



Annual Comprehensive Financial Report

Fiscal year ended June 30, 2023



School District 622

NORTH ST. PAUL | MAPLEWOOD | OAKDALE

Ready for tomorrow

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

ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2023

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

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

Prepared by
Finance Department

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INDEPENDENT SCHOOL DISTRICT NO. 622

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Section I

INTRODUCTION



School District 622

NORTH ST. PAUL | MAPLEWOOD | OAKDALE

Ready for tomorrow



December 15, 2023

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

INTRODUCTION

State law requires that every public school district publish, within six months of the close of each fiscal year, a complete set of audited financial statements. We are submitting the Annual Comprehensive Financial Report (ACFR) of Independent School District No. 622, North St. Paul – Maplewood – Oakdale (the District) for the fiscal year ended June 30, 2023. This report fairly presents the District’s financial position and results of operations and cash flows in accordance with accounting principles generally accepted in the United States of America. Although the data was received from many sources, the District’s administration accepts total responsibility for the accuracy, completeness, and fairness in presentation.

REPORT FORMAT

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

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

PROFILE OF THE REPORTING ENTITY AND ITS SERVICES

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

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

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

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

Programs and Services

The District provides a full range of public education services appropriate to grade levels ranging from pre-kindergarten through age 21. These include regular and enriched academic programs, special education programs, and career/vocational education. Food service and transportation are provided as supporting programs. The community education program in the District includes early childhood and family education programs, an adult basic education program, and a variety of classes for lifelong learning experiences for children and adults.

Student Enrollment

The District enrolled 10,244 students (average daily membership) in 2022–2023 from a population of 82,068 people residing in a 43-square mile area. In terms of the number of students, the District is Minnesota's 14th largest school district.

The District has an increasingly diverse population of students with a variety of needs. For the 2022–2023 school year, 28.4 percent of our students were White, 27.3 percent were Asian, 18.9 percent were Black, 15.0 percent were Hispanic, 10.3 percent were multi-racial and American Indian, and 0.1 percent were Hawaiian/Pacific Islander.

Compared to 54 percent in 2021–2022, in 2022–2023, 64 percent of the District's students qualified to receive free or reduced-price meals. This is an increase year over year and the highest level to date.

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

Enrollment and Projections

In 2022–2023, the District had 10,244 average daily membership (ADM), a slight decrease from the 2021–2022 total ADM. With the District implementation of a District-Wide Facilities Plan and a planned increase in new housing developments over the next few years, the District could actually see a slight increase in student enrollment.

District Schools and Facilities

During the 2022–2023 school year, the District operated 14 school buildings, including an Early Childhood Learning Center, two comprehensive (Grades 9–12) high schools, two middle schools (Grades 6–8), seven elementary schools (Pre-K through Grade 5), one school (K–Grade 12) for students with special needs, and one special needs transition program (Post Grade 12). In addition, the District offered one online school (K through Grade 12), adult basic education, a senior learning center, and an early childhood special education program. In addition to learning spaces, the District also operates two ice arenas, a District Education Center, a Transportation Center, and a Maintenance and Grounds facility.

The average age of the District’s facilities is 36 years; the District utilizes the state’s long-term facilities maintenance funding mechanism and has qualified to levy approximately \$3.5 million per year to extend the useful life of building assets. The District also utilizes other funding resources, such as facilities maintenance bonds, voter-approved school building bonds, operating capital, lease levy revenue, and abatement revenue to maintain and renovate its buildings and grounds.

Financial Statements

The District’s financial statements have been audited by Malloy, Montague, Karnowski, Radosevich & Co., P.A., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2023, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified (clean) opinion that the District’s financial statements for the fiscal year ended June 30, 2023, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor’s report is presented as the first component of the financial section of this report.

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

FINANCIAL AND BUDGETARY CONTROL

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

LOCAL ECONOMIC CONDITION AND OUTLOOK

According to the Minnesota Department of Management and Budget October 2023 report, net General Fund receipts for fiscal year 2024's first quarter are estimated at \$6.4 billion, \$400 million (6.7 percent) more than forecast in February. Net receipts exceeded projections for all major tax types. S&P Global now expects annual real Gross Domestic Product to grow 2.5 percent this year and 1.6 percent next, compared to increases of 0.7 percent and 1.6 percent in its February forecast.

Minnesota's seasonally adjusted unemployment rate is 3.1 percent as of September 2023, which is up from 2.9 percent in September 2022. The number of unemployed in Minnesota grew to 97,861 workers, and the number of employed decreased to 3,016,482. Minnesota's labor force participation rate is 68.5 percent. The U.S. unemployment rate is up to 3.8 percent with a labor force participation rate of 62.8 percent.

The District boundaries are served by two counties, Washington and Ramsey. According to census information from the Washington County website, Washington County's estimated population in 2023 is 267,568, making it the fifth largest county in the state of Minnesota. According to the Metropolitan Council, as reported on the county's website, Washington County's population is expected to continue to grow. By the year 2040, the county's population is projected to increase to 341,330. The Ramsey County website does not have updated population data for 2023 but boasts a population of over 550,000 making it the second largest county in Minnesota. The District's population has grown from 76,855 in 2010 to 82,900 in 2022. This represents more than a 7.9 percent increase.

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

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

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

Reliance on the state for the majority of its operating revenues places the District in the position of being dependent on statewide economic conditions that drive state tax collections. The 2021 Legislature has provided some increase to the basic general education formula allowance and other categorical funding for the 2022–2023 school year. However, the 2.0 percent formula allowance increase does not keep pace with general inflation and the rising cost of providing quality education to all our students. The District will continue to respond to allocating as many resources into the classroom by curtailing expenditures when possible and is committed to engaging staff and community members in future budget discussions and considering other options for increasing revenues and containing growth.

DISTRICT MISSION AND STRATEGIC PLAN

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

A brief summary of the current strategic plan is listed below.

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

Core Values: *We believe that:*

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

Strategies:

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

LONG-TERM FINANCIAL PLANNING

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

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

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

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

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

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

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

MAJOR INITIATIVES

Facilities Plan

On May 14, 2019, district voters approved a building bond referendum for a total of \$275 million, with projects scheduled to be completed over three phases, concluding in 2025. The facility plan, named “Ready for Tomorrow”, utilized these voter-approved school building bonds, supplemented with \$65 million long-term facilities maintenance bonds, to fund the work at 13 facilities in order to:

- Modify entrances at all schools to better control visitor access
- Upgrade security equipment at all schools
- Make site improvements to improve pedestrian and traffic safety
- Replace worn-out student furniture
- Make improvements to meet district standards for improved learning spaces
- Downsize from nine elementary schools to seven, and three middle schools to two
- Increase operational efficiency through energy utilization and economies of scale in staffing (by size of facilities)

Through fiscal 2023, 78.0 percent of the “Ready for Tomorrow” facility plan is complete with the last phase of construction ongoing at both high schools.

The District completed a district-wide Facilities Condition Assessment in 2022 and utilizes the data to update its 10-year Long-Term Facilities Maintenance Plan annually. With over \$130 million in identified deferred maintenance, accessibility, and safety needs, the District will utilize the long-term facilities maintenance levy and facilities maintenance bonds to complete approximately \$9 million of facility asset replacement and preservation annually through 2025.

The School Board voted in August 2022, to utilize \$4 million in bond savings from previous projects supplemented with \$17 million long-term facilities maintenance bonds to repurpose a former elementary school into a special education center in 2023–2024 and renovate the adult basic education building starting in 2024. Additionally, the resolution calls for the District to convene a Long-Range Facilities Planning Committee in 2024–2025 to start anew facilities master plan so that facilities funding is aligned with overall district goals and initiatives over the next decade.

Other Initiatives

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

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

CERTIFICATE OF EXCELLENCE

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

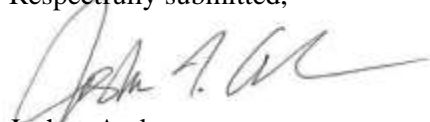
The District received the Certificate of Excellence in Financial Reporting from ASBO International for excellence in the preparation and issuance of the District’s ACFR for the year ended June 30, 2022. It is the fifth year the District has received the award, which was earned by fewer than 10 percent of all school districts in the state.

ACKNOWLEDGMENTS

The preparation of this ACFR in a timely manner would not be possible without the assistance of District 622 staff and our District 622 Communications Department. I would like to particularly thank our Finance Supervisor, Janet Doman; Executive Administrative Assistant, Christine Thueson; and Director of Operations, Sara Guyette.

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

Respectfully submitted,



Joshua Anderson
Interim Director of Finance
Director of Technology

INDEPENDENT SCHOOL DISTRICT NO. 622

School Board and Administration
as of June 30, 2023

SCHOOL BOARD

	<u>Position</u>
Michelle Yener	Chairperson
Nancy Livingston	Vice Chairperson
Caleb Anderson	Treasurer
Charlotte Nitardy	Clerk
Julia Martens	Director
Dan Peltzman	Director
Kita Yang	Director

ADMINISTRATION

Christine Tucci Osorio	Superintendent of Schools
May Her	Assistant to Superintendent
Ty Thompson	Assistant Superintendent, Secondary Programs and Equity
Tricia St. Michaels	Assistant Superintendent, Early Learning, Elementary Programs, Student Services
Josh Anderson	Director of Communications and Technology Innovation
Amylee Yang	Director of Human Resources
Tamra Lennox	Director of Community Education
Paul Imon Pedtke	Director of Finance
Sara Guyette	Director of Operations
Heidi Leigh	Director of Teaching and Learning
Amy Luckner	Director of Research, Evaluation and Assessment



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

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

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

**for its Annual Comprehensive Financial Report
for the Fiscal Year Ended June 30, 2022.**

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



A handwritten signature in black ink, reading 'John W. Hutchison'. The signature is written in a cursive style.

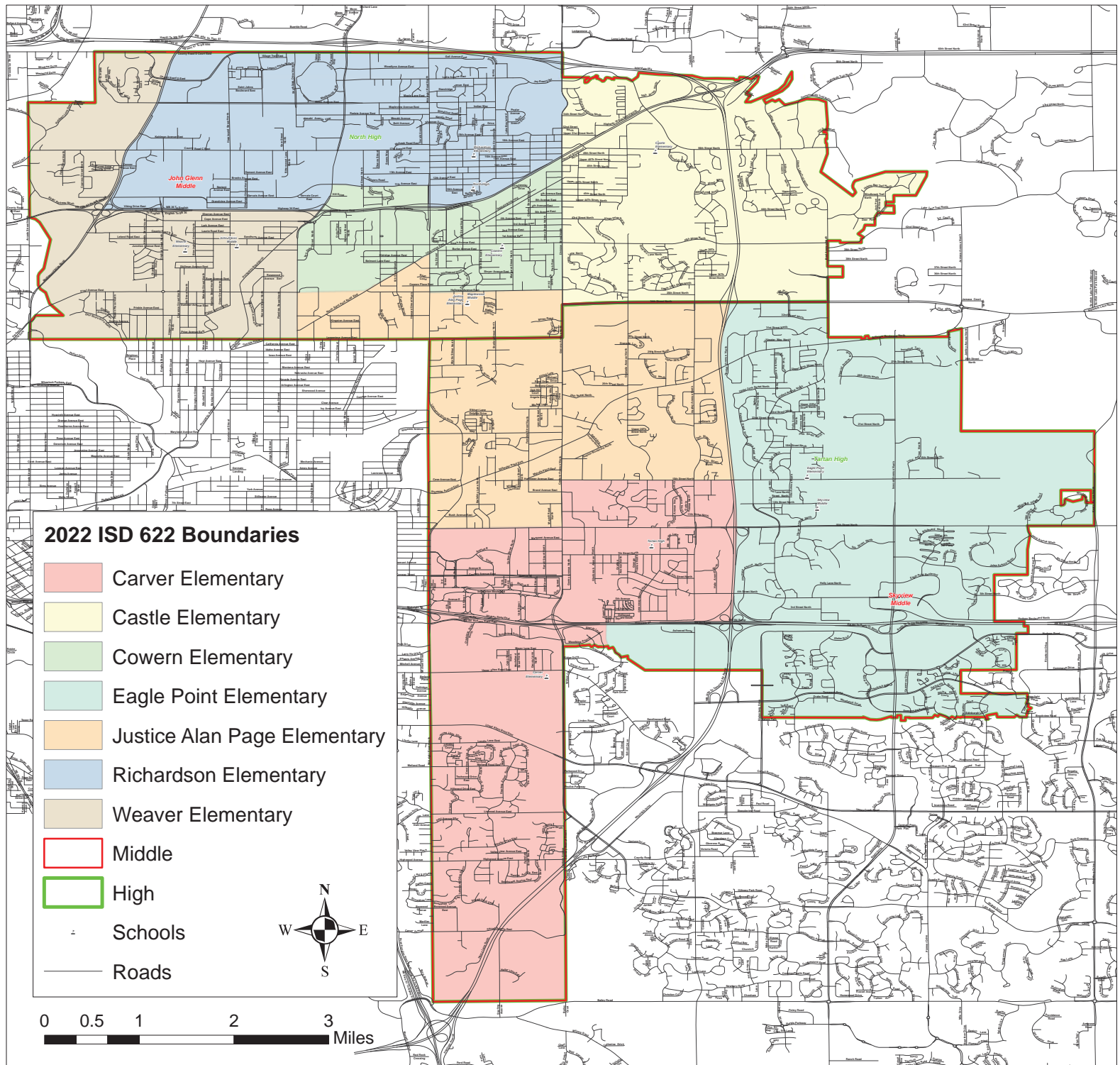
**John W. Hutchison
President**

A handwritten signature in black ink, reading 'Siobhán McMahon'. The signature is written in a cursive style.

**Siobhán McMahon, CAE
Chief Operations Officer/
Interim Executive Director**

North St. Paul-Maplewood-Oakdale

2022 Attendance boundaries



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Section II

FINANCIAL



School District 622

NORTH ST. PAUL | MAPLEWOOD | OAKDALE

Ready for tomorrow



PRINCIPALS

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

INDEPENDENT AUDITOR'S REPORT

To the School Board and Management of
Independent School District No. 622
North St. Paul – Maplewood – Oakdale, 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 Independent School District No. 622 (the District) as of and for the year ended June 30, 2023, 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, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINIONS

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

EMPHASIS OF MATTER

Change in Accounting Principle

As described in Note 1 of the notes to basic financial statements, in fiscal 2023, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

(continued)

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

(continued)

REQUIRED SUPPLEMENTARY INFORMATION

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

SUPPLEMENTAL INFORMATION

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

OTHER INFORMATION

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

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

PRIOR YEAR COMPARATIVE INFORMATION

We have previously audited the District's 2022 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated December 12, 2022. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

(continued)

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota
December 15, 2023

INDEPENDENT SCHOOL DISTRICT NO. 622

Management's Discussion and Analysis Fiscal Year Ended June 30, 2023

This section of Independent School District No. 622's (the District) Annual Comprehensive Financial Report (ACFR) presents management's discussion and analysis (MD&A) of the District's financial performance during the fiscal year ended June 30, 2023. Please read it in conjunction with the other components of the District's ACFR.

FINANCIAL HIGHLIGHTS

- The District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2023 by \$15,878,579 (net position deficit). The District's total net position increased by \$18,357,629 during the fiscal year ended June 30, 2023.
- Government-wide revenues totaled \$218,646,673 and were \$18,357,629 more than expenses of \$200,289,044.
- The District implemented Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. This change is further described in Note 1 of the notes to basic financial statements.
- The General Fund's total fund balance (under the governmental fund presentation) decreased \$6,330,726 from the prior year, compared to a decrease of \$9,131,381 planned in the budget.
- General Fund unassigned fund balance (excluding restricted account deficits) decreased from 12.9 percent to 11.9 percent of expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

- Over time, increases or decreases in the District's net position are indicators of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District requires consideration of additional nonfinancial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

FUND FINANCIAL STATEMENTS

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

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

The District maintains the following kinds of funds:

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

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

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

	2023	2022
Assets		
Current and other assets	\$ 229,235,066	\$ 291,788,873
Capital assets, net of depreciation/amortization	432,263,903	367,530,162
Total assets	\$ 661,498,969	\$ 659,319,035
Deferred outflows of resources		
Bond refunding deferments	\$ 101,622	\$ 121,946
OPEB plan deferments	2,502,523	2,991,065
Pension plan deferments	38,442,996	38,606,575
Total deferred outflows of resources	\$ 41,047,141	\$ 41,719,586
Liabilities		
Current and other liabilities	\$ 23,463,614	\$ 35,271,900
Long-term liabilities	610,662,002	540,076,007
Total liabilities	\$ 634,125,616	\$ 575,347,907
Deferred inflows of resources		
Bond refunding deferments	\$ 604,144	\$ 715,070
Property taxes levied for subsequent year	57,526,268	53,186,011
OPEB plan deferments	6,548,097	7,317,132
Pension plan deferments	19,620,564	98,708,709
Total deferred inflows of resources	\$ 84,299,073	\$ 159,926,922
Net position		
Net investment in capital assets	\$ 75,660,779	\$ 73,471,104
Restricted	22,037,746	21,670,786
Unrestricted	(113,577,104)	(129,378,098)
Total net position	\$ (15,878,579)	\$ (34,236,208)

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

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

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

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

	2023	2022
Revenues		
Program revenues		
Charges for services	\$ 6,436,021	\$ 4,530,270
Operating grants and contributions	40,914,208	43,471,321
General revenues		
Property taxes	56,744,280	55,821,644
General grants and aids	107,077,639	105,281,368
Other	7,474,525	1,302,470
Total revenues	218,646,673	210,407,073
Expenses		
Administration	6,890,454	7,473,124
District support services	7,105,979	6,592,124
Elementary and secondary regular instruction	61,251,786	64,378,779
Vocational education instruction	2,995,825	3,590,461
Special education instruction	32,599,734	33,415,135
Instructional support services	7,523,884	8,586,341
Pupil support services	16,683,173	15,389,747
Sites and buildings	23,773,757	18,103,648
Fiscal and other fixed cost programs	766,159	768,719
Food service	7,926,166	7,344,301
Community service	11,103,110	10,881,695
Depreciation/amortization not included in other functions (excludes amounts directly allocated)	6,569,465	6,328,074
Interest and fiscal charges	15,099,552	12,502,783
Total expenses	200,289,044	195,354,931
Change in net position	18,357,629	15,052,142
Net position – beginning	(34,236,208)	(49,288,350)
Net position – ending	\$ (15,878,579)	\$ (34,236,208)

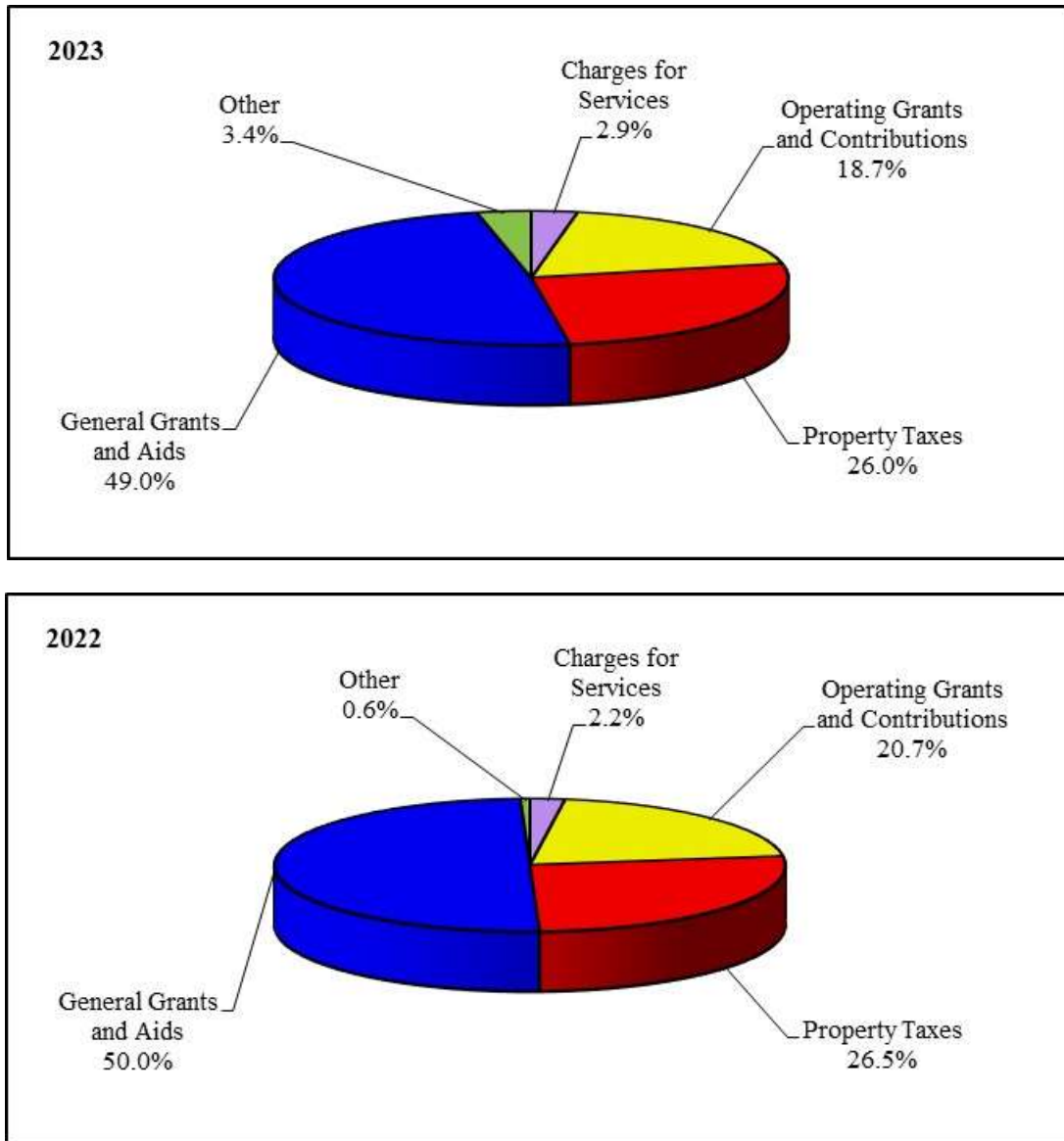
This statement is presented on an accrual basis of accounting, and it includes all of the governmental activities of the District. This statement includes depreciation and amortization expense, but excludes capital asset purchase costs, debt proceeds, and the repayment of debt principal.

Governmental activities revenues increased \$8,239,600 (3.9 percent) from the previous year, primarily attributed to an increase in other general revenues resulting from increased investment earnings. Investment earnings increased due to improved investment market performance and interest rates.

