

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859**

**FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2022



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INDEPENDENT SCHOOL DISTRICT NO. 2859
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INTRODUCTORY SECTION

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
BOARD OF EDUCATION AND ADMINISTRATION
JUNE 30, 2022**

BOARD OF EDUCATION

NAME	TERM ON BOARD EXPIRES	BOARD POSITION
Jason Lindeman	January 2, 2023	Chairperson
Alicia Luckhardt	January 2, 2023	Vice Chairperson
Clark Christianson	January 2, 2025	Treasurer
Donna VonBerge	January 2, 2025	Clerk
Jamie Alsleben	January 2, 2025	Director
Jonathan Lemke	January 2, 2023	Director

ADMINISTRATION

Christopher Sonju	Superintendent of Schools
Michelle Sander	Business Manager

District Office:	Independent School District No. 2859 Glencoe-Silver Lake Public Schools 1621 E. 16 th Street Glencoe, MN 55336 (320) 864-2491
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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Education
Independent School District No. 2859
Glencoe, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Independent School District No. 2859 (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Summarized Comparative Information

We have previously audited the District's 2021 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities and each major fund in our report dated September 20, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule – General Fund, budgetary comparison schedule – Food Service Fund, budgetary comparison schedule – Community Service Fund, schedule of changes in the District's total OPEB liability and related ratios, schedule of the District's proportionate share of the net pension liability, and the schedule of District contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The uniform financial accounting and reporting standards compliance table and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the uniform financial accounting and reporting standards compliance table and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

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

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Austin, Minnesota
September 7, 2022

REQUIRED SUPPLEMENTARY INFORMATION

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

This section of Glencoe-Silver Lake Public Schools – Independent School District No. 2859's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2022. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

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

- The District has been able to maintain a positive fund balance in all funds.
- The net position of the District increased by \$1,600,372 during the year ended June 30, 2022.
- The fund balance in the General Fund decreased to \$5,463,800 compared to \$5,640,565 at June 30, 2021.
- The ending fund balance within the General Fund remains above the fund balance policy set by the board.
- General Fund restricted accounts having fund balances at June 30, 2022 included Staff Development, Operating Capital, Student Activities, Gifted and Talented, Teacher Development and Evaluation, LTFM, and Safe Schools.
- Fund balance in Fund 02 Food Service and Fund 04 Community Service all showed increases in fund balances compared to prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

District-Wide Statements

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

The two district-wide statements report the District's *net position* and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and 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 an indicator of whether its financial position is improving or deteriorating, respectively.

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

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

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

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

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

The District has two kinds of funds:

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

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

District-Wide Statements (Continued)

- *Fiduciary funds* – The District is a trustee, or custodian, for assets that belong to others, such as the scholarship funds. The District is responsible for ensuring that the assets reported in these funds are used for only their intended purposes and by those to whom the assets belong. All the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's *combined* net position was (\$1,720,977). This was a 48.18% increase from the prior year. (See Table A-1.)

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

	Governmental Activities as of June 30,		Percent Change
	2022	2021	
ASSETS			
Current and Other Assets	\$ 12,473,209	\$ 12,322,259	1.23 %
Capital Assets	31,365,465	31,321,443	0.14
Total Assets	43,838,674	43,643,702	0.45
DEFERRED OUTFLOWS OF RESOURCES	4,617,276	5,205,963	(11.31)
LIABILITIES			
Current Liabilities	2,927,982	2,848,165	2.80
Long-Term Liabilities	30,596,150	35,947,089	(14.89)
Total Liabilities	33,524,132	38,795,254	(13.59)
DEFERRED INFLOWS OF RESOURCES	16,652,795	13,375,760	24.50
NET POSITION			
Net Investment in Capital Assets	8,820,988	7,884,897	11.87
Restricted	1,990,846	1,936,748	2.79
Unrestricted	(12,532,811)	(13,142,994)	(4.64)
Total Net Position	<u>\$ (1,720,977)</u>	<u>\$ (3,321,349)</u>	(48.18)

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Position

The District's total revenues were \$24,451,230 for the year ended June 30, 2022. Property taxes and state formula aid accounted for 69% of total revenues for the year. The remaining 31% came from other general revenues combined with investment earnings and program revenues.

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

	Governmental Activities for the Fiscal Year Ended June 30,		Percent Change
	2022	2021	
REVENUES			
Program Revenues:			
Charges for Services	\$ 950,250	\$ 636,952	49.19 %
Operating Grants and Contributions	6,026,279	5,992,212	0.57
Capital Grants and Contributions	399,093	426,406	(6.41)
General Revenues:			
Property Taxes	4,080,246	3,978,717	2.55
Unrestricted State Aid	12,886,536	11,854,463	8.71
Investment Earnings	(30,316)	188,726	(116.06)
Other	139,142	134,045	3.80
Total Revenues	<u>24,451,230</u>	<u>23,211,521</u>	5.34
EXPENSES			
Administration	905,140	985,949	(8.20)
District Support Services	349,349	402,822	(13.27)
Regular Instruction	9,607,336	10,389,275	(7.53)
Vocational Education Instruction	259,394	284,564	(8.85)
Special Education Instruction	3,700,855	3,580,811	3.35
Instructional Support Services	1,272,209	1,024,098	24.23
Pupil Support Services	1,827,493	1,706,200	7.11
Sites and Buildings	1,846,414	2,193,917	(15.84)
Fiscal and Other Fixed Cost Programs	102,657	55,979	83.38
Food Service	1,263,396	967,962	30.52
Community Service	964,615	737,877	30.73
Interest and Fiscal Charges on Long-Term Liabilities	752,000	837,840	(10.25)
Total Expenses	<u>22,850,858</u>	<u>23,167,294</u>	(1.37)
CHANGE IN NET POSITION	1,600,372	44,227	
NET POSITION - BEGINNING	<u>(3,321,349)</u>	<u>(3,365,576)</u>	
NET POSITION - END	<u><u>\$ (1,720,977)</u></u>	<u><u>\$ (3,321,349)</u></u>	

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Position (Continued)

Total revenues surpassed expenses by \$1,600,372, mainly due to an increase in local levy amounts, ESSER related funding and an increase in reimbursement rates from USDA for food service. Activities and Community Education programs also increased due to having students back in person compared to FY21 when a number of activities were cancelled or reduced because of the pandemic.

The cost of all *governmental* activities this year was \$22,850,858. The District's expenses are predominantly related to educating and caring for students.

- \$950,250 of the cost was paid by the users of the District's programs.
- The federal and state governments subsidized certain programs with grants and contributions of \$6,425,372.
- Most of the District's costs, however, were paid for by District taxpayers and the taxpayers of our state.
- This portion of governmental activities was paid for with \$4,080,246 in property taxes and \$12,886,536 in state aid based on the statewide education aid formula. In addition, the District earned additional revenues of \$108,826 related to investment losses with an offset of other general revenues.

