%

Salary Increases

3.00%

Investment Rate of Return

4.25%

20-Year Municipal Bond Yield

3.69%

Health Care Trend Rates

6.70% grading to 3.80% in 2076

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

E. Actuarial Methods and Assumptions (Continued)

Mortality rates for teacher were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2015, and other adjustments. Mortality rates for non-teachers were based on the Pub-2010 General mortality tables with projected mortality improvements based on scale MP-2019, and other adjustments.

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2019 to June 30, 2020.

Health care cost trend rates used 6.70% for fiscal year 2021, gradually decreasing over several decades to an ultimate rate of 3.80% in fiscal year 2076 and later years.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage (or target allocation, if available) and by adding expected inflation (2.25%).

Best estimates of geometric real and nominal rates of return for each major asset class included in the OPEB plan's asset allocation as of the measurement date are summarized in the following table:

Asset Class	Target Allocation at Measurement Date	Long-Term Expected Rate of Return	Long-Term Expected Nominal Rate of Return
Domestic Equity	20.00%	4.42%	6.67 %
International Equity	10.00%	4.91%	7.16
Fixed Income	70.00%	1.00%	3.25
Real Estate and Alternatives	0.00%	3.98%	6.23
Cash and Equivalents	0.00%	-33.00%	1.92
Total			4.62
Reduced for Assumed Investment Expense			(0.40)
Net Assumed Investment Return (Weighted Avg Rounded to 1/4%)			4.25

The discount rate used to measure the total OPEB liability was 3.83%. The projection of cash flows and OPEB trust assets used to determine the discount rate were based on recent employer contribution history and their stated funding policy. The OPEB trust's long-term assumed investment return was used to discount projected benefit payments for as long as projected trust assets are available to fund OPEB payments. Once projected trust assets are exhausted, the municipal bond index rate of 1.92% was applied to the remaining expected benefit payments.

**MANKATO PUBLIC SCHOOLS
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

E. Actuarial Methods and Assumptions (Continued)

The expected employer asset return is based on the long-term expected return on short-term/cash-equivalent assets using a capital market assumption model.

Since the most recent GASB 75 valuation, the following changes have been made:

- The discount rate was changed from 2.61% to 3.80%.
- The Index rate for 20-year, tax-exempt municipal bonds (Fidelity 20-Year Municipal GO AA Index) used in discount rate determination changed from 1.92% to 3.69%.

F. Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2021	\$ 19,500,024	\$ 14,007,875	\$ 5,492,149
Changes for the Year:			
Service Cost	972,434	-	972,434
Interest on the Total OPEB Liability	515,829	-	515,829
Changes in Assumptions	(1,505,938)	-	(1,505,938)
Differences Between Expected and Actual Experience	63,587	-	63,587
Contributions-Employer	-	513,723	(513,723)
Net Investment Income	-	(1,603,470)	1,603,470
Benefit Payments	(1,417,763)	(1,417,763)	-
Administrative Expense	-	(3,823)	3,823
Net Changes	(1,371,851)	(2,511,333)	1,139,482
Balances at June 30, 2022	\$ 18,128,173	\$ 11,496,542	\$ 6,631,631

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

The following presents the net OPEB liability of the Plan, as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is a one percentage point lower (2.83%) or one percentage point higher (4.83%) than the current discount rate:

	1% Decrease (2.83%)	Current Rate (3.83%)	1% Increase (4.83%)
Net OPEB Liability (Asset)	\$ 7,859,379	\$ 6,631,631	\$ 5,468,354

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

F. Changes in the Net OPEB Liability (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend Rates

The following presents the net OPEB liability of the Plan, as well as what the Plan's net OPEB liability would be if it were calculated using healthcare trend rates that are one percentage point lower (5.70% decreasing to 2.80%) or one percentage point higher (7.70% decreasing to 4.80%) than the current healthcare cost trend rates:

	Healthcare Cost		
	1% Decrease (5.70% grading to 2.80%)	Current Trend (6.70% grading to 3.80%)	1% Increase (7.70% grading to 4.80%)
Net OPEB Liability (Asset)	\$ 5,006,252	\$ 6,631,631	\$ 8,496,313

For the year ended June 30, 2022, the District recognized OPEB expense of \$713,962. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 394,476	\$ 2,479,946
Change of Assumptions	445,250	1,543,391
Net Difference Between Projected and Actual Investment Earnings	991,890	-
Total	<u>\$ 1,831,616</u>	<u>\$ 4,023,337</u>

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

<u>Year Ending June 30,</u>	<u>Future Recognition</u>
2022	\$ (249,281)
2023	(214,650)
2024	(192,576)
2025	36,441
2026	(418,330)
Thereafter	(1,153,325)
Total	<u>\$ (2,191,721)</u>

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

F. Changes in the Net OPEB Liability (Continued)

Trust Funds

The condensed financial statements of the District's trust funds are as follows:

	OPEB Benefit Trust
ASSETS	
Cash and Investments	\$ 11,496,218
Other Assets	324
Total Assets	<u>11,496,542</u>
NET POSITION	
Held in Trust for Payment of OPEB Benefits	<u>\$ 11,496,542</u>
ADDITIONS	
Employer Contributions	\$ 513,723
Earnings on Investments	(1,603,470)
Total Additions	<u>(1,089,747)</u>
DEDUCTIONS	
Retirement Benefits	1,417,763
Administrative Costs	3,823
Total Deductions	<u>1,421,586</u>
Change in Net Position	(2,511,333)
Net Position - Beginning of Year	14,007,875
Net Position - End of Year	<u>\$ 11,496,542</u>

NOTE 9 SELF-INSURED DENTAL PLAN

The District has elected to self-insure its employee dental insurance program. The District has entered into an agreement with an insurance company to provide claims processing and other administrative duties. The District has not elected to purchase stop-loss insurance. However, the claims processor has indicated that the District will not be held liable for amounts in excess of 125% of the total projected claims as calculated by the claims processor, or \$733,983. The District established an internal service fund to account for contributions from other funds, including employee withholding, for dental insurance and to establish a reserve for catastrophic losses. Contributions during the year were based on a maximum claims estimate.

The amounts charged to expenses include administrative fees, claims paid, and accruals for claims incurred but not paid at year-end. The District recorded expenses of \$760,458 for the year ended June 30, 2022.

**MANKATO PUBLIC SCHOOLS
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 9 SELF-INSURED DENTAL PLAN (CONTINUED)

The liability for unpaid claims included in the Internal Service Fund as claims payable for 2022 were:

Beginning of Fiscal Year Liability - July 1	\$ 270,768
Incurred Claims	710,116
Claims Payments	<u>(710,152)</u>
End of Fiscal Year Liability - June 30	<u><u>\$ 270,732</u></u>

NOTE 10 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters and workers compensation. The District has joined together with other School Districts in southcentral Minnesota in the Southcentral Service Cooperative Gross Self-Insured Health Insurance Plan, a public entity risk pool currently operating as common risk management and insurance program for member districts. The District pays an annual premium to this plan for its health and insurance coverage. These premiums are used to purchase reinsurance through commercial companies. The administrators of the plan believe assessment to participating districts for future losses sustained is extremely remote. The District self-insures for dental insurance offered to its employees. The District purchases commercial insurance coverage for all other risks of loss.

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

NOTE 11 COMMITMENTS AND CONTINGENCIES

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. The financial assistance received is subject to audits by the grantor agency.

Construction Projects

The District had remaining commitments on construction projects of \$12,808,626 at June 30, 2022.

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 12 INTERFUND TRANSACTIONS

The District transferred \$48,959 from the General Fund to the Community Education Fund during the fiscal year ending on June 30, 2022. The transfer was made as the preschool screening program has overspent their state aid during the current fiscal year, so the General Fund was paying for the difference as depicted in the table below:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ (48,959)
Special Revenue Funds:		
Community Service Fund	48,959	-
Total	<u>\$ 48,959</u>	<u>\$ (48,959)</u>

NOTE 13 STEWARDSHIP

Excess of Expenditures Over Budget

Expenditures exceed budgeted amounts in the following fund:

	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
Food Service Fund	\$ 4,796,550	\$ 5,195,970	\$ 399,420

These excess expenditures were funded with higher than anticipated revenues and existing fund balances.

REQUIRED SUPPLEMENTARY INFORMATION

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**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES				
Local Sources:				
Property Taxes	\$ 19,061,444	\$ 19,383,975	\$ 19,456,111	\$ 72,136
Investment Income	2,660	1,000	30,184	29,184
Other	2,601,843	2,651,911	4,456,319	1,804,408
State Sources	87,566,288	86,799,032	87,108,798	309,766
Federal Sources	5,380,913	10,003,196	11,864,283	1,861,087
Total Revenues	<u>114,613,148</u>	<u>118,839,114</u>	<u>122,915,695</u>	<u>4,076,581</u>
EXPENDITURES				
Current:				
Administration	3,828,348	4,091,396	4,117,680	26,284
District Support Services	2,092,120	2,367,402	2,386,690	19,288
Elementary and Secondary Regular Instruction	51,962,598	52,335,134	51,992,893	(342,241)
Vocational Education Instruction	1,999,828	2,117,025	2,151,223	34,198
Special Education Instruction	23,546,946	23,750,260	23,868,687	118,427
Instructional Support Services	4,844,649	5,623,174	5,947,796	324,622
Pupil Support Services	9,843,571	9,573,855	10,356,064	782,209
Sites and Buildings	9,539,031	9,758,227	8,439,830	(1,318,397)
Fiscal and Other Fixed Cost Programs	985,926	879,106	326,252	(552,854)
Capital Outlay	5,817,348	5,817,348	3,861,422	(1,955,926)
Debt Service:				
Principal	10,782	10,782	1,344,650	1,333,868
Interest and Fiscal Charges	-	-	253,531	253,531
Total Expenditures	<u>114,471,147</u>	<u>116,323,709</u>	<u>115,046,718</u>	<u>(1,276,991)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>142,001</u>	<u>2,515,405</u>	<u>7,868,977</u>	<u>5,353,572</u>
OTHER FINANCING USES				
Sale of Equipment	-	-	1,000	1,000
Insurance Recovery	-	-	60,819	60,819
Issuance of Capital Loans	-	-	207,751	207,751
Transfers Out	(42,436)	(42,436)	(48,959)	(6,523)
Total Other Financing Sources (Uses)	<u>(42,436)</u>	<u>(42,436)</u>	<u>220,611</u>	<u>263,047</u>
NET CHANGE IN FUND BALANCE	<u>\$ 99,565</u>	<u>\$ 2,472,969</u>	<u>8,089,588</u>	<u>\$ 5,616,619</u>
FUND BALANCE				
Beginning of Year			8,435,633	
End of Year			<u>\$ 16,525,221</u>	