Governmental activities expenses were \$4,934,113 (2.5 percent) higher than last year, mainly due to increased salaries and benefits, arbitrage liability, and noncapitalized projects in the current year.

Figure A shows further analysis of these revenue sources:

Figure A – Sources of Revenues for Fiscal Years 2023 and 2022



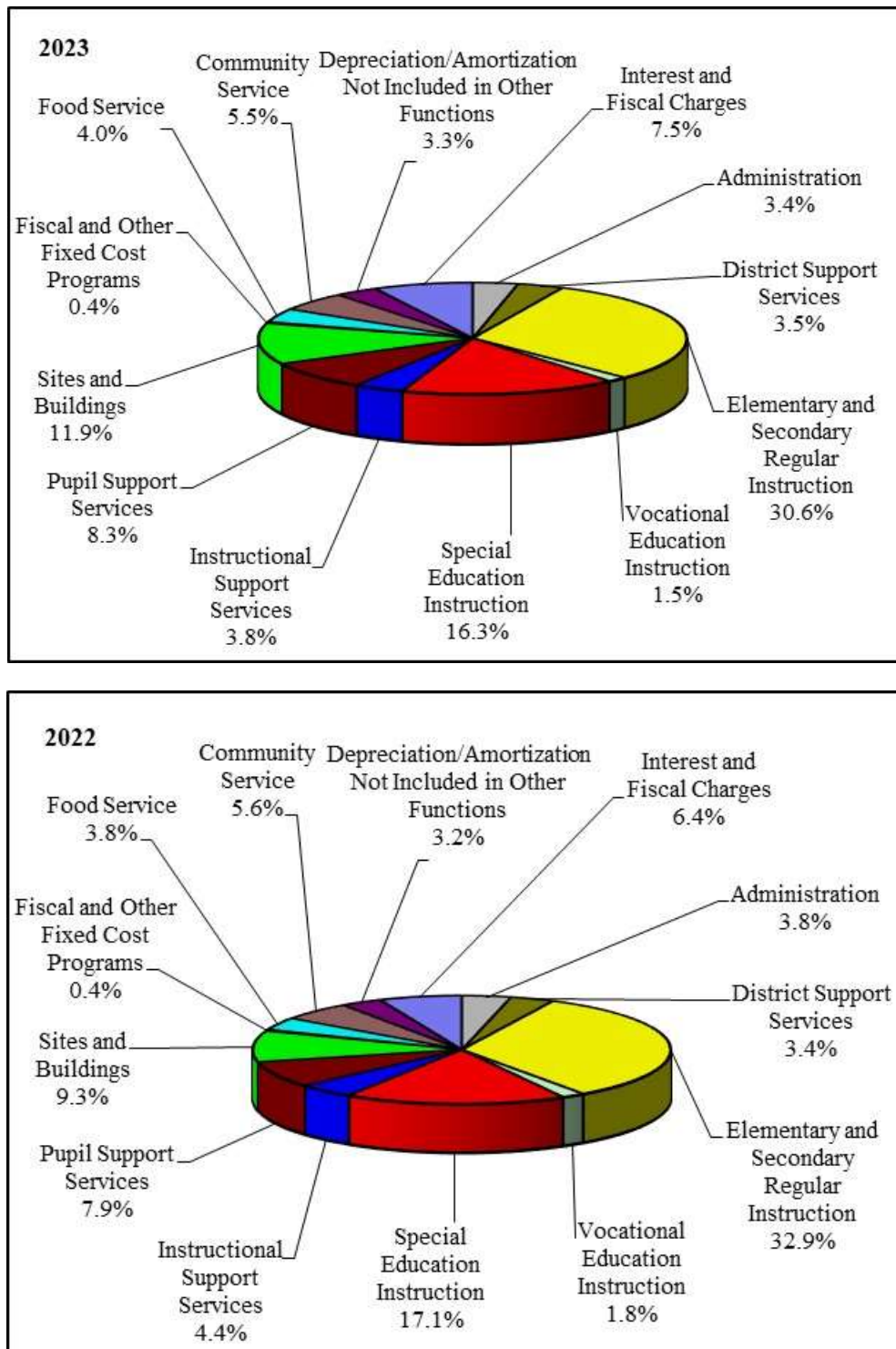
The largest share of the District’s revenue is received from the state, including the basic general education aid formula and most of the operating grants.

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

Operating grants and contributions decreased and charges for services increased, due to the transition from the Summer Seamless Option Program in fiscal 2022, which provided federally funded free meals to all students at the highest available reimbursement rate, back to the National School Lunch Program in fiscal 2023.

Figure B shows further analysis of these expense functions:

Figure B – Expenses for Fiscal Years 2023 and 2022



The District’s expenses are predominately related to educating students. Programs (or functions) such as elementary and secondary regular instruction, vocational education instruction, special education instruction, and instructional support services are directly related to classroom instruction, while the rest of the programs support instruction and other necessary costs to operate the District. The shift in expenses between programs and the decrease in elementary and secondary regular instruction, when compared to prior year, was largely due to changes in the TRA state-wide pension plan obligations.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Major funds			
General	\$ 36,363,974	\$ 42,694,700	\$ (6,330,726)
Capital Projects – Building Construction	99,321,450	146,473,498	(47,152,048)
Debt Service			
Regular	4,370,085	3,772,654	597,431
OPEB	412,720	407,205	5,515
Nonmajor funds			
Food Service Special Revenue	3,763,484	3,871,972	(108,488)
Community Service Special Revenue	3,955,517	3,440,544	514,973
 Total governmental funds	 <u>\$148,187,230</u>	 <u>\$200,660,573</u>	 <u>\$ (52,473,343)</u>

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

At June 30, 2023, the District's governmental funds reported combined fund balances of \$148,187,230, a decrease of \$52,473,343 in comparison with the prior year. Of this amount, \$21,359,850 constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of the fund balance is: 1) not in spendable form (\$1,155,335), 2) restricted for particular purposes (\$125,527,901), or 3) assigned for particular purposes (\$144,144).

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

ANALYSIS OF THE GENERAL FUND

Table 4 summarizes the amendments to the General Fund budget:

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Change</u>	<u>Percent Change</u>
Revenue	<u>\$ 167,554,014</u>	<u>\$ 170,346,710</u>	<u>\$ 2,792,696</u>	<u>1.7%</u>
Expenditures	<u>\$ 174,176,452</u>	<u>\$ 179,478,091</u>	<u>\$ 5,301,639</u>	<u>3.0%</u>

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

Table 5 summarizes the operating results of the General Fund:

	<u>2023 Actual</u>	<u>Over (Under) Final Budget</u>		<u>Over (Under) Prior Year</u>	
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Revenue and other financing sources	\$ 173,740,285	\$ 3,393,575	2.0%	\$ 8,208,770	5.0%
Expenditures and other financing uses	<u>180,071,011</u>	<u>592,920</u>	0.3%	<u>13,815,041</u>	8.3%
Net change in fund balances	<u>\$ (6,330,726)</u>	<u>\$ 2,800,655</u>		<u>\$ (5,606,271)</u>	

The fund balance of the General Fund decreased \$6,330,726 from the prior year, compared to a \$9,131,381 decrease planned in the budget.

General Fund revenues and other financing sources were 2.0 percent over budget, primarily due to new leases issued for building space and equipment and proceeds from insurance recovery. The revenue growth over the prior year was due to increases in general education state aids, new leases issued for building space and equipment, and proceeds from insurance recovery.

General Fund expenditures and other financing uses were 0.3 percent over budget, primarily in capital expenditures offset by salaries and supplies and materials, which were under budget. Expenditures increased from the prior year, mainly in capital expenditures, due to new leases issued for building space and equipment. Salaries and benefits also increased due to contractual increases.

COMMENTS ON SIGNIFICANT ACTIVITIES IN OTHER FUNDS

Capital Projects – Building Construction Fund

The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition or construction of major capital facilities. This fund ended the year with a fund balance decrease of \$47,152,048, due to the spend down of current year and prior year bond issues. At June 30, 2023, this fund had a fund balance of \$99,321,450 restricted for long-term facilities maintenance (\$25,289,790), and capital projects (\$74,031,660) for future construction in accordance with the District-Wide Facilities Plan.

Debt Service Fund

The Debt Service Fund revenues exceeded expenditures by \$602,946 in the current year. The funding of the Debt Service Fund is largely controlled with each individual debt obligation's financing plan. The remaining fund balance of \$4,782,805 at June 30, 2023 is available for meeting future debt service obligations.

Other Governmental Funds

The Food Service Special Revenue Fund ended the year with expenditures exceeding revenues and other financing sources, decreasing equity by \$108,488, compared to a planned fund balance decrease of \$351,734. Revenues shifted from federal revenues to revenue from meal sales, due to the change in food service programs as previously discussed. Revenues were over budget with more participation than projected and conservative budgeting. Expenditures were more than projected with more salaries and supplies and materials than included in the budget. As of June 30, 2023, the fund balance was 48.8 percent of expenditures.

The Community Service Special Revenue Fund ended the year with revenues exceeding expenditures, increasing equity by \$514,973, compared to a planned fund balance increase of \$219,406. The variance to budget was primarily in revenues from other local sources, due to increased program participation and in federal sources with additional federal funding received. As of June 30, 2023, the fund balance was 34.9 percent of expenditures.

Internal Service Fund

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

Operating revenues for the internal service funds for fiscal 2023 totaled \$23,420,602, while operating expenses totaled \$26,465,934.

The net position for the internal service funds as of June 30, 2023 was \$5,483,780, which represents a \$2,870,366 decrease from the prior year. This decrease is mainly due to medical expenses being higher than insurance premiums. As of June 30, 2023, the net position represents 20.7 percent of operating expenses.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

Table 6 shows the District’s capital assets, together with changes from the previous year. The table also shows the total depreciation/amortization expense for fiscal years ended June 30, 2023 and 2022:

Table 6 Capital Assets			
	<u>2023</u>	<u>2022</u>	<u>Change</u>
Land	\$ 19,577,877	\$ 19,577,877	\$ –
Construction in progress	243,622,913	216,716,100	26,906,813
Land improvements	12,640,898	12,640,898	–
Buildings and improvements	251,235,164	210,731,136	40,504,028
Furniture and equipment	23,231,295	22,689,886	541,409
Leased buildings and improvements	4,385,096	1,788,001	2,597,095
Leased furniture and equipment	897,950	–	897,950
Technology subscriptions	926,763	–	926,763
Less accumulated depreciation/amortization	<u>(124,254,053)</u>	<u>(116,613,736)</u>	<u>(7,640,317)</u>
Total	<u><u>\$ 432,263,903</u></u>	<u><u>\$ 367,530,162</u></u>	<u><u>\$ 64,733,741</u></u>
Depreciation/amortization expense	<u><u>\$ 8,127,825</u></u>	<u><u>\$ 7,836,939</u></u>	<u><u>\$ 290,886</u></u>

By the end of 2023, the District had invested in a broad range of capital assets, including school buildings, athletic facilities, and other equipment for various instructional programs (see Table 6).

The changes presented in the table above reflect the ongoing activity and completion of projects at district sites during fiscal year 2023, consistent with the activity of the Capital Projects – Building Construction Fund discussed on the previous page.

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

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

Long-Term Liabilities

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

	<u>2023</u>	<u>2022</u>	<u>Change</u>
General obligation bonds payable	\$ 427,615,000	\$ 418,170,000	\$ 9,445,000
Certificates of participation payable	7,860,000	8,605,000	(745,000)
Premium (discount) on bonds payable and certificates of participation payable	20,597,259	20,523,861	73,398
Finance purchase payable	-	431,510	(431,510)
Lease liability	4,088,468	1,269,061	2,819,407
Arbitrage liability	2,626,325	-	2,626,325
Net/total pension liability	121,278,286	63,970,719	57,307,567
Net OPEB liability	20,504,742	21,369,569	(864,827)
Severance benefits payable	4,247,542	3,990,383	257,159
Compensated absences payable	1,844,380	1,745,904	98,476
Total	<u>\$ 610,662,002</u>	<u>\$ 540,076,007</u>	<u>\$ 70,585,995</u>

The increase in general obligation bonds payable and premium/discount is due to the issuance of general obligation bonds during fiscal year 2023, offset by scheduled principal payments and amortization. The change in certificates of participation payable and finance purchase payable is due to the scheduled principal payments during the current year. The increase in the lease liability is due to new leases issued for building space and equipment in the current year.

With changes in the investment market, the District has recorded a projected arbitrage liability as of year-end.

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

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

District's market value	\$11,443,796,948
Limit rate	<u>15.0%</u>
Legal debt limit	<u>\$ 1,716,569,542</u>

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

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

The general education program is the method by which school districts receive the majority of their financial support. This source of funding is primarily state aid and, as such, school districts rely heavily on the state of Minnesota for educational resources. The Legislature has added \$275, or 4.00 percent, per pupil to the basic general education funding formula for fiscal year 2024, and an additional \$143, or 2.00 percent, per pupil to the formula for fiscal year 2025.

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

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INDEPENDENT SCHOOL DISTRICT NO. 622

Statement of Net Position
as of June 30, 2023

(With Partial Comparative Information as of June 30, 2022)

	Governmental Activities	
	2023	2022
Assets		
Cash and temporary investments	\$ 172,152,605	\$ 238,229,384
Receivables		
Current taxes	33,177,794	29,535,796
Delinquent taxes	645,151	691,859
Accounts and interest	1,603,367	604,886
Due from other governmental units	20,494,985	21,959,138
Inventory	587,323	453,874
Prepaid items	573,841	313,936
Capital assets		
Not depreciated/amortized	263,200,790	236,293,977
Depreciated, net of accumulated depreciation/amortization	169,063,113	131,236,185
Total capital assets, net of accumulated depreciation/amortization	<u>432,263,903</u>	<u>367,530,162</u>
Total assets	661,498,969	659,319,035
Deferred outflows of resources		
Bond refunding deferments	101,622	121,946
OPEB plan deferments	2,502,523	2,991,065
Pension plan deferments	38,442,996	38,606,575
Total deferred outflows of resources	<u>41,047,141</u>	<u>41,719,586</u>
Total assets and deferred outflows of resources	<u>\$ 702,546,110</u>	<u>\$ 701,038,621</u>
Liabilities		
Salaries payable	\$ 1,169,928	\$ 1,151,428
Accounts and contracts payable	11,121,956	22,655,357
Accrued interest payable	5,937,128	6,259,765
Due to other governmental units	2,591,590	3,213,667
Unearned revenue	759,707	726,431
Claims incurred, but not reported	1,883,305	1,265,252
Long-term liabilities		
Due within one year	15,416,214	13,891,770
Due in more than one year	595,245,788	526,184,237
Total long-term liabilities	<u>610,662,002</u>	<u>540,076,007</u>
Total liabilities	634,125,616	575,347,907
Deferred inflows of resources		
Bond refunding deferments	604,144	715,070
Property taxes levied for subsequent year	57,526,268	53,186,011
OPEB plan deferments	6,548,097	7,317,132
Pension plan deferments	19,620,564	98,708,709
Total deferred inflows of resources	<u>84,299,073</u>	<u>159,926,922</u>
Net position		
Net investment in capital assets	75,660,779	73,471,104
Restricted for		
Capital asset acquisition	10,045,348	9,952,127
Food service	3,763,484	3,871,972
Community service	3,967,124	3,453,679
Other purposes (state funding restrictions)	4,261,790	4,393,008
Unrestricted	(113,577,104)	(129,378,098)
Total net position	<u>(15,878,579)</u>	<u>(34,236,208)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 702,546,110</u>	<u>\$ 701,038,621</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

Statement of Activities
 Year Ended June 30, 2023
 (With Partial Comparative Information for the Year Ended June 30, 2022)

Functions/Programs	2023		
	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental activities			
Administration	\$ 6,890,454	\$ -	\$ -
District support services	7,105,979	-	-
Elementary and secondary regular instruction	61,251,786	985,628	2,637,413
Vocational education instruction	2,995,825	-	24,254
Special education instruction	32,599,734	673,251	24,484,711
Instructional support services	7,523,884	-	-
Pupil support services	16,683,173	256,194	601,285
Sites and buildings	23,773,757	-	-
Fiscal and other fixed cost programs	766,159	-	-
Food service	7,926,166	1,384,275	6,140,375
Community service	11,103,110	3,136,673	7,026,170
Depreciation/amortization not included in other functions (excludes amounts directly allocated)	6,569,465	-	-
Interest and fiscal charges	15,099,552	-	-
Total governmental activities	\$ 200,289,044	\$ 6,436,021	\$ 40,914,208
General revenues			
Taxes			
Property taxes levied for general purposes			
Property taxes levied for community service			
Property taxes levied for debt service			
General grants and aids			
Other general revenues			
Gain on sale of capital assets			
Investment earnings (charges)			
Total general revenues			
Change in net position			
Net position – beginning			
Net position – ending			

	2022
Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Governmental Activities	Governmental Activities
\$ (6,890,454)	\$ (7,473,124)
(7,105,979)	(6,592,124)
(57,628,745)	(60,172,131)
(2,971,571)	(3,572,138)
(7,441,772)	(8,131,062)
(7,523,884)	(8,586,341)
(15,825,694)	(14,929,207)
(23,773,757)	(18,089,393)
(766,159)	(768,719)
(401,516)	633,364
(940,267)	(841,608)
(6,569,465)	(6,328,074)
<u>(15,099,552)</u>	<u>(12,502,783)</u>
(152,938,815)	(147,353,340)
31,074,882	29,814,986
1,560,548	1,490,981
24,108,850	24,515,677
107,077,639	105,281,368
2,043,412	1,759,011
63,059	—
5,368,054	(456,541)
<u>171,296,444</u>	<u>162,405,482</u>
18,357,629	15,052,142
<u>(34,236,208)</u>	<u>(49,288,350)</u>
<u>\$ (15,878,579)</u>	<u>\$ (34,236,208)</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

Balance Sheet
 Governmental Funds
 as of June 30, 2023
 (With Partial Comparative Information as of June 30, 2022)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Assets			
Cash and temporary investments	\$ 31,965,692	\$ 107,124,866	\$ 16,518,944
Receivables			
Current taxes	18,065,674	–	14,252,469
Delinquent taxes	385,359	–	244,442
Accounts and interest	185,915	1,103,165	–
Due from other governmental units	19,073,169	–	59,947
Inventory	–	–	–
Prepaid items	552,842	–	–
	<u>70,228,651</u>	<u>108,228,031</u>	<u>31,075,802</u>
Total assets	\$ 70,228,651	\$ 108,228,031	\$ 31,075,802
Liabilities			
Salaries payable	\$ 938,761	\$ –	\$ –
Accounts and contracts payable	1,116,652	8,906,581	–
Due to other governmental units	1,614,199	–	–
Unearned revenue	36,661	–	–
	<u>3,706,273</u>	<u>8,906,581</u>	<u>–</u>
Total liabilities	3,706,273	8,906,581	–
Deferred inflows of resources			
Unavailable revenue – delinquent taxes	311,923	–	187,772
Property taxes levied for subsequent year	29,846,481	–	26,105,225
	<u>30,158,404</u>	<u>–</u>	<u>26,292,997</u>
Total deferred inflows of resources	30,158,404	–	26,292,997
Fund balances			
Nonspendable	552,842	–	–
Restricted	14,307,138	99,321,450	4,782,805
Assigned	144,144	–	–
Unassigned	21,359,850	–	–
	<u>36,363,974</u>	<u>99,321,450</u>	<u>4,782,805</u>
Total fund balances	36,363,974	99,321,450	4,782,805
	<u>70,228,651</u>	<u>108,228,031</u>	<u>31,075,802</u>
Total liabilities, deferred inflows of resources, and fund balances	\$ 70,228,651	\$ 108,228,031	\$ 31,075,802

Nonmajor Funds	Total Governmental Funds	
	2023	2022
\$ 8,246,348	\$ 163,855,850	\$ 228,312,463
859,651	33,177,794	29,535,796
15,350	645,151	691,859
314,287	1,603,367	604,886
1,361,869	20,494,985	21,959,138
587,323	587,323	453,874
15,170	568,012	313,936
<u>\$ 11,399,998</u>	<u>\$ 220,932,482</u>	<u>\$ 281,871,952</u>
\$ 231,167	\$ 1,169,928	\$ 1,151,428
163,224	10,186,457	22,357,834
977,391	2,591,590	3,213,667
723,046	759,707	726,431
<u>2,094,828</u>	<u>14,707,682</u>	<u>27,449,360</u>
11,607	511,302	576,008
1,574,562	57,526,268	53,186,011
<u>1,586,169</u>	<u>58,037,570</u>	<u>53,762,019</u>
602,493	1,155,335	767,810
7,116,508	125,527,901	171,855,984
–	144,144	6,622,438
–	21,359,850	21,414,341
<u>7,719,001</u>	<u>148,187,230</u>	<u>200,660,573</u>
<u>\$ 11,399,998</u>	<u>\$ 220,932,482</u>	<u>\$ 281,871,952</u>

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INDEPENDENT SCHOOL DISTRICT NO. 622

Reconciliation of the Balance Sheet to the
Statement of Net Position
Governmental Funds
as of June 30, 2023
(With Partial Comparative Information as of June 30, 2022)

	<u>2023</u>	<u>2022</u>
Total fund balances – governmental funds	\$ 148,187,230	\$ 200,660,573
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets are included in net position, but are excluded from fund balances because they do not represent financial resources.		
Cost of capital assets	556,517,956	484,143,898
Accumulated depreciation/amortization	(124,254,053)	(116,613,736)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable. Debt issuance premiums and discounts are excluded from net position until amortized, but are included in fund balances upon issuance as other financing sources and uses.		
General obligation bonds payable	(427,615,000)	(418,170,000)
Certificates of participation payable	(7,860,000)	(8,605,000)
Premiums and discounts on debt	(20,597,259)	(20,523,861)
Finance purchase payable	–	(431,510)
Lease liability	(4,088,468)	(1,269,061)
Arbitrage liability	(2,626,325)	–
Net/total pension liability	(121,278,286)	(63,970,719)
Net OPEB liability	(20,504,742)	(21,369,569)
Severance benefits payable	(4,247,542)	(3,990,383)
Compensated absences payable	(1,844,380)	(1,745,904)
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.	(5,937,128)	(6,259,765)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Fund is included in the governmental activities in the Statement of Net Position.	5,483,780	8,354,146
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – bond refunding deferments	101,622	121,946
Deferred outflows of resources – OPEB plan deferments	2,502,523	2,991,065
Deferred outflows of resources – pension plan deferments	38,442,996	38,606,575
Deferred inflows of resources – bond refunding deferments	(604,144)	(715,070)
Deferred inflows of resources – OPEB plan deferments	(6,548,097)	(7,317,132)
Deferred inflows of resources – pension plan deferments	(19,620,564)	(98,708,709)
Deferred inflows of resources – unavailable revenue – delinquent taxes	511,302	576,008
Total net position – governmental activities	<u>\$ (15,878,579)</u>	<u>\$ (34,236,208)</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