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

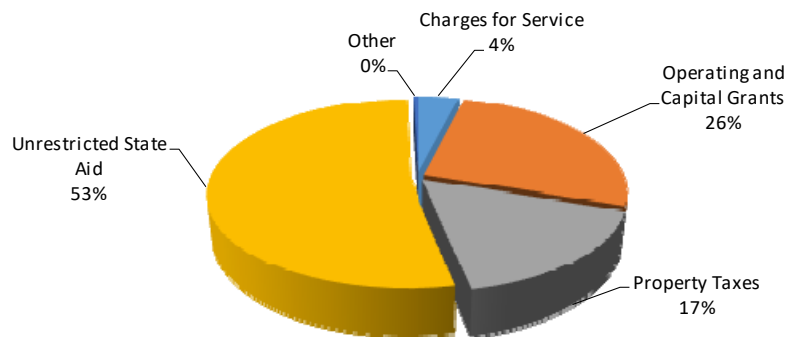
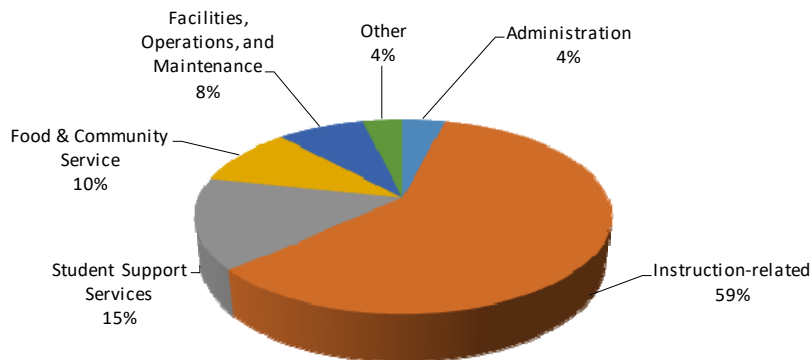


Figure A-2 District Expenses for Fiscal 2022



**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

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

	Total Cost of Services		Percent Change	Net Cost of Services		Percent Change
	2022	2021		2022	2021	
Administration	\$ 905,140	\$ 985,949	(8.20)%	\$ 936,255	\$ 962,336	(2.71)%
District Support Services	349,349	402,822	(13.27)	349,349	402,822	(13.27)
Regular Instruction	9,607,336	10,389,275	(0.08)	7,654,521	8,380,958	(8.67)
Vocational Education Instruction	259,394	284,564	(8.85)	249,096	275,478	(9.58)
Special Education Instruction	3,700,855	3,580,811	3.35	1,386,569	1,343,124	3.23
Instructional Support Services	1,272,209	1,024,098	24.23	738,701	436,105	69.39
Pupil Support Services	1,827,493	1,706,200	7.11	1,745,590	1,530,482	14.05
Sites and Buildings	1,846,414	2,193,917	(15.84)	1,439,490	1,698,874	(15.27)
Fiscal and Other Fixed Cost Programs	102,657	55,979	83.38	102,657	55,979	83.38
Food Service	1,263,396	967,962	30.52	(45,022)	70,204	(164.13)
Community Service	964,615	737,877	30.73	166,030	117,522	41.28
Interest and Fiscal Charges on Long-Term Liabilities	752,000	837,840	(10.25)	752,000	837,840	(10.25)
Total	<u>\$ 22,850,858</u>	<u>\$ 23,167,294</u>	(1.37)	<u>\$ 15,475,236</u>	<u>\$ 16,111,724</u>	(3.95)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a *combined* fund balance of \$6,564,465, which is less than last year's ending fund balance of \$6,623,460. Most of the decrease in the fund balance relates to inflation, supply chain shortages, increased product costs, along with transportation fuel costs and utility rate increases. The District also held all classes in person for the full year compared to hybrid and distance learning the previous year.

GENERAL FUND

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

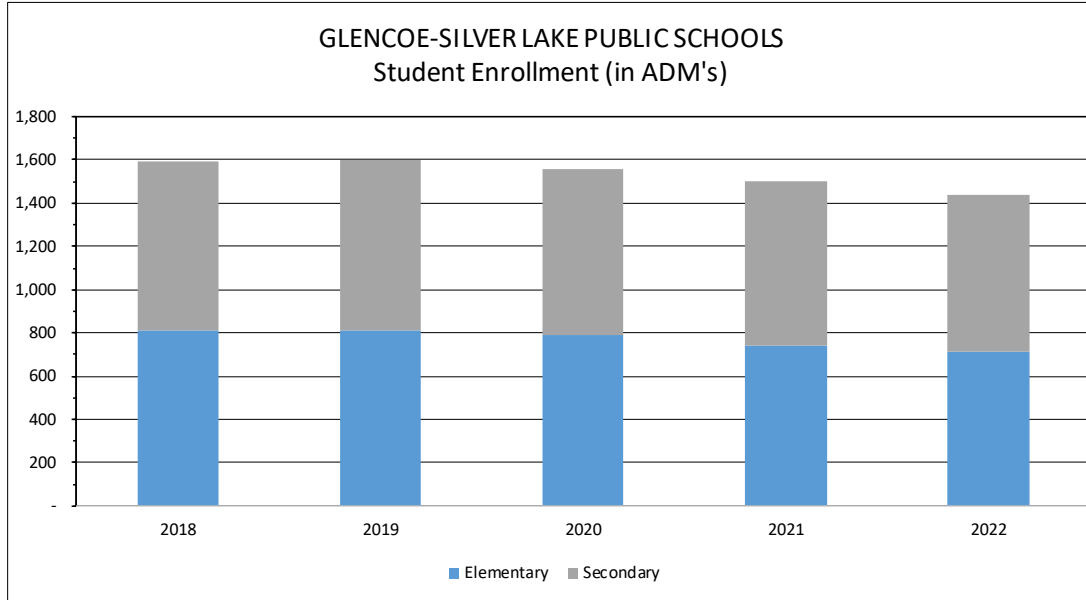
Table A-4 and Figure A-3 show the average daily membership for the last five years.

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

	2018	2019	2020	2021	2022
Elementary	811	813	788	739	716
Secondary	780	784	769	765	721
Total Students for Aid	<u>1,581</u>	<u>1,591</u>	<u>1,556</u>	<u>1,504</u>	<u>1,437</u>
Percent Change	1.35 %	0.63 %	(2.18)%	(3.38)%	(4.42)%

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

GENERAL FUND (CONTINUED)



The following schedule presents a summary of General Fund revenues.