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES				
Local Sources:				
Investment Income	\$ 24,000	\$ 24,000	\$ 4,833	\$ (19,167)
Other - Primarily Meal Sales	1,845,725	1,845,725	274,561	(1,571,164)
State Sources	222,525	222,525	190,094	(32,431)
Federal Sources	2,721,950	2,721,950	6,111,935	3,389,985
Total Revenues	<u>4,814,200</u>	<u>4,814,200</u>	<u>6,581,423</u>	<u>1,767,223</u>
EXPENDITURES				
Current:				
Food Service	4,676,550	4,676,550	4,892,714	216,164
Capital Outlay	120,000	120,000	303,256	183,256
Total Expenditures	<u>4,796,550</u>	<u>4,796,550</u>	<u>5,195,970</u>	<u>399,420</u>
NET CHANGE IN FUND BALANCE	<u>\$ 17,650</u>	<u>\$ 17,650</u>	1,385,453	<u>\$ 1,367,803</u>
FUND BALANCE				
Beginning of Year			2,365,925	
End of Year			<u>\$ 3,751,378</u>	

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
COMMUNITY SERVICE FUND
YEAR ENDED JUNE 30, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES				
Local Sources:				
Property Taxes	\$ 900,590	\$ 896,539	\$ 894,849	\$ (1,690)
Investment Income	-	-	4,013	4,013
Other - Primarily Tuition and Fees	3,269,619	3,621,127	3,584,232	(36,895)
State Sources	1,590,821	1,601,189	1,783,760	182,571
Federal Sources	214,961	395,914	560,770	164,856
Total Revenues	<u>5,975,991</u>	<u>6,514,769</u>	<u>6,827,624</u>	<u>312,855</u>
EXPENDITURES				
Current:				
Community Service	5,927,085	6,616,294	6,195,287	(421,007)
Capital Outlay	28,800	86,653	24,663	(61,990)
Debt Service	-	-	11,424	11,424
Total Expenditures	<u>5,955,885</u>	<u>6,702,947</u>	<u>6,231,374</u>	<u>(471,573)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	20,106	(188,178)	596,250	784,428
OTHER FINANCING SOURCES				
Leases Proceeds	-	-	14,621	14,621
Transfers In	-	-	48,959	48,959
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>63,580</u>	<u>63,580</u>
NET CHANGE IN FUND BALANCE	<u>\$ 20,106</u>	<u>\$ (188,178)</u>	659,830	<u>\$ 848,008</u>
FUND BALANCE				
Beginning of Year			1,373,126	
End of Year			<u>\$ 2,032,956</u>	

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB MONEY-WEIGHTED RATE OF RETURN ON PLAN ASSETS
JUNE 30, 2022**

Year	Annual Money-Weighted Rate of Return, Net of Investment Expense
2017	5.45%
2018	3.49%
2019	6.88%
2020	6.12%
2021	14.21%
2022	(11.48%)

*The District implemented GASB Statement No. 75 in fiscal year 2018, and the above table will be expanded to 10 years of information as the information becomes available.

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
SCHEDULE OF CHANGES IN EMPLOYER'S NET OPEB LIABILITY
AND RELATED RATIOS**

	2022	2021	2020	2019	2018	2017
Total OPEB Liability						
Service Cost	\$ 972,434	\$ 1,156,816	\$ 1,028,583	\$ 1,110,497	\$ 943,846	\$ 943,134
Interest	515,829	679,364	775,587	869,569	977,787	898,557
Changes in Benefit Terms	-	-	-	68,759	-	-
Differences Between Expected and Actual Experience	63,587	(1,961,089)	-	678,311	-	-
Changes of Assumptions	(1,505,938)	(633,859)	306,053	(1,109,814)	388,373	(481,998)
Benefit Payments	(1,417,763)	(1,426,997)	(1,406,358)	(1,057,969)	(1,077,050)	(1,184,802)
Net Change in Total OPEB Liability	(1,371,851)	(2,185,765)	703,865	559,353	1,232,956	174,891
Total OPEB Liability - Beginning	19,500,024	21,685,789	20,981,924	20,422,571	19,189,615	19,014,724
Total OPEB Liability - Ending (a)	\$ 18,128,173	\$ 19,500,024	\$ 21,685,789	\$ 20,981,924	\$ 20,422,571	\$ 19,189,615
Plan Fiduciary Net Position						
Contributions - Employer	\$ 513,723	\$ 825,224	\$ 666,470	\$ 342,922	\$ 299,412	\$ 320,614
Net Investment Income	(1,603,470)	1,815,830	779,130	865,373	450,521	711,440
Benefit Payments	(1,417,763)	(1,426,997)	(1,406,358)	(1,057,969)	(1,077,050)	(1,184,802)
Administrative Expenses	(3,823)	(3,942)	(3,739)	-	-	-
Net Change in Plan Fiduciary Net Position	(2,511,333)	1,210,115	35,503	150,326	(327,117)	(152,748)
Plan Fiduciary Net Position - Beginning	14,007,875	12,797,760	12,762,257	12,611,931	12,939,048	13,091,796
Plan Fiduciary Net Position - Ending (b)	\$ 11,496,542	\$ 14,007,875	\$ 12,797,760	\$ 12,762,257	\$ 12,611,931	\$ 12,939,048
District's Net OPEB Liability (Asset) - Ending (a) - (b)	\$ 6,631,631	\$ 5,492,149	\$ 8,888,029	\$ 8,219,667	\$ 7,810,640	\$ 6,250,567
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	63.42%	71.84%	59.01%	60.83%	61.75%	67.43%
Covered-Employee Payroll for Measurement Period	\$ 59,039,935	\$ 61,821,113	\$ 57,497,660	\$ 55,950,935	\$ 59,407,039	\$ 59,764,196
District's Net OPEB Liability (Asset) as a Percentage of Covered-Employee Payroll	11.23%	8.88%	15.46%	14.69%	13.15%	10.46%

The District implemented GASB Statement No. 74 in fiscal year 2018 and the above table will be expanded to 10 years of information as the information becomes available.

Notes to Schedule:

2022

Benefit Changes: None

Changes of Assumptions during fiscal year 2022:

- The discount rate was changed from 2.61% to 3.83%
- The index rate for 20-year, tax-exempt municipal bonds (Fidelity 20-Year Municipal GO AA Index) used in discount rate determination was changed from 1.92% to 3.69%.

2021

Benefit Changes: None

Changes of Assumptions during fiscal year 2021:

- The discount rate was changed from 3.07% to 2.61%.
- The Index rate for 20-year, tax-exempt municipal bonds (Fidelity 20-Year Municipal GO AA Index) used in discount rate determination changed from 2.45% to 1.92%.
- The long-term expected rate of return on OPEB plan investments was changed from 5.25% to 4.25% based on updated capital market assumptions.
- The healthcare trend rates were reset to reflect updated cost increase expectations.

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
SCHEDULE OF CHANGES IN EMPLOYER'S NET OPEB LIABILITY
AND RELATED RATIOS (CONTINUED)**

Notes to Schedule (Continued):

2021 (Continued)

Changes of Assumptions during fiscal year 2021 (Continued):

- Medical per capita claims were updated to reflect recent experience, including an adjustment to reflect age/gender-based risk scores published by the Society of Actuaries.
- Withdrawal, retirement, mortality, disability, and salary increase rates were updated from the rates used in the 7/1/2018 PERA General Employees Plan and 7/1/2018 Teachers Retirement Association valuations to the rates used in the 7/1/2020 valuations.
- The percent of future non-Medicare eligible retiree electing each medical plan changed to reflect recent plan experience.
- The inflation assumption was changed from 2.50% to 2.25%.
- The payroll growth assumption was changed from 3.50% to 3.00% based on the 7/1/2020 Teachers Retirement Association valuation.

2020

Benefit Changes: None

Changes of Assumptions during fiscal year 2020:

- The discount rate was changed from 3.65% to 3.07%.
- The Index rate for 20-year, tax-exempt municipal bonds (Fidelity 20-Year Municipal GO AA Index) used in discount rate determination changed from 3.13% to 2.45%
- The healthcare trend rates were updated to exclude the Affordable Care Act's Excise Tax on High-cost health insurance plan due to its repeal.

2019

Benefit Changes: None

Changes of Assumptions during Fiscal Year 2019:

- The discount rate was changed from 4.14% to 3.64% based on updated expectations of long-term returns on trust assets and 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations, including an adjustment to reflect the impact of the Affordable Care Act's Excise Tax on high-cost health insurance plans.
- Medical per capita claims costs were updated to reflect recent experience.
- Mortality and salary increase rates were updated from the rates used in the 7/1/2016 PERA General Employees Retirement Plan and 7/1/2016 Teachers Retirement Association valuations to the rates used in the 7/1/2018 valuations.
- The percent of future retirees eligible for a medical direct subsidy assumed to elect medical coverage at retirement changed from 90% to 80% to reflect recent plan experience.

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
SCHEDULE OF CHANGES IN EMPLOYER'S NET OPEB LIABILITY
AND RELATED RATIOS (CONTINUED)**

Notes to Schedule (Continued):

2019 (Continued)

Discount Rate:

- The percent of future retirees not eligible for a medical direct subsidy assumed to elect medical coverage at retirement changed from 15% to 10% to reflect recent plan experience.
- The percent of future retirees eligible to continue life insurance assumed to elect coverage at retirement changed from 40% to 50% to reflect recent plan experience.
- The inflation assumption was changed from 2.75% to 2.50% based on an updated historical analysis of inflation rates and forward-looking market expectations.
- June 30, 2022 3.83%
- June 30, 2021 2.61%
- June 30, 2020 3.07%
- June 30, 2019 3.64%
- June 30, 2018 4.14%

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
LAST EIGHT MEASUREMENT PERIODS**

GERF Schedule of the District's Proportionate Share of the Net Pension Liability

	Measurement Date June 30,							
	2021	2020	2019	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.2218%	0.2286%	0.2232%	0.2266%	0.2241%	0.2064%	0.2120%	0.2340%
District's Proportionate Share of the Net Pension Liability	\$ 9,471,854	\$ 13,705,615	\$ 12,340,228	\$ 12,570,839	\$ 14,306,396	\$ 16,758,656	\$ 10,997,305	\$ 10,968,660
State's Proportionate Share of the Net Pension Liability Associated with District	289,158	422,544	383,650	412,464	179,883	218,879	-	-
Total	<u>\$ 9,761,012</u>	<u>\$ 14,128,159</u>	<u>\$ 12,723,878</u>	<u>\$ 12,983,303</u>	<u>\$ 14,486,279</u>	<u>\$ 16,977,535</u>	<u>\$ 10,997,305</u>	<u>\$ 10,968,660</u>
District's Covered Payroll	15,928,813	16,065,440	15,722,333	15,211,053	14,491,950	12,736,718	12,455,641	12,254,986
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	59.46%	85.31%	78.49%	82.64%	98.72%	131.58%	88.29%	89.50%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	87.00%	79.06%	80.23%	79.53%	75.90%	68.90%	78.20%	78.70%

TRA Schedule of the District's Proportionate Share of the Net Pension Liability

	Measurement Date June 30,							
	2021	2020	2019	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.8933%	0.8958%	0.8870%	0.8555%	0.8329%	0.7877%	0.7650%	0.8070%
District's Proportionate Share of the Net Pension Liability	\$ 39,093,479	\$ 66,182,904	\$ 56,537,566	\$ 53,735,988	\$ 166,261,949	\$ 187,885,245	\$ 47,341,374	\$ 37,204,411
State's Proportionate Share of the Net Pension Liability Associated with District	3,297,095	5,546,486	5,003,420	5,048,528	16,071,767	18,859,548	5,807,065	2,617,282
Total	<u>\$ 42,390,574</u>	<u>\$ 71,729,390</u>	<u>\$ 61,540,986</u>	<u>\$ 58,784,516</u>	<u>\$ 182,333,716</u>	<u>\$ 206,744,793</u>	<u>\$ 53,148,439</u>	<u>\$ 39,821,693</u>
District's Covered Payroll	\$ 53,900,664	\$ 52,897,866	\$ 50,426,381	\$ 47,955,867	\$ 45,049,254	\$ 40,975,053	\$ 38,844,387	\$ 36,857,686
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	72.53%	125.11%	112.12%	112.05%	369.07%	458.54%	121.87%	100.94%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	86.63%	75.48%	78.21%	78.07%	51.57%	44.88%	76.80%	81.50%

These tables will eventually present 10 years as the information becomes available.