Statement of Revenue, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2023
 (With Partial Comparative Information for the Year Ended June 30, 2022)

	<u>General Fund</u>	<u>Capital Projects – Building Construction Fund</u>	<u>Debt Service Fund</u>
Revenue			
Local sources			
Property taxes	\$ 31,120,032	\$ –	\$ 24,126,878
Investment earnings (charges)	942,242	3,793,238	262,983
Other	3,379,235	557,468	–
State sources	120,274,626	–	597,887
Federal sources	13,389,645	–	–
Total revenue	<u>169,105,780</u>	<u>4,350,706</u>	<u>24,987,748</u>
Expenditures			
Current			
Administration	7,860,668	–	–
District support services	7,763,099	–	–
Elementary and secondary regular instruction	73,497,919	–	–
Vocational education instruction	3,570,113	–	–
Special education instruction	37,193,110	–	–
Instructional support services	9,014,556	–	–
Pupil support services	16,557,057	–	–
Sites and buildings	21,637,805	–	–
Fiscal and other fixed cost programs	766,159	–	–
Food service	–	–	–
Community service	–	–	–
Capital outlay	–	73,178,873	–
Debt service			
Principal	1,852,148	–	10,115,000
Interest and fiscal charges	358,377	176,403	14,269,802
Total expenditures	<u>180,071,011</u>	<u>73,355,276</u>	<u>24,384,802</u>
Excess (deficiency) of revenue over expenditures	(10,965,231)	(69,004,570)	602,946
Other financing sources (uses)			
Debt issued	3,495,045	19,560,000	–
Refunding debt issued	–	–	–
Premium on debt issued	–	1,991,514	–
Sale of assets	90,182	–	–
Insurance recovery	1,049,278	301,008	–
Payment on refunded debt	–	–	–
Total other financing sources (uses)	<u>4,634,505</u>	<u>21,852,522</u>	<u>–</u>
Net change in fund balances	(6,330,726)	(47,152,048)	602,946
Fund balances			
Beginning of year	<u>42,694,700</u>	<u>146,473,498</u>	<u>4,179,859</u>
End of year	<u>\$ 36,363,974</u>	<u>\$ 99,321,450</u>	<u>\$ 4,782,805</u>

Nonmajor Funds	Total Governmental Funds	
	2023	2022
\$ 1,562,076	\$ 56,808,986	\$ 55,654,187
194,625	5,193,088	(434,079)
4,520,948	8,457,651	6,232,657
6,454,191	127,326,704	122,358,155
6,712,354	20,101,999	26,915,097
<u>19,444,194</u>	<u>217,888,428</u>	<u>210,726,017</u>
–	7,860,668	8,088,212
–	7,763,099	6,739,530
–	73,497,919	68,418,615
–	3,570,113	3,777,464
–	37,193,110	35,404,012
–	9,014,556	9,243,123
–	16,557,057	15,250,823
–	21,637,805	16,516,620
–	766,159	768,719
7,560,854	7,560,854	7,068,682
11,319,928	11,319,928	11,197,958
161,527	73,340,400	93,733,927
–	11,967,148	14,768,606
–	14,804,582	12,855,391
<u>19,042,309</u>	<u>296,853,398</u>	<u>303,831,682</u>
401,885	(78,964,970)	(93,105,665)
–	23,055,045	76,710,000
–	–	11,085,000
–	1,991,514	10,071,662
4,600	94,782	47,213
–	1,350,286	34,411
–	–	(12,145,000)
<u>4,600</u>	<u>26,491,627</u>	<u>85,803,286</u>
406,485	(52,473,343)	(7,302,379)
<u>7,312,516</u>	<u>200,660,573</u>	<u>207,962,952</u>
<u>\$ 7,719,001</u>	<u>\$ 148,187,230</u>	<u>\$ 200,660,573</u>

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INDEPENDENT SCHOOL DISTRICT NO. 622

Reconciliation of the Statement of
Revenue, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
Year Ended June 30, 2023
(With Partial Comparative Information for the Year Ended June 30, 2022)

	<u>2023</u>	<u>2022</u>
Total net change in fund balances – governmental funds.	\$ (52,473,343)	\$ (7,302,379)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are recorded in net position and the cost is allocated over their estimated useful lives as depreciation/amortization expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase.		
Capital outlays	72,878,011	92,128,597
Depreciation/amortization expense	(8,127,825)	(7,836,939)
A gain or loss on the disposal of capital assets, including the difference between the carrying value and any related sale proceeds, is included in the change in net position. However, only the sale proceeds are included in the change in fund balances.		
	(16,445)	(21,927)
The amount of debt issued is reported in the governmental funds as a source of financing. Debt obligations are not revenues in the Statement of Activities, but rather constitute long-term liabilities.		
General obligation bonds payable	(19,560,000)	(76,710,000)
Refunding bonds payable	–	(11,085,000)
Lease liability	(3,495,045)	–
Arbitrage liability	(2,626,325)	–
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds payable	10,115,000	25,250,000
Certificates of participation payable	745,000	725,000
Finance purchase payable	431,510	419,666
Lease liability	675,638	518,940
Interest on long-term debt is included in the change in net position as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due.		
	322,637	(1,202,197)
Debt issuance premiums and discounts are included in the change in net position as they are amortized over the life of the debt. However, they are included in the change in fund balances upon issuance as other financing sources and uses.		
	(73,398)	(8,309,502)
Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.		
Net/total pension liability	(57,307,567)	38,730,656
Net OPEB liability	864,827	4,391,167
Severance benefits payable	(257,159)	(312,189)
Compensated absences payable	(98,476)	81,609
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is included in the governmental activities in the Statement of Activities.		
	(2,870,366)	170,716
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – bond refunding deferments	(20,324)	(20,324)
Deferred outflows of resources – OPEB plan deferments	(488,542)	1,513,084
Deferred outflows of resources – pension plan deferments	(163,579)	(2,548,495)
Deferred inflows of resources – bond refunding deferments	110,926	(187,031)
Deferred inflows of resources – OPEB plan deferments	769,035	(4,296,706)
Deferred inflows of resources – pension plan deferments	79,088,145	(29,212,061)
Deferred inflows of resources – unavailable revenue – delinquent taxes	(64,706)	167,457
Change in net position – governmental activities	<u>\$ 18,357,629</u>	<u>\$ 15,052,142</u>

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INDEPENDENT SCHOOL DISTRICT NO. 622

Statement of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 General Fund
 Year Ended June 30, 2023

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
Revenue				
Local sources				
Property taxes	\$ 31,314,429	\$ 31,314,429	\$ 31,120,032	\$ (194,397)
Investment earnings	276,000	276,000	942,242	666,242
Other	3,020,355	3,020,355	3,379,235	358,880
State sources	118,588,017	119,113,017	120,274,626	1,161,609
Federal sources	14,355,213	16,622,909	13,389,645	(3,233,264)
Total revenue	<u>167,554,014</u>	<u>170,346,710</u>	<u>169,105,780</u>	<u>(1,240,930)</u>
Expenditures				
Current				
Administration	9,013,022	9,013,022	7,860,668	(1,152,354)
District support services	7,195,316	7,155,949	7,763,099	607,150
Elementary and secondary regular instruction	73,408,472	76,763,004	73,497,919	(3,265,085)
Vocational education instruction	3,503,826	3,564,054	3,570,113	6,059
Special education instruction	36,637,859	37,248,071	37,193,110	(54,961)
Instructional support services	9,322,036	9,422,170	9,014,556	(407,614)
Pupil support services	15,986,478	16,399,478	16,557,057	157,579
Sites and buildings	15,564,982	16,443,482	21,637,805	5,194,323
Fiscal and other fixed cost programs	782,000	782,000	766,159	(15,841)
Debt service				
Principal	2,753,356	2,677,756	1,852,148	(825,608)
Interest and fiscal charges	9,105	9,105	358,377	349,272
Total expenditures	<u>174,176,452</u>	<u>179,478,091</u>	<u>180,071,011</u>	<u>592,920</u>
Excess (deficiency) of revenue over expenditures	(6,622,438)	(9,131,381)	(10,965,231)	(1,833,850)
Other financing sources				
Debt issued	–	–	3,495,045	3,495,045
Sale of assets	–	–	90,182	90,182
Insurance recovery	–	–	1,049,278	1,049,278
Total other financing sources	<u>–</u>	<u>–</u>	<u>4,634,505</u>	<u>4,634,505</u>
Net change in fund balances	<u>\$ (6,622,438)</u>	<u>\$ (9,131,381)</u>	<u>(6,330,726)</u>	<u>\$ 2,800,655</u>
Fund balances				
Beginning of year			<u>42,694,700</u>	
End of year			<u>\$ 36,363,974</u>	

INDEPENDENT SCHOOL DISTRICT NO. 622

Internal Service Funds
Statement of Net Position
as of June 30, 2023

(With Partial Comparative Information as of June 30, 2022)

	<u>2023</u>	<u>2022</u>
Assets		
Current assets		
Cash and temporary investments	\$ 8,296,755	\$ 9,916,921
Prepaid items	5,829	-
Total assets	<u>8,302,584</u>	<u>9,916,921</u>
Liabilities		
Current liabilities		
Accounts and contracts payable	935,499	297,523
Claims incurred, but not reported	1,883,305	1,265,252
Total liabilities	<u>2,818,804</u>	<u>1,562,775</u>
Net position		
Unrestricted	<u>\$ 5,483,780</u>	<u>\$ 8,354,146</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

Internal Service Funds
 Statement of Revenue, Expenses, and Changes in Net Position
 Year Ended June 30, 2023
 (With Partial Comparative Information for the Year Ended June 30, 2022)

	<u>2023</u>	<u>2022</u>
Operating revenue		
Charges for services	\$ 23,420,602	\$ 22,825,378
Operating expenses		
Dental benefit claims	1,903,075	1,840,655
Medical benefit claims	22,942,621	19,434,530
Fees and stop-loss	1,620,238	1,357,015
Total operating expenses	<u>26,465,934</u>	<u>22,632,200</u>
Operating income (loss)	(3,045,332)	193,178
Nonoperating revenue		
Investment earnings (charges)	<u>174,966</u>	<u>(22,462)</u>
Change in net position	(2,870,366)	170,716
Net position		
Beginning of year	<u>8,354,146</u>	<u>8,183,430</u>
End of year	<u>\$ 5,483,780</u>	<u>\$ 8,354,146</u>

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INDEPENDENT SCHOOL DISTRICT NO. 622

Internal Service Funds
Statement of Cash Flows
Year Ended June 30, 2023

(With Partial Comparative Information for the Year Ended June 30, 2022)

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Contributions from governmental funds	\$ 23,420,602	\$ 22,825,378
Payments for dental benefit claims	(1,878,724)	(1,843,692)
Payments for medical benefit claims	(21,716,953)	(19,729,277)
Payments for fees and stop-loss	<u>(1,620,057)</u>	<u>(1,390,953)</u>
Net cash flows from operating activities	(1,795,132)	(138,544)
Cash flows from investing activities		
Investment income received (paid)	<u>174,966</u>	<u>(22,462)</u>
Net change in cash and cash equivalents	(1,620,166)	(161,006)
Cash and cash equivalents		
Beginning of year	<u>9,916,921</u>	<u>10,077,927</u>
End of year	<u>\$ 8,296,755</u>	<u>\$ 9,916,921</u>
Reconciliation of operating income (loss) to net cash flows from operating activities		
Operating income (loss)	\$ (3,045,332)	\$ 193,178
Adjustments to reconcile operating income (loss) to net cash flows from operating activities		
Changes in assets and liabilities		
Prepaid items	(5,829)	-
Accounts and contracts payable	637,976	(192,956)
Claims incurred, but not reported	<u>618,053</u>	<u>(138,766)</u>
Net cash flows from operating activities	<u>\$ (1,795,132)</u>	<u>\$ (138,544)</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

Statement of Fiduciary Net Position
as of June 30, 2023

	Post-Employment Benefits Trust Fund
	<u> </u>
Assets	
Cash and temporary investments	\$ 2,762,950
Investments, at fair value	
U.S. treasuries	3,068,173
Local government obligations	3,564,314
MNTrust Investment Shares Portfolio	2,599,475
Investment pools/mutual funds	1,772,730
Receivables	
Accounts and interest	<u>106,364</u>
Total assets	<u>13,874,006</u>
Net position	
Restricted for OPEB	<u><u>\$ 13,874,006</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 622

Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2023

	<u>Post-Employment Benefits Trust Fund</u>
Additions	
Contributions	
Employee	\$ 787,535
Investment earnings	
Total investment earnings	552,989
Less investment expense	<u>8,278</u>
Net investment earnings	<u>544,711</u>
Total additions	1,332,246
Deductions	
Benefits paid to plan members	<u>787,535</u>
Change in net position	544,711
Net position	
Beginning of year	<u>13,329,295</u>
End of year	<u><u>\$ 13,874,006</u></u>

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INDEPENDENT SCHOOL DISTRICT NO. 622

Notes to Basic Financial Statements
June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

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

B. Reporting Entity

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

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

C. Government-Wide Financial Statement Presentation

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For capital assets that can be specifically identified with or allocated to functional areas, depreciation/amortization expense is included as a direct expense in the functional areas that utilize the related capital assets. For capital assets that essentially serve all functional areas, depreciation/amortization expense is reported as “depreciation/amortization not included in other functions.” Interest on debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements. The Proprietary Fund (Internal Service Funds) is presented in the proprietary fund financial statements. Because the principal users of the internal services are the District’s governmental activities, the financial statement of the Proprietary Fund (Internal Service Funds) is consolidated into the governmental activities in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity. Fiduciary funds are presented in the fiduciary fund financial statements by type: pension (or other benefit) trust. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, this fund is excluded from the government-wide financial statements.

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

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

- 1. Revenue Recognition** – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues are generally considered as available if collected within 60 days after year-end. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to funding formulas established by Minnesota Statutes. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within 60 days. Proceeds of long-term debt and acquisitions under leases are reported as other financing sources.
- 2. Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt and other long-term liabilities, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. In the General Fund, capital outlay expenditures are included within the applicable functional areas.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Description of Funds

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

Major Governmental Funds

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

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

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and payment of general obligation debt principal, interest, and related costs. The regular debt service account is used for all general obligation debt service except for the financial activities of the other post-employment benefits (OPEB) debt service account. The OPEB debt service account is used to pay principal, interest, and related costs on the 2018D Taxable OPEB Refunding Bond issue.

Nonmajor Governmental Funds

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

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

Proprietary Funds

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

Fiduciary Funds

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Information

Each June, the School Board adopts an annual budget for the following fiscal year for all governmental funds. The budget for each fund is prepared on the same basis of accounting as the fund financial statements. Legal budgetary control is at the fund level.

Budgeted expenditure appropriations lapse at year-end. Actual expenditures exceeded final budgeted appropriations by \$592,920, \$609,744, and \$91,148 in the General Fund, Food Service Special Revenue Fund, and Community Service Special Revenue Fund, respectively. The excess expenditures were approved by the School Board as required by Minnesota Statutes, and were financed with revenues in excess of budget, other financing sources, or available fund balances.

F. Cash and Temporary Investments

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

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

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

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Receivables

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

At June 30, 2023, the District reported the following receivables due from other governmental units:

Due from the MDE	\$ 19,945,685
Due from other Minnesota school districts	456,085
Due from other governmental units	<u>93,215</u>
Total due from other governmental units	<u>\$ 20,494,985</u>

H. Inventories

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

I. Prepaid Items

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

J. Property Taxes

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

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the “tax shift,” which periodically changes the District’s recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year’s levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes \$3,245,018 of the property tax levy collectible in 2023 as revenue to the District in fiscal year 2022–2023. The remaining portion of the taxes collectible in 2023 is recorded as deferred inflow of resources (property taxes levied for subsequent year).

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Subscription-Based Information Technology Arrangements (SBITAs)

A SBITA is a contract that conveys control of the right to use another party's information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The District has entered into certain SBITAs for education, evaluation tracking, and other purposes. Capital assets associated with SBITAs are presented separately from other capital assets in Note 3 and are amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT assets. When applicable, a subscription liability is reported in Note 4 to include the terms and related disclosures associated with any subscription liability.

L. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated acquisition value at the date of donation. Leased capital assets are recorded based on the measurement of payments applicable to the lease term. SBITA capital assets are recorded based on the measurement of any subscription liability plus the payment due to a SBITA vendor at the commencement of the subscription term, including any applicable initial implementation costs as defined in the standard. The District defines capital assets as those with an initial, individual cost of \$5,000 or more, which benefit more than one fiscal year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives is not capitalized.

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

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

M. Long-Term Obligations

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Compensated Absences Payable

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

O. Severance Benefits

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

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

The amount of severance is recorded as a liability in the government-wide financial statements as it is earned and it becomes probable that it will vest at some point in the future. Severance or retirement pay is accrued in the governmental fund financial statements only when it becomes due and payable.

P. State-Wide Pension Plans

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Other Post-Employment Benefits (OPEB) Plan

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

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

R. Risk Management and Self-Insurance

- 1. General Insurance** – The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in the current year.
- 2. Self-Insurance** – The District has established two internal service funds to account for and finance its self-insured risk of loss for respective employee dental and health insurance plans. Under these plans, the internal service funds provide coverage to participating employees and their dependents for various dental and healthcare costs as described in the plans.

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

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

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

Fiscal Year Ended June 30,	Beginning of Fiscal Year Liability	Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2022	\$ 1,361,266	\$ 19,597,596	\$ 19,729,277	\$ 1,229,585
2023	\$ 1,229,585	\$ 22,330,316	\$ 21,716,953	\$ 1,842,948

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fiscal Year Ended June 30,	Beginning of Fiscal Year Liability	Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2022	\$ 42,752	\$ 1,836,607	\$ 1,843,692	\$ 35,667
2023	\$ 35,667	\$ 1,883,414	\$ 1,878,724	\$ 40,357

S. Net Position

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

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

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

T. Fund Balance Classifications

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

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.
- **Restricted** – Consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.
- **Committed** – Consists of internally imposed constraints that are established by resolution of the School Board. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
- **Assigned** – Consists of internally imposed constraints. These constraints consist of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to the School Board resolution, the District’s director of finance is authorized to establish assignments of fund balance.
- **Unassigned** – The residual classification for the General Fund, which also reflects negative residual amounts in other funds.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

U. Deferred Outflows/Inflows of Resources

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

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

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

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

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

V. Use of Estimates

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

W. Prior Period Comparative Financial Information/Reclassification

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

X. Change in Accounting Principle

During the year ended June 30, 2023, the District implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs). This statement provides guidance on the accounting and financial reporting for SBITAs for government end users. A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this statement, a government generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. Certain amounts necessary to fully restate fiscal year 2022 financial information are not determinable; therefore, prior year comparative amounts have not been restated. The implementation of this new GASB statement in the current year resulted in the District reporting new capital assets for technology subscriptions, but did not change beginning net position in the government-wide financial statements in the current year. See Note 3 for additional details on this change in the current year.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

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

Deposits	\$ 58,822,687
Investments	127,094,173
Cash on hand	3,387
	<hr/>
Total	\$ 185,920,247
	<hr/> <hr/>

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

Statement of Net Position	
Cash and temporary investments	\$ 172,152,605
Statement of Fiduciary Net Position	
Cash and temporary investments	
Post-Employment Benefits Trust Fund	2,762,950
Investments	
Post-Employment Benefits Trust Fund	11,004,692
	<hr/>
Total	\$ 185,920,247
	<hr/> <hr/>

B. Deposits

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

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

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

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

The District's deposit policy does not further limit depository choices.

At year-end, the carrying amount of the District's deposits was \$58,822,687, while the balance on the bank records was \$65,496,291. At June 30, 2023, all deposits were fully covered by federal deposit insurance, surety bonds, or by collateral held by the District's agent in the District's name.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Investments

The District has the following investments at year-end:

Investment Type	Credit Risk		Fair Value Measurements Using	Interest Risk – Maturity Duration in Years		Total
	Credit Rating	Rating Agency		Less Than 1	1 to 5	
U.S. treasuries	AA	S&P	Level 2	\$ 25,599,436	\$ 12,275,003	\$ 37,874,439
Local government obligations	AAA	S&P	Level 2	\$ 1,992,180	\$ –	1,992,180
Local government obligations	AA	S&P	Level 2	\$ 6,789,718	\$ 2,234,455	9,024,173
Local government obligations	Aa	Moody's	Level 2	\$ 326,112	\$ –	326,112
Guaranteed investment contract	A	Fitch	N/A	\$ 152,527	\$ –	152,527
Negotiable certificates of deposit	N/R	N/A	Level 2	\$ 1,205,123	\$ 1,212,056	2,417,179
Investment pools/mutual funds						
Minnesota School District Liquid Asset Fund – Liquid Class	AAA	S&P	Amortized Cost	N/A	N/A	143,945
Minnesota School District Liquid Asset Fund – MAX Class	AAA	S&P	Amortized Cost	N/A	N/A	332,442
MNTrust Investment Shares Portfolio	AAA	S&P	Amortized Cost	N/A	N/A	36,226,189
MNTrust Limited Term Duration	N/R	N/A	Amortized Cost	N/A	N/A	17,373,468
MNTrust Full Flex	N/R	N/A	Amortized Cost	N/A	N/A	15,151,073
Goldman Sachs Government Institutional Fund	Aaa	Moody's	Level 3	N/A	N/A	5,918
Vanguard Total Bond Market ETF	N/R	N/A	Level 1	N/A	N/A	309,659
Vanguard Total Stock Market ETF	N/R	N/A	Level 1	N/A	N/A	1,457,152
Federated Institutional Tax-Free Cash Trust	AAA	S&P	Amortized Cost	N/A	N/A	4,307,169
First American Government Obligation Fund	AAA	S&P	Level 1	N/A	N/A	548
Total						<u>\$127,094,173</u>

N/A – Not Applicable

N/R – Not Rated

The Minnesota School District Liquid Asset Fund (MSDLAF), Minnesota Trust (MNTrust) Investment Shares Portfolio, MNTrust Limited Term Duration, and MNTrust Full Flex are regulated by Minnesota Statutes and are external investment pools not registered with the Securities and Exchange Commission. The District's investment in these investment pools is measured at the net asset value per share provided by the pool, which is based on an amortized cost method that approximates fair value. For the MSDLAF and MNTrust, there are no unfunded commitments, redemption frequency is daily, and there is no redemption notice for the MSDLAF Liquid Class; the redemption notice period is 14 days for the MSDLAF MAX Class. MN Trust Limited Term Duration must be deposited for a minimum of 30 calendar days.