**Table A-5
General Fund Revenues**

	Year Ended		Change	
	June 30, 2022	June 30, 2021	Increase (Decrease)	Percent Change
Local Sources:				
Property Taxes	\$ 2,725,292	\$ 2,595,243	\$ 130,049	5.0 %
Earnings on Investments	(32,502)	29,401	(61,903)	(210.5)
Other	794,092	521,751	272,341	52.2
State Sources	14,692,477	15,170,393	(477,916)	(3.2)
Federal Sources	2,500,918	1,550,794	950,124	61.3
Total General Fund Revenue	<u>\$ 20,680,277</u>	<u>\$ 19,867,582</u>	<u>\$ 812,695</u>	4.1

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

GENERAL FUND (CONTINUED)

Revenues from state and federal sources totaled \$17,193,395 a net increase of \$472,208. Total General Fund revenues increased by \$812,695, or 4.1%, from the previous year. Property tax revenue increased by \$130,049 or 5.0% from the prior year. Basic general education revenue is determined by a state per student funding formula and consists of an equalized mix of property tax and state aid revenue. Other state-authorized revenue includes excess levy referendum and equity aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net change in revenues.

The \$477,916 decrease in state sources for fiscal 2022 is mainly attributable to a decrease in enrollment that was partially offset by the increase in general education aid.

Federal funds increased by \$950,124 which is related to Federal revenues received in response to the COVID-19 pandemic.

The following Table A-6 represents a summary of General Fund expenditures.

**Table A-6
General Fund Expenditures**

	Year Ended		Amount of Increase (Decrease)	Percent Increase (Decrease)
	June 30, 2022	June 30, 2021		
Salaries	\$ 11,080,714	\$ 10,432,847	\$ 647,867	6.2 %
Employee Benefits	3,196,164	3,004,013	192,151	6.4
Purchased Services	4,035,491	3,875,995	159,496	4.1
Supplies and Materials	1,547,303	1,505,462	41,841	2.8
Capital Expenditures	540,438	615,694	(75,256)	(12.2)
Debt Service Expenditures	227,960	265,601	(37,641)	(14.2)
Other Expenditures	232,178	169,209	62,969	37.2
Total General Fund Expenditures	<u>\$ 20,860,248</u>	<u>\$ 19,868,821</u>	<u>\$ 991,427</u>	5.0

Total General Fund expenditures increased by \$991,427 or 5.0% from the previous year. The main reason for this increase was related to the use of the COVID-19 Pandemic ESSER dollars that the District received. This money was dedicated to HAVAC equipment for air quality, technology and for staffing along with after school programs and summer school programs.

The total fund balance of the General Fund decreased to \$5,463,800 at June 30, 2022 compared to \$5,640,565 at June 30, 2021, a total decrease of \$176,765.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

GENERAL FUND (CONTINUED)

The School Board and administration have worked extremely hard in monitoring the budget and controlling the spending of the school district. The fund balance policy is reviewed annually by the Business Manager, Superintendent, and School Board. The fund balance policy clarifies to ensure the financial strength and stability of the District. The Board will endeavor to maintain a minimum of 20% of the District's General Fund operating budget, excluding those accounts associated within the restricted category, in the combined total of the General Fund committed, assigned and unassigned fund balances.

The June 30, 2022, ending unassigned and nonspendable General Fund balance, which includes Fund 01 and Fund 10, is \$3,891,244 and is at 23.23% of expenditures per MDE's statutory operating debt (SOD) calculation based on \$18,469,118 of unassigned expenditures.

General Fund Budgetary Highlights

When budget changes are adopted by the Board they fall into one of the following categories:

- Adjusting for changes in pupil enrollment including revenue and potential staff additions
- Adjustments for utility consumptions and costs or building repairs or maintenance
- Transportation costs
- Implementing budgets for specially funded projects (Health and Safety), and projects which include both federal and state grants
- Special education
- Legislative changes

During fiscal year 2022, the General Fund revenues budgeted were \$20,599,975. Actual revenues received were \$20,680,277. During fiscal year 2022, General Fund revenues were over budgeted amounts by \$80,302. Some of the variances included other revenues which exceeded budgeted amounts by \$111,192, property taxes which exceed budgeted amounts by \$92,536, which were partially offset by State sources ending the year \$77,951 under budget and earning on investments ending the year \$42,502 under budget.

The expenditure budget was \$20,877,339. Actual expenditures in the General Fund were \$20,860,248. The General Fund expenditures were under budget by \$17,091.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

OTHER MAJOR FUNDS

Food Service Fund

The Food Service Fund experienced an increase of \$79,178 leaving the fund balance at \$345,836. The 2021-2022 school year was the fifth year of a five-year contract with Chartwell's. The District did seek bids beginning with the FY23 school year and Chartwell's was awarded the bid. The increase in fund balance was related to students being back in the district full-time following the Pandemic and the fact that the federal government increased the reimbursement rates to schools. All meals were offered free for the 2021-2022 school year to all students without having to complete the application for educational benefits. The offset from the government was to increase the rate reimbursement. The district also received \$29,824 in supply chain assistant funds to offset the cost related to supply chain shortages and increased food costs.

Chartwell's has worked extremely well with the District to increase our food service offerings as well as provide a healthy menu that meets the dietary requirements and stay within the budget. The District continues to offer a free breakfast program for all K-12 students, a milk and snack break for K-6 students and an after-school snack program for students involved in an after school activity and a free 6 week summer food service program.

Community Service

The Community Service Fund fund balance increased from \$395,489 at June 30, 2021 to \$423,810 at June 30, 2022. From the standpoint of maintaining current operating expenditures within the range of annual revenues, the Community Service Fund continues to operate on a sound financial basis. The Community Service Fund consists of Community Education, School Readiness, Early Childhood Family Education, and Pre-School Screening and Nonpublic Education. All of these programs are providing a service to varying levels of the community.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2022, the District had invested in a broad range of capital assets, including school buildings, athletic facilities, vehicles; computer and audio-visual equipment (see Table A-7). Total depreciation/amortization expense for the year was \$1,117,638. Additions for the year were less than the depreciation/amortization expense causing total net capital assets to decrease. Overall accumulated depreciation/amortization increased due to current depreciation/amortization expense exceeding disposals.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

**Table A-7
Capital Assets**

	2022	2021	Percent Change
Land	\$ 130,000	\$ 130,000	-
Construction in Progress	-	28,362	(100.0)
Right-to-Use Assets	253,513	-	100.0
Land Improvements	2,420,240	2,336,610	3.6
Buildings and Improvements	36,565,502	36,248,096	0.9
Equipment	5,755,677	5,284,735	8.9
Less: Accumulated Depreciation/Amortization	(13,759,467)	(12,706,360)	8.3
Total District Capital Assets	<u>\$ 31,365,465</u>	<u>\$ 31,321,443</u>	0.1

Long-Term Liabilities

At year-end, the District had \$21,590,000 in general obligation bonds, \$233,785 in lease purchases payable, and \$194,797 in lease liability, as shown in Table A-8. The District also had \$357,568 in severance benefits payable at June 30, 2022 (more detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements).