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
LAST EIGHT FISCAL YEARS**

GERF Schedule of District Contributions

	Fiscal Year Ended June 30,							
	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily Required Contribution	\$ 1,195,201	\$ 1,194,661	\$ 1,204,908	\$ 1,179,175	\$ 1,140,829	\$ 1,086,458	\$ 955,191	\$ 920,485
Contributions in Relation to the Statutorily Required Contribution	(1,195,201)	(1,194,661)	(1,204,908)	(1,179,175)	(1,140,829)	(1,086,458)	(955,191)	(920,485)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 15,936,013	\$ 15,928,813	\$ 16,065,440	\$ 15,722,333	\$ 15,211,053	\$ 14,491,950	\$ 12,736,718	\$ 12,455,641
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.39%

TRA Schedule of District Contributions

	Fiscal Year Ended June 30,							
	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily Required Contribution	\$ 4,489,438	\$ 4,382,124	\$ 4,189,511	\$ 3,887,874	\$ 3,596,690	\$ 3,378,207	\$ 3,105,175	\$ 2,941,663
Contributions in Relation to the Statutorily Required Contribution	(4,489,438)	(4,382,124)	(4,189,511)	(3,887,874)	(3,596,690)	(3,378,207)	(3,105,175)	(2,941,663)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 55,220,640	\$ 53,900,664	\$ 52,897,866	\$ 50,426,381	\$ 47,955,867	\$ 45,049,254	\$ 41,396,320	\$ 39,233,185
Contributions as a Percentage of Covered Payroll	8.34%	8.13%	7.92%	7.71%	7.50%	7.50%	7.50%	7.50%

These tables will eventually present ten years as the information becomes available.

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**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS AND
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the years ended June 30:

General Employee Retirement Plan

2021

Changes in Actuarial Assumptions

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

2020

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 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 Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

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

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS AND
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

**CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND
ASSUMPTIONS (CONTINUED)**

2019

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018

Changes in Actuarial Assumption

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed postretirement benefit increase was changed from 1.0% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50% 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.

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS AND
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

**CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND
ASSUMPTIONS (CONTINUED)**

2017

Changes in Actuarial Assumption

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

Changes in Plan Provisions

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

2016

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2035 and 2.50% per year thereafter to 1.00% per year for all future years.
- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate was changed from 7.90% to 7.50%.
- 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% to 3.25% for payroll growth and 2.50% for inflation.

2015

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS AND
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

**CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND
ASSUMPTIONS (CONTINUED)**

The following changes were reflected in the valuation performed on behalf of the Teachers Retirement Association for the years ended June 30:

2021

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50% to 7.00%, for financial reporting purposes.

2019

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018

Changes in Actuarial Assumptions

- The investment return assumption was changed from 8.5% to 7.5%.
- The price inflation assumption was lowered from 3.0% to 2.5%.
- The payroll growth assumption was lowered from 3.5% to 3.0%.
- The wage inflation assumption (above price inflation) was reduced from 0.75% to 0.35% for the next 10 years, and 0.75% thereafter.
- The total salary increase assumption was adjusted by the wage inflation change.
- The amortization date for the funding of the Unfunded Actuarial Accrual Liability (UAAL) was reset to June 30, 2048 (30 years).
- The mechanism in the law that provided the TRA Board with some authority to set contribution rates was eliminated.

Changes in Plan Provisions

- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS AND
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

**CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND
ASSUMPTIONS (CONTINUED)**

2018 (Continued)

Changes in Plan Provisions (Continued)

- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 5 years, (7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017

Changes in Actuarial Assumptions

- The cost-of-living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the nonvested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The COLA was not assumed to increase to 2.5% but remain at 2.0% for all future years.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 3.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for ten years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.
- Changes in Plan Provisions.
- There have been no changes since the prior valuation.

2016

Changes in Actuarial Assumptions

- The cost-of-living adjustment was not assumed to increase (it remained at 2.0% for all future years).
- The price inflation assumption was lowered from 3.0% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes at some durations for the merit scale of the salary increase assumption.

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS AND
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

**CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND
ASSUMPTIONS (CONTINUED)**

2016 (Continued)

Changes in Actuarial Assumptions (Continued)

- The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back six years, and female rates set back five years. Generational projection uses the MP-2015 scale.
- The postretirement mortality assumption was changed to the RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
- The post-disability mortality assumption was changed to the RP-2014 disabled retiree mortality table, without adjustments.
- Separate retirement assumptions for members hired before or after July 1, 1989 were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional forms of payment at retirement were made.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015

Changes in Actuarial Assumptions

- The cost-of-living adjustment was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2037.
- The investment return assumption was changed from 8.25% to 8.0%.

Changes in Plan Provisions

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

2014

Changes in Actuarial Assumptions

- The cost-of-living adjustment was assumed to increase from 2.0% annually to 2.5% annually once the legally specified criteria was met. This was estimated to occur July 1, 2031.

Changes in Plan Provisions

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

SUPPLEMENTARY INFORMATION

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**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
SCHEDULE OF CHANGES IN FUND EQUITIES
YEAR ENDED JUNE 30, 2022**

	Fund Equities June 30, 2021	Revenues	Expenditures	Other Financing Sources (Uses)	Transfers	Fund Equities June 30, 2022
GOVERNMENTAL FUNDS						
General Fund:						
Nonspendable	\$ 26,636	\$ -	\$ -	\$ -	\$ (12,566)	\$ 14,070
Restricted for Student Activities	460,675	555,396	(491,257)	-	-	524,814
Restricted for Scholarships	52,711	14,120	(8,077)	-	-	58,754
Restricted for Staff Development	302,231	1,230,477	(1,226,352)	-	-	306,356
Restricted for Operating Capital	-	2,934,003	(2,930,233)	-	-	3,770
Restricted for Learning and Development	-	1,855,678	(1,855,678)	-	-	-
Restricted for Achievement and Integration	-	977,820	(894,633)	-	-	83,187
Restricted for Safe Schools	(209,013)	343,999	(256,100)	-	-	(121,114)
Restricted for Long-Term Facilities Maintenance	(206,532)	3,719,548	(1,855,126)	-	-	1,657,890
Restricted for Medical Assistance	3,187,858	2,039,679	(1,540,226)	-	-	3,687,311
Restricted for Other Purposes	114,000	52,720	(108,850)	-	-	57,870
Assigned for Separation/Retirement Benefits	690,000	-	-	-	-	690,000
Unassigned	4,017,067	109,192,255	(103,880,186)	220,611	12,566	9,562,313
Total General Fund	8,435,633	122,915,695	(115,046,718)	220,611	-	16,525,221
Food Service Fund:						
Nonspendable	144,919	-	-	-	(41,223)	103,696
Restricted for Food Service	2,221,006	6,581,423	(5,195,970)	-	41,223	3,647,682
Total Food Service	2,365,925	6,581,423	(5,195,970)	-	-	3,751,378
Community Service Fund:						
Restricted for Community Education	294,826	3,615,345	(2,878,934)	63,580	-	1,094,817
Restricted for E.C.F.E.	326,210	546,184	(587,010)	-	-	285,384
Restricted for School Readiness	437,736	877,241	(973,722)	-	-	341,255
Restricted for Adult Basic Education	250,549	1,543,562	(1,535,943)	-	-	258,168
Restricted for Community Service	63,805	245,292	(255,765)	-	-	53,332
Total Community Service Fund	1,373,126	6,827,624	(6,231,374)	63,580	-	2,032,956
Capital Projects Fund:						
Restricted for Capital Projects	17,252,753	159,529	(19,014,142)	32,066,377	-	30,464,517
Debt Service Fund:						
Restricted for Debt Service	1,785,247	8,814,621	(8,817,703)	23,000	-	1,805,165
OPEB Debt Service Fund:						
Restricted for OPEB Debt Service	219,984	807,608	(828,384)	-	-	199,208
TOTAL GOVERNMENTAL FUNDS	31,432,668	146,106,500	(155,134,291)	32,373,568	-	54,778,445
FIDUCIARY FUNDS						
OPEB Trust Fund:						
Restricted for Payment of OPEB Benefits	14,007,875	(1,089,747)	(1,421,586)	-	-	11,496,542
Custodial Fund						
Restricted for Scholarships	16,958	6,672	(7,005)	-	-	16,625
TOTAL FIDUCIARY FUNDS	14,024,833	(1,083,075)	(1,428,591)	-	-	11,513,167
PROPRIETARY FUNDS						
Internal Service Fund						
Unrestricted	182,227	778,190	(760,458)	-	-	199,959
TOTAL ALL FUNDS	<u>\$ 45,639,728</u>	<u>\$ 145,801,615</u>	<u>\$ (157,323,340)</u>	<u>\$ 32,373,568</u>	<u>\$ -</u>	<u>\$ 66,491,571</u>

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**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
YEAR ENDED JUNE 30, 2022**