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

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

At year-end, \$1,772,730 of the District's investments were uninsured and not registered in the District's name, with the securities held by the purchasing agent, or by its trust department or agent, but not in the District's name.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

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

Concentration Risk – This is the risk associated with investing a significant portion of the District’s investments (considered 5.0 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The District’s investment policies do not address concentration risk. At June 30, 2023, the District’s investment portfolio includes 9.6 percent invested in BMO Harris Bank negotiable certificates of deposit.

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

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2023 is as follows:

	Balance – Beginning of Year	Additions	Deletions	Completed Construction	Balance – End of Year
Capital assets, not depreciated/amortized					
Land	\$ 19,577,877	\$ –	\$ –	\$ –	\$ 19,577,877
Construction in progress	<u>216,716,100</u>	<u>67,410,841</u>	<u>–</u>	<u>(40,504,028)</u>	<u>243,622,913</u>
Total capital assets, not depreciated/amortized	236,293,977	67,410,841	–	(40,504,028)	263,200,790
Capital assets, depreciated/amortized					
Land improvements	12,640,898	–	–	–	12,640,898
Buildings and improvements	210,731,136	–	–	40,504,028	251,235,164
Furniture and equipment	22,689,886	1,045,362	(503,953)	–	23,231,295
Leased buildings and improvements	1,788,001	2,597,095	–	–	4,385,096
Leased furniture and equipment	–	897,950	–	–	897,950
Technology subscriptions	–	926,763	–	–	926,763
Total capital assets, depreciated/amortized	<u>247,849,921</u>	<u>5,467,170</u>	<u>(503,953)</u>	<u>40,504,028</u>	<u>293,317,166</u>
Less accumulated depreciation/amortization for					
Land improvements	(6,049,615)	(540,409)	–	–	(6,590,024)
Buildings and improvements	(95,481,744)	(5,360,987)	–	–	(100,842,731)
Furniture and equipment	(14,529,188)	(1,442,920)	487,508	–	(15,484,600)
Leased buildings and improvements	(553,189)	(553,189)	–	–	(1,106,378)
Leased furniture and equipment	–	(179,590)	–	–	(179,590)
Technology subscriptions	–	(50,730)	–	–	(50,730)
Total accumulated depreciation/amortization	<u>(116,613,736)</u>	<u>(8,127,825)</u>	<u>487,508</u>	<u>–</u>	<u>(124,254,053)</u>
Net capital assets, depreciated/amortized	<u>131,236,185</u>	<u>(2,660,655)</u>	<u>(16,445)</u>	<u>40,504,028</u>	<u>169,063,113</u>
Total capital assets, net	<u>\$ 367,530,162</u>	<u>\$ 64,750,186</u>	<u>\$ (16,445)</u>	<u>\$ –</u>	<u>\$ 432,263,903</u>

Depreciation/amortization expense for the year ended June 30, 2023 was charged to the following governmental functions:

Elementary and secondary regular instruction	\$ 158,873
Special education instruction	36,048
Pupil support services	1,214,582
Food service	148,857
Depreciation not included in other functions	<u>6,569,465</u>
Total depreciation/amortization expense	<u>\$ 8,127,825</u>

NOTE 4 – LONG-TERM LIABILITIES

A. General Obligation Bonds Payable

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

Issue	Issue Date	Interest Rate	Original Issue	Amounts of Installments	Remaining Maturities	Principal Outstanding
General obligation bonds payable						
2016A Refunding Bonds	11/17/2016	5.00%	\$ 34,050,000	\$260,000–\$5,200,000	02/01/2024–02/01/2027	\$ 6,640,000
2017A Alternative Facility Refunding Bonds	05/18/2017	3.00%	\$ 6,600,000	\$575,000–\$760,000	02/01/2024–02/01/2028	3,525,000
2018A Facilities Maintenance Bonds	09/13/2018	3.00–5.00%	\$ 44,885,000	\$210,000–\$5,485,000	02/01/2026–02/01/2039	44,885,000
2018D Taxable OPEB Refunding Bonds	11/15/2018	2.90–3.60%	\$ 13,985,000	\$1,595,000–\$1,935,000	02/01/2024–02/01/2027	7,365,000
2018E Alternative Facilities Refunding Bonds	11/15/2018	4.00–5.00%	\$ 3,530,000	\$265,000–\$445,000	02/01/2024–02/01/2029	2,355,000
2019A School Building Bonds	11/14/2019	3.00–5.00%	\$ 195,050,000	\$1,375,000–\$24,925,000	02/01/2030–02/01/2046	192,925,000
2019B Facilities Maintenance Bonds	11/14/2019	3.00–5.00%	\$ 61,325,000	\$325,000–\$5,295,000	02/01/2024–02/01/2042	60,015,000
2019C Alternative Facility Refunding Bond	11/14/2019	4.00–5.00%	\$ 7,040,000	\$415,000–\$845,000	02/01/2024–02/01/2031	5,390,000
2021A School Building and Refunding Bonds	12/16/2021	2.00–4.00%	\$ 87,795,000	\$2,840,000–\$11,390,000	02/01/2024–02/01/2034	84,955,000
2023A Facilities Maintenance Bonds	04/12/2023	4.00–5.00%	\$ 19,560,000	\$1,080,000–\$3,455,000	02/01/2025–02/01/2033	19,560,000
Total general obligation bonds payable						<u>\$ 427,615,000</u>

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

B. Certificates of Participation Payable

Issue	Issue Date	Interest Rate	Original Issue	Final Maturity	Principal Outstanding
Certificates of participation payable					
2010B Certificates of Participation	09/30/2010	2.00–3.50%	\$ 2,500,000	02/01/2025	\$ 425,000
2018C Certificates of Participation	09/13/2018	3.00–4.00%	\$ 9,405,000	02/01/2034	7,435,000
Total certificates of participation payable					<u>\$ 7,860,000</u>

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

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

C. Finance Purchase Payable

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

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

D. Lease Liability

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

The District currently has the following lease liability obligations outstanding:

<u>Lease Description</u>	<u>Interest Rate</u>	<u>Lease Date</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
Next Step building space	3.10%	08/01/2008	07/17/2023	\$ 31,575
John Glenn building space	3.10%	06/30/2017	02/01/2027	702,363
Next Step building space	3.62%	08/17/2023	07/17/2033	2,597,095
Copier equipment	3.62%	09/01/2022	08/01/2027	757,435
Total lease liability				<u>\$ 4,088,468</u>

E. Other Long-Term Liabilities

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

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

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

The following is a summary of the pension liabilities, deferred outflows and inflows of resources, and pension expense reported for these plans as of and for the year ended June 30, 2023:

Pension Plans	Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
State-wide, multiple-employer – PERA	\$ 29,771,404	\$ 10,719,888	\$ 508,746	\$ 4,392,082
State-wide, multiple-employer – TRA	91,213,102	27,719,246	18,971,127	(16,266,611)
Single-employer – District	293,780	3,862	140,691	(30,954)
Total	<u>\$ 121,278,286</u>	<u>\$ 38,442,996</u>	<u>\$ 19,620,564</u>	<u>\$ (11,905,483)</u>

F. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
General obligation bonds payable	\$ 418,170,000	\$ 19,560,000	\$ 10,115,000	\$ 427,615,000	\$ 11,800,000
Certificates of participation payable	8,605,000	–	745,000	7,860,000	770,000
Plus premium (discount)	20,523,861	1,991,514	1,918,116	20,597,259	–
Total bonds and certificates of participation payable	447,298,861	21,551,514	12,778,116	456,072,259	12,570,000
Finance purchase payable	431,510	–	431,510	–	–
Lease liability	1,269,061	3,495,045	675,638	4,088,468	578,814
Arbitrage liability	–	2,626,325	–	2,626,325	–
Net/total pension liability	63,970,719	65,328,092	8,020,525	121,278,286	40,862
Net OPEB liability	21,369,569	1,702,948	2,567,775	20,504,742	–
Severance benefits payable	3,990,383	504,076	246,917	4,247,542	382,158
Compensated absences payable	1,745,904	1,752,003	1,653,527	1,844,380	1,844,380
	<u>\$ 540,076,007</u>	<u>\$ 96,960,003</u>	<u>\$ 26,374,008</u>	<u>\$ 610,662,002</u>	<u>\$ 15,416,214</u>

G. Minimum Debt Payments

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

Year Ending June 30,	General Obligation Bonds		Certificates of Participation		Lease Liability	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 11,800,000	\$ 14,182,776	\$ 770,000	\$ 271,046	\$ 578,814	\$ 120,266
2025	14,360,000	13,859,621	800,000	241,506	576,893	116,279
2026	15,455,000	13,242,131	610,000	210,581	597,165	96,007
2027	17,200,000	12,587,566	630,000	186,181	618,152	75,020
2028	17,880,000	11,855,506	660,000	160,981	284,703	56,984
2029–2033	92,285,000	48,433,413	3,600,000	491,056	1,407,068	137,942
2034–2038	91,700,000	34,102,731	790,000	26,663	25,673	77
2039–2043	110,135,000	18,650,225	–	–	–	–
2044–2046	56,800,000	2,913,750	–	–	–	–
	<u>\$ 427,615,000</u>	<u>\$ 169,827,719</u>	<u>\$ 7,860,000</u>	<u>\$ 1,588,014</u>	<u>\$ 4,088,468</u>	<u>\$ 602,575</u>

NOTE 5 – FUND BALANCES

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

A. Classifications

At year-end, a summary of the District’s governmental fund balance classification are as follows:

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Nonmajor Funds	Total
Nonspendable					
Inventory	\$ –	\$ –	\$ –	\$ 587,323	\$ 587,323
Prepaid items	552,842	–	–	15,170	568,012
Total nonspendable	<u>552,842</u>	<u>–</u>	<u>–</u>	<u>602,493</u>	<u>1,155,335</u>
Restricted					
Student activities	142,409	–	–	–	142,409
Staff development	1,453,904	–	–	–	1,453,904
Operating capital	10,045,348	–	–	–	10,045,348
Safe schools	584,972	–	–	–	584,972
Long-term facilities maintenance	–	25,289,790	–	–	25,289,790
Medical Assistance	2,080,505	–	–	–	2,080,505
Capital projects	–	74,031,660	–	–	74,031,660
Debt service	–	–	4,370,085	–	4,370,085
OPEB debt service	–	–	412,720	–	412,720
Food service	–	–	–	3,168,633	3,168,633
Community education programs	–	–	–	1,989,060	1,989,060
Early childhood family education programs	–	–	–	830,330	830,330
School readiness	–	–	–	706,747	706,747
Adult basic education	–	–	–	421,644	421,644
Community service	–	–	–	94	94
Total restricted	<u>14,307,138</u>	<u>99,321,450</u>	<u>4,782,805</u>	<u>7,116,508</u>	<u>125,527,901</u>
Assigned					
Subsequent year’s budget	144,144	–	–	–	144,144
Unassigned					
	<u>21,359,850</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>21,359,850</u>
Total	<u>\$ 36,363,974</u>	<u>\$ 99,321,450</u>	<u>\$ 4,782,805</u>	<u>\$ 7,719,001</u>	<u>\$ 148,187,230</u>

B. Minimum Unassigned Fund Balance Policy

The School Board has formally adopted a fund balance policy regarding the minimum unassigned fund balance for the General Fund. The policy establishes that the District will strive to maintain a minimum unassigned General Fund balance of 8.0 percent to 10.0 percent of the expenditure budget. At June 30, 2023, the unassigned fund balance of the General Fund (excluding restricted account deficits) was 11.9 percent of current year expenditures.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Descriptions

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

1. General Employees Retirement Fund (GERF)

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

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

2. Teachers Retirement Association (TRA)

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

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

B. Benefits Provided

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

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

1. GERF Benefits

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

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

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

2. TRA Benefits

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

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

Tier I Benefits

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

With these provisions:

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

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

Tier II Benefits

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

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

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

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

C. Contributions

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

1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Coordinated Plan members were required to contribute 6.5 percent of their annual covered salary in fiscal year 2023 and the District was required to contribute 7.5 percent for Coordinated Plan members. The District’s contributions to the GERF for the year ended June 30, 2023, were \$2,251,299. The District’s contributions were equal to the required contributions as set by state statutes.

2. TRA Contributions

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

	Year Ended June 30,					
	2021		2022		2023	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic Plan	11.00 %	12.13 %	11.00 %	12.34 %	11.00 %	12.55 %
Coordinated Plan	7.50 %	8.13 %	7.50 %	8.34 %	7.50 %	8.55 %

The District’s contributions to the TRA for the plan’s fiscal year ended June 30, 2023, were \$6,302,521. The District’s contributions were equal to the required contributions for each year as set by state statutes.

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

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

	<i>in thousands</i>
Employer contributions reported in the TRA’s Annual Comprehensive Financial Report Statement of Changes in Fiduciary Net Position	\$ 482,679
Add employer contributions not related to future contribution efforts	(2,178)
Deduct the TRA’s contributions not included in allocation	<u>(572)</u>
Total employer contributions	479,929
Total nonemployer contributions	<u>35,590</u>
Total contributions reported in the Schedule of Employer and Nonemployer Allocations	<u>\$ 515,519</u>

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

D. Pension Costs

1. GERF Pension Costs

At June 30, 2023, the District reported a liability of \$29,771,404 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 \$872,763. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportionate share of the net pension liability was based on the District’s contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2021 through June 30, 2022, relative to the total employer contributions received from all of the PERA’s participating employers. The District’s proportionate share was 0.3759 percent at the end of the measurement period and 0.3575 percent for the beginning of the period.

District’s proportionate share of the net pension liability	\$ 29,771,404
State’s proportionate share of the net pension liability associated with the District	\$ 872,763

For the year ended June 30, 2023, the District recognized pension expense of \$4,261,671 for its proportionate share of the GERF’s pension expense. In addition, the District recognized an additional \$130,411 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota’s contribution of \$16 million to the GERF.

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

At June 30, 2023, the District reported its proportionate share of the GERF’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 248,673	\$ 302,689
Changes in actuarial assumptions	6,417,962	116,125
Net collective difference between projected and actual investment earnings	1,026,037	–
Changes in proportion	775,917	89,932
District’s contributions to the GERF subsequent to the measurement date	<u>2,251,299</u>	<u>–</u>
Total	<u>\$ 10,719,888</u>	<u>\$ 508,746</u>

The \$2,251,299 reported as deferred outflows of resources related to pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Pension Expense Amount</u>
2024	\$ 2,954,147
2025	\$ 2,880,019
2026	\$ (566,700)
2027	\$ 2,692,377

2. TRA Pension Costs

At June 30, 2023, the District reported a liability of \$91,213,102 for its proportionate share of the TRA’s net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s contributions to the TRA in relation to total system contributions, including direct aid from the state of Minnesota, City of Minneapolis, and Minneapolis School District. The District’s proportionate share was 1.1391 percent at the end of the measurement period and 1.1054 percent for the beginning of the period.

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

District’s proportionate share of the net pension liability	\$ 91,213,102
State’s proportionate share of the net pension liability associated with the District	\$ 6,764,401

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

For the year ended June 30, 2023, the District recognized negative pension expense of \$17,196,737. It also recognized \$930,126 as an increase to pension expense for the support provided by direct aid.

At June 30, 2023, the District had deferred resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 1,292,670	\$ 770,226
Changes in actuarial assumptions	14,179,379	18,101,091
Net collective difference between projected and actual investment earnings on pension plan investments	3,417,815	–
Changes in proportion	2,526,861	99,810
District’s contributions to the TRA subsequent to the measurement date	<u>6,302,521</u>	<u>–</u>
Total	<u>\$ 27,719,246</u>	<u>\$ 18,971,127</u>

A total of \$6,302,521 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Pension Expense Amount</u>
2024	\$ (14,902,210)
2025	\$ 3,202,853
2026	\$ 1,612,270
2027	\$ 12,222,574
2028	\$ 310,111

E. Long-Term Expected Return on Investment

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33.50 %	5.10 %
International equity	16.50	5.30 %
Private markets	25.00	5.90 %
Fixed income	25.00	0.75 %
Total	100.00 %	

F. Actuarial Methods and Assumptions

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

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

1. GERF

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

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

Salary growth assumptions in the GERF Plan range in annual increments from 10.25 percent after one year of service to 3.00 percent after 27 years of service.

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

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

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

2. TRA

Salary increases were based on a service-related table.

Mortality Assumptions Used in Valuation of Total Pension Liability	
Pre-retirement	RP-2014 White Collar Employee Table, male rates set back five years and female rates set back seven years. Generational projection uses the MP-2015 Scale.
Post-retirement	RP-2014 White Collar Annuitant Table, male and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 Scale.
Post-disability	RP-2014 Disabled Retiree Mortality Table, without adjustment.

Cost of living benefit increases after retirement for retirees are assumed to be 1.00 percent for January 2019 through January 2023, then increasing by 0.10 percent each year, up to 1.50 percent annually.

Actuarial assumptions for the TRA Plan were based on the results of actuarial experience studies. The most recent experience study in the TRA Plan was completed in 2019, with economic assumptions updated in 2019.

The following changes in actuarial assumptions occurred in 2022:

1. GERF

CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2. TRA

CHANGES IN ACTUARIAL ASSUMPTIONS

- None.

G. Discount Rate

1. GERF

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

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

2. TRA

The discount rate used to measure the total pension liability was 7.00 percent. There was no change in the discount rate since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2022 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.

H. Pension Liability Sensitivity

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

	<u>1% Decrease in Discount Rate</u>	<u>Current Discount Rate</u>	<u>1% Increase in Discount Rate</u>
GERF discount rate	5.50%	6.50%	7.50%
District’s proportionate share of the GERF net pension liability	\$ 47,025,492	\$ 29,771,404	\$ 15,620,389
TRA discount rate	6.00%	7.00%	8.00%
District’s proportionate share of the TRA net pension liability	\$ 143,792,489	\$ 91,213,102	\$ 48,114,399

I. Pension Plan Fiduciary Net Position

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

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

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

A. Plan Description

The District provides post-employment benefits to certain eligible employees through the OPEB Plan, a single-employer defined benefit plan administered by the District. Management of the plan is vested with the School Board of the District. All post-employment benefits are based on contractual agreements with employee groups. The District is phasing out post-employment medical and dental insurance to all district employees, in accordance with their respective master employment agreements. The eligibility for, amount of, duration of, and the District's contribution to the cost of the benefits provided varies by contract, hire dates, and date of retirement. Eligibility for these benefits is based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements.

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

B. Benefits Provided

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

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

C. Contributions

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the District. The District has established the Post-Employment Benefits Trust Fund to finance these obligations.

D. Membership

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

Retirees and beneficiaries receiving benefits	602
Active plan members	<u>1,571</u>
Total members	<u><u>2,173</u></u>

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

E. Net OPEB Liability of the District

The District’s net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2021. The components of the net OPEB liability of the District at year-end were as follows:

Total OPEB liability	\$ 34,378,748
Plan fiduciary net position	<u>(13,874,006)</u>
District’s net OPEB liability	<u>\$ 20,504,742</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>40.4%</u>

F. Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2021, using the entry-age, level percentage of pay actuarial cost method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.90%
Expected long-term investment return	4.10% (net of investment expense)
20-year municipal bond yield	3.90%
Inflation rate	2.50%
Salary increases	3.00%
Healthcare trend rate	6.25%, grading to 5.00% over 5 years and then to 4.00% over the next 48 years
Dental trend rate	3.00%
Vision trend rate	5.00%
Medicare supplemental trend rate	4.00%

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

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

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

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

The long-term expected rate of return on OPEB Plan investments was set based on the plan's target investment allocation described below, along with long-term return expectations by asset class. When there is sufficient historical evidence of market outperformance, historical average returns may be considered. The target allocation and best-estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

G. Concentrations

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

H. Rate of Return

For the current year ended, the annual money-weighted rate of return on investments, net of investment expense, was 4.10 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

I. Discount Rate

The discount rate used to measure the total OPEB liability was 3.90 percent. The projection of cash flows used to determine the discount rate was determined by projecting forward the fiduciary net position (assets) as of the valuation date, increasing by the investment return assumption, and reducing by benefit payments in each period until assets are exhausted. Expected benefit payments by year were discounted using the expected asset return assumptions for the years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the 20-year municipal bond rate. The equivalent single rate is the discount rate. The contribution and benefit payment history, as well as the funding policy, have also been considered. The District discount rate used in the prior measurement date was 3.80 percent.

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

J. Changes in the Net OPEB Liability

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Beginning balance – July 1, 2022	\$ 34,698,864	\$ 13,329,295	\$ 21,369,569
Changes for the year			
Service cost	1,490,305	–	1,490,305
Interest	1,321,576	–	1,321,576
Assumption changes	(283,728)	–	(283,728)
Contributions – employer	–	2,060,734	(2,060,734)
Contributions – employee	–	787,535	(787,535)
Projected investment return	–	546,501	(546,501)
Differences between expected and actual experience	–	(1,790)	1,790
Benefit payments – employer-financed	(2,060,734)	(2,060,734)	–
Benefit payments – employee-financed	(787,535)	(787,535)	–
Total net changes	<u>(320,116)</u>	<u>544,711</u>	<u>(864,827)</u>
Ending balance – June 30, 2023	<u>\$ 34,378,748</u>	<u>\$ 13,874,006</u>	<u>\$ 20,504,742</u>

Assumption changes since the prior measurement date include the following:

- The discount rate was changed from 3.80 percent to 3.90 percent.

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

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

	<u>1% Decrease in Discount Rate</u>	<u>Current Discount Rate</u>	<u>1% Increase in Discount Rate</u>
OPEB discount rate	2.90%	3.90%	4.90%
Net OPEB liability	\$ 23,834,396	\$ 20,504,742	\$ 17,619,344

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

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

	1% Decrease in Healthcare Cost Trend Rate	Healthcare Cost Trend Rate	1% Increase in Healthcare Cost Trend Rate
OPEB healthcare cost trend rate	5.25% decreasing to 4.00%, then 3.00%	6.25% decreasing to 5.00%, then 4.00%	7.25% decreasing to 6.00%, then 5.00%
OPEB dental trend rate	2.00%	3.00%	4.00%
OPEB vision trend rate	4.00%	5.00%	6.00%
OPEB Medicare supplement trend rate	3.00%	4.00%	5.00%
Net OPEB liability	\$ 16,414,544	\$ 20,504,742	\$ 25,465,732

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

For the current year ended, the District recognized OPEB expense of \$1,702,949. As of year-end, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 844,141	\$ 1,704,352
Changes in actuarial assumptions	1,101,837	4,843,745
Difference between projected and actual investment earnings	556,545	-
	<u>\$ 2,502,523</u>	<u>\$ 6,548,097</u>

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

Year Ending June 30,	OPEB Expense Amount
2024	\$ (579,394)
2025	\$ (594,078)
2026	\$ (547,860)
2027	\$ (758,808)
2028	\$ (289,670)
Thereafter	\$ (1,275,764)

NOTE 8 – PENSION BENEFITS PLAN – DISTRICT

A. Plan Description

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

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

B. Contributions and Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined annually by the District. There are no invested plan assets accumulated for payment of future benefits.