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

	2022	2021	Percent Change
General Obligation Bonds	\$ 21,590,000	\$ 22,245,000	(2.9)%
Net Bond Premium and Discount	525,895	666,941	(21.1)
Lease Liability	194,797	140,942	38.2
Lease Purchase Payable	233,785	383,663	(39.1)
Compensated Absences Payable	357,568	301,726	18.5
Total Long-Term Liabilities	<u>\$ 22,902,045</u>	<u>\$ 23,738,272</u>	(3.5)
Long-Term Liabilities:			
Due Within One Year	\$ 911,192	\$ 870,868	
Due in More Than One Year	21,990,853	22,867,404	
Total	<u>\$ 22,902,045</u>	<u>\$ 23,738,272</u>	

The majority of the change in the long-term liabilities relates to principal payments being made on the general obligation bonds and the lease purchase payable.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

FACTORS BEARING ON THE DISTRICT'S FUTURE

- Enrollment continues to be the largest concern for the district. Enrollment numbers continue to decrease. FY22 saw a 4.42% decrease. Estimated decrease in enrollment for FY23 is 5%. The District has been able to offset the drop in enrollment and maintaining smaller class sizes by utilizing ESSER dollars to cover staffing at the Elementary level to stay at five sections per grade. With the continued loss in enrollment the District will be forced to look at staff reductions for FY24.
- Minnesota school districts are paid based on pupil units served. A decline or increase in enrollment results in variable revenue that is received for operations. The District enrollment for 2018-2019 ended at 1,597 Adjusted Pupil Units compared to 1,591 in 2017-2018. Enrollment for the 2019-2020 school year showed a decrease of 2.55%. Enrollment ended at 1,566. Enrollment for the 2020-2021 ended at 1,504 and enrollment for 2021-2022 ended at 1,437. As you can see the steady decline in enrollment, this will continue to be a concern for the district for future planning for staff. Estimated enrollment for 2022-2023 is 1,362.
- Compensatory Revenue continues to be an area of concern. During the 2021-2022 school year, all students received free lunches due to the effects of the pandemic. Because all students were determined to be free, families did not complete the Application for Educational Benefits. Because the Free and Reduced numbers for a district determines the funding for compensatory revenue, the amount of compensatory revenue dropped. In the FY20 school year, the district received \$602,669 in Compensatory Revenue. For the FY21 school year, the district received \$552,574 and received \$401,437 for the FY22 school year. Lunches will no longer be free for FY23 and parents will once again have to complete the Application for Educational Benefits to qualify for free lunches. We predict that this program will be utilized at a higher level for FY23 so therefore we should see the number of families that qualify for Free and Reduced lunch numbers increase, therefore increasing the percent to generate additional compensatory funds for FY24.
- With the completion of the 2021 Legislative Session, the formula allowance per pupil unit was increased by 2.45% for the 2021-2022 school year and 2% for the 2022-2023 school year. The basic formula allowance changes from \$6,567 in the 2020-2021 school year to \$6,728 for the 2021-2022 school year and \$6,863 for the 2022-2023 school year. These increases are also linked to other revenues that are linked to the formula allowance. Compensatory, sparsity aid, nonpublic transportation and ECFE. This increase certainly helps the district but does keep up with the high rates of inflation and the costs of increased salaries and benefits. There was no Legislative action with the 2022 session. No changes to funding or increases in the formula allowance were made even though the State had a surplus fund balance of over \$9 billion dollars. The 2022 session resulted in a contentious political battle with no bills passed to help school districts.
- The Pathway II funding is continued for FY23 at the 2017 funding level. Established priority for children who have a parent under age 21 and who is pursuing a high school diploma, children that are in foster care or protective services and any child that is homeless. The amount the district receives is \$37,500 which is part of the School Readiness program in Fund 04.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

FACTORS BEARING ON THE DISTRICT'S FUTURE (CONTINUED)

- The ECFE funding increase that is linked to the general education formula allowance increases the allowance from to \$154.74 for FY22 and \$157.85 for FY23.
- School Building Bond Agriculture Credit – Agriculture classified land will receive a 40% credit on the property that is attributable to a school district's bonded debt for taxes payable beginning in 2018. The District started receiving the credits through the State IDEAS payment system after July 1, 2018 for the 2018-2019 school year. Legislators have now increased the Ag Credit to 50% with the Pay 2020 levy, 55% in Pay 21, 60% in Pay 22 and 70% in Pay 23 and after. This will have a huge tax relief impact on our agriculture property owners as it affects all of the districts building bond and abatement bond debt. The estimated credit for FY23 is \$305,447 that will go back to agriculture property owners.
- The Administration and School Board continue to work on plans for improving the school facilities. In December of 2012, the School Board approved to move forward with building a 5,000 square foot Early Childhood Learning Center as an addition to the Lincoln Junior High Building. The Review and Comment Plan was submitted to the Minnesota Department of Education and final approval was received in June of 2013. The building houses the Early Childhood Special Education, (ECSE), the Early Childhood Family Education (ECFE), and the School Readiness (SR) programs. Along with office space, Director's office, Speech teacher office and a large motor room that could also be utilized as a classroom. Remodeling of the main level Lincoln restrooms and old kitchen area were included in the project plans. Total project costs are \$1,966,909. The Board moved forward with a 10-year lease levy option for \$1,375,000 that will be spread to the taxpayers over the 10-year period. The additional cost of the project was paid by district funds. The project was completed in January of 2014 and students and staff began using the facility at that time.
- After two failed building referendums in 2011, the School Board voted to hold a special election on May 12th, 2015 asking the voters to approve a building bond referendum for \$24,190,000. The ballot question was to authorize the District to issue bonds to provide funds to relocate grades K-2 to the existing Lincoln building, repurpose current program space, construction of new space between the current Lincoln and High school buildings and to complete window upgrades at the Lakeside building. The election was successful with 1,534 yes votes and 908 no votes. The election was successful in the Brownton, Glencoe, Plato, and Silver Lake precincts and failed in the New Auburn precinct.
- The District sold the bonds on July 13, 2015 with a closing date of August 13, 2015, in the amount of \$23,695,000 with a bond obligation of 29.5 years. \$24,111,934 was wired to Security Bank on behalf of the District and was invested in a guaranteed money market investment account at .77% earnings. Ehlers and Associates was the financial institute that handled the sale of the bonds. All transactions related to the building project were accounted for in Fund 06, Building Construction Fund to be in compliance with state, federal, and UFARS accounting procedures.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

FACTORS BEARING ON THE DISTRICT'S FUTURE (CONTINUED)