	AUDIT	UFARS	DIFFERENCE		AUDIT	UFARS	DIFFERENCE
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$ 122,915,695	\$ 122,915,685	\$ 10	Total Revenue	\$ 159,529	\$ 159,529	\$ -
Total Expenditures	115,046,718	115,046,707	11	Total Expenditures	19,014,142	19,014,142	-
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	14,070	14,070	-	460 Nonspendable Fund Balance	-	-	-
<i>Restricted:</i>				<i>Restricted:</i>			
401 Student Activities	524,814	524,814	-	407 Capital Projects Levy	-	-	-
402 Scholarships	58,754	58,754	-	409 Alternative Facility Program	-	-	-
403 Staff Development	306,356	306,356	-	413 Projects Funded by COP	6,907,926	6,907,926	-
405 Deferred Maintenance	-	-	-	464 Restricted Fund Balance	23,556,591	23,556,590	1
406 Health and Safety	-	-	-	<i>Unassigned:</i>			
407 Capital Project Levy	-	-	-	463 Unassigned Fund Balance	-	-	-
408 Cooperative Programs	-	-	-				
413 Projects Funded by COP	-	-	-	07 DEBT SERVICE			
414 Operating Debt	-	-	-	Total Revenue	8,814,621	8,814,620	1
416 Levy Reduction	-	-	-	Total Expenditures	8,817,703	8,817,704	(1)
417 Taconite Building Maintenance	-	-	-	<i>Nonspendable:</i>			
424 Operating Capital	3,770	3,770	-	460 Nonspendable Fund Balance	-	-	-
426 \$25 Taconite	-	-	-	<i>Restricted:</i>			
427 Disabled Accessibility	-	-	-	425 Bond Refunding	-	-	-
428 Learning and Development	-	-	-	451 QZAB and QSCB Payments	-	-	-
434 Area Learning Center	-	-	-	464 Restricted Fund Balance	1,805,165	1,805,165	-
435 Contracted Alternative Programs	-	-	-	<i>Unassigned:</i>			
436 State-Approved Alternative Programs	-	-	-	463 Unassigned Fund Balance	-	-	-
438 Gifted and Talented	-	-	-				
440 Teacher Development and Evaluations	-	-	-	08 TRUST			
441 Basic Skills Programs	-	-	-	Total Revenue	-	-	-
445 Career and Technical Programs	-	-	-	Total Expenditures	-	-	-
448 Achievement and Integration	83,187	83,187	-	<i>Net Position:</i>			
449 Safe Schools Crime Levy	(121,114)	(121,114)	-	422 Net Position	-	-	-
451 QZAB Payments	-	-	-				
452 OPEB Liability Not Held in Trust	-	-	-	18 CUSTODIAL FUND			
453 Unfunded Severance & Retirement Levy	-	-	-	Total Revenue	6,672	6,672	-
464 Restricted Fund Balance	57,870	57,870	-	Total Expenditures	7,005	7,004	1
467 LTFM	1,657,890	1,657,890	-	<i>Net Position:</i>			
472 Medical Assistance	3,687,311	3,687,311	-	401 Student Activities	-	-	-
<i>Committed:</i>				402 Scholarships	16,625	16,625	-
418 Committed for Separation	-	-	-	448 Achievement & Integration	-	-	-
461 Committed Fund Balance	-	-	-	464 Restricted Fund Balance	-	-	-
<i>Assigned:</i>							
462 Assigned Fund Balance	690,000	690,000	-	20 INTERNAL SERVICE			
<i>Unassigned:</i>				Total Revenue	778,190	778,190	-
422 Unassigned Fund Balance	9,562,313	9,562,314	(1)	Total Expenditures	760,458	760,458	-
				<i>Net Position:</i>			
02 FOOD SERVICE				422 Net Position	199,959	199,959	-
Total Revenue	6,581,423	6,581,422	1				
Total Expenditures	5,195,970	5,195,969	1	25 OPEB REVOCABLE TRUST			
<i>Nonspendable:</i>				Total Revenue	-	-	-
460 Nonspendable Fund Balance	103,696	103,696	-	Total Expenditures	-	-	-
<i>Restricted:</i>				<i>Net Position:</i>			
452 OPEB Liability Not Held in Trust	-	-	-	422 Net Position	-	-	-
464 Restricted Fund Balance	3,647,682	3,647,681	1				
<i>Unassigned:</i>				45 OPEB IRREVOCABLE TRUST			
463 Unassigned Fund Balance	-	-	-	Total Revenue	(1,089,747)	(1,089,747)	-
				Total Expenditures	1,421,586	1,421,586	-
04 COMMUNITY SERVICE				<i>Net Position:</i>			
Total Revenue	6,827,624	6,827,635	(11)	422 Net Position	11,496,542	11,496,542	-
Total Expenditures	6,231,374	6,231,387	(13)				
<i>Nonspendable:</i>				47 OPEB DEBT SERVICE			
460 Nonspendable Fund Balance	-	-	-	Total Revenue	807,608	807,608	-
<i>Restricted:</i>				Total Expenditures	828,384	828,385	(1)
426 \$25 Taconite	-	-	-	<i>Nonspendable:</i>			
431 Community Education	1,094,817	1,094,817	-	460 Nonspendable Fund Balance	-	-	-
432 E.C.F.E.	285,384	285,384	-	<i>Restricted:</i>			
440 Teacher Development and Evaluations	-	-	-	425 Bond Refunding	-	-	-
444 School Readiness	341,255	341,255	-	464 Restricted Fund Balance	199,208	199,208	-
447 Adult Basic Education	258,168	258,168	-	<i>Unassigned:</i>			
452 OPEB Liability Not Held in Trust	-	-	-	463 Unassigned Fund Balance	-	-	-
464 Restricted Fund Balance	53,332	53,332	-				
<i>Unassigned:</i>							
463 Unassigned Fund Balance	-	-	-				

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STATISTICAL SECTION

Contents	Page
Financial Trends Information These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	96-103
Revenue Capacity Information These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	104-110
Debt Capacity Information These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	111-115
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	116-117
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	118-125
 Sources: Unless otherwise noted, the information in these schedules is derived from the Independent Auditors' Report for the relevant year.	

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FINANCIAL TRENDS INFORMATION

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

	Fiscal Year			
	2013	2014	2015	2016
Governmental Activities				
Net Investment in Capital Assets	\$ 25,342,087	\$ 26,022,900	\$ 26,555,890	\$ 30,236,385
Restricted	8,904,681	12,366,536	8,882,831	12,351,027
Unrestricted	<u>(4,484,580)</u>	<u>(7,668,752)</u>	<u>(55,107,640)</u>	<u>(60,951,682)</u>
Total Governmental Activities Net Position	<u>\$ 29,762,188</u>	<u>\$ 30,720,684</u>	<u>\$ (19,668,919)</u>	<u>\$ (18,364,270)</u>

Source: District's financial records.

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
NET POSITION BY COMPONENT (CONTINUED)
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

Fiscal Year					
2017	2018	2019	2020	2021	2022
\$ 30,837,819	\$ 33,451,580	\$ 34,373,008	\$ 37,803,945	\$ 42,028,614	\$ 44,330,084
10,455,827	5,516,273	7,116,426	6,919,907	7,863,300	12,172,790
<u>(84,610,218)</u>	<u>(119,983,882)</u>	<u>(99,190,776)</u>	<u>(107,443,589)</u>	<u>(113,074,123)</u>	<u>(105,116,867)</u>
<u>\$ (43,316,572)</u>	<u>\$ (81,016,029)</u>	<u>\$ (57,701,342)</u>	<u>\$ (62,719,737)</u>	<u>\$ (63,182,209)</u>	<u>\$ (48,613,993)</u>

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
GOVERNMENT-WIDE CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

	Fiscal Year			
	2013	2014	2015	2016
Expenses				
Governmental Activities:				
Administration	\$ 2,725,472	\$ 2,856,356	\$ 2,845,798	\$ 3,116,085
District Support Services	1,283,978	1,361,145	1,456,323	1,731,101
Regular Instruction	39,100,487	40,580,251	42,670,201	45,701,043
Vocational Education Instruction	920,334	963,032	966,661	1,072,323
Special Education Instruction	15,711,734	15,993,552	16,249,180	17,835,618
Instructional Support Services	4,891,759	5,812,482	5,966,042	7,144,062
Pupil Support Services	4,890,757	5,249,398	5,571,998	6,105,919
Sites and Buildings	6,847,355	7,195,225	7,602,497	8,073,354
Fiscal and Other Fixed Cost Programs	217,058	209,993	226,706	228,524
Food Service	3,521,812	3,628,051	3,948,002	4,103,864
Community Service	4,854,277	5,135,249	5,505,052	5,852,574
Interest and Fiscal Charges on Debt	2,052,813	2,955,036	4,489,587	4,452,668
Total Governmental Activities Expenses	87,017,836	91,939,770	97,498,047	105,417,135
Program Revenues				
Governmental Activities:				
Charges for Services:				
Administration	-	-	-	-
District Support Services	-	-	-	-
Regular Instruction	556,119	551,697	553,713	620,295
Vocational Education Instruction	-	-	-	524
Special Education Instruction	19,930	5,443	10,000	-
Instructional Support Services	-	-	27,121	30,650
Pupil Support Services	-	-	-	-
Sites and Buildings	109,512	163,134	122,636	129,223
Food Service	1,573,674	1,518,166	1,529,014	1,623,710
Community Service	2,552,211	2,861,732	2,861,415	3,425,376
Operating Grants and Contributions	23,107,688	24,189,693	25,218,878	26,669,100
Capital Grants and Contributions	834,782	814,043	1,419,997	1,118,684
Total Governmental Activities Program Revenue	28,753,916	30,103,908	31,742,774	33,617,562
Net Expense				
Governmental Activities	(58,263,920)	(61,835,862)	(65,755,273)	(71,799,573)
General Revenues and Other Changes in Net Position				
Governmental Activities:				
Property Taxes:				
Property Taxes, Levied for				
General Purposes	10,972,863	6,845,368	11,079,455	11,532,442
Community Service	781,482	450,537	861,016	839,492
Debt Service	6,555,910	5,440,570	8,728,109	8,104,007
State Aid Not Restricted to				
Specific Purposes	43,327,309	49,823,593	49,219,867	52,227,686
Other General Revenues	139,945	95,367	25,285	136,332
Investment Earnings	8,389	217,036	335,812	264,263
Total Governmental Activities	61,785,898	62,872,471	70,249,544	73,104,222
Change in Net Position	\$ 3,521,978	\$ 1,036,609	\$ 4,494,271	\$ 1,304,649

Source: District's financial records.