C. Membership

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

Active plan members	70
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D. Actuarial Methods and Assumptions

The total pension liability was determined by an actuarial valuation date of July 1, 2021, and a measurement date as of June 30, 2023, using the entry-age method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.90%
20-year municipal bond yield	3.90%
Inflation rate	2.50%
Salary increases	3.00%

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

E. Discount Rate

The discount rate used to measure the total pension liability was 3.90 percent. The District discount rate used in the prior measurement date was 3.80 percent. Since the plan is not funded, the discount rate is equal to the 20-year municipal bond rate, which was set by considering published rate information for 20-year high quality, tax-exempt, general obligation municipal bonds as of the measurement date.

NOTE 8 – PENSION BENEFITS PLAN – DISTRICT (CONTINUED)

F. Changes in the Total Pension Liability

	<u>Total Pension Liability</u>
Beginning balance – July 1, 2022	\$ 328,259
Changes for the year	
Service cost	17,979
Interest	11,956
Assumption changes	(603)
Benefit payments – employer-financed	(63,811)
Total net changes	<u>(34,479)</u>
Ending balance – June 30, 2023	<u>\$ 293,780</u>

Assumption changes since the prior measurement date include the following:

- The discount rate was changed from 3.80 percent to 3.90 percent.

G. Total Pension Liability Sensitivity to Discount Rate Changes

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

	<u>1% Decrease in Discount Rate</u>	<u>Current Discount Rate</u>	<u>1% Increase in Discount Rate</u>
Pension discount rate	2.90%	3.90%	4.90%
Total pension liability	\$ 302,358	\$ 293,780	\$ 285,400

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

For the current year ended, the District recognized negative pension expense of \$30,954. As of year-end, the District reported deferred outflows of resources and deferred inflows of resources related to this pension plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ –	\$ 128,146
Changes in actuarial assumptions	<u>3,862</u>	<u>12,545</u>
	<u>\$ 3,862</u>	<u>\$ 140,691</u>

NOTE 8 – PENSION BENEFITS PLAN – DISTRICT (CONTINUED)

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

Year Ending June 30,	Pension Expense Amount
2024	\$ (61,123)
2025	\$ (61,123)
2026	\$ (7,143)
2027	\$ (7,342)
2028	\$ (98)

NOTE 9 – FLEXIBLE BENEFIT PLAN

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

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

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

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

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

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. Federal and State Receivables

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

B. Construction Contracts

The District is committed to various contracts awarded for construction and maintenance projects. The District's commitment for uncompleted work on these contracts at June 30, 2023 was \$38,221,332.

C. Legal Claims

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

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REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 622

Public Employees Retirement Association Pension Benefits Plan
 Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability
 Year Ended June 30, 2023

District Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.4593%	\$ 21,575,613	\$ -	\$ 21,575,613	\$ 24,110,024	89.49%	78.70%
06/30/2016	06/30/2015	0.4116%	\$ 21,331,249	\$ -	\$ 21,331,249	\$ 24,164,168	88.28%	78.20%
06/30/2017	06/30/2016	0.3541%	\$ 28,751,165	\$ 375,475	\$ 29,126,640	\$ 21,939,530	131.05%	68.90%
06/30/2018	06/30/2017	0.3541%	\$ 22,605,512	\$ 284,216	\$ 22,889,728	\$ 22,809,532	99.11%	75.90%
06/30/2019	06/30/2018	0.3500%	\$ 19,416,564	\$ 636,932	\$ 20,053,496	\$ 23,496,733	82.64%	79.50%
06/30/2020	06/30/2019	0.3470%	\$ 19,184,852	\$ 596,307	\$ 19,781,159	\$ 24,554,191	78.13%	80.20%
06/30/2021	06/30/2020	0.3605%	\$ 21,613,622	\$ 666,458	\$ 22,280,080	\$ 25,700,593	84.10%	79.10%
06/30/2022	06/30/2021	0.3575%	\$ 15,266,851	\$ 466,323	\$ 15,733,174	\$ 25,740,237	59.31%	87.00%
06/30/2023	06/30/2022	0.3759%	\$ 29,771,404	\$ 872,763	\$ 30,644,167	\$ 28,155,353	105.74%	76.70%

Public Employees Retirement Association Pension Benefits Plan
 Schedule of District Contributions
 Year Ended June 30, 2023

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	\$ 1,784,137	\$ 1,784,137	\$ -	\$ 24,164,168	7.38%
06/30/2016	\$ 1,645,472	\$ 1,645,472	\$ -	\$ 21,939,530	7.50%
06/30/2017	\$ 1,710,720	\$ 1,710,720	\$ -	\$ 22,809,532	7.50%
06/30/2018	\$ 1,762,249	\$ 1,762,249	\$ -	\$ 23,496,733	7.50%
06/30/2019	\$ 1,841,562	\$ 1,841,562	\$ -	\$ 24,554,191	7.50%
06/30/2020	\$ 1,927,545	\$ 1,927,545	\$ -	\$ 25,700,593	7.50%
06/30/2021	\$ 1,930,522	\$ 1,930,522	\$ -	\$ 25,740,237	7.50%
06/30/2022	\$ 2,111,696	\$ 2,111,696	\$ -	\$ 28,155,353	7.50%
06/30/2023	\$ 2,251,299	\$ 2,251,299	\$ -	\$ 30,017,270	7.50%

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

INDEPENDENT SCHOOL DISTRICT NO. 622

Teachers Retirement Association Pension Benefits Plan
 Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability
 Year Ended June 30, 2023

District Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	1.2242%	\$ 56,410,255	\$ 3,968,323	\$ 60,378,578	\$ 55,880,148	100.95%	81.50%
06/30/2016	06/30/2015	1.1144%	\$ 68,936,661	\$ 8,455,794	\$ 77,392,455	\$ 56,560,535	121.88%	76.80%
06/30/2017	06/30/2016	1.0688%	\$254,934,302	\$ 25,589,195	\$280,523,497	\$ 55,599,679	458.52%	44.88%
06/30/2018	06/30/2017	1.0712%	\$213,830,952	\$ 20,669,481	\$234,500,433	\$ 57,658,824	370.86%	51.57%
06/30/2019	06/30/2018	1.0682%	\$ 67,092,958	\$ 6,303,801	\$ 73,396,759	\$ 59,013,621	113.69%	78.07%
06/30/2020	06/30/2019	1.0786%	\$ 68,750,191	\$ 6,084,429	\$ 74,834,620	\$ 61,234,275	112.27%	78.21%
06/30/2021	06/30/2020	1.0924%	\$ 80,707,976	\$ 6,763,297	\$ 87,471,273	\$ 63,346,430	127.41%	75.48%
06/30/2022	06/30/2021	1.1054%	\$ 48,375,609	\$ 4,079,845	\$ 52,455,454	\$ 65,967,410	73.33%	86.63%
06/30/2023	06/30/2022	1.1391%	\$ 91,213,102	\$ 6,764,401	\$ 97,977,503	\$ 70,392,863	129.58%	76.17%

Teachers Retirement Association Pension Benefits Plan
 Schedule of District Contributions
 Year Ended June 30, 2023

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	\$ 4,241,912	\$ 4,241,912	\$ -	\$ 56,560,535	7.50%
06/30/2016	\$ 4,169,871	\$ 4,169,871	\$ -	\$ 55,599,679	7.50%
06/30/2017	\$ 4,324,135	\$ 4,324,135	\$ -	\$ 57,658,824	7.50%
06/30/2018	\$ 4,426,203	\$ 4,426,203	\$ -	\$ 59,013,621	7.50%
06/30/2019	\$ 4,720,962	\$ 4,720,962	\$ -	\$ 61,234,275	7.71%
06/30/2020	\$ 5,027,197	\$ 5,027,197	\$ -	\$ 63,346,430	7.94%
06/30/2021	\$ 5,377,693	\$ 5,377,693	\$ -	\$ 65,967,410	8.15%
06/30/2022	\$ 5,872,210	\$ 5,872,210	\$ -	\$ 70,392,863	8.34%
06/30/2023	\$ 6,302,521	\$ 6,302,521	\$ -	\$ 73,718,152	8.55%

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

INDEPENDENT SCHOOL DISTRICT NO. 622

Pension Benefits Plan
 Schedule of Changes in the District's Total
 Pension Liability and Related Ratios
 Year Ended June 30, 2023

	District Fiscal Year-End Date						
	2017	2018	2019	2020	2021	2022	2023
Total pension liability							
Service cost	\$ 30,840	\$ 22,811	\$ 24,596	\$ 23,798	\$ 25,442	\$ 17,685	\$ 17,979
Interest	20,359	20,199	21,834	20,912	9,104	7,994	11,956
Assumption changes	–	(418)	1,182	9,739	1,243	(18,065)	(603)
Differences between expected and actual experience	–	30,125	–	(333,649)	–	(25,401)	–
Benefit payments	(56,254)	(39,359)	(13,266)	(15,583)	(19,729)	(33,731)	(63,811)
Net change in total pension liability	(5,055)	33,358	34,346	(294,783)	16,060	(51,518)	(34,479)
Total pension liability – beginning of year	595,851	590,796	624,154	658,500	363,717	379,777	328,259
Total pension liability – end of year	<u>\$ 590,796</u>	<u>\$ 624,154</u>	<u>\$ 658,500</u>	<u>\$ 363,717</u>	<u>\$ 379,777</u>	<u>\$ 328,259</u>	<u>\$ 293,780</u>
Covered-employee payroll	<u>\$4,245,066</u>	<u>\$3,252,385</u>	<u>\$3,349,956</u>	<u>\$2,812,756</u>	<u>\$2,897,139</u>	<u>\$3,132,175</u>	<u>\$3,226,141</u>
Total pension liability as a percentage of covered-employee payroll	<u>13.92%</u>	<u>19.19%</u>	<u>19.66%</u>	<u>12.93%</u>	<u>13.11%</u>	<u>10.48%</u>	<u>9.11%</u>

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

Note 2: The District implemented GASB Statement No. 73 in fiscal 2017. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 622

Other Post-Employment Benefits Plan
 Schedule of Changes in the District's Net
 OPEB Liability and Related Ratios
 Year Ended June 30, 2023

	District Fiscal Year-End Date						
	2017	2018	2019	2020	2021	2022	2023
Total OPEB liability							
Service cost	\$ 1,418,232	\$ 1,386,666	\$ 1,513,621	\$ 1,725,232	\$ 1,844,562	\$ 1,472,860	\$ 1,490,305
Interest	1,409,951	1,420,441	1,271,446	1,205,112	946,007	871,568	1,321,576
Assumption changes	–	(616,650)	924,626	297,277	658,804	(5,427,164)	(283,728)
Plan changes	–	–	–	(135,589)	–	32,662	–
Differences between expected and actual experience	–	(4,078,413)	–	(121,654)	–	1,055,177	–
Benefit payments – employer-financed	(2,389,507)	(1,702,027)	(1,665,583)	(1,090,512)	(2,049,290)	(2,053,278)	(2,060,734)
Benefit payments – employee-financed	–	(886,342)	(988,965)	(1,134,151)	(820,700)	(831,247)	(787,535)
Net change in total OPEB liability	438,676	(4,476,325)	1,055,145	745,715	579,383	(4,879,422)	(320,116)
Total OPEB liability – beginning of year	41,235,692	41,674,368	37,198,043	38,253,188	38,998,903	39,578,286	34,698,864
Total OPEB liability – end of year	41,674,368	37,198,043	38,253,188	38,998,903	39,578,286	34,698,864	34,378,748
Plan fiduciary net position							
Contributions – employer	898,918	1,702,027	1,665,583	1,090,512	2,049,290	2,053,278	2,060,734
Contributions – employee	–	886,342	988,965	1,134,151	820,700	831,247	787,535
Investment earnings	149,619	320,268	328,488	386,335	395,722	566,520	546,501
Differences between expected and actual experience	–	(4,115)	(84,807)	(73,445)	231,098	(1,054,775)	(1,790)
Benefit payments – employer-financed	(2,389,507)	(1,702,027)	(1,665,583)	(1,090,512)	(2,049,290)	(2,053,278)	(2,060,734)
Benefit payments – employee-financed	–	(886,342)	(988,965)	(1,134,151)	(820,700)	(831,247)	(787,535)
Net change in plan fiduciary net position	(1,340,970)	316,153	243,681	312,890	626,820	(488,255)	544,711
Plan fiduciary net position – beginning of year	13,658,976	12,318,006	12,634,159	12,877,840	13,190,730	13,817,550	13,329,295
Plan fiduciary net position – end of year	12,318,006	12,634,159	12,877,840	13,190,730	13,817,550	13,329,295	13,874,006
Net OPEB liability	\$29,356,362	\$24,563,884	\$25,375,348	\$25,808,173	\$25,760,736	\$21,369,569	\$20,504,742
Plan fiduciary net position as a percentage of the total OPEB liability	29.56%	33.96%	33.66%	33.82%	34.91%	38.41%	40.36%
Covered-employee payroll	\$76,079,920	\$72,697,272	\$74,878,190	\$80,898,370	\$83,325,321	\$89,873,601	\$92,569,809
Net OPEB liability as a percentage of covered-employee payroll	38.59%	33.79%	33.89%	31.90%	30.92%	23.78%	22.15%

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

INDEPENDENT SCHOOL DISTRICT NO. 622

Other Post-Employment Benefits Plan
Schedule of Investment Returns
Year Ended June 30, 2023

<u>Year</u>	<u>Annual Money-Weighted Rate of Return, Net of Investment Expense</u>
2017	1.1%
2018	2.6%
2019	1.9%
2020	2.4%
2021	4.8%
2022	(3.5%)
2023	4.1%

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

INDEPENDENT SCHOOL DISTRICT NO. 622

Notes to Required Supplementary Information
June 30, 2023

PERA – GENERAL EMPLOYEES RETIREMENT FUND

2022 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2020 CHANGES IN PLAN PROVISIONS

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

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

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

INDEPENDENT SCHOOL DISTRICT NO. 622

Notes to Required Supplementary Information (continued)
June 30, 2023

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2019 CHANGES IN PLAN PROVISIONS

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

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN PLAN PROVISIONS

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

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

INDEPENDENT SCHOOL DISTRICT NO. 622

Notes to Required Supplementary Information (continued)
June 30, 2023

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2017 CHANGES IN PLAN PROVISIONS

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

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2015 CHANGES IN PLAN PROVISIONS

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

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

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

INDEPENDENT SCHOOL DISTRICT NO. 622

Notes to Required Supplementary Information (continued)
June 30, 2023

TEACHERS RETIREMENT ASSOCIATION (TRA)

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN PLAN PROVISIONS

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

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

INDEPENDENT SCHOOL DISTRICT NO. 622

Notes to Required Supplementary Information (continued)
June 30, 2023

TEACHERS RETIREMENT ASSOCIATION (TRA) (CONTINUED)

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2015 CHANGES IN PLAN PROVISIONS

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

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

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

INDEPENDENT SCHOOL DISTRICT NO. 622

Notes to Required Supplementary Information (continued)
June 30, 2023

PENSION BENEFITS PLAN

2023 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.80 percent to 3.90 percent.

2022 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2021 CHANGES IN PLAN PROVISIONS

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

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 2.40 percent to 2.10 percent.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00 percent per year for all employees to rates which vary by service and contract group.

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

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

INDEPENDENT SCHOOL DISTRICT NO. 622

Notes to Required Supplementary Information (continued)
June 30, 2023

OTHER POST-EMPLOYMENT BENEFITS PLAN

2023 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.80 percent to 3.90 percent.

2022 CHANGES IN PLAN PROVISIONS

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

2022 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2021 CHANGES IN PLAN PROVISIONS

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

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 2.40 percent to 2.20 percent.
- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00 percent per year for all employees to rates which vary by service and contract group.

INDEPENDENT SCHOOL DISTRICT NO. 622

Notes to Required Supplementary Information (continued)
June 30, 2023

OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

2020 CHANGES IN PLAN PROVISIONS

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

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN PLAN PROVISIONS

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

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality table was updated from RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

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

SUPPLEMENTAL INFORMATION

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GOVERNMENTAL FUNDS

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

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

INDEPENDENT SCHOOL DISTRICT NO. 622

Nonmajor Governmental Funds
 Combining Balance Sheet
 as of June 30, 2023

	Special Revenue Funds		
	Food Service	Community Service	Total
Assets			
Cash and temporary investments	\$ 3,219,479	\$ 5,026,869	\$ 8,246,348
Receivables			
Current taxes	–	859,651	859,651
Delinquent taxes	–	15,350	15,350
Accounts and interest	–	314,287	314,287
Due from other governmental units	187,718	1,174,151	1,361,869
Inventory	587,323	–	587,323
Prepaid items	7,528	7,642	15,170
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 4,002,048</u>	<u>\$ 7,397,950</u>	<u>\$ 11,399,998</u>
Liabilities			
Salaries payable	\$ 65,505	\$ 165,662	\$ 231,167
Accounts and contracts payable	104,935	58,289	163,224
Due to other governmental units	7,283	970,108	977,391
Unearned revenue	60,841	662,205	723,046
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	238,564	1,856,264	2,094,828
Deferred inflows of resources			
Unavailable revenue – delinquent taxes	–	11,607	11,607
Property taxes levied for subsequent year	–	1,574,562	1,574,562
	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	–	1,586,169	1,586,169
Fund balances			
Nonspendable for inventory	587,323	–	587,323
Nonspendable for prepaid items	7,528	7,642	15,170
Restricted	3,168,633	3,947,875	7,116,508
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	3,763,484	3,955,517	7,719,001
	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,002,048</u>	<u>\$ 7,397,950</u>	<u>\$ 11,399,998</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

Nonmajor Governmental Funds
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 Year Ended June 30, 2023

	Special Revenue Funds		
	Food Service	Community Service	Total
Revenue			
Local sources			
Property taxes	\$ –	\$ 1,562,076	\$ 1,562,076
Investment earnings	76,740	117,885	194,625
Other	1,384,275	3,136,673	4,520,948
State sources	312,909	6,141,282	6,454,191
Federal sources	5,827,466	884,888	6,712,354
Total revenue	<u>7,601,390</u>	<u>11,842,804</u>	<u>19,444,194</u>
Expenditures			
Current			
Food service	7,560,854	–	7,560,854
Community service	–	11,319,928	11,319,928
Capital outlay	153,624	7,903	161,527
Total expenditures	<u>7,714,478</u>	<u>11,327,831</u>	<u>19,042,309</u>
Excess (deficiency) of revenue over expenditures	(113,088)	514,973	401,885
Other financing sources			
Sale of assets	4,600	–	4,600
Net change in fund balances	(108,488)	514,973	406,485
Fund balances			
Beginning of year	<u>3,871,972</u>	<u>3,440,544</u>	<u>7,312,516</u>
End of year	<u>\$ 3,763,484</u>	<u>\$ 3,955,517</u>	<u>\$ 7,719,001</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

General Fund
Comparative Balance Sheet
as of June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Cash and temporary investments	\$ 31,965,692	\$ 37,801,378
Receivables		
Current taxes	18,065,674	16,149,700
Delinquent taxes	385,359	419,342
Accounts and interest	185,915	47,723
Due from other governmental units	19,073,169	20,073,981
Prepaid items	<u>552,842</u>	<u>312,786</u>
Total assets	<u>\$ 70,228,651</u>	<u>\$ 74,804,910</u>
Liabilities		
Salaries payable	\$ 938,761	\$ 948,074
Accounts and contracts payable	1,116,652	1,540,653
Due to other governmental units	1,614,199	1,849,796
Unearned revenue	<u>36,661</u>	<u>—</u>
Total liabilities	<u>3,706,273</u>	<u>4,338,523</u>
Deferred inflows of resources		
Unavailable revenue – delinquent taxes	311,923	357,073
Property taxes levied for subsequent year	<u>29,846,481</u>	<u>27,414,614</u>
Total deferred inflows of resources	<u>30,158,404</u>	<u>27,771,687</u>
Fund balances		
Nonspendable for prepaid items	552,842	312,786
Restricted for student activities	142,409	146,329
Restricted for staff development	1,453,904	990,415
Restricted for operating capital	10,045,348	9,952,127
Restricted for safe schools	584,972	1,156,527
Restricted for Medical Assistance	2,080,505	2,099,737
Assigned for subsequent year's budget	144,144	6,622,438
Unassigned	<u>21,359,850</u>	<u>21,414,341</u>
Total fund balances	<u>36,363,974</u>	<u>42,694,700</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 70,228,651</u>	<u>\$ 74,804,910</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

General Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2023
 (With Comparative Actual Amounts for the Year Ended June 30, 2022)

	2023		Over (Under) Budget	2022
	Budget	Actual		Actual
Revenue				
Local sources				
Property taxes	\$ 31,314,429	\$ 31,120,032	\$ (194,397)	\$ 29,752,186
Investment earnings (charges)	276,000	942,242	666,242	(115,722)
Other	3,020,355	3,379,235	358,880	3,260,964
State sources	119,113,017	120,274,626	1,161,609	114,750,117
Federal sources	16,622,909	13,389,645	(3,233,264)	17,802,346
Total revenue	170,346,710	169,105,780	(1,240,930)	165,449,891
Expenditures				
Current				
Administration				
Salaries	6,219,248	5,502,025	(717,223)	5,740,409
Employee benefits	2,441,905	1,997,023	(444,882)	2,041,608
Purchased services	205,988	212,022	6,034	167,367
Supplies and materials	28,811	42,209	13,398	28,499
Capital expenditures	27,700	7,198	(20,502)	20,426
Other expenditures	89,370	100,191	10,821	89,903
Total administration	9,013,022	7,860,668	(1,152,354)	8,088,212
District support services				
Salaries	3,565,354	3,729,806	164,452	3,445,345
Employee benefits	1,522,235	1,411,269	(110,966)	1,345,073
Purchased services	913,306	788,037	(125,269)	861,074
Supplies and materials	331,404	605,640	274,236	753,372
Capital expenditures	803,900	1,213,122	409,222	319,523
Other expenditures	19,750	15,225	(4,525)	15,143
Total district support services	7,155,949	7,763,099	607,150	6,739,530
Elementary and secondary regular instruction				
Salaries	46,373,767	45,492,414	(881,353)	42,947,900
Employee benefits	17,801,892	18,053,938	252,046	16,753,388
Purchased services	6,917,872	6,167,128	(750,744)	5,937,348
Supplies and materials	5,119,918	3,182,919	(1,936,999)	2,047,164
Capital expenditures	182,825	225,917	43,092	338,813
Other expenditures	366,730	375,603	8,873	394,002
Total elementary and secondary regular instruction	76,763,004	73,497,919	(3,265,085)	68,418,615