- The building construction project got underway in May of 2016. The project was divided into three separate bid packages. Bid package #1 was the civil package containing the ground and utility work, bid package #2 was the majority of the construction and bid package #3 was the boiler room equipment. The District utilized ARY Architects and Donlar Construction as the construction management company. All construction activity was tracked using Fund 06 and the debt for the project will be posted to Fund 07. The majority of the project was completed at the start of the 2018 school year. Additional punch list items continued until December of 2018. The project did come in over budget by \$1.8 million. The District will utilize a combination of LTFM, Operating Capital and Internal Service Funds to pay off the balance of the project after the construction checking account is depleted. As of June 30, 2018, \$1,815,234 was shown as a negative balance in the Fund 6 construction account. This amount accounts for all construction in progress and amounts payable.
- At the close of FY19, June 30 the project was closed with only one possible outstanding invoice. Transfers were made utilizing the Operating Capital Fund, Internal Service Fund, and LTFM Revenue to eliminate the negative fund balance in Fund 06.
- At the September 14, 2015 School Board meeting, the Board also held a public hearing and approved a motion to move forward with the sale of the Helen Baker Building. The sale of the Helen Baker building was completed May 31, 2018. The building was sold for \$2.00 to a local contractor.
- Because of the positive fund balance in both unassigned General Fund and operating capital, a number of building and grounds projects have been completed. The facility committee has been active in addressing the deferred maintenance, health and safety, and operating capital plans and outlining the projects to be completed. Having a positive fund balance again has proven to be a very positive reinforcement for the District, the staff and the community. Facility upgrades will continue to take place as long as the projects stay within our budget means.
- During the summer of 2012, the field house gym floors in gym 1 and gym 2 were completely replaced with a wood performance floor at a cost of \$120,000. The field house was also completely re-painted. The Board also approved the replacement of windows and doors on the Lincoln building and the north entrance doors and windows to the high school. The cost of this project was \$520,000.
- During the summer of 2013, additional projects were completed. In addition to the new Early Childhood Learning Center and remodeling that was started, an extension to the garage east of the high school was completed along with new cement and asphalt. A new track surface was installed at the Athletic Complex for \$124,900. Additional playing fields were added west of the Athletic Complex stadium at a cost of \$70,000.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

FACTORS BEARING ON THE DISTRICT'S FUTURE (CONTINUED)

- During the summer of 2014, a new tennis court complex was developed in the north athletic complex. The old 8 courts were demolished and 12 new courts were put in place at a cost of \$693,000. Along with the construction of the courts, lights were installed on the front three courts at a cost of \$61,000. This portion of the project was funded through the Panther Association over a five-year period. The District pursued a \$50,000 lease lighting agreement with the local Glencoe Light and Power similar to the agreement that had been worked out with the football field lights. The lease for the lights was paid off as of June 30, 2018. The football field light lease was paid in full in August of 2014. The football field lights were re-lamped during the summer of 2014 as part of the original warranty. A partial repair and replacement was made to the Field House roof along with new asphalt surfacing in the Lincoln parking lot.
- During the summer of 2015, the District started the replacement of the hallway hall tile at the high school. This project is part of the deferred maintenance schedule and will be phased in over a two or three-year plan. The first phase was \$25,346. During the summer of 2016, another section of hallway tile was completed for \$50,670. During the summer of 2017, another section of hallway tile was completed for \$49,502. In 2018 and 2019, two more sections of hallway tile were completed. The final hallway was completed in 2021. Also completed in 2015 was a special education room remodel in the Lakeside Elementary building for \$48,115. This was funded using federal special education funds. Cement work at the Lakeside site was also completed at a cost of \$11,364. Tuck-pointing was completed at the high school for \$27,770 and \$24,800 was spent in tuck-pointing at the Lakeside building in 2016. The high school gym and hallways were painted in 2016 for a cost of \$9,840. The District spent \$48,470 in painting upgrades during the summer of 2017 in the Lincoln Elementary and at the High School. The District also spent \$44,000 to remodel a special education bathroom for the new Lincoln Elementary in the summer of 2017. The District continues to maintain a fund balance in the operating capital fund while addressing the needs of the District and the building sites.
- Part of the building project included window and door replacement on the Lakeside building. As part of that project, the District decided to move forward with the doors and the windows at the high school in conjunction with the Lakeside project to get better pricing and to get the high school project completed to match the new construction. The total cost of this project is \$511,600. \$260,000 will be paid out of the construction account with the remainder of the amount coming out of LTFMR and Operating Capital. This was completed in 2017.
- In June of 2019, the District sold \$1,035,000 in General Obligation Tax Abatement Bonds for the purpose of parking lot upgrades at the high school and at Lakeside Elementary in Silver Lake. The project was bid and awarded to Duininck Construction for a bid price of \$965,768.00. There were six bidders for the project. AJA (Anderson-Johnson Associates) was the design engineer for the project. Work was started in June of 2019 and completed in September of 2019. The project is recorded in Fund 06 – Construction Fund.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

FACTORS BEARING ON THE DISTRICT'S FUTURE (CONTINUED)

- During the summer of 2019, the pool at the school was drained for work to be completed in the pool including step replacements, replacement of the gaskets around the lights, acid washing the pool, and painting of the poolroom walls and tile.
- During the summer of 2020, the parking lot in front of the high school, the bus lane and the west parking lot by the Lincoln building was seal coated, and restriped. Cement work was completed in front of the Lincoln building and the front of the Lakeside building.
- A new dust collection system was installed in the high school wood shop during the summer of 2020. One set of bathrooms were remodeled at Lakeside along with new ceilings and lights in three classrooms at Lakeside.
- During the summer of 2020 and 2021 and 2022 bathroom remodels at the high school and Lakeside have been completed, hallway lights and ceilings at Lakeside and ceiling lights and tile at the high school and at Lakeside. The cafeteria floor at Lakeside was painted and additional cement work at the high school and a parking area for the athletic complex east of the ball fields was completed. Also completed in 2021 were the addition of five windows in the field house for \$17,223.
- Additional projects completed during the 2021-2022 school year including a new front canopy at the high school for \$142,125. 22 new unit-vents were installed at Lakeside, cement work by the high school and early learning childhood center, track resurfacing for \$60,960 seal coating the parking area around the athletic complex for \$55,938 and flooring replacement in the field house lobby. The last stage of the auditorium stage lighting was also completed along with Phase 1 of high school lockers for \$62,520.00.
- Some of the future projects for FY23 utilizing LTFM funds will include seal coating the new high school parking lot and the parking lot at Lakeside Elementary, bathroom remodel at Lincoln Elementary and the high school and to continue with the ceiling replacements at Lakeside.
- As of September 2022, all contract negotiations have been completed with all groups and or individuals. The Union contracts for teachers and local 284 will expire at June 30, 2023 and will need to be renegotiated.
- The District continues to contract with the South West/West Central Service Cooperative – Region 4 (the Coop) for a number of services including finance, payroll, and student assistance (MARRS) and Special Education. The Coop also offers a Special Education Level IV Program in Cosmos that our district is able to use for a limited number of students that require additional services when we are unable to meet their needs. This poses an additional transportation cost for the District but allows us to be in compliance with state and federal regulations regarding the individual learning plans for students. With all the changes in Special Education, including the statewide tuition billing, this continues to be a difficult area to monitor in the budget. The Coop continues to be a great resource for the District to be able to be a part of to assist in all of these areas of budget and financing.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

FACTORS BEARING ON THE DISTRICT'S FUTURE (CONTINUED)

- Glencoe-Silver Lake Public Schools is a very stable district with strong community support. The District provides a full range of public education services for Pre-school through grade 12. Food service and transportation are provided as supporting programs. The District's community education program includes early childhood, school readiness along with adult learning opportunities. The public school also provides some shared time services for the nonpublic schools in the District. There is currently a K-8 Lutheran School in Glencoe.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report contact the District Office, Independent School District No. 2859, 1621 East 16th Street, Glencoe, MN 55336.