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
GOVERNMENT-WIDE CHANGES IN NET POSITION (CONTINUED)
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

Fiscal Year					
2017	2018	2019	2020	2021	2022
\$ 4,292,064	\$ 4,344,682	\$ 2,754,657	\$ 4,200,180	\$ 4,376,881	\$ 3,981,771
2,567,674	2,187,635	1,939,143	2,245,996	2,252,433	2,602,162
66,026,691	69,910,937	41,257,541	61,847,842	62,942,162	49,329,008
1,770,777	1,969,214	1,103,878	1,953,579	2,200,654	2,300,356
25,461,246	26,220,888	16,009,407	24,799,391	25,199,562	23,490,271
7,741,605	7,986,044	5,232,628	10,037,687	7,119,124	7,031,163
7,908,517	8,298,726	7,365,680	9,202,496	9,671,015	10,241,187
9,906,317	9,513,196	10,036,066	10,410,023	10,123,137	20,333,234
213,205	345,496	273,087	307,685	329,037	326,252
4,723,550	4,821,928	4,539,108	4,606,376	4,351,721	5,220,167
7,130,139	7,296,333	6,108,949	6,021,646	5,781,192	2,412,168
4,187,184	3,874,992	3,226,854	2,609,229	2,984,358	3,741,786
141,928,969	146,770,071	99,846,998	138,242,130	137,331,276	131,009,525
-	-	1,025	48,428	34,364	76,526
-	-	-	3,512	-	238
658,366	617,787	683,653	1,321,873	592,097	1,304,707
-	-	-	6,307	-	469
948	-	-	57,362	-	3,925
49,121	56,687	56,752	63,065	43,686	69,509
-	700	-	10,861	-	821
46,277	52,060	43,136	55,555	14,838	127,132
1,733,213	1,769,766	1,775,874	1,469,076	52,952	-
3,579,235	3,472,304	3,428,634	2,717,398	2,351,703	3,463,354
31,219,876	-	28,793,631	34,486,699	42,372,488	46,648,534
1,231,054	-	1,504,786	1,482,898	1,385,982	1,314,929
38,518,090	5,969,304	36,287,491	41,723,034	46,848,110	53,010,144
(103,410,879)	(140,800,767)	(63,559,507)	(96,519,096)	(90,483,166)	(77,999,381)
12,107,301	13,198,428	16,748,719	17,908,889	18,486,803	19,475,440
779,414	776,314	814,024	821,998	832,765	896,579
9,449,383	9,044,710	9,420,039	9,101,399	8,771,158	9,056,531
55,771,740	57,037,989	59,297,496	62,541,259	61,605,764	62,671,046
254,373	75,834	95,655	349,386	311,016	423,052
96,366	507,498	630,553	262,622	13,188	44,949
78,458,577	80,640,773	87,006,486	90,985,553	90,020,694	92,567,597
\$ (24,952,302)	\$ (60,159,994)	\$ 23,446,979	\$ (5,533,543)	\$ (462,472)	\$ 14,568,216

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

	Fiscal Year			
	2013	2014	2015	2016
General Fund				
Nonspendable	\$ 10,618	\$ 10,936	\$ -	\$ 11,605
Restricted	4,669,087	4,698,480	4,018,878	3,894,781
Assigned	690,000	690,000	690,000	690,000
Unassigned	9,420,386	8,616,509	10,595,167	11,576,567
Total General Fund	<u>\$ 14,790,091</u>	<u>\$ 14,015,925</u>	<u>\$ 15,304,045</u>	<u>\$ 16,172,953</u>
All Other Governmental Funds				
Nonspendable	\$ 43,400	\$ 62,123	\$ 100,273	\$ 116,375
Restricted, Reported in:				
Food Service Fund	1,213,491	1,189,576	1,024,688	1,125,159
Community Service Fund	1,052,590	1,138,608	1,417,246	1,575,790
Capital Projects Fund	-	67,460,504	54,250,618	18,981,272
Debt Service Funds	2,271,877	6,415,129	6,883,407	16,636,243
OPEB Debt Service Fund	191,569	304,719	341,210	5,313,929
Unassigned, Reported in:				
Food Service Fund	-	-	-	-
Community Service Fund	-	-	-	-
Capital Projects Fund	-	-	-	-
Debt Service Funds	-	-	-	-
All Other Governmental Funds	<u>\$ 4,772,927</u>	<u>\$ 76,570,659</u>	<u>\$ 64,017,442</u>	<u>\$ 43,748,768</u>
Total All Funds	<u>\$ 19,563,018</u>	<u>\$ 90,586,584</u>	<u>\$ 79,321,487</u>	<u>\$ 59,921,721</u>

Source: District's financial records

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
FUND BALANCES OF GOVERNMENTAL FUNDS (CONTINUED)
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

Fiscal Year					
2017	2018	2019	2020	2021	2022
\$ 43,001	\$ 55,463	\$ -	\$ 30,918	\$ 26,636	\$ 14,070
3,392,091	2,843,491	4,245,684	4,084,160	4,117,475	6,379,952
690,000	690,000	690,000	690,000	690,000	690,000
9,943,573	6,265,023	4,088,199	2,165,551	3,601,522	9,441,199
<u>\$ 14,068,665</u>	<u>\$ 9,853,977</u>	<u>\$ 9,023,883</u>	<u>\$ 6,970,629</u>	<u>\$ 8,435,633</u>	<u>\$ 16,525,221</u>
\$ 47,126	\$ 63,921	\$ 80,132	\$ 218,167	\$ 144,919	\$ 103,696
1,172,676	1,083,612	1,607,225	1,607,735	2,221,006	3,647,682
1,674,038	1,630,385	1,589,074	1,139,537	1,373,126	1,373,126
4,266,765	-	-	-	17,252,753	37,372,443
16,647,672	16,428,828	1,434,449	1,802,744	1,785,247	1,805,165
5,222,659	250,403	243,309	227,385	219,984	199,208
-	-	-	-	-	-
-	(114,602)	(415,860)	(139,910)	-	659,830
-	-	-	-	-	(6,907,926)
-	-	-	-	-	-
<u>\$ 29,030,936</u>	<u>\$ 19,342,547</u>	<u>\$ 4,538,329</u>	<u>\$ 4,855,658</u>	<u>\$ 22,997,035</u>	<u>\$ 38,253,224</u>
<u>\$ 43,099,601</u>	<u>\$ 29,196,524</u>	<u>\$ 13,562,212</u>	<u>\$ 11,826,287</u>	<u>\$ 31,432,668</u>	<u>\$ 54,778,445</u>

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

	Fiscal Year			
	2013	2014	2015	2016
Revenues				
Local Sources:				
Property Taxes	\$ 18,339,059	\$ 12,676,512	\$ 20,647,565	\$ 20,578,717
Earnings on Investments	8,428	217,016	343,641	450,909
Other	6,065,660	6,113,031	6,325,048	6,997,999
State Sources	61,049,293	68,637,243	69,096,482	73,165,760
Federal Sources	5,099,159	5,272,594	5,558,545	5,631,023
Total Revenues	90,561,599	92,916,396	101,971,281	106,824,408
Expenditures				
Current:				
Administration	2,635,517	2,848,586	2,885,628	3,034,928
District Support Services	1,224,302	1,333,561	1,433,609	1,711,050
Elementary and Secondary				
Regular Instruction	36,342,680	38,043,584	40,231,413	42,655,044
Vocational Education Instruction	855,153	955,288	964,257	1,070,852
Special Education Instruction	15,300,311	15,989,957	16,315,296	17,713,821
Instructional Support Services	4,201,887	4,753,292	4,536,153	4,660,426
Pupil Support Services	4,963,830	5,200,296	5,525,815	5,949,454
Sites and Buildings	5,632,561	5,856,857	6,075,909	7,030,461
Fiscal and Other Fixed Cost Programs	217,058	209,993	226,706	228,524
Food Service	3,448,519	3,571,202	3,839,134	3,956,125
Community Service Fund	4,553,447	5,035,052	5,493,108	5,867,968
Capital Outlay	3,863,369	5,732,056	18,350,580	39,920,408
Debt Service:				
Principal	4,350,000	4,045,000	7,315,000	6,630,000
Interest and Fiscal Charges	2,128,012	1,969,253	4,689,196	4,719,257
Total Expenditures	89,716,646	95,543,977	117,881,804	145,148,318
Deficiency of Revenues Under Expenditures	844,953	(2,627,581)	(15,910,523)	(38,323,910)
Other Financing Sources (Uses)				
Proceeds from Certificates of Participation	-	-	-	-
Proceeds from Sale of Bonds	-	69,500,000	3,680,000	20,880,000
Proceeds from Lease	99,640	-	-	1,242,851
Insurance Recovery Proceeds	7,058	-	-	-
Judgements for School Districts	-	-	-	113
Premium on Bonds	-	4,229,260	65,626	401,180
Payments to Refunded Bond Escrow Agent	-	-	-	(3,600,000)
Proceeds from Sale of Equipment	-	-	-	-
Transfers In	8,296	4,807,640	-	-
Transfers Out	(8,296)	(4,807,640)	-	-
Total Other Financing Sources (Uses)	106,698	73,729,260	3,745,626	18,924,144
Net Change in Fund Balances	\$ 951,651	\$ 71,101,679	\$ (12,164,897)	\$ (19,399,766)
Debt Service as a Percentage of Noncapital Expenditures	7.33%	6.48%	11.66%	10.41%

Sources: District's financial records

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (CONTINUED)
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

Fiscal Year					
2017	2018	2019	2020	2021	2022
\$ 22,324,265	\$ 23,049,056	\$ 26,934,495	\$ 27,815,228	\$ 28,192,843	\$ 29,389,085
254,284	507,375	630,426	262,562	12,883	44,932
7,948,440	8,180,996	8,419,022	7,865,824	5,697,275	8,478,769
77,738,139	81,245,740	84,643,137	88,388,865	88,658,895	89,656,726
6,001,036	6,337,625	6,386,645	8,026,287	14,239,411	18,536,988
114,266,164	119,320,792	127,013,725	132,358,766	136,801,307	146,106,500
3,216,599	3,324,300	3,625,972	3,834,941	4,040,543	4,117,680
2,272,377	1,917,436	1,977,926	2,111,508	2,174,687	2,386,690
45,054,539	48,552,611	51,541,333	53,517,948	52,071,478	51,992,893
1,328,788	1,468,784	1,566,580	1,824,232	1,941,100	2,151,223
19,344,830	20,410,991	21,411,230	22,846,692	23,432,129	23,868,687
5,009,747	5,903,854	5,712,035	6,451,099	6,425,878	5,947,796
6,804,013	7,314,355	7,992,523	8,758,289	9,323,447	10,356,064
7,952,867	8,865,229	8,662,300	8,704,004	9,357,114	8,439,830
213,205	345,496	273,087	307,685	329,037	326,252
4,440,845	4,527,257	4,349,676	4,342,472	4,102,205	4,892,714
6,487,651	6,629,901	6,736,551	6,096,016	5,658,840	6,195,287
18,741,280	9,555,406	3,137,908	8,475,777	11,428,121	22,678,766
5,728,082	6,095,117	6,424,177	7,136,046	7,170,488	7,526,074
4,493,461	4,327,044	3,856,422	2,947,055	3,371,697	4,254,335
131,088,284	129,237,781	127,267,720	137,353,764	140,826,764	155,134,291
(16,822,120)	(9,916,989)	(253,995)	(4,994,998)	(4,025,457)	(9,027,791)
-	-	-	-	-	11,620,000
-	-	-	-	63,780,282	20,328,000
-	893,912	131,975	2,743,685	-	222,372
-	-	-	-	-	60,819
-	-	-	-	-	-
-	-	-	-	3,123,445	1,716,377
-	(4,885,000)	(15,380,000)	-	(43,271,889)	(1,575,000)
-	5,000	-	240	-	1,000
-	-	405,914	24,857	32,238	48,959
-	-	(405,914)	(24,857)	(32,238)	(48,959)
-	(3,986,088)	(15,248,025)	2,743,925	23,631,838	32,373,568
\$ (16,822,120)	\$ (13,903,077)	\$ (15,502,020)	\$ (2,251,073)	\$ 19,606,381	\$ 23,345,777
8.83%	8.59%	8.16%	7.71%	8.07%	8.13%

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REVENUE CAPACITY INFORMATION