INDEPENDENT SCHOOL DISTRICT NO. 622

General Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual (continued)
 Year Ended June 30, 2023
 (With Comparative Actual Amounts for the Year Ended June 30, 2022)

	2023		Over (Under) Budget	2022
	Budget	Actual		Actual
Expenditures (continued)				
Current (continued)				
Vocational education instruction				
Salaries	2,137,529	2,081,728	(55,801)	2,262,335
Employee benefits	811,695	803,863	(7,832)	908,773
Purchased services	502,500	498,339	(4,161)	414,829
Supplies and materials	1,080	49,903	48,823	59,111
Other expenditures	111,250	136,280	25,030	132,416
Total vocational education instruction	3,564,054	3,570,113	6,059	3,777,464
Special education instruction				
Salaries	23,188,272	22,596,822	(591,450)	20,972,181
Employee benefits	8,878,240	8,742,251	(135,989)	8,202,375
Purchased services	4,515,515	5,184,896	669,381	5,338,257
Supplies and materials	376,873	339,799	(37,074)	560,601
Capital expenditures	42,771	40,731	(2,040)	44,685
Other expenditures	246,400	288,611	42,211	285,913
Total special education instruction	37,248,071	37,193,110	(54,961)	35,404,012
Instructional support services				
Salaries	6,576,784	6,586,043	9,259	6,347,030
Employee benefits	2,056,465	1,834,231	(222,234)	1,739,348
Purchased services	310,900	218,457	(92,443)	391,523
Supplies and materials	347,771	309,275	(38,496)	726,240
Capital expenditures	14,500	5,366	(9,134)	236
Other expenditures	115,750	61,184	(54,566)	38,746
Total instructional support services	9,422,170	9,014,556	(407,614)	9,243,123
Pupil support services				
Salaries	6,922,370	7,130,401	208,031	7,085,629
Employee benefits	2,650,755	2,519,197	(131,558)	2,354,292
Purchased services	4,875,003	4,983,304	108,301	4,082,055
Supplies and materials	843,600	905,915	62,315	1,219,933
Capital expenditures	1,082,000	987,487	(94,513)	481,908
Other expenditures	25,750	30,753	5,003	27,006
Total pupil support services	16,399,478	16,557,057	157,579	15,250,823

INDEPENDENT SCHOOL DISTRICT NO. 622

General Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual (continued)
 Year Ended June 30, 2023
 (With Comparative Actual Amounts for the Year Ended June 30, 2022)

	2023		Over (Under) Budget	2022
	Budget	Actual		Actual
Expenditures (continued)				
Current (continued)				
Sites and buildings				
Salaries	4,928,629	5,262,539	333,910	4,709,370
Employee benefits	2,021,900	2,214,966	193,066	2,127,518
Purchased services	4,608,309	5,826,538	1,218,229	5,152,565
Supplies and materials	609,200	854,191	244,991	767,374
Capital expenditures	4,036,400	7,211,319	3,174,919	3,365,497
Other expenditures	239,044	268,252	29,208	394,296
Total sites and buildings	<u>16,443,482</u>	<u>21,637,805</u>	<u>5,194,323</u>	<u>16,516,620</u>
Fiscal and other fixed cost programs				
Purchased services	770,000	747,909	(22,091)	699,469
Other expenditures	<u>12,000</u>	<u>18,250</u>	<u>6,250</u>	<u>69,250</u>
Total fiscal and other fixed cost programs	782,000	766,159	(15,841)	768,719
Debt service				
Principal	2,677,756	1,852,148	(825,608)	1,663,606
Interest and fiscal charges	<u>9,105</u>	<u>358,377</u>	<u>349,272</u>	<u>385,246</u>
Total debt service	<u>2,686,861</u>	<u>2,210,525</u>	<u>(476,336)</u>	<u>2,048,852</u>
Total expenditures	<u>179,478,091</u>	<u>180,071,011</u>	<u>592,920</u>	<u>166,255,970</u>
Excess (deficiency) of revenue over expenditures	(9,131,381)	(10,965,231)	(1,833,850)	(806,079)
Other financing sources				
Debt issued	–	3,495,045	3,495,045	–
Sale of assets	–	90,182	90,182	47,213
Insurance recovery	<u>–</u>	<u>1,049,278</u>	<u>1,049,278</u>	<u>34,411</u>
Total other financing sources	<u>–</u>	<u>4,634,505</u>	<u>4,634,505</u>	<u>81,624</u>
Net change in fund balances	<u>\$ (9,131,381)</u>	<u>(6,330,726)</u>	<u>\$ 2,800,655</u>	<u>(724,455)</u>
Fund balances				
Beginning of year		<u>42,694,700</u>		<u>43,419,155</u>
End of year		<u>\$ 36,363,974</u>		<u>\$ 42,694,700</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

Food Service Special Revenue Fund
 Comparative Balance Sheet
 as of June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Cash and temporary investments	\$ 3,219,479	\$ 3,625,560
Receivables		
Due from other governmental units	187,718	74,809
Inventory	587,323	453,874
Prepaid items	<u>7,528</u>	<u>—</u>
Total assets	<u>\$ 4,002,048</u>	<u>\$ 4,154,243</u>
Liabilities		
Salaries payable	\$ 65,505	\$ 68,897
Accounts and contracts payable	104,935	41,995
Due to other governmental units	7,283	2,662
Unearned revenue	<u>60,841</u>	<u>168,717</u>
Total liabilities	238,564	282,271
Fund balances		
Nonspendable for inventory	587,323	453,874
Nonspendable for prepaid items	7,528	—
Restricted for food service	<u>3,168,633</u>	<u>3,418,098</u>
Total fund balances	<u>3,763,484</u>	<u>3,871,972</u>
Total liabilities and fund balances	<u>\$ 4,002,048</u>	<u>\$ 4,154,243</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

Food Service Special Revenue Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2023
 (With Comparative Actual Amounts for the Year Ended June 30, 2022)

	2023		Over (Under) Budget	2022
	Budget	Actual		Actual
Revenue				
Local sources				
Investment earnings (charges)	\$ 10,000	\$ 76,740	\$ 66,740	\$ (8,714)
Other – primarily meal sales	1,160,000	1,384,275	224,275	112,372
State sources	318,000	312,909	(5,091)	257,750
Federal sources	5,265,000	5,827,466	562,466	7,607,543
Total revenue	6,753,000	7,601,390	848,390	7,968,951
Expenditures				
Current				
Salaries	2,058,107	2,359,586	301,479	2,255,425
Employee benefits	845,627	907,228	61,601	919,677
Purchased services	149,500	159,341	9,841	123,559
Supplies and materials	3,891,500	4,125,412	233,912	3,765,080
Other expenditures	10,000	9,287	(713)	4,941
Capital outlay	150,000	153,624	3,624	405,746
Total expenditures	7,104,734	7,714,478	609,744	7,474,428
Excess (deficiency) of revenue over expenditures	(351,734)	(113,088)	238,646	494,523
Other financing sources				
Sale of assets	–	4,600	4,600	–
Net change in fund balances	<u>\$ (351,734)</u>	<u>(108,488)</u>	<u>\$ 243,246</u>	<u>494,523</u>
Fund balances				
Beginning of year		<u>3,871,972</u>		<u>3,377,449</u>
End of year		<u>\$ 3,763,484</u>		<u>\$ 3,871,972</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

Community Service Special Revenue Fund
 Comparative Balance Sheet
 as of June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Cash and temporary investments	\$ 5,026,869	\$ 4,369,650
Receivables		
Current taxes	859,651	813,783
Delinquent taxes	15,350	16,466
Accounts and interest	314,287	177,473
Due from other governmental units	1,174,151	1,747,300
Prepaid items	<u>7,642</u>	<u>1,150</u>
Total assets	<u>\$ 7,397,950</u>	<u>\$ 7,125,822</u>
Liabilities		
Salaries payable	\$ 165,662	\$ 131,343
Accounts and contracts payable	58,289	58,627
Due to other governmental units	970,108	1,357,734
Unearned revenue	<u>662,205</u>	<u>557,714</u>
Total liabilities	1,856,264	2,105,418
Deferred inflows of resources		
Unavailable revenue – delinquent taxes	11,607	13,135
Property taxes levied for subsequent year	<u>1,574,562</u>	<u>1,566,725</u>
Total deferred inflows of resources	1,586,169	1,579,860
Fund balances		
Nonspendable for prepaid items	7,642	1,150
Restricted for community education programs	1,989,060	1,781,493
Restricted for early childhood family education programs	830,330	704,361
Restricted for school readiness	706,747	621,373
Restricted for adult basic education	421,644	295,681
Restricted for community service	<u>94</u>	<u>36,486</u>
Total fund balances	<u>3,955,517</u>	<u>3,440,544</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,397,950</u>	<u>\$ 7,125,822</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

Community Service Special Revenue Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2023
 (With Comparative Actual Amounts for the Year Ended June 30, 2022)

	2023		Over (Under) Budget	2022
	Budget	Actual		Actual
Revenue				
Local sources				
Property taxes	\$ 1,770,223	\$ 1,562,076	\$ (208,147)	\$ 1,488,320
Investment earnings (charges)	40,000	117,885	77,885	(11,639)
Other – primarily tuition and fees	2,793,226	3,136,673	343,447	2,814,433
State sources	6,453,100	6,141,282	(311,818)	5,720,446
Federal sources	399,540	884,888	485,348	1,505,208
Total revenue	<u>11,456,089</u>	<u>11,842,804</u>	<u>386,715</u>	<u>11,516,768</u>
Expenditures				
Current				
Salaries	4,977,293	5,133,343	156,050	4,527,841
Employee benefits	1,677,624	1,643,428	(34,196)	1,499,931
Purchased services	4,017,059	4,051,949	34,890	4,550,725
Supplies and materials	481,240	413,171	(68,069)	550,064
Other expenditures	69,777	78,037	8,260	69,397
Capital outlay	13,690	7,903	(5,787)	30,661
Total expenditures	<u>11,236,683</u>	<u>11,327,831</u>	<u>91,148</u>	<u>11,228,619</u>
Net change in fund balances	<u>\$ 219,406</u>	514,973	<u>\$ 295,567</u>	288,149
Fund balances				
Beginning of year		<u>3,440,544</u>		<u>3,152,395</u>
End of year		<u>\$ 3,955,517</u>		<u>\$ 3,440,544</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

Capital Projects – Building Construction Fund
 Comparative Balance Sheet
 as of June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Cash and temporary investments	\$ 107,124,866	\$ 166,814,456
Receivables		
Accounts and interest	<u>1,103,165</u>	<u>379,690</u>
Total assets	<u>\$ 108,228,031</u>	<u>\$ 167,194,146</u>
Liabilities		
Salaries payable	\$ –	\$ 3,114
Accounts and contracts payable	8,906,581	20,714,059
Due to other governmental units	<u>–</u>	<u>3,475</u>
Total liabilities	8,906,581	20,720,648
Fund balances		
Restricted for long-term facilities maintenance	25,289,790	19,518,526
Restricted for capital projects	<u>74,031,660</u>	<u>126,954,972</u>
Total fund balances	<u>99,321,450</u>	<u>146,473,498</u>
Total liabilities and fund balances	<u>\$ 108,228,031</u>	<u>\$ 167,194,146</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

Capital Projects – Building Construction Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2023
 (With Comparative Actual Amounts for the Year Ended June 30, 2022)

	2023		Over (Under) Budget	2022
	Budget	Actual		Actual
Revenue				
Local sources				
Investment earnings (charges)	\$ 1,900,000	\$ 3,793,238	\$ 1,893,238	\$ (266,049)
Other	479,181	557,468	78,287	44,888
State sources	–	–	–	994,500
Total revenue	<u>2,379,181</u>	<u>4,350,706</u>	<u>1,971,525</u>	<u>773,339</u>
Expenditures				
Capital outlay				
Salaries	195,646	141,312	(54,334)	175,766
Employee benefits	57,945	48,086	(9,859)	55,979
Purchased services	1,215,700	1,702,533	486,833	2,453,371
Supplies and materials	–	10,175	10,175	670,959
Capital expenditures	92,802,380	71,276,767	(21,525,613)	89,941,445
Debt service				
Interest and fiscal charges	254,690	176,403	(78,287)	545,272
Total expenditures	<u>94,526,361</u>	<u>73,355,276</u>	<u>(21,171,085)</u>	<u>93,842,792</u>
Excess (deficiency) of revenue over expenditures	(92,147,180)	(69,004,570)	23,142,610	(93,069,453)
Other financing sources				
Debt issued	19,560,000	19,560,000	–	76,710,000
Premium on debt issued	1,991,514	1,991,514	–	8,926,903
Insurance recovery	–	301,008	301,008	–
Total other financing sources	<u>21,551,514</u>	<u>21,852,522</u>	<u>301,008</u>	<u>85,636,903</u>
Net change in fund balances	<u>\$ (70,595,666)</u>	<u>(47,152,048)</u>	<u>\$ 23,443,618</u>	<u>(7,432,550)</u>
Fund balances				
Beginning of year		<u>146,473,498</u>		<u>153,906,048</u>
End of year		<u>\$ 99,321,450</u>		<u>\$ 146,473,498</u>

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INDEPENDENT SCHOOL DISTRICT NO. 622

Debt Service Fund
 Balance Sheet by Account
 as of June 30, 2023
 (With Comparative Totals as of June 30, 2022)

	Regular	OPEB	Totals	
	Debt Service Account	Debt Service Account	2023	2022
Assets				
Cash and temporary investments	\$ 15,185,686	\$ 1,333,258	\$ 16,518,944	\$ 15,701,419
Receivables				
Current taxes	13,139,771	1,112,698	14,252,469	12,572,313
Delinquent taxes	219,123	25,319	244,442	256,051
Due from other governmental units	59,942	5	59,947	63,048
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 28,604,522</u>	<u>\$ 2,471,280</u>	<u>\$ 31,075,802</u>	<u>\$ 28,592,831</u>
Liabilities				
Accounts and contracts payable	\$ -	\$ -	\$ -	\$ 2,500
Deferred inflows of resources				
Unavailable revenue – delinquent taxes	167,257	20,515	187,772	205,800
Property taxes levied for subsequent year	24,067,180	2,038,045	26,105,225	24,204,672
Total deferred inflows of resources	<u>24,234,437</u>	<u>2,058,560</u>	<u>26,292,997</u>	<u>24,410,472</u>
Fund balances				
Restricted for debt service	<u>4,370,085</u>	<u>412,720</u>	<u>4,782,805</u>	<u>4,179,859</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 28,604,522</u>	<u>\$ 2,471,280</u>	<u>\$ 31,075,802</u>	<u>\$ 28,592,831</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

Debt Service Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances by Account
 Budget and Actual
 Year Ended June 30, 2023
 (With Comparative Actual Amounts for the Year Ended June 30, 2022)

	2023			Total
	Budget	Regular Debt Service Account	OPEB Debt Service Account	
Revenue				
Local sources				
Property taxes	\$ 24,204,672	\$ 22,142,784	\$ 1,984,094	\$ 24,126,878
Investment earnings (charges)	17,000	235,832	27,151	262,983
State sources	568,522	597,867	20	597,887
Total revenue	<u>24,790,194</u>	<u>22,976,483</u>	<u>2,011,265</u>	<u>24,987,748</u>
Expenditures				
Debt service				
Principal	10,115,000	8,420,000	1,695,000	10,115,000
Interest	14,256,006	13,945,731	310,275	14,256,006
Fiscal charges and other	20,500	13,321	475	13,796
Total expenditures	<u>24,391,506</u>	<u>22,379,052</u>	<u>2,005,750</u>	<u>24,384,802</u>
Excess (deficiency) of revenue over expenditures	398,688	597,431	5,515	602,946
Other financing sources (uses)				
Refunding debt issued	—	—	—	—
Premium on debt issued	—	—	—	—
Payment on refunded debt	—	—	—	—
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net change in fund balances	<u>\$ 398,688</u>	597,431	5,515	602,946
Fund balances				
Beginning of year		<u>3,772,654</u>	<u>407,205</u>	<u>4,179,859</u>
End of year		<u>\$ 4,370,085</u>	<u>\$ 412,720</u>	<u>\$ 4,782,805</u>

	<u>2022</u>	
Over (Under) Budget	<u>Budget</u>	<u>Actual</u>
\$ (77,794)	\$ 24,413,681	
245,983	(31,955)	
29,365	635,342	
<u>197,554</u>	<u>25,017,068</u>	
		13,105,000
		11,822,028
(6,704)	102,845	
<u>(6,704)</u>	<u>25,029,873</u>	
204,258	(12,805)	
		11,085,000
		1,144,759
		<u>(12,145,000)</u>
		84,759
<u>\$ 204,258</u>	71,954	
		<u>4,107,905</u>
		<u>\$ 4,179,859</u>

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INTERNAL SERVICE FUNDS

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

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

INDEPENDENT SCHOOL DISTRICT NO. 622

Internal Service Funds
 Combining Statement of Net Position
 as of June 30, 2023
 (With Comparative Totals as of June 30, 2022)

	Dental Self-Insurance	Medical Self-Insurance	Totals	
			2023	2022
Assets				
Current assets				
Cash and temporary investments	\$ 517,429	\$ 7,779,326	\$ 8,296,755	\$ 9,916,921
Prepaid items	-	5,829	5,829	-
Total assets	<u>517,429</u>	<u>7,785,155</u>	<u>8,302,584</u>	<u>9,916,921</u>
Liabilities				
Current liabilities				
Accounts and contracts payable	136,905	798,594	935,499	297,523
Claims incurred, but not reported	40,357	1,842,948	1,883,305	1,265,252
Total liabilities	<u>177,262</u>	<u>2,641,542</u>	<u>2,818,804</u>	<u>1,562,775</u>
Net position				
Unrestricted	<u>\$ 340,167</u>	<u>\$ 5,143,613</u>	<u>\$ 5,483,780</u>	<u>\$ 8,354,146</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

Internal Service Funds
 Combining Statement of Revenue, Expenses, and Changes in Net Position
 Year Ended June 30, 2023
 (With Comparative Totals for the Year Ended June 30, 2022)

	Dental	Medical	Totals	
	Self-Insurance	Self-Insurance	2023	2022
Operating revenue				
Charges for services	\$ 2,077,252	\$ 21,343,350	\$ 23,420,602	\$ 22,825,378
Operating expenses				
Dental benefit claims	1,903,075	–	1,903,075	1,840,655
Medical benefit claims	–	22,942,621	22,942,621	19,434,530
Fees and stop-loss	105,727	1,514,511	1,620,238	1,357,015
Total operating expenses	<u>2,008,802</u>	<u>24,457,132</u>	<u>26,465,934</u>	<u>22,632,200</u>
Operating income (loss)	68,450	(3,113,782)	(3,045,332)	193,178
Nonoperating revenue				
Investment earnings (charges)	<u>–</u>	<u>174,966</u>	<u>174,966</u>	<u>(22,462)</u>
Change in net position	68,450	(2,938,816)	(2,870,366)	170,716
Net position				
Beginning of year	<u>271,717</u>	<u>8,082,429</u>	<u>8,354,146</u>	<u>8,183,430</u>
End of year	<u>\$ 340,167</u>	<u>\$ 5,143,613</u>	<u>\$ 5,483,780</u>	<u>\$ 8,354,146</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

Internal Service Funds
 Combining Statement of Cash Flows
 Year Ended June 30, 2023
 (With Comparative Totals for the Year Ended June 30, 2022)

	Dental	Medical	Totals	
	Self-Insurance	Self-Insurance	2023	2022
Cash flows from operating activities				
Contributions from governmental funds	\$ 2,077,252	\$ 21,343,350	\$ 23,420,602	\$ 22,825,378
Payments for dental benefit claims	(1,878,724)	–	(1,878,724)	(1,843,692)
Payments for medical benefit claims	–	(21,716,953)	(21,716,953)	(19,729,277)
Payments for fees and stop-loss	(105,546)	(1,514,511)	(1,620,057)	(1,390,953)
Net cash flows from operating activities	92,982	(1,888,114)	(1,795,132)	(138,544)
Cash flows from investing activities				
Investment income received (paid)	–	174,966	174,966	(22,462)
Net change in cash and cash equivalents	92,982	(1,713,148)	(1,620,166)	(161,006)
Cash and cash equivalents				
Beginning of year	424,447	9,492,474	9,916,921	10,077,927
End of year	\$ 517,429	\$ 7,779,326	\$ 8,296,755	\$ 9,916,921
Reconciliation of operating income (loss) to net cash flows from operating activities				
Operating income (loss)	\$ 68,450	\$ (3,113,782)	\$ (3,045,332)	\$ 193,178
Adjustments to reconcile operating income (loss) to net cash flows from operating activities				
Changes in assets and liabilities				
Prepaid items	–	(5,829)	(5,829)	–
Accounts and contracts payable	19,842	618,134	637,976	(192,956)
Claims incurred, but not reported	4,690	613,363	618,053	(138,766)
Net cash flows from operating activities	\$ 92,982	\$ (1,888,114)	\$ (1,795,132)	\$ (138,544)

Section III

STATISTICAL



School District 622

NORTH ST. PAUL | MAPLEWOOD | OAKDALE

Ready for tomorrow

STATISTICAL SECTION (UNAUDITED)

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

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Indicators

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

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

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	Fiscal Year			
	2014	2015	2016	2017
Governmental activities				
Net investment in capital assets	\$ 2,818,638	\$ 10,969,313	\$ 18,616,494	\$ 30,883,474
Restricted	2,153,681	3,437,107	9,894,250	11,882,766
Unrestricted	<u>(1,847,732)</u>	<u>(91,684,692)</u>	<u>(85,069,651)</u>	<u>(157,811,420)</u>
Total governmental activities net position	<u>\$ 3,124,587</u>	<u>\$ (77,278,272)</u>	<u>\$ (56,558,907)</u>	<u>\$ (115,045,180)</u>