BASIC FINANCIAL STATEMENTS

GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
STATEMENT OF NET POSITION
JUNE 30, 2022
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2021)

	Governmental Activities 2022	2021
ASSETS		
Cash and Investments	\$ 8,023,499	\$ 8,469,402
Receivables:		
Property Taxes	2,276,202	2,179,923
Other Governments	2,122,974	1,631,314
Other	22,024	15,876
Inventories	28,510	25,744
Capital Assets:		
Land and Construction in Progress	130,000	158,362
Other Capital Assets, Net of Depreciation/Amortization	31,235,465	31,163,081
Total Assets	<u>43,838,674</u>	<u>43,643,702</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows - Pensions	4,504,479	5,104,175
Deferred Outflows - Other Postemployment Benefits	112,797	101,788
Total Deferred Outflows	<u>4,617,276</u>	<u>5,205,963</u>
LIABILITIES		
Salaries Payable	1,475,731	1,395,947
Accounts and Contracts Payable	136,106	142,472
Accrued Interest	362,001	377,833
Due to Other Governmental Units	54	56
Unearned Revenue	42,898	60,989
Long-Term Liabilities:		
Portion Due Within One Year	911,192	870,868
Portion Due in More Than One Year	21,990,853	22,867,404
Net Pension Liability	7,399,554	11,924,322
Other Postemployment Benefits Liability	1,205,743	1,155,363
Total Liabilities	<u>33,524,132</u>	<u>38,795,254</u>
DEFERRED INFLOWS OF RESOURCES		
Property Taxes Levied for Subsequent Year	4,226,636	4,064,190
Deferred Inflows - Other Postemployment Benefits	287,046	361,459
Deferred Inflows - Pensions	12,139,113	8,950,111
Total Deferred Inflows of Resources	<u>16,652,795</u>	<u>13,375,760</u>
NET POSITION		
Net Investment in Capital Assets	8,820,988	7,884,897
Restricted for:		
General Fund Operating Capital Purposes	977,040	898,029
General Fund State-Mandated Reserves	195,516	332,875
Food Service	345,836	266,658
Community Service	472,454	439,186
Unrestricted	(12,532,811)	(13,142,994)
Total Net Position	<u>\$ (1,720,977)</u>	<u>\$ (3,321,349)</u>

See accompanying Notes to Basic Financial Statements.

(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2021)

GENERAL REVENUES

Property Taxes Levied for:

General Purposes

Community Service

Debt Service

State Aid Not Restricted to Specific Purposes

Earnings on Investments

Miscellaneous

Total General Revenues

CHANGE IN NET POSITION

Net Position - Beginning of Year

NET POSITION - END OF YEAR

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2022
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2021)**

			Major Funds
	General	Food Service	Community Service
ASSETS			
Cash and Investments	\$ 6,217,907	\$ 370,927	\$ 494,240
Receivables:			
Current Property Taxes	1,287,986	-	74,168
Delinquent Property Taxes	17,047	-	1,126
Accounts and Interest Receivable	22,024	-	-
Due from Other Minnesota School Districts	-	-	8,470
Due from Minnesota Department of Education	1,357,696	135	14,077
Due from Federal through Minnesota Department of Education	701,806	6,672	-
Inventory	-	28,510	-
Total Assets	<u>\$ 9,604,466</u>	<u>\$ 406,244</u>	<u>\$ 592,081</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
LIABILITIES			
Salaries and Compensated Absences Payable	\$ 831,593	\$ -	\$ 1,094
Payroll Deductions and Employer Contributions Payable	643,044	-	-
Accounts Payable	110,206	22,197	3,703
Due to Other Governmental Units	54	-	-
Unearned Revenue	-	38,211	4,687
Total Liabilities	<u>1,584,897</u>	<u>60,408</u>	<u>9,484</u>
DEFERRED INFLOWS OF RESOURCES			
Property Taxes Levied for Subsequent Year	2,538,722	-	157,661
Unavailable Revenue - Delinquent Property Taxes	17,047	-	1,126
Total Deferred Inflows of Resources	<u>2,555,769</u>	<u>-</u>	<u>158,787</u>
FUND BALANCE			
Nonspendable:			
Inventory	-	28,510	-
Restricted for:			
Staff Development	67,773	-	-
Operating Capital	708,230	-	-
Community Education	-	-	468,461
Early Childhood and Family Education	-	-	2,867
Student Activities	68,623	-	-
Gifted and Talented	19,143	-	-
Teacher Development and Evaluation	3,027	-	-
Safe Schools Levy	36,950	-	-
Long-Term Facilities Maintenance	268,810	-	-
Restricted for Other Purposes	-	317,326	-
Assigned for:			
Severance Benefits	400,000	-	-
Unassigned	3,891,244	-	(47,518)
Total Fund Balance	<u>5,463,800</u>	<u>345,836</u>	<u>423,810</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 9,604,466</u>	<u>\$ 406,244</u>	<u>\$ 592,081</u>

See accompanying Notes to Basic Financial Statements.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
BALANCE SHEET – GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2022
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2021)**

Debt Service	Total Governmental Funds	
	2022	2021
\$ 940,425	\$ 8,023,499	\$ 8,469,402
886,729	2,248,883	2,144,778
9,146	27,319	35,145
-	22,024	15,876
-	8,470	13,372
34,118	1,406,026	1,530,318
-	708,478	87,624
-	28,510	25,744
<u>\$ 1,870,418</u>	<u>\$ 12,473,209</u>	<u>\$ 12,322,259</u>
\$ -	\$ 832,687	\$ 776,843
-	643,044	619,104
-	136,106	142,472
-	54	56
-	42,898	60,989
<u>-</u>	<u>1,654,789</u>	<u>1,599,464</u>
1,530,253	4,226,636	4,064,190
9,146	27,319	35,145
<u>1,539,399</u>	<u>4,253,955</u>	<u>4,099,335</u>
-	28,510	25,744
-	67,773	132,866
-	708,230	553,058
-	468,461	431,416
-	2,867	5,420
-	68,623	90,299
-	19,143	22,114
-	3,027	6,684
-	36,950	80,913
-	268,810	394,361
331,019	648,345	562,320
-	400,000	400,000
-	3,843,726	3,960,270
<u>331,019</u>	<u>6,564,465</u>	<u>6,623,460</u>
<u>\$ 1,870,418</u>	<u>\$ 12,473,209</u>	<u>\$ 12,322,259</u>

See accompanying Notes to Basic Financial Statements.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2022
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2021)**