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE AND LEVY TYPE
LAST TEN FISCAL YEARS
(UNAUDITED)**

Fiscal Year	Property Tax			
	General Fund	Community Service	Debt Service	Total
2013	\$ 10,991,538	\$ 782,279	\$ 6,565,242	\$ 18,339,059
2014	6,802,946	447,999	5,425,567	12,676,512
2015	11,084,481	860,209	8,702,875	20,647,565
2016	11,596,909	844,015	8,137,793	20,578,717
2017	12,102,045	779,461	9,442,759	22,324,265
2018	13,214,662	777,540	9,056,854	23,049,056
2019	16,712,099	813,319	9,409,077	26,934,495
2020	17,897,050	921,951	9,096,227	27,915,228
2021	18,545,246	836,209	8,811,388	28,192,843
2022	19,456,111	894,849	9,038,125	29,389,085

Sources: District's financial records

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
TAX CAPACITIES AND MARKET VALUE
LAST TEN FISCAL YEARS
(UNAUDITED)**

	Tax Capacity Valuation						Tax Capacity as
For Taxes Collectible	Agricultural	Non-Agricultural	Personal Tax	Tax Increment	Total Taxable	Taxable Market Value	a Percentage of Market Value
Blue Earth							
2013	\$ 1,969,976	\$ 39,473,735	\$ 1,008,391	\$ (973,903)	\$ 41,478,199	\$ 3,308,989,500	1.25%
2014	2,475,159	40,429,590	1,032,906	(612,697)	43,324,958	3,375,973,500	1.28%
2015	2,764,923	41,799,636	1,093,500	(812,444)	44,845,615	3,486,049,800	1.29%
2016	2,386,298	46,047,970	1,175,436	(998,916)	48,610,788	3,777,999,600	1.29%
2017	2,326,515	48,617,320	1,357,248	(1,007,116)	51,293,967	3,969,890,600	1.29%
2018	2,389,684	52,091,308	1,474,005	(1,074,728)	54,880,269	4,266,724,000	1.29%
2019	2,314,647	54,361,046	1,536,961	(1,099,746)	57,112,908	4,469,507,200	1.28%
2020	2,391,282	56,320,861	1,504,110	(1,284,139)	58,932,114	4,643,346,500	1.27%
2021	2,252,714	57,963,776	1,587,696	(1,329,164)	60,475,022	4,794,800,450	1.26%
2022	2,306,316	60,171,614	1,123,122	(1,435,900)	62,165,152	4,971,502,800	1.25%
Nicollet							
2013	688,588	10,676,277	220,366	(242,538)	11,342,693	1,012,979,200	1.12%
2014	840,993	10,775,417	233,582	(240,045)	11,609,947	1,022,561,900	1.14%
2015	940,745	11,273,310	248,664	(255,229)	12,207,490	1,064,897,800	1.15%
2016	853,399	11,693,483	257,518	(257,824)	12,546,576	1,099,933,000	1.14%
2017	892,619	12,366,536	259,184	(314,983)	13,203,356	1,160,852,600	1.14%
2018	827,471	13,189,942	269,329	(313,969)	13,972,773	1,227,140,400	1.14%
2019	875,881	14,349,975	269,658	(319,666)	15,175,848	1,328,065,300	1.14%
2020	903,798	14,921,747	309,883	(362,059)	15,773,369	1,377,302,200	1.15%
2021	808,038	15,595,869	355,319	(464,654)	16,294,572	1,434,150,400	1.14%
2022	876,252	16,274,941	281,625	(392,673)	17,040,145	1,489,214,800	1.14%
Le Sueur							
2013	87,712	459,264	618	-	547,594	35,030,600	1.56%
2014	98,815	478,776	622	-	578,213	36,270,800	1.59%
2015	100,550	480,126	632	-	581,308	36,046,500	1.61%
2016	98,674	496,048	724	-	595,446	35,959,200	1.66%
2017	106,746	498,777	774	-	606,297	35,840,700	1.69%
2018	107,680	502,505	738	-	610,923	36,799,700	1.66%
2019	106,430	532,359	756	-	639,545	38,504,000	1.66%
2020	107,897	623,988	582	-	732,467	45,348,100	1.62%
2021	103,987	652,667	658	-	757,312	48,282,900	1.57%
2022	103,269	676,899	5,700	-	785,868	49,917,800	1.57%

Source: School Tax Report issued by the Minnesota Department of Education and Blue Earth, Nicollet, and Le Sueur Counties

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
TAX CAPACITY RATES
LAST TEN FISCAL YEARS
(UNAUDITED)**

Taxing Body	2012/2013 Tax Capacity Rates	2013/2014 Tax Capacity Rates	2014/2015 Tax Capacity Rates	2015/2016 Tax Capacity Rates
The District.....	19.017%	24.169%	22.687%	24.200%
The District-Referendum Value.....	0.167	0.155	0.158	0.148
Blue Earth County.....	43.994	38.748	37.166	38.148
City of Mankato.....	44.842	43.554	44.065	43.624
City of North Mankato.....	54.566	54.009	53.620	53.606
City of Eagle Lake.....	45.947	45.219	43.437	38.487
City of Madison Lake.....	60.188	49.641	52.339	52.139
City of Skyline.....	26.176	25.976	25.934	24.423
Decoria Township.....	15.199	13.693	15.091	14.051
Jamestown Township.....	10.805	11.848	11.484	12.287
Judson Township.....	6.114	4.639	4.131	5.232
LeRay Township.....	16.615	15.191	16.436	19.534
Lime Township.....	11.911	12.248	11.596	12.028
Mankato Township.....	12.212	11.419	11.042	12.825
Rapidan Township.....	14.037	12.981	11.476	12.559
South Bend Township.....	19.405	17.228	15.960	17.812
Madison Lake Sanitation District.....	NA	2.584	3.233	3.456
Jamestown Sanitation District.....	3.582	2.584	3.233	5.538
LeRay Sanitation District.....	NA	2.584	3.233	3.456
Region 9.....	0.382	0.342	0.309	0.327
Le Sueur County.....	46.418	45.433	46.877	48.952
Kasota Township.....	8.701	8.243	8.170	5.076
Lake Washington Sanitation District.....	3.582	2.584	3.233	3.456
Waseca-Le Sueur Regional Library.....	1.023	1.462	1.567	1.695
Nicollet County.....	52.698	51.811	48.893	53.204
Belgrade Township.....	15.415	13.540	14.211	18.068
Nicollet Township.....	11.038	9.146	8.449	9.506
Oshawa Township.....	11.954	10.159	9.193	10.539
Nicollet Housing Redevelopment Authority.....	0.352	0.323	0.301	0.315

City of Mankato Residents

Taxing Body	2012/2013 Tax Capacity Rates	2013/2014 Tax Capacity Rates	2014/2015 Tax Capacity Rates	2015/2016 Tax Capacity Rates
The District.....	19.017%	24.169%	22.687%	24.200%
The District-Referendum Value.....	0.167	0.155	0.158	0.148
Blue Earth County.....	43.994	38.748	37.166	38.148
City of Mankato.....	44.842	43.554	44.065	43.624
Region 9.....	0.382	0.342	0.309	0.162
Total.....	<u>108.235%</u>	<u>106.813%</u>	<u>104.227%</u>	<u>106.134%</u>

Source: Blue Earth, Nicollet, & Le Sueur Counties, PMA Municipal Advisors

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
TAX CAPACITY RATES (CONTINUED)
LAST TEN FISCAL YEARS
(UNAUDITED)**

2016/2017 Tax Capacity Rates	2017/2018 Tax Capacity Rates	2018/2019 Tax Capacity Rates	2019/2020 Tax Capacity Rates	2020/2021 Tax Capacity Rates	2021/2022 Tax Capacity Rates
22.498%	22.320%	22.511%	21.807%	21.503%	22.333%
0.159	0.207	0.195	0.193	0.197	0.177
39.105	39.990	41.645	42.096	42.490	42.321
43.727	43.823	43.956	44.062	44.040	44.077
52.485	52.124	50.950	49.668	48.827	47.833
38.439	32.545	33.400	34.790	36.756	37.472
55.017	53.759	57.295	56.180	60.490	69.588
23.659	22.492	19.868	17.560	16.688	16.222
14.677	15.997	16.748	16.343	17.235	18.377
12.071	11.058	11.866	15.476	14.510	13.235
5.352	5.189	5.442	4.986	5.327	5.192
19.368	18.302	20.607	19.634	19.784	18.321
11.083	10.801	10.526	11.863	11.508	10.959
13.034	12.316	11.864	11.751	13.367	16.859
11.907	12.585	14.125	13.771	13.934	13.111
16.630	17.410	22.355	35.418	36.025	36.735
3.357	3.047	3.239	3.043	3.188	3.365
5.383	4.933	4.976	5.749	5.768	5.742
3.357	3.047	3.239	3.043	3.188	3.365
0.332	0.343	0.347	0.347	0.361	0.345
50.608	53.257	53.793	54.977	55.210	55.034
4.980	4.746	3.810	3.589	5.233	6.158
5.383	4.933	4.976	5.749	5.768	5.742
1.733	1.781	1.791	1.776	1.742	1.730
53.133	55.715	54.623	55.634	59.101	56.197
16.280	16.851	15.646	15.421	16.485	15.145
9.271	10.387	10.756	11.250	13.647	12.748
10.223	10.592	10.092	9.490	11.151	10.112
0.309	0.315	0.295	0.291	0.306	0.262

2016/2017 Tax Capacity Rates	2017/2018 Tax Capacity Rates	2018/2019 Tax Capacity Rates	2019/2020 Tax Capacity Rates	2020/2021 Tax Capacity Rates	2021/2022 Tax Capacity Rates
22.498%	22.320%	22.511%	21.807%	21.503%	22.333%
0.159	0.207	0.195	0.193	0.197	0.177
39.105	39.990	41.645	42.096	42.490	42.321
43.727	43.823	43.956	44.062	44.040	44.077
0.167	0.167	0.177	0.172	0.177	0.176
105.497%	106.300%	108.289%	108.137%	108.210%	108.907%

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**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
(UNAUDITED)**

Taxpayer	2022			2013		
	Net Tax Capacity	Rank	Percentage of Tax Capacity Value	Net Tax Capacity	Rank	Percentage of Tax Capacity Value
Xcel Energy	\$ 931,116	1	1.90%	\$ 1,055,682	1	3.22%
River Hills Mall	715,426	2	1.46%	998,826	2	3.04%
Wal-Mart Stores, Inc.	511,053	3	1.04%			
Highland Hills of Mankato	510,150	4	1.04%			
Mankato Clinic LTD	464,073	5	0.95%			
Kearney Properties LTD	380,562	6	0.78%	230,701	9	0.70%
Minnesota Gas Company	356,034	7	0.73%			
Inland Real Estate Corp	352,352	8	0.72%			
PDL Leasing LLC	322,678	9	0.66%			
Archer-Daniels Midland	310,440	10	0.63%	311,730	3	0.95%
Monks Road Associates				285,016	4	0.87%
ISJ Mayo Health Systems				245,850	7	0.75%
Verizon Communications				233,818	8	0.71%
Harvest States				280,152	5	0.85%
City of Mankato				227,492	10	0.69%
Individual				254,264	6	0.77%
Total	<u>\$ 4,853,884</u>		<u>9.91%</u>	<u>\$ 4,123,531</u>		<u>12.55%</u>

Source: Blue Earth County Administrative Services

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
PROPERTY TAX LEVIES, COLLECTIONS,
AND RECEIVABLES
LAST TEN FISCAL YEARS
(UNAUDITED)**

For Taxes Collectible	Original Levy				Collections	
	Local Spread	Fiscal Disparities	Property Tax Credits	Total Spread	First Year Levy Recognized	
					Amount	Percentage of Levy
2013	\$ 17,384,673	\$ 53,784	\$ -	\$ 17,438,457	\$ 9,221,454	52.9%
2014	20,240,136	53,784	-	20,293,920	10,486,583	51.7%
2015	20,267,503	56,784	-	20,324,287	10,449,780	51.4%
2016	22,162,352	53,784	-	22,216,136	10,992,788	49.5%
2017	22,806,352	53,784	-	22,860,136	11,672,271	51.1%
2018	26,925,325	53,784	-	26,979,109	14,268,687	52.9%
2019	27,730,616	53,784	-	27,784,400	13,937,264	50.2%
2020	28,089,665	60,577	-	28,150,242	14,941,813	53.1%
2021	28,954,969	53,784	-	29,008,753	15,219,538	52.5%
2022	29,280,032	53,784	-	29,333,816	14,348,027	48.9%

* Property tax credits replaced by homestead market value exclusion in 2012

Note 1: A portion of the total spread levy is paid through various property tax credits which are paid through state aids and have been included in collections.