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

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

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

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$ 42,479,174	\$ 54,284,456	\$ 60,029,619	\$ 67,677,174	\$ 73,471,104	\$ 75,660,779
17,937,368	18,041,164	19,124,929	21,494,526	21,670,786	22,037,746
<u>(181,077,725)</u>	<u>(142,463,824)</u>	<u>(144,238,797)</u>	<u>(138,460,050)</u>	<u>(129,378,098)</u>	<u>(113,577,104)</u>
<u><u>\$(120,661,183)</u></u>	<u><u>\$ (70,138,204)</u></u>	<u><u>\$ (65,084,249)</u></u>	<u><u>\$ (49,288,350)</u></u>	<u><u>\$ (34,236,208)</u></u>	<u><u>\$ (15,878,579)</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	Fiscal Year			
	2014	2015	2016	2017
Governmental activities				
Expenses				
Administration	\$ 5,870,601	\$ 6,245,577	\$ 5,771,511	\$ 7,466,083
District support services	5,323,307	5,774,518	5,488,991	5,966,624
Elementary and secondary regular instruction	61,107,836	60,183,399	59,768,865	79,932,765
Vocational education instruction	2,363,819	2,515,435	2,516,188	3,397,939
Special education instruction	24,410,545	24,607,274	26,599,484	34,871,665
Instructional support services	7,283,020	6,131,212	5,660,427	8,670,260
Pupil support services	11,787,561	11,916,602	10,920,870	13,068,258
Sites and buildings	11,215,056	10,812,813	11,170,601	11,726,835
Fiscal and other fixed cost programs	463,639	555,882	470,182	474,151
Food service	6,079,470	6,141,087	6,370,475	6,544,722
Community service	8,004,445	7,985,251	7,805,422	9,551,438
Depreciation/amortization not included in other functions	3,880,837	3,910,796	4,163,925	4,390,145
Interest and fiscal charges	6,632,460	5,758,210	5,036,685	5,376,641
Total governmental activities expenses	<u>154,422,596</u>	<u>152,538,056</u>	<u>151,743,626</u>	<u>191,437,526</u>
Program revenues				
Charges for services				
District support services	755	650	584	252
Elementary and secondary regular instruction	622,423	628,944	607,666	512,913
Special education instruction	120,144	497,901	472,197	1,415,409
Instructional support services	-	-	-	-
Pupil support services	14,810	6,058	21,400	66,827
Sites and buildings	28,391	91,272	32,432	28,391
Food service	2,400,712	2,289,582	2,092,912	1,997,179
Community service	2,587,985	2,517,772	2,589,207	3,020,126
Operating grants and contributions	25,576,890	26,964,610	31,942,343	29,999,231
Total governmental activities program revenues	<u>31,352,110</u>	<u>32,996,789</u>	<u>37,758,741</u>	<u>37,040,328</u>
Net (expense) revenue	(123,070,486)	(119,541,267)	(113,984,885)	(154,397,198)
General revenues and other changes in net position				
Taxes				
Property taxes, levied for general purposes	12,076,889	19,282,605	19,224,086	25,272,032
Property taxes, levied for community service	801,183	1,724,194	1,752,007	1,749,722
Property taxes, levied for capital projects	595,000	3,274,500	5,067,600	-
Property taxes, levied for debt service	14,708,372	14,744,302	15,225,727	13,677,118
General grants and aids	89,699,343	87,618,485	88,736,879	94,256,869
Other general revenues	1,804,768	1,078,630	1,446,262	1,512,578
Gain on sale of capital assets	-	-	-	-
Investment earnings (charges)	91,899	64,637	65,189	178,049
Special item – joint school proceeds	-	-	3,186,500	-
Total general revenues and other changes in net position	<u>119,777,454</u>	<u>127,787,353</u>	<u>134,704,250</u>	<u>136,646,368</u>
Change in net position	<u>\$ (3,293,032)</u>	<u>\$ 8,246,086</u>	<u>\$ 20,719,365</u>	<u>\$ (17,750,830)</u>

2018	2019	2020	2021	2022	2023
\$ 7,433,391	\$ 4,423,233	\$ 6,668,941	\$ 7,041,276	\$ 7,473,124	\$ 6,890,454
5,236,940	6,907,285	6,658,582	6,380,251	6,592,124	7,105,979
78,793,770	42,145,810	67,588,760	66,606,837	64,378,779	61,251,786
3,610,472	1,993,449	3,332,719	3,228,314	3,590,461	2,995,825
34,039,463	22,991,502	33,575,951	33,626,747	33,415,135	32,599,734
9,479,409	4,192,984	7,660,257	11,407,837	8,586,341	7,523,884
13,398,446	11,520,302	13,469,001	12,142,781	15,389,747	16,683,173
13,438,257	12,677,451	18,191,945	13,762,313	18,103,648	23,773,757
489,040	579,213	627,090	722,769	768,719	766,159
6,459,417	6,646,397	6,570,489	6,400,159	7,344,301	7,926,166
9,925,090	9,504,655	10,489,222	9,712,528	10,881,695	11,103,110
4,442,365	4,703,063	5,170,911	5,862,304	6,328,074	6,569,465
2,518,357	5,314,873	11,936,234	11,303,663	12,502,783	15,099,552
189,264,417	133,600,217	191,940,102	188,197,779	195,354,931	200,289,044
-	-	-	-	-	-
476,094	452,147	896,954	476,023	909,395	985,628
828,527	636,686	569,089	542,551	648,301	673,251
-	-	-	3,099	-	-
372	14,675	-	23,440	31,514	256,194
28,391	28,391	15,000	-	14,255	-
1,989,753	1,992,335	1,433,227	74,722	112,372	1,384,275
2,984,453	3,067,090	2,417,595	2,006,555	2,814,433	3,136,673
31,322,826	34,362,400	37,129,318	42,191,045	43,471,321	40,914,208
37,630,416	40,553,724	42,461,183	45,317,435	48,001,591	47,350,229
(151,634,001)	(93,046,493)	(149,478,919)	(142,880,344)	(147,353,340)	(152,938,815)
32,998,727	31,837,809	31,668,746	29,314,400	29,814,986	31,074,882
1,465,393	1,224,887	1,169,525	1,289,621	1,490,981	1,560,548
-	2,016,746	-	-	-	-
13,188,145	12,758,290	15,835,212	23,472,812	24,515,677	24,108,850
94,724,709	92,067,945	97,804,719	101,160,565	105,281,368	107,077,639
3,069,617	1,360,208	2,600,958	1,398,796	1,759,011	2,043,412
-	-	-	-	-	63,059
571,407	2,303,587	4,060,811	2,040,049	(456,541)	5,368,054
-	-	-	-	-	-
146,017,998	143,569,472	153,139,971	158,676,243	162,405,482	171,296,444
\$ (5,616,003)	\$ 50,522,979	\$ 3,661,052	\$ 15,795,899	\$ 15,052,142	\$ 18,357,629

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INDEPENDENT SCHOOL DISTRICT NO. 622

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

Fiscal Year	Property Tax				Total
	General Purposes	Community Service	Capital Projects – Building Construction	Debt Service	
2014	\$ 12,076,889	\$ 801,183	\$ 595,000	\$ 14,708,372	\$ 28,181,444
2015	19,282,605	1,724,194	3,274,500	14,744,302	39,025,601
2016	19,224,086	1,752,007	5,067,600	15,225,727	41,269,420
2017	25,272,032	1,749,722	–	13,677,118	40,698,872
2018	32,998,727	1,465,393	–	13,188,145	47,652,265
2019	31,837,809	1,224,887	2,016,746	12,758,290	47,837,732
2020	31,668,746	1,169,525	–	15,835,212	48,673,483
2021	29,314,400	1,289,621	–	23,472,812	54,076,833
2022	29,814,986	1,490,981	–	24,515,677	55,821,644
2023	31,074,882	1,560,548	–	24,108,850	56,744,280

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

INDEPENDENT SCHOOL DISTRICT NO. 622

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

				Fiscal Year
	2014	2015	2016	2017
General Fund				
Nonspendable	\$ 219,027	\$ 123,613	\$ 110,472	\$ 135,441
Restricted	682,388	686,109	4,965,791	7,083,939
Assigned	2,416,709	-	688,388	-
Unassigned	<u>3,859,715</u>	<u>3,165,529</u>	<u>7,219,267</u>	<u>8,333,657</u>
Total General Fund	<u>\$ 7,177,839</u>	<u>\$ 3,975,251</u>	<u>\$ 12,983,918</u>	<u>\$ 15,553,037</u>
All other governmental funds				
Nonspendable	\$ 384,206	\$ 348,973	\$ 387,054	\$ 359,746
Restricted	13,089,039	4,352,026	6,305,882	7,039,779
Unassigned	<u>(953,601)</u>	<u>(1,050,458)</u>	<u>(111,117)</u>	<u>-</u>
Total all other governmental funds	<u>\$ 12,519,644</u>	<u>\$ 3,650,541</u>	<u>\$ 6,581,819</u>	<u>\$ 7,399,525</u>
Total all governmental funds	<u>\$ 19,697,483</u>	<u>\$ 7,625,792</u>	<u>\$ 19,565,737</u>	<u>\$ 22,952,562</u>

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$ 67,208	\$ 168,115	\$ 202,298	\$ 205,978	\$ 312,786	\$ 552,842
11,167,322	12,673,306	14,218,265	14,954,208	14,345,135	14,307,138
–	–	1,627,333	2,889,954	6,622,438	144,144
<u>14,205,740</u>	<u>19,439,417</u>	<u>22,364,537</u>	<u>25,369,015</u>	<u>21,414,341</u>	<u>21,359,850</u>
<u>\$ 25,440,270</u>	<u>\$ 32,280,838</u>	<u>\$ 38,412,433</u>	<u>\$ 43,419,155</u>	<u>\$ 42,694,700</u>	<u>\$ 36,363,974</u>
\$ 378,461	\$ 419,079	\$ 480,929	\$ 500,135	\$ 455,024	\$ 602,493
7,761,793	47,913,164	266,125,536	164,043,662	157,510,849	111,220,763
<u>(762,614)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
<u>\$ 7,377,640</u>	<u>\$ 48,332,243</u>	<u>\$ 266,606,465</u>	<u>\$ 164,543,797</u>	<u>\$ 157,965,873</u>	<u>\$ 111,823,256</u>
<u>\$ 32,817,910</u>	<u>\$ 80,613,081</u>	<u>\$ 305,018,898</u>	<u>\$ 207,962,952</u>	<u>\$ 200,660,573</u>	<u>\$ 148,187,230</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	Fiscal Year			
	2014	2015	2016	2017
Revenues				
Local sources				
Property taxes	\$ 28,200,652	\$ 39,301,527	\$ 41,241,560	\$ 40,817,821
Investment earnings (charges)	91,899	64,637	60,511	160,556
Other	7,579,988	7,110,809	7,262,660	8,412,015
State sources	106,725,356	105,986,111	111,966,489	111,781,088
Federal sources	8,550,877	8,423,874	8,712,733	9,230,012
Total revenues	<u>151,148,772</u>	<u>160,886,958</u>	<u>169,243,953</u>	<u>170,401,492</u>
Expenditures				
Current				
Administration	5,641,309	6,204,965	5,654,357	5,783,733
District support services	5,106,056	5,735,305	5,388,840	7,333,244
Elementary and secondary regular instruction	59,860,270	59,933,326	58,694,319	57,954,053
Vocational education instruction	2,363,819	2,588,707	2,548,516	2,614,558
Special education instruction	24,385,026	25,137,862	27,069,630	26,955,254
Instructional support services	7,559,074	6,292,004	5,912,360	6,316,256
Pupil support services	11,512,561	11,819,255	10,501,822	11,924,489
Sites and buildings	11,928,628	11,578,003	10,510,561	17,993,944
Fiscal and other fixed cost programs	463,639	555,882	470,182	474,151
Food service	5,846,417	6,029,586	6,220,243	6,299,829
Community service	7,984,285	8,030,226	7,826,285	8,626,479
Capital outlay	2,993,148	3,575,719	3,781,807	567,162
Debt service				
Principal	9,890,000	10,075,000	10,555,000	11,210,555
Interest and fiscal charges	7,042,452	6,185,195	5,360,627	5,078,944
Total expenditures	<u>162,576,684</u>	<u>163,741,035</u>	<u>160,494,549</u>	<u>169,132,651</u>
Excess of revenues over (under) expenditures	(11,427,912)	(2,854,077)	8,749,404	1,268,841
Other financing sources (uses)				
Debt issued (bonds, COP, and leases)	-	-	-	1,650,204
Refunding debt issued	-	-	-	40,650,000
Premium (discount) on debt issued	-	-	-	5,554,794
Payment on refunded debt	(8,745,000)	(9,240,000)	-	(45,878,674)
Sale of capital assets	-	22,386	4,041	141,660
Insurance recovery	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>(8,745,000)</u>	<u>(9,217,614)</u>	<u>4,041</u>	<u>2,117,984</u>
Net change in fund balances before special item	(20,172,912)	(12,071,691)	8,753,445	3,386,825
Special item – joint school proceeds	-	-	3,186,500	-
Net change in fund balances	<u>\$ (20,172,912)</u>	<u>\$ (12,071,691)</u>	<u>\$ 11,939,945</u>	<u>\$ 3,386,825</u>
Debt service as a percentage of noncapital expenditures	<u>10.7%</u>	<u>10.3%</u>	<u>10.2%</u>	<u>10.2%</u>

2018	2019	2020	2021	2022	2023
\$ 47,647,300	\$ 47,730,721	\$ 48,659,575	\$ 54,138,195	\$ 55,654,187	\$ 56,808,986
498,788	2,200,477	3,979,886	2,016,959	(434,079)	5,193,088
9,385,723	7,548,353	7,937,517	4,521,308	6,232,657	8,457,651
116,623,750	121,475,797	124,784,172	124,323,615	122,358,155	127,326,704
9,458,712	9,679,362	10,117,798	18,831,204	26,915,097	20,101,999
183,614,273	188,634,710	195,478,948	203,831,281	210,726,017	217,888,428
6,021,308	6,123,786	6,398,476	6,958,610	8,088,212	7,860,668
5,408,214	7,033,681	6,592,282	6,382,259	6,739,530	7,763,099
60,768,822	61,855,615	64,129,244	64,827,482	68,418,615	73,497,919
2,881,870	2,856,573	3,199,061	3,155,374	3,777,464	3,570,113
27,340,010	30,833,016	32,296,691	33,157,742	35,404,012	37,193,110
7,094,088	7,313,652	7,125,288	11,119,969	9,243,123	9,014,556
12,438,955	13,062,086	13,874,495	12,071,057	15,250,823	16,557,057
19,502,211	17,341,987	18,054,395	15,108,124	16,516,620	21,637,805
489,040	579,213	627,090	722,769	768,719	766,159
6,395,767	6,590,513	6,477,956	6,337,591	7,068,682	7,560,854
9,153,833	10,330,248	10,278,737	9,718,614	11,197,958	11,319,928
1,157,139	22,816,994	46,782,603	105,414,714	93,733,927	73,340,400
10,695,434	11,496,478	12,017,002	11,488,166	14,768,606	11,967,148
4,417,107	4,472,612	8,798,135	14,467,186	12,855,391	14,804,582
173,763,798	202,706,454	236,651,455	300,929,657	303,831,682	296,853,398
9,850,475	(14,071,744)	(41,172,507)	(97,098,376)	(93,105,665)	(78,964,970)
–	61,183,607	256,375,000	–	76,710,000	23,055,045
–	17,515,000	7,040,000	–	11,085,000	–
–	955,346	8,904,133	–	10,071,662	1,991,514
–	(17,805,000)	(8,150,000)	–	(12,145,000)	–
14,873	17,962	16,288	42,430	47,213	94,782
–	–	–	–	34,411	1,350,286
–	–	74,403	–	–	–
–	–	(74,403)	–	–	–
14,873	61,866,915	264,185,421	42,430	85,803,286	26,491,627
9,865,348	47,795,171	223,012,914	(97,055,946)	(7,302,379)	(52,473,343)
–	–	–	–	–	–
\$ 9,865,348	\$ 47,795,171	\$ 223,012,914	\$ (97,055,946)	\$ (7,302,379)	\$ (52,473,343)
9.1%	9.2%	11.0%	13.4%	13.0%	12.0%

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INDEPENDENT SCHOOL DISTRICT NO. 622

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

Fiscal Year	Property Tax				Total
	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Community Service Special Revenue Fund	
2014	\$ 12,083,629	\$ 595,000	\$ 14,721,038	\$ 800,985	\$ 28,200,652
2015	19,420,261	3,274,500	14,870,547	1,736,219	39,301,527
2016	19,209,883	5,067,600	15,212,498	1,751,579	41,241,560
2017	25,352,714	–	13,713,233	1,751,874	40,817,821
2018	32,975,199	–	13,203,868	1,468,233	47,647,300
2019	31,745,839	2,016,746	12,743,296	1,224,840	47,730,721
2020	31,638,741	–	15,850,121	1,170,713	48,659,575
2021	29,343,270	–	23,502,674	1,292,251	54,138,195
2022	29,752,186	–	24,413,681	1,488,320	55,654,187
2023	31,120,032	–	24,126,878	1,562,076	56,808,986

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

INDEPENDENT SCHOOL DISTRICT NO. 622

Tax Capacities and Market Values
Last Ten Fiscal Years

For Taxes Collectible	Tax Capacity Valuation			
	Agricultural	Nonagricultural	Fiscal Disparities	
			Contribution	Distribution
2014	\$ 223,970	\$ 78,001,023	\$ (12,698,773)	\$ 11,458,013
2015	430,038	84,043,471	(12,968,373)	11,680,027
2016	483,265	85,701,033	(12,907,022)	12,212,058
2017	285,764	90,107,004	(13,134,465)	13,170,723
2018	318,512	96,865,289	(13,169,645)	14,066,923
2019	325,055	103,830,911	(14,925,918)	14,686,489
2020	259,256	111,278,472	(15,668,595)	15,587,524
2021	159,950	117,603,257	(16,153,498)	15,979,965
2022	143,986	121,946,654	(16,704,882)	17,454,035
2023	165,501	138,142,839	(16,635,533)	17,732,778

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

Source: State of Minnesota School Tax Report

<u>Tax Increment</u>	<u>Total Taxable</u>	<u>Total Direct Tax Rate</u>	<u>Taxable Market Value</u>	<u>Tax Capacity as a Percentage of Market Value</u>
\$ (1,457,211)	\$ 75,527,022	37.64 %	\$ 6,424,286,100	1.18 %
(1,334,853)	81,850,310	35.86	6,970,239,000	1.17
(1,978,412)	83,510,922	35.57	7,129,353,400	1.17
(2,421,303)	88,007,723	33.58	7,463,934,900	1.18
(2,780,741)	95,300,338	30.09	7,972,970,100	1.20
(2,999,419)	100,917,118	29.04	8,533,938,800	1.18
(3,155,727)	108,300,930	32.50	9,166,542,200	1.18
(3,358,079)	114,231,595	31.84	9,660,166,400	1.18
(3,644,330)	119,195,463	32.17	10,016,421,300	1.19
(4,174,289)	135,231,296	29.83	11,443,796,948	1.18

INDEPENDENT SCHOOL DISTRICT NO. 622

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

Rate	Tax Collection Calendar Year	ISD No. 622	Overlapping Rates Municipalities (1)				
			City of Lake Elmo	City of Landfall	City of Maplewood	City of North St. Paul	City of Oakdale
Tax capacity rate	2014	37.643%	27.761%	47.797%	48.378%	36.185%	41.201%
Market value rate	2014	0.15062%	–	–	0.01965%	0.07060%	–
Tax capacity rate	2015	35.864%	23.798%	48.731%	46.353%	35.169%	39.131%
Market value rate	2015	0.14365%	–	–	0.00870%	0.06663%	–
Tax capacity rate	2016	35.569%	23.121%	55.903%	48.507%	38.707%	39.492%
Market value rate	2016	0.13668%	–	–	0.00913%	0.05610%	–
Tax capacity rate	2017	33.582%	20.018%	56.649%	47.248%	41.866%	39.721%
Market value rate	2017	0.21590%	–	–	0.00767%	0.05321%	–
Tax capacity rate	2018	30.089%	22.442%	80.742%	45.911%	42.465%	38.544%
Market value rate	2018	0.19486%	–	–	0.00725%	0.05024%	–
Tax capacity rate	2019	29.039%	22.927%	50.012%	44.693%	43.363%	39.227%
Market value rate	2019	0.18694%	–	–	0.00657%	0.04713%	–
Tax capacity rate	2020	32.504%	23.477%	51.212%	44.646%	40.689%	37.616%
Market value rate	2020	0.18509%	–	–	0.00633%	0.04704%	–
Tax capacity rate	2021	31.840%	23.638%	64.491%	41.953%	38.179%	38.821%
Market value rate	2021	0.16749%	–	–	–	0.03994%	–
Tax capacity rate	2022	32.173%	30.546%	57.567%	43.662%	44.140%	39.533%
Market value rate	2022	0.15595%	–	–	–	–	–
Tax capacity rate	2023	29.825%	24.064%	58.843%	40.548%	42.711%	38.217%
Market value rate	2023	0.15048%	–	–	–	–	–

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

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

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

Source: Ramsey County and Washington County

City of Pine Springs	City of White Bear Lake	City of Woodbury	Counties (2)		Miscellaneous Other (3)	Total North St. Paul Resident
			Ramsey County	Washington County		
7.451%	21.102%	38.076%	59.105%	32.811%	25.512%	158.445%
-	-	0.02594%	-	0.00449%	-	0.221%
6.850%	20.368%	34.657%	54.462%	30.186%	24.083%	149.578%
-	-	0.01308%	-	0.00406%	-	0.210%
7.235%	19.690%	35.287%	54.012%	30.564%	24.527%	152.815%
-	-	0.01216%	-	0.00390%	-	0.193%
9.110%	18.969%	35.122%	51.173%	30.448%	23.442%	150.063%
-	-	0.04119%	-	0.00378%	-	0.269%
8.730%	19.058%	33.670%	49.473%	29.983%	23.720%	145.747%
-	-	0.01116%	-	0.00353%	-	0.245%
9.285%	20.190%	33.177%	48.565%	29.682%	26.019%	146.986%
-	-	0.00664%	-	0.00330%	-	0.234%
9.193%	20.629%	32.489%	48.081%	28.944%	24.027%	145.301%
-	-	0.00615%	-	0.00342%	-	0.232%
9.034%	20.355%	32.298%	43.859%	27.435%	23.523%	137.401%
-	-	0.00584%	-	0.00325%	-	0.207%
9.427%	22.271%	32.217%	43.987%	27.532%	23.816%	144.116%
-	-	0.00551%	-	0.00308%	-	0.156%
7.484%	24.054%	28.599%	41.231%	23.625%	20.781%	134.548%
-	-	0.00466%	-	0.00261%	-	0.150%

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INDEPENDENT SCHOOL DISTRICT NO. 622

Principal Property Taxpayers
Current Year and Seven Years Ago

Taxpayer	2023			2016		
	Net Tax Capacity	Rank	Percentage of Tax Capacity Value	Net Tax Capacity	Rank	Percentage of Tax Capacity Value
3M	\$ 3,266,869	1	2.42 %	\$ 7,647,060	1	9.16 %
Tamarack Village Shopping Center	2,071,428	2	1.53	–	–	–
RAMCO-Gershenson Properties LP	1,682,612	3	1.24	–	–	–
Xcel Energy	1,466,044	4	1.08	2,560,698	3	3.07
IREIT Woodbury Cityplace LLC	1,377,444	5	1.02	–	–	–
Invest Woodbury II RE LLC	816,053	6	0.60	–	–	–
Hazelwood Medical Building LLC	592,050	7	0.44	–	–	–
CSR-Woodland Pointe LLC	539,321	8	0.40	–	–	–
Tria Orthopedic Center LLC	521,528	9	0.39	–	–	–
Maplewood Mall, LLC	453,316	10	0.34	3,353,704	2	4.02
CW Birch Run LLC	–	–	–	994,503	4	1.19
Costco Wholesale Corporation	–	–	–	678,892	5	0.81
TCA Real Estate LLC	–	–	–	609,094	6	0.73
WBP 1 LLC & C/O Alliance Tax Adviso	–	–	–	576,115	7	0.69
Desoto Associates LLC	–	–	–	540,859	8	0.65
Berwald Investment Company	–	–	–	517,184	9	0.62
Target Corporation	–	–	–	448,139	10	0.54
Total	<u>\$ 12,786,665</u>		<u>9.46 %</u>	<u>\$ 17,926,248</u>		<u>21.47 %</u>

Note: Information was not available for years prior to 2016.