	<u>2022</u>	<u>2021</u>
Total Fund Balance for Governmental Funds	\$ 6,564,465	\$ 6,623,460
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land	130,000	130,000
Construction in Progress	-	28,362
Right-to-Use Assets, Net of Accumulated Amortization	190,135	-
Land Improvements, Net of Accumulated Depreciation	1,724,057	1,759,128
Buildings and Improvements, Net of Accumulated Depreciation	27,492,694	27,843,735
Equipment, Net of Accumulated Depreciation	1,828,579	1,560,218
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current- period's expenditures and, therefore, are reported as unavailable revenue in the funds.		
	27,319	35,145
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditures when due.		
	(362,001)	(377,833)
The District's net pension liability and related deferred inflows and outflows are recorded only on the statement of net position. Balances at year-end are:		
Net Pension Liability	(7,399,554)	(11,924,322)
Deferred Inflows of Resources - Pensions	(12,139,113)	(8,950,111)
Deferred Outflows of Resources - Pensions	4,504,479	5,104,175
The District's OPEB liability and related deferred inflows and outflows are recorded only on the statement of net position. Balances at year-end are:		
Other Postemployment Benefit Liability	(1,205,743)	(1,155,363)
Deferred Inflows of Resources - Other Postemployment Benefits	(287,046)	(361,459)
Deferred Outflows of Resources - Other Postemployment Benefits	112,797	101,788
Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at year-end are:		
Bonds Payable	(21,590,000)	(22,245,000)
Unamortized Premiums	(525,895)	(666,941)
Lease Liability	(194,797)	(140,942)
Lease Purchase Payable	(233,785)	(383,663)
Severance Benefits Payable	(357,568)	(301,726)
Total Net Position of Governmental Activities	<u>\$ (1,720,977)</u>	<u>\$ (3,321,349)</u>

See accompanying Notes to Basic Financial Statements.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2021)**

		Major Funds	
	General	Food Service	Community Service
REVENUES			
Local Sources:			
Property Taxes	\$ 2,725,292	\$ -	\$ 155,561
Earnings and Investments	(32,502)	532	751
Other	794,092	157,538	665,594
State Sources	14,692,477	38,790	178,445
Federal Sources	2,500,918	1,112,090	11,000
Total Revenues	<u>20,680,277</u>	<u>1,308,950</u>	<u>1,011,351</u>
EXPENDITURES			
Current:			
Administration	955,455	-	-
District Support Services	358,856	-	-
Elementary and Secondary Regular Instruction	9,135,705	-	-
Vocational Education Instruction	274,490	-	-
Special Education Instruction	3,894,242	-	-
Instructional Support Services	1,241,883	-	-
Pupil Support Services	1,814,228	-	-
Sites and Buildings	2,314,334	-	-
Fiscal and Other Fixed Cost Programs	102,657	-	-
Food Service	-	1,229,187	-
Community Service	-	-	913,995
Capital Outlay	540,438	2,952	63,103
Debt Service:			
Principal	204,237	-	4,358
Interest and Fiscal Charges	23,723	-	1,574
Total Expenditures	<u>20,860,248</u>	<u>1,232,139</u>	<u>983,030</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(179,971)	76,811	28,321
OTHER FINANCING SOURCES (USES)			
Sale of Equipment	3,206	2,367	-
Issuance of Finance Purchase Agreements	-	-	-
Total Other Financing Sources (Uses)	<u>3,206</u>	<u>2,367</u>	<u>-</u>
Net Change in Fund Balance	(176,765)	79,178	28,321
FUND BALANCES			
Beginning of Year	<u>5,640,565</u>	<u>266,658</u>	<u>395,489</u>
End of Year	<u>\$ 5,463,800</u>	<u>\$ 345,836</u>	<u>\$ 423,810</u>

See accompanying Notes to Basic Financial Statements.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCES – GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2022
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2021)**

Debt Service	Total Governmental Funds	
	2022	2021
\$ 1,207,219	\$ 4,088,072	\$ 3,972,508
903	(30,316)	35,760
-	1,617,224	1,079,337
341,187	15,250,899	15,707,345
-	3,624,008	2,364,056
<u>1,549,309</u>	<u>24,549,887</u>	<u>23,159,006</u>
-	955,455	926,713
-	358,856	370,524
-	9,135,705	8,957,711
-	274,490	256,912
-	3,894,242	3,451,657
-	1,241,883	959,072
-	1,814,228	1,676,256
-	2,314,334	2,292,062
-	102,657	96,619
-	1,229,187	914,685
-	913,995	742,497
-	606,493	658,851
655,000	863,595	880,042
884,038	909,335	925,547
<u>1,539,038</u>	<u>24,614,455</u>	<u>23,109,148</u>
10,271	(64,568)	49,858
-	5,573	13,005
-	-	177,649
<u>-</u>	<u>5,573</u>	<u>190,654</u>
10,271	(58,995)	240,512
<u>320,748</u>	<u>6,623,460</u>	<u>6,382,948</u>
<u>\$ 331,019</u>	<u>\$ 6,564,465</u>	<u>\$ 6,623,460</u>

See accompanying Notes to Basic Financial Statements.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE
IN FUND BALANCES – GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2021)**

	2022	2021
Net Change in Fund Balance - Total Governmental Funds	\$ (58,995)	\$ 240,512
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation/amortization expense. The amount by which capital outlays exceeded depreciation/amortization in the current period is:		
Capital Outlays	1,014,672	738,634
Gain (Loss) on Disposal of Capital Assets	34,417	(93,687)
Depreciation/Amortization Expense	(1,117,638)	(1,029,630)
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current-period's expenditures and, therefore, are unearned in the governmental funds.		
	(7,826)	6,209
Some capital asset additions are financed through finance purchase agreements. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net position, the lease obligation is reported as a liability. Repayment of finance purchase agreement principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net position.		
Issuance of Finance Purchase Agreements	-	(177,649)
Principal Payments - Finance Purchase Agreements	-	180,885
Pension expenditures in the governmental funds are measured by current year employer contributions. Pension expenses on the statement of activities are measured by the change in the net pension liability and the related deferred inflows and outflows of resources.		
	736,070	(705,268)
Payments to the District's OPEB liability are recognized as expenditures at the fund level while the change in the OPEB obligation and the related deferred inflows and outflows of resources are recognized in the statement of net position.		
	35,042	29,273
In the statement of activities, certain operating expenses - severance benefits and compensated absences - are measured by amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (amounts actually paid).		
	(55,842)	24,128
The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:		
Repayment of Bond Principal	655,000	635,000
Repayment of Lease Purchase Payable	149,878	145,267
Repayment of Lease Liability	58,716	-
Change in Accrued Interest - General Obligation Bonds	13,865	8,006
Change in Accrued Interest - Lease Purchase Payable	1,967	1,907
Amortization of Bond Premium	141,046	40,640
Change in Net Position of Governmental Activities	\$ 1,600,372	\$ 44,227

See accompanying Notes to Basic Financial Statements.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2022**

	Custodial Fund
ASSETS	
Cash and Investments	\$ 909,944
Interest Receivable	295
Total Assets	<u>\$ 910,239</u>
NET POSITION	
Restricted for Individuals	<u>\$ 910,239</u>

See accompanying Notes to Basic Financial Statements.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2022**

	Custodial Fund
ADDITIONS	
Gifts and Donations	\$ 9,586
Earnings on Investments	1,253
Total Additions	<u>10,839</u>
DEDUCTIONS	
Scholarships Awarded	<u>17,200</u>
CHANGE IN NET POSITION	(6,361)
Net Position - Beginning of Year	<u>916,600</u>
NET POSITION - END OF YEAR	<u><u>\$ 910,239</u></u>

See accompanying Notes to Basic Financial Statements.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Independent School District No. 2859 (the District) 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. The GASB pronouncements are recognized as accounting principles generally accepted in the United States of America for state and local governments.