Note 2: Delinquent taxes receivable are written off after seven years. The amount of collections has been adjusted to reflect the write off of delinquent taxes receivable.

Note 3: Only a portion of the taxes levied for the most recent fiscal year is collected by June 30.

Source: State of Minnesota School Tax Report

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
PROPERTY TAX LEVIES, COLLECTIONS,
AND RECEIVABLES (COLLECTIONS)
LAST TEN FISCAL YEARS
(UNAUDITED)**

Received in Subsequent Years	Collections		Uncollected Taxes Receivable as of June 30, 2021			
	Total to Date		Delinquent		Current	
	Amount	Percentage of Levy	Amount	Percent	Amount	Percent
\$ 8,217,003	\$ 17,438,457	100.0%	\$ -	-	\$ -	-
9,807,337	20,293,920	100.0%	-	-	-	-
9,874,507	20,324,287	100.0%	-	-	-	-
11,184,569	22,177,357	99.8%	38,779	-	-	-
11,180,710	22,852,981	100.0%	7,155	-	-	-
12,690,293	26,958,980	99.9%	20,129	-	-	-
13,819,787	27,757,051	99.9%	27,349	-	-	-
13,171,572	28,113,385	99.9%	36,857	-	-	-
13,649,509	28,869,047	99.5%	139,706	-	-	-
-	14,348,027	48.9%	-	-	14,985,789	-
			<u>\$ 269,975</u>		<u>\$ 14,985,789</u>	

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DEBT CAPACITY INFORMATION

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**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(UNAUDITED)**

Fiscal Year	Governmental Activities				Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Leases	Special Assessments	Total Primary Government		
2013	47,155,380	1,474,802	-	48,630,182	1.24	921
2014	116,743,973	1,328,706	-	118,072,679	2.85	2,235
2015	112,953,093	1,186,472	-	114,139,565	2.66	2,157
2016	123,767,968	2,220,378	-	125,988,346	2.94	2,372
2017	118,342,224	1,657,296	-	119,999,520	2.68	2,256
2018	107,847,799	1,851,091	-	109,698,890	2.35	2,061
2019	86,376,657	1,293,889	-	87,670,546	1.83	1,643
2020	80,027,402	2,991,528	-	83,018,930	1.60	1,554
2021	96,612,012	2,096,156	-	98,708,168	N/A	1,557
2022	\$121,978,168	5,662,987	-	127,641,155	N/A	#DIV/0!

N/A - Not Available

(1) See the Schedule of Demographic and Economic Statistics for personal income and population data.

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

Source: Independent Auditor's Report, Bureau of Economic Analysis

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO TAX CAPACITY AND
NET OBLIGATION BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS
(UNAUDITED)**

Fiscal Year	Gross Bonded Debt	Less Debt Service Funds on Hand	Net Bonded Debt	Tax Capacity	Percent Net Debt to Tax Capacity	Percent of Estimate Actual Market Value of Property (1)	Estimated Population	Net Bonded Debt per Capita
2013	47,155,380	2,463,445	44,691,935	53,368,486	83.74	0.77	39,309	1,137
2014	116,743,973	6,719,847	110,024,126	55,513,118	198.19	1.98	39,309	2,799
2015	112,953,093	7,224,616	105,728,477	57,634,413	183.45	1.87	39,309	2,690
2016	123,767,968	21,950,173	101,817,795	61,752,810	164.88	1.66	39,309	2,590
2017	118,342,224	21,870,331	96,471,893	65,103,620	148.18	1.88	39,309	2,454
2018	107,847,799	16,679,230	91,168,569	69,463,965	131.25	2.06	39,309	2,319
2019	86,376,657	1,677,758	84,698,899	72,928,301	116.14	1.83	39,309	2,155
2020	80,027,402	2,030,129	77,997,273	75,437,950	103.39	1.30	39,309	1,984
2021	96,612,012	2,005,231	94,606,781	77,526,906	122.03	1.52	39,309	2,407
2022	121,978,168	2,004,373	119,973,795	79,991,165	149.98	1.86	39,309	3,052

(1) - See the Schedule of Tax Capacities and Market Value for information on the market value of the District's property.

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

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
(UNAUDITED)**

Governmental Unit	2021/22 Taxable Net Tax Capacity	Bonded Debt ¹	Percent Allocable to ISD No. 77	Portion Allocable to ISD No. 77
Independent School District No. 77	\$ 79,991,165	\$ 105,478,000	100.0000 %	\$ 105,478,000
Overlapping Debt				
Blue Earth County	95,806,838	17,925,000	63.65 %	11,409,263
Le Sueur County	44,720,074	46,475,000	1.69 %	787,031
Nicollet County	43,183,842	13,345,000	33.23 %	4,434,544
City of Mankato	48,319,714	79,088,981	99.87 %	78,986,165
City of North Mankato	14,885,247	9,860,000	100.00 %	9,860,000
City of Eagle Lake	2,382,877	3,372,000	100.00 %	3,372,000
Total Overlapping Debt				<u>108,849,002</u>
Total Direct and Overlapping Debt				<u>\$ 214,327,002</u>

1) Does not include non-general obligation debt, self-supporting general obligation revenue debt, short-term general obligation debt, or general obligation tax/aid anticipation certificates of indebtedness.

2) The above debt includes all outstanding general obligation debt supported by taxes of the Metropolitan Council. The Council also has general obligation sewer revenue, wastewater revenue, and radio revenue bonds and lease obligations outstanding all of which are supported entirely by revenues and have not been included in Overlapping Debt.

Source: Official Statements obtained on EMMA

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(UNAUDITED)**

	Fiscal Year			
	2013	2014	2015	2016
Debt Limit	\$ 658,089,900	\$ 682,325,235	\$ 715,401,449	\$ 757,425,120
Total Net Debt Applicable to Limit	<u>36,920,380</u>	<u>108,353,973</u>	<u>105,933,093</u>	<u>117,427,968</u>
Legal Debt Margin	<u>\$ 621,169,520</u>	<u>\$ 573,971,262</u>	<u>\$ 609,468,356</u>	<u>\$ 639,997,152</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	5.61%	15.88%	14.81%	15.50%

Note 1: Minnesota Statutes, Section 475.53, Subdivision 4, presently limits the outstanding indebtedness of school districts, net of debt redemption funds, to 15% of the actual market value.

Source: Independent Auditor's Report and Minnesota Department of Education Levy Limitation and Certification Reports

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
LEGAL DEBT MARGIN INFORMATION (CONTINUED)
LAST TEN FISCAL YEARS
(UNAUDITED)**

Fiscal Year					
2017	2018	2019	2020	2021	2022
\$ 795,174,405	\$ 850,699,305	\$ 895,991,550	\$ 933,611,055	\$ 962,119,748	\$ 1,000,441,973
112,712,224	107,847,799	86,376,657	80,027,402	96,612,012	121,978,168
<u>\$ 682,462,181</u>	<u>\$ 742,851,506</u>	<u>\$ 809,614,893</u>	<u>\$ 853,583,653</u>	<u>\$ 865,507,736</u>	<u>\$ 878,463,805</u>
14.17%	12.68%	9.64%	8.57%	10.04%	12.19%

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DEMOGRAPHIC AND ECONOMIC INFORMATION

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**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
(UNAUDITED)**

Calendar Year	Population (1)	Estimated Personal Income (1)	Per Capita Personal Income (1)	Total ISD No. 77 Population (1)	School Enrollment (2)	City of Mankato Unemployment Rate (1)
2013	40,183	3,935,076,000	35,337	52,829	7,574	4.3
2014	40,743	4,139,348,000	37,835	52,829	7,646	3.6
2015	41,198	4,293,454,000	39,012	52,919	7,859	3.2
2016	41,727	4,289,810,000	39,212	53,122	8,141	2.7
2017	42,799	4,469,283,000	40,484	53,198	8,483	2.4
2018	42,986	4,675,851,000	43,165	53,223	8,571	2.4
2019	43,567	4,797,688,000	44,076	53,368	8,656	2.3
2020	44,389	5,193,859,000	44,713	53,423	8,809	3.4
2021	44,693	n/a	50,183	63,382	8,505	3.4
2022	n/a	n/a	n/a	n/a	8,363	n/a

n/a - Not Available

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

Note 2: Annual average unemployment rates compiled by the Minnesota Department of Employment and Economic Development.