Source: Ramsey County and Washington County

INDEPENDENT SCHOOL DISTRICT NO. 622

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

For Taxes Collectible	Original Levy			First Year Levy Recognized		Collections
	Local Spread	Fiscal Disparities	Total Spread	Amount	Percentage of Levy	Received in Subsequent Years
2014	\$ 33,892,337	\$ 5,656,755	\$ 39,549,092	\$ 39,299,428	99.4 %	\$ 249,664
2015	35,275,869	6,160,750	41,436,619	41,140,417	99.3	296,202
2016	35,150,119	6,122,239	41,272,358	40,994,167	99.3	278,191
2017	41,335,193	6,484,783	47,819,976	47,537,122	99.4	235,568
2018	40,021,342	7,753,031	47,774,373	47,500,513	99.4	246,437
2019	41,037,488	7,227,934	48,265,422	47,965,017	99.4	209,760
2020	47,162,174	7,410,363	54,572,537	54,186,761	99.3	288,952
2021	47,549,688	8,118,426	55,668,114	55,323,437	99.4	155,295
2022	48,287,546	8,431,700	56,719,246	56,525,655	99.7	–
2023	52,343,534	8,427,752	60,771,286	27,593,492	45.4	–

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

Source: State of Minnesota School Tax Report

Total to Date		Uncollected Taxes Receivable as of June 30, 2023			
		Delinquent		Current	
Amount	Percentage of Levy	Amount	Percent	Amount	Percent
\$ 39,549,092	100.0 %	\$ -	- %	\$ -	- %
41,436,619	100.0	-	-	-	-
41,272,358	100.0	-	-	-	-
47,772,690	99.9	47,286	0.1	-	-
47,746,950	99.9	27,423	0.1	-	-
48,174,777	99.8	90,645	0.2	-	-
54,475,713	99.8	96,824	0.2	-	-
55,478,732	99.7	189,382	0.3	-	-
56,525,655	99.7	193,591	0.3	-	-
27,593,492	45.4	-	-	<u>33,177,794</u>	54.6
		<u>\$ 645,151</u>		<u>\$ 33,177,794</u>	

INDEPENDENT SCHOOL DISTRICT NO. 622

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities					Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Premium (Discount) on Bonds	Certificates of Participation	Finance Purchase	Lease Liability			
2014	\$134,065,000	\$ 1,530,035	\$ 5,720,000	\$ -	\$ -	\$141,315,035	30.32 %	\$ 1,806
2015	115,575,000	1,429,255	4,895,000	-	-	121,899,255	24.97	1,542
2016	105,860,000	1,277,180	4,055,000	-	-	111,192,180	32.94	1,331
2017	90,730,000	5,456,546	3,185,000	1,429,649	-	100,801,195	28.00	1,221
2018	81,155,000	4,874,531	2,290,000	1,204,215	-	89,523,746	23.36	1,128
2019	121,610,000	5,319,827	10,780,000	1,656,344	-	139,366,171	36.44	1,755
2020	366,000,000	13,309,293	10,035,000	1,259,342	-	390,603,635	97.90	4,692
2021	355,625,000	12,214,359	9,330,000	851,176	-	378,020,535	96.59	4,703
2022	418,170,000	20,523,861	8,605,000	431,510	1,269,061	448,999,432	114.44	5,416
2023	427,615,000	20,597,259	7,860,000	-	4,088,468	460,160,727	N/A	5,607

N/A – Not Available

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

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

INDEPENDENT SCHOOL DISTRICT NO. 622

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

Fiscal Year	Gross Bonded Debt	Less Debt Service Funds on Hand	Net Bonded Debt	Market Value	Percent of Net Debt to Market Value	Estimated Population	Net Bonded Debt per Capita
2014	\$ 135,595,035	\$ 12,032,786	\$ 123,562,249	\$6,424,286,100	1.92 %	78,239	\$ 1,579
2015	117,004,255	2,729,885	114,274,370	6,970,239,000	1.64	79,060	1,445
2016	107,137,180	3,278,833	103,858,347	7,129,353,400	1.46	83,540	1,243
2017	96,186,546	2,980,193	93,206,353	7,463,934,900	1.25	82,540	1,129
2018	86,029,531	3,088,612	82,940,919	7,972,970,100	1.04	79,342	1,045
2019	126,929,827	3,165,547	123,764,280	8,533,938,800	1.45	79,394	1,559
2020	379,309,293	4,299,699	375,009,594	9,166,542,200	4.09	83,254	4,504
2021	367,839,359	4,107,905	363,731,454	9,660,166,400	3.77	80,380	4,525
2022	438,693,861	4,179,859	434,514,002	10,016,421,300	4.34	82,900	5,241
2023	448,212,259	4,782,805	443,429,454	11,443,796,948	3.87	82,068	5,403

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

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INDEPENDENT SCHOOL DISTRICT NO. 622

Direct and Overlapping Debt
as of June 30, 2023

Governmental Unit	2022-2023 Taxable Net Tax Capacity	Bonded Debt	Percent Allocable to ISD No. 622	Portion Allocable to ISD No. 622
Independent School District (ISD) No. 622	\$ 135,231,296	\$ 448,212,259	100.00 %	\$ 448,212,259
Overlapping debt				
Ramsey County	814,342,324	180,735,000	8.45	15,272,108
Washington County	458,762,027	90,885,000	12.85	11,678,723
City of Lake Elmo	32,024,473	28,015,000	23.41	6,558,312
City of Maplewood	63,383,753	46,780,000	74.92	35,047,576
City of North St. Paul	15,247,158	19,190,000	100.00	19,190,000
City of Oakdale	41,846,495	20,435,000	98.87	20,204,085
City of White Bear Lake	42,386,612	36,485,000	0.03	10,946
City of Woodbury	151,913,646	43,060,000	10.53	4,534,218
Metropolitan Council	5,878,109,833	238,225,000	2.30	<u>5,479,175</u>
Total overlapping debt				<u>117,975,141</u>
Total direct and overlapping debt				<u><u>\$ 566,187,400</u></u>

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

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

Source: Ramsey County and Washington County

INDEPENDENT SCHOOL DISTRICT NO. 622

Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year			
	2014	2015	2016	2017
Debt limit	\$ 963,642,915	\$ 1,045,549,350	\$ 1,069,403,010	\$ 1,119,590,235
Total net debt applicable to the limit	<u>122,032,214</u>	<u>112,845,115</u>	<u>102,581,167</u>	<u>87,749,807</u>
Legal debt margin	<u>\$ 841,610,701</u>	<u>\$ 932,704,235</u>	<u>\$ 966,821,843</u>	<u>\$ 1,031,840,428</u>
Total net debt applicable to the limit as a percentage of debt limit	12.66%	10.79%	9.59%	7.84%

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

Source: State of Minnesota School Tax Report

2018	2019	2020	2021	2022	2023
\$ 1,195,945,515	\$ 1,280,090,820	\$ 1,374,981,330	\$ 1,449,024,960	\$ 1,502,463,195	\$ 1,716,569,542
78,066,388	118,444,453	361,700,301	351,517,095	413,990,141	422,832,195
<u>\$ 1,117,879,127</u>	<u>\$ 1,161,646,367</u>	<u>\$ 1,013,281,029</u>	<u>\$ 1,097,507,865</u>	<u>\$ 1,088,473,054</u>	<u>\$ 1,293,737,347</u>
6.53%	9.25%	26.31%	24.26%	27.55%	24.63%

Legal Debt Margin Calculation for Fiscal Year 2023

Market value	\$11,443,796,948
Debt limit (15% of market value)	1,716,569,542
Debt applicable to the limit	
General obligation bonds	427,615,000
Less amount set aside for repayment of general obligation debt	<u>(4,782,805)</u>
Total net debt applicable to the limit	<u>422,832,195</u>
Legal debt margin	<u>\$ 1,293,737,347</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	City of North St. Paul			Total ISD No. 622 Population (3)	School Enrollment (4)	Ramsey County Unemployment Rate (5)
	Population (1)	Personal Income (1)	Per Capita Personal Income (2)			
2014	11,951	\$ 466,089,000	\$ 39,000	78,239	10,727	4.0 %
2015	12,006	488,211,984	40,664	79,060	10,715	3.5
2016	12,104	337,520,040	27,885	83,540	10,669	3.6
2017	12,069	359,994,132	29,828	82,540	10,480	3.3
2018	12,099	383,223,726	31,674	79,342	10,633	2.7
2019	12,159	382,412,709	31,451	79,394	10,636	3.3
2020	12,161	398,990,249	32,809	83,254	10,563	6.9
2021	12,364	391,370,056	31,654	80,380	10,305	4.1
2022	12,395	392,351,330	31,654	82,900	10,263	2.3
2023	N/A	N/A	N/A	82,068	10,244	2.8

N/A – Not Available

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

Note 2: Unemployment rate for 2023 is as of September 2023.

Sources:

- (1) City of North St. Paul’s ACFR for the year ended December 31, 2022.
- (2) The per capita personal income used is for that of Ramsey County, in which the City of North St. Paul resides.
- (3) Annual school district census and U.S. Census.
- (4) The District.
- (5) Minnesota Department of Employment and Economic Development.

INDEPENDENT SCHOOL DISTRICT NO. 622

Principal Employers
Current Year and Nine Years Ago

Employer	Fiscal Year			
	2023		2014	
	Employees	Rank	Employees	Rank
3M Company	9,500	1	11,000	1
Independent School District (ISD) No. 622	1,567	2	1,500	2
M Health Fairview (formerly HealthEast Care System/St. John's Hospital)	1,473	3	1,500	2
Target Stores	550	4	200	6
Cub Foods	420	5	279	5
Canvas Health, Inc.	300	6	–	–
Berwald Roofing and Sheet Metal	222	7	–	–
REM Ramsey	202	8	–	–
City of Maplewood	188	9	–	–
First Student Charter	175	10	–	–
Home Depot	–	–	–	–
Imation Corporation	–	–	1,500	2
Maplewood Care Center	–	–	200	6
Sears	–	–	145	8
Minnesota Department of Transportation	–	–	131	9
Total	14,597		16,455	
Total ISD No. 622 population (see the Schedule of Demographic and Economic Statistics)	82,068		78,239	
Percent of principal employers to total ISD No. 622 population	17.8%		21.0%	

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

INDEPENDENT SCHOOL DISTRICT NO. 622

Employees by Classification
Last Ten Fiscal Years

Employees (1)	Fiscal Year			
	2014	2015	2016	2017
District directors/superintendent	7	7	7	7
Supervisors, coordinators, specialists, and technical support	83	92	90	107
Principals and assistant principals	28	23	23	24
Teachers	751	726	715	739
Clerical staff	81	80	74	68
Educational support (paras, EAs, behavior staff, etc.)	416	402	388	440
Engineers, custodians, drivers, and monitors	204	205	201	195
Nutrition services	74	74	75	73
Community education (ABE, building supervisors)	44	41	39	34
Total	<u>1,688</u>	<u>1,650</u>	<u>1,612</u>	<u>1,687</u>

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

Source: The District's Human Resources Department

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
8	8	8	8	9	11
107	126	126	108	130	105
22	23	25	23	23	23
732	746	775	770	715	705
67	64	74	63	64	65
469	430	406	370	341	309
202	177	174	172	178	167
74	72	71	71	73	77
39	36	26	35	34	47
<u>1,720</u>	<u>1,682</u>	<u>1,685</u>	<u>1,620</u>	<u>1,567</u>	<u>1,509</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

Teacher Data
Year Ended June 30, 2023

	Salary Schedule				
	BA	BA + 15	BA + 30	BA + 45	MA
Low range	\$ 42,797	\$ 44,194	\$ 45,592	\$ 46,992	\$ 48,391
High range	\$ 62,351	\$ 65,608	\$ 68,861	\$ 72,111	\$ 75,365
Number of teachers	90	20	15	46	212
Average salary	\$ 67,640				
Average education	MA				
Number of full-time equivalents	705				

N/A – Not Applicable

Source: The District's Human Resources Department

MA + 15	MA + 30	MA + 45	MA + 60	PHD	Total
\$ 49,866	\$ 51,342	\$ 52,819	\$ 54,290	\$ 55,765	N/A
\$ 77,724	\$ 80,080	\$ 82,432	\$ 84,791	\$ 87,147	N/A
46	43	48	181	4	705

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INDEPENDENT SCHOOL DISTRICT NO. 622

Student to Staff Ratios
Last Ten Fiscal Years

Fiscal Year	ISD No. 622 Student to Teacher Ratios (1)	Minnesota Department of Education Student to Staff Ratio (2)			
		ISD No. 622	Washington County Average	Ramsey County Average	State Average
2014	14.28	13.77	13.85	13.60	12.82
2015	14.76	14.31	14.21	13.40	12.56
2016	14.92	14.46	14.42	13.40	12.69
2017	14.18	13.74	13.66	13.40	12.49
2018	14.53	14.10	13.92	13.40	12.45
2019	14.26	13.83	13.72	11.87	12.45
2020	13.63	13.20	N/A	N/A	N/A
2021	13.38	13.00	N/A	N/A	N/A
2022	14.35	13.91	N/A	N/A	N/A
2023	14.53	14.07	N/A	N/A	N/A

N/A – Not Available

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

Source: Minnesota Department of Education

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	Fiscal Year			
	2014	2015	2016	2017
Standardized tests				
MCA Reading (1)				
Grade 3	53 %	58 %	55 %	53 %
Grade 5	64	64	64	64
Grade 7	44	46	50	47
Grade 10	57	56	53	59
MCA Math (1)				
Grade 3	71	75	70	67
Grade 5	64	65	61	64
Grade 7	51	52	52	53
Grade 11	49	49	50	48
ACT				
Average composite score	N/A	N/A	19.7	20.1
Graduation data				
ISD No. 622's graduation rate	81	83	82	82
State graduation rate	81	82	82	83

N/A – Not Available

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

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

2018	2019	2020	2021	2022	2023
52 %	46 %	N/A	32 %	33 %	37 %
66	63	N/A	46	48	42
46	45	N/A	39	23	29
62	58	N/A	53	51	50
65	50	N/A	34	44	46
59	55	N/A	26	30	28
45	44	N/A	25	18	20
49	50	N/A	39	24	21
19.5	19.0	21.3	20.0	17.7	17.5
85	84	83	81	84	N/A
83	84	84	83	84	N/A

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INDEPENDENT SCHOOL DISTRICT NO. 622

School Facilities
as of June 30, 2023

Facility	Use	Constructed	Acres	Square Footage	Capacity	Enrollment (1)
Carver Elementary	School	1960–1996–2000–2022	10	145,642	980	839
Castle Elementary	School	1969–1988–2019	10	74,604	646	538
Cowern Elementary	School	1953–1958–1962–2004–2022	12	53,091	468	385
Justice Alan Page Elementary	School	2022	17	112,622	802	782
Richardson Elementary	School	1954–1966–2004–2019	8	80,773	646	561
Eagle Point Elementary	School	2022	20	112,622	802	752
Weaver Elementary	School	1967–1969	16	44,850	468	460
District Education Center (DEC)	School/Office	1967–1999	1	91,900	N/A	N/A
Gladstone Community Education Center	Early Child/ Adult Ed	1951–1955–1957–1961	5	43,803	N/A	–
Beaver Lake Education Center	Early Child/ Pre-K	1940–1951–1962–2013	10	37,048	N/A	7
Harmony Learning Center	Special Ed/ Adult Ed/ Care and Treatment	1962–1992–2000	9	40,555	N/A	44
John Glenn Middle	School	1962–1967–1977–1988–2022	12	235,287	1,530	963
Skyview Middle	School	1996–2022	50	226,544	1,530	983
North High	School	1997–2022–2023	23	292,729	1,809	1,549
Tartan High	School	1971–1976	46	259,700	1,575	1,628
Polar Arena	Ice Arena	1969–1970–1975	N/A	32,827	N/A	N/A
Tartan Arena	Ice Arena	1996	N/A	64,816	N/A	N/A
Webster Education Center	Under Renovation	1964–1966	8	43,775	N/A	N/A

N/A – Not Available

(1) Enrollment data from October 16, 2023.

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

INDEPENDENT SCHOOL DISTRICT NO. 622

Food Service
School Lunch Program Data
Last Ten Fiscal Years

Fiscal Year	Total Lunches Served	Days	Average Daily Participation	Free Lunch	
				Number Served	Percent of Total
2014	1,258,602	169	7,447	591,275	46.98 %
2015	1,318,624	173	7,622	624,210	47.34
2016	1,320,613	172	7,678	624,498	47.29
2017	1,287,654	172	7,486	629,546	48.89
2018	1,267,024	170	7,453	602,634	47.56
2019	1,232,355	166	7,424	585,728	47.53
2020	1,107,654	208	5,325	661,606	59.73
2021	945,437	172	5,497	861,622	91.13
2022	1,058,578	172	6,155	1,058,578	100.00
2023	1,097,264	167	6,570	605,381	55.17

Source: The District's Food Service Department

Reduced-Price Lunch	
<u>Number Served</u>	<u>Percent of Total</u>
137,725	10.94 %
154,099	11.69
173,808	13.16
168,921	13.12
202,397	15.97
202,166	16.40
144,542	13.05
—	—
—	—
159,732	14.56

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INDEPENDENT SCHOOL DISTRICT NO. 622

Student Enrollment
Last Ten Fiscal Years

Year Ended June 30,	Average Daily Membership (ADM) (for Students Served or Tuition Paid)					Total Pupil Units
	Pre-Kindergarten and Handicapped Kindergarten	Kindergarten	Elementary	Secondary	Total	
2014	189.04	662.05	4,499.22	5,376.75	10,727.06	12,501.65
2015	201.93	641.06	4,497.53	5,374.84	10,715.36	11,790.31
2016	221.12	625.09	4,534.08	5,288.64	10,668.93	11,726.67
2017	273.72	569.58	4,430.34	5,206.78	10,480.42	11,521.79
2018	352.61	594.81	4,474.14	5,211.11	10,632.67	11,674.89
2019	391.38	608.30	4,443.69	5,192.62	10,635.99	11,674.52
2020	383.65	623.02	4,366.01	5,189.93	10,562.61	11,600.60
2021	333.71	562.22	4,212.26	5,197.22	10,305.41	11,344.87
2022	370.18	564.73	4,216.49	5,111.75	10,263.15	11,285.50
2023	444.03	581.15	4,227.63	4,991.06	10,243.87	11,242.08

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

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

	Pre-Kindergarten	Handicapped Kindergarten	Half-Day Kindergarten	Full-Day Kindergarten	Elementary 1-3	Elementary 4-6	Secondary
Fiscal 2014	1.250	1.000	0.612	0.612	1.115	1.060	1.300
Fiscal 2015 through 2023	1.000	1.000	0.550	1.000	1.000	1.000	1.200

Source: Minnesota Department of Education student reporting system

INDEPENDENT SCHOOL DISTRICT NO. 622

Expenditures per Student
Last Ten Fiscal Years

	Fiscal Year			
	2014	2015	2016	2017
Expenditures per student (ADM) (1)				
General Fund				
District level administration	\$ 522	\$ 574	\$ 541	\$ 601
School level administration	505	491	472	491
Regular instruction	5,058	5,082	5,009	5,004
Career and technical instruction	209	231	228	238
Special education	2,161	2,235	2,408	2,445
Student activities/athletics	218	226	242	247
Instructional support services	519	462	443	468
Pupil support services	302	296	254	277
Operations, maintenance, and other	849	865	826	850
Student transportation	667	706	664	751
Capital expenditures	533	508	379	1,114
Total General Fund expenditures	<u>\$ 11,543</u>	<u>\$ 11,676</u>	<u>\$ 11,466</u>	<u>\$ 12,486</u>
ADM used per profile model format	<u>11,253</u>	<u>11,212</u>	<u>11,140</u>	<u>10,933</u>

N/A – Not Available

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

Source: Minnesota Department of Education School District Profiles Report

	2018	2019	2020	2021	2022	2023
\$	616	\$ 664	\$ 780	\$ 807	\$ 855	N/A
	507	513	548	610	706	N/A
	5,191	5,329	5,619	5,937	6,152	N/A
	259	259	293	301	357	N/A
	2,457	2,789	2,924	3,144	3,339	N/A
	252	250	249	224	273	N/A
	529	548	520	893	682	N/A
	305	343	376	422	571	N/A
	888	920	904	1,010	1,154	N/A
	735	748	798	653	830	N/A
	1,165	1,007	1,142	800	786	N/A
\$	12,904	\$ 13,370	\$ 14,153	\$ 14,802	\$ 15,705	N/A
	11,064	11,004	10,845	10,438	10,553	N/A

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