B. Financial Reporting Entity

The District is an instrumentality of the state of Minnesota established to function as an educational institution. The elected board of education (the Board) is responsible for legislative and fiscal control of the District. A superintendent is appointed by the Board and is responsible for administrative control of the District.

Accounting principles generally accepted in the United States of America require that the District's financial statements include all funds, departments, agencies, boards, commissions, and other organizations which are not legally separated from the District. In addition, the District's financial statements are to include all component units – entities for which the District is financially accountable.

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

C. Basic Financial Statement Presentation

The District-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the Fiduciary Fund. The Fiduciary Fund is only reported in the statement of fiduciary net position at the fund financial statement level.

The statement of activities demonstrates the degree to which the direct expenses of a given function or 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 items not properly included among program revenues are reported instead as general revenues.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statement Presentation (Continued)

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

Separate fund financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Fiduciary funds are presented in the fiduciary fund financial statements by type: Custodial Fund. Since by definition, fiduciary fund assets are being held for the benefit of a third-party and cannot be used for activities or obligations of the District, these funds are excluded from the District-wide statements.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The District-wide fiduciary fund 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.

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:

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

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

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

1. Description of Funds

The existence of the various District funds has been established by the state of Minnesota Department of Education. The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. A description of each fund included in this report is as follows:

Major Governmental Funds

General Fund

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

Food Service Special Revenue Fund

The Food Service Fund is used to account for food service revenues and expenditures. Revenues for the Food Service Fund come from user fees, and reimbursements from the Federal and State governments.

Community Service Special Revenue Fund

The Community Service Fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs, K-6 extended day programs or other similar services. Revenues for the Community Service Special Revenue Fund are composed of user fees, local levy dollars, and State credits.

Debt Service Fund

The Debt Service Fund is used to account for and report financial resources restricted committed, or assigned to pay general long-term obligation bond principal, interest, and related costs. The regular debt service account is used for all general obligation bond debt service.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

1. Description of Funds (Continued)

Fiduciary Fund

Custodial Fund

The Custodial Fund is used to report fiduciary activities that are not required to be reported in pension or OPEB trust funds, investment trust funds, or private purpose trust funds.

E. Budgeting

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

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

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

Budgeted amounts include mid-year budget amendments that amended revenue and expenditure budgets as follows:

	Original Budget	Amendments	Amended Budget
Revenues:			
General Fund	\$ 19,001,532	\$ 1,598,443	\$ 20,599,975
Special Revenue Funds:			
Food Service Fund	1,043,782	227,438	1,271,220
Community Service Fund	829,475	152,712	982,187
Expenditures:			
General Fund	\$ 18,985,655	\$ 1,891,684	\$ 20,877,339
Special Revenue Funds:			
Food Service Fund	1,047,916	80,063	1,127,979
Community Service Fund	855,685	165,735	1,021,420

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgeting (Continued)

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

At the end of each fiscal year, if the General Fund has a net unassigned deficit fund balance, calculated in accordance with the uniform financial accounting and reporting standards for Minnesota school districts which excludes certain restricted balances specified in Minnesota statutes, exceeding 2.5% of expenditures, a condition referred to as "statutory operating debt" exists. That debt requires retirement through the accumulation of subsequent operating surpluses in accordance with "special operating plan" approved by the Commissioner of the Department of Education.

F. Cash and Investments

Cash balances consist of interest bearing accounts, deposits in the Minnesota Trust Investment Shares Portfolio and negotiable certificates of deposit. Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

G. Accounts Receivable

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

H. Inventories

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

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Expenses are allocated over the periods benefited.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Property Taxes

Property tax levies are established by the board of education in December each year and are certified to the County for collection the following calendar year. In Minnesota, counties act as collection agents for all property taxes and are responsible for spreading all levies over taxable property. Such taxes become a lien on January 1. Taxes are generally due on May 15 and October 15 and counties generally remit taxes to Districts at periodic intervals as they are collected. A portion of property taxes levied is paid through state credits which are included in revenue from state sources in the financial statements.

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

In accordance with State law, the current tax shift consists of an amount equal to 31% of the District's 2000 Pay 2001 operating referendum levy, which is frozen at \$168,353 for the District. The tax shift also includes certain other levies that are recognized early based on statutory requirements.

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

K. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their acquisition value at the date of donation. The District maintains a threshold level of \$5,000 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets (Continued)

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

Capital assets not being depreciated include land.

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

L. Leases

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

Right-to-Use assets represent the District's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Right-to-use assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Right-to-use assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Lease liabilities represent the District's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the commencement date based on the present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term.

The lease term may include options to extend or terminate the lease when it is reasonably certain that the District will exercise that option.

The District has recognized payments for short-term leases with a lease term of 12 months or less as expenses as incurred, and these leases are not included as lease liabilities or right-to-use lease assets on the statements of net position.

The District accounts for contracts containing both lease and non-lease components as separate contracts when possible. In cases where the contract does not provide separate price information for lease and non-lease components, and it is impractical to estimate the price of such components, the District treats the components as a single lease unit.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Deferred Outflows of Resources

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time.

N. Long-Term Obligations

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

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

O. Pensions

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

P. Accrued Employee Benefits

Vacation Pay

Since vacation pay does not vest to employees, no long-term portion of vacation liabilities are recorded in the financial statements.

Sick Pay

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

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Accrued Employee Benefits (Continued)

Severance and Health Benefits

Severance consist of lump sum early retirement incentive payments. Accounting policies for severance benefits are described below.

Early Retirement Incentive and Convertible Sick Leave

Certain bargaining unit members are eligible to be compensated for unused accumulated sick leave upon termination subject to certain conditions.

Full-time employees, other than teachers, who have completed at least 15 years of continuous service with the District and who are at least 55 years of age are eligible for severance pay. Eligible employees, upon early retirement, receive as severance pay, an amount representing 66% of their unused accumulation of sick leave days.

During fiscal year 2022, the District's expenditures for