Sources:

- (1) City of Mankato Comprehensive Annual Financial Report for the year ended December 31, 2021
- (2) City of North Mankato Comprehensive Annual Report for the year ended December 31, 2021
- (3) ISD No. 191 - average daily membership (for students served or tuition paid)
- (4) Bureau of Economic Analysis

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
(UNAUDITED)**

Employer	2022			2013		
	Employees	Rank	Percent of Total Employment	Employees	Rank	Percent of Total Employment
Independent School District No. 77	2,123	1	8.25%	1,400	3	7.37%
Immanuel St. Joseph's-Mayo Health System	1,300	2	5.05%	2,200	1	11.58%
Minnesota State University-Mankato	1,300	3	5.05%	1,731	2	9.11%
Mankato Clinic	525	4	2.04%			-
Walmart Distribution Center	491	5	1.91%	398	9	2.09%
Blue Earth County	425	6	1.65%	682	5	3.59%
MRCI Industrial Operation	375	7	1.45%	905	4	4.76%
City of Mankato	362	8	1.41%			-
Minnesota Elevator, Inc.	360	9	1.40%			-
Verizon Wireless	313	10	1.22%	349	10	1.84%
MTU Onsite Energy			-			-
Monarch Healthcare Mgmt (Formerly Thro Co.)			-	540	7	0.03
Bethany Lutheran College			-			-
Total				650	6	3.42%
				432	8	2.27%
Source: State Department of Commerce.	<u>7,574</u>		<u>29.43%</u>	<u>9,287</u>		<u>48.88%</u>

OPERATING INFORMATION

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
EMPLOYEES BY CLASSIFICATION
LAST TEN FISCAL YEARS
(UNAUDITED)**

Employees	Fiscal Years									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Principals	15	17	17	18	20	20	20	21	21	21
Non-Affiliated	65	72	71	72	81	84	86	92	94	92
Teachers	603	605	614	636	659	687	707	732	722	688
Clerical	72	73	75	72	75	73	74	69	68	63
Paraprofessionals	346	336	322	325	327	330	323	329	299	264
Community Education	257	267	281	299	294	296	284	223	229	221
Food Service	44	48	49	46	51	49	51	51	49	49
Custodians	65	64	67	72	78	79	76	78	79	74
Total	<u>1,467</u>	<u>1,482</u>	<u>1,496</u>	<u>1,540</u>	<u>1,585</u>	<u>1,618</u>	<u>1,621</u>	<u>1,595</u>	<u>1,561</u>	<u>1,472</u>

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

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
STANDARDIZED TESTING
LAST TEN FISCAL YEARS
(UNAUDITED)**

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Standardized Tests										
MCA Reading (See Note 1)								(see note 2)		
Grade 3	67.0 %	66.0 %	73.0 %	70.0 %	69.7 %	64.1 %	60.9 %		57.3 %	55.2 %
Grade 5	65.0	78.0	75.0	73.0	77.7	73.9	72.0		60.9	68.1
Grade 7	63.0	63.0	55.0	65.0	61.2	59.2	58.0		49.8	43.0
Grade 10	68.0	55.0	53.0	64.0	64.0	59.0	67.1		63.6	63.5
MCA Math (See Note 1)								(see note 2)		
Grade 3	83.0	83.0	83.0	82.0	77.6	70.8	72.6		66.0	67.5
Grade 5	65.0	73.0	71.0	66.0	65.7	66.4	60.6		45.3	54.4
Grade 7	64.0	63.0	63.0	68.0	60.6	58.8	53.4		40.8	35.4
Grade 11	49.0	51.0	51.0	49.0	54.4	45.1	42.8		38.9	34.4
ACT										
Independent School District No. 77										
Average Composite Score	23.1	23.0	22.7	21.9	21.9	22.2	21.8	20.9	20.3	21.2
State Average Composite Score (1)	23.0	22.9	22.7	21.1	21.5	21.3	21.4	21.3	21.6	N/A

Note 1: Percent of students scoring at or above proficiency on the Minnesota Comprehensive Assessment Test.

(1) - Per ESSA School districts must offer a college and career readiness assessment, however the state no longer mandates ACT. State Average Composite Scores are available through MN Office of Higher Education.

(2) - Due to COVID-19 Pandemic, MCA and ACT testing did not occur in the 2019-2020 school year.

Source: MDE Report Card and State of Minnesota website

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
SCHOOL LUNCH PROGRAM DATA
LAST TEN FISCAL YEARS
(UNAUDITED)**

<u>Fiscal Year</u>	<u>Average Daily Attendance (1)</u>	<u>Total Lunches Served</u>	<u>Days</u>	<u>Average Daily Participation</u>	<u>Participation as a Percent of Average Daily Attendance</u>
2013	7,082	978,471	172	5,689	80.33
2014	7,156	951,053	169	5,628	78.64
2015	7,255	990,643	173	5,726	78.93
2016	7,591	1,046,680	173	6,050	79.70
2017	7,878	1,079,392	174	6,203	78.74
2018	7,969	1,042,464	173	6,026	75.61
2019	7,998	1,022,036	171	5,977	74.73
2020 (2)	8,164	895,859	116	7,723	94.60
2021	7,933	720,773	173	4,166	52.52
2022	7,861	442,345	171	2,587	32.91

(1) Based on State Food and Nutrition Department guidelines, attendance is deemed to be 94% of enrollment.

(2) Due to COVID-19 Pandemic, School Lunch Program Data is through March 13th, 2020, at which time ISD77 went fully virtual learning and meal service operations transitioned to the Summer Food Service Program.

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
SCHOOL LUNCH PROGRAM DATA (CONTINUED)
LAST TEN FISCAL YEARS
(UNAUDITED)**

Free Lunch		Reduced Lunch	
Number Served	Percent of Total	Number Served	Percent of Total
346,210	35.38	72,116	7.37
339,202	35.67	74,001	7.78
356,857	36.02	76,725	7.74
396,433	37.88	81,996	7.83
397,954	36.87	81,996	7.60
383,711	36.81	84,649	8.12
366,270	35.84	80,730	7.90
406,007	45.32	54,792	6.12
720,773	100.00	-	-
442,345	100.00	-	-

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
STUDENT ENROLLMENT
LAST TEN FISCAL YEARS
(UNAUDITED)**

<u>Year Ended June 30,</u>	<u>Pre-Kindergarten and Handicapped Kindergarten</u>	<u>Kindergarten</u>	<u>Elementary</u>	<u>Secondary</u>	<u>Total</u>	<u>Total Pupil Units</u>
2013	206	593	3,552	3,223	7,574	8,654
2014	211	590	3,600	3,245	7,646	8,739
2015	216	574	3,746	3,323	7,859	8,523
2016	230	582	3,924	3,405	8,141	8,822
2017	247	556	4,095	3,585	8,483	9,200
2018	260	559	4,138	3,614	8,571	9,294
2019	275	557	4,142	3,682	8,656	9,393
2020	277	549	4,135	3,848	8,809	9,579
2021	224	510	3,880	3,891	8,505	9,284
2022	222	517	3,706	3,918	8,363	9,147

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

Note 2: Beginning in fiscal 2004, ADM is limited to 1.0 ADM per student.

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

	<u>Pre-Kindergarten</u>	<u>Handicapped Kindergarten</u>	<u>Kindergarten</u>	<u>Elementary 1-3</u>	<u>Elementary 4-6</u>	<u>Secondary</u>
Fiscal 2011 through 2014	1.250	1.000	0.612	1.115	1.060	1.300
Fiscal 2015 through 2019	1.000	1.000	1.00	1.00	1.00	1.20

Source: Minnesota Department of Education student reporting system

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
EXPENDITURES PER STUDENT
LAST TEN FISCAL YEARS
(UNAUDITED)**

	State Average 2021	ISD No. 77 2021
Expenditures Per Student (ADM) (1)		
General Fund:		
District Level Administration	\$ 641	\$ 304
School Level Administration	543	516
Regular Instruction	5,879	5,756
Career and Technical Instruction	197	225
Special Education	2,625	2,711
Student Activities/Athletics	319	266
Instructional Support Services	812	643
Pupil Support Services	493	589
Operations, Maintenance, and Other	1,083	1,011
Student Transportation	735	492
Capital Expenditures	793	854
	<u>\$ 14,120</u>	<u>\$ 13,367</u>
Total General Fund Expenditures		
	<u>\$ 14,120</u>	<u>\$ 13,367</u>
ADM Used Per Profile Model Format		<u>8,613</u>

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

Source: Minnesota Department of Education School District Profiles Report

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
SCHOOL FACILITIES
LAST TEN FISCAL YEARS
(UNAUDITED)**

Facility	Use	Constructed	Acres	Square Footage	Capacity	Enrollment (1)
East High School	School	1973/2017	51.00	333,300	1,555	1,235
West High School	School	1950/1951/1958/1975/2014	23.00	286,270	1,300	1,208
Dakota Meadows Middle School	School	1993/2015	39.00	154,487	1,000	903
Prairie Winds Middle School	School	2016	65.00	185,374	1,200	1,060
Eagle Lake Elementary	School	1964/1993/2005/2010	12.00	63,595	396	340
Franklin Elementary	School	1927/1958	6.10	105,000	710	417
Bridges Elementary	School	1953	4.30	60,000	280	222
Hoover Elementary	School	1964/1966/1974/2006	12.00	66,700	484	497
Jefferson Elementary	School	1961/2017	8.10	40,416	264	187
Kennedy Elementary	School	1965/1971/2004	20.00	66,700	484	344
Monroe Elementary	School	1958/2006/2011	8.50	64,950	484	450
Roosevelt Elementary	School	1927/1954	3.00	52,000	352	341
Rosa Parks Elementary	School	2010	38.50	105,000	528	450
Washington Elementary	School	1954/1962/2006	10.00	68,226	396	409
Lincoln Community Center	School	1921/1960	3.00	85,000	140	143
Futures Program	School	N/A	N/A	15,000	40	46
Early Childhood Center	School	N/A	N/A	8,000	N/A	111

N/A - Not Available

(1) Source: 2021-22 MN Department of Education School ADM Served Report

**MANKATO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 77
SCHEDULE OF INSURANCE COVERAGE
LAST TEN FISCAL YEARS
(UNAUDITED)**

Type of Coverage	Amount of Coverage
Property Coverage:	
Real and Personal Property (Blanketed)	\$477,092,753
Property In Transit & Off Premise	500,000
Builders Risk/Shop Class	100,000
Business Income	2,000,000
Crime Coverage:	
Employee Dishonesty	200,000
Forgery or Alteration	10,000
Theft of Money and Securities - Inside the Premises	10,000
Theft of Money and Securities - Outside the Premises	10,000
Faithful Performance of Duty	100,000
Inland Marine:	
Camera/Audio Equipment	693,192
Musical Instruments	574,864
Band/Athletic Equipment & Uniforms	100,000
John Deere Golf Cart	3,000
John Deere Tractor 6110R	100,000
John Deere Loader 620R	15,000
John Deere Tractor 3046	36,300
John Deere Tractor 1575	30,400
Frontier Mower	19,200
Frontier Mower	19,200
John Deere Snowblower 359	6,500
John Deere Rotary Broom	5,400
John Deere Snowblower 60"	4,650
John Deere Mower	4,400
John Deere Tractor 5125R	120,000
John Deere Tractor 540R	9,100
West High School Sign	16,378
East High School Sign	16,378
General Liability Coverages:	
General:	
Each Occurrence	1,000,000
General Aggregate Limit	2,000,000
Medical Expense Limit - Any One Person	10,000
Damage to Premises Rented to You	500,000
Products/Completed Operations Aggregate	2,000,000
Personal & Advertising Injury	1,000,000
Employee Benefits Liability:	
General:	
Employee Benefit Each Claim	1,000,000
Employee Benefit Aggregate Limit	2,000,000
Umbrella Liability:	
Each Occurrence	1,000,000
Aggregate	1,000,000
Business Automobile Liability Coverage:	
Bodily Injury and Property Damage	1,000,000
Personal Injury Protection	20,000/Basic
Uninsured Motorists	1,000,000
Underinsured Motorists	1,000,000
Collision	500
Comprehensive	250
Hired & Non Owned Automobile	1,000,000
School Leaders Liability:	
Each Loss	1,000,000
Each Claimant	1,000,000
Aggregate for Each Policy Period	2,000,000
Cyber Risk Liability	
Policy Aggregate Limit of Liability	4,025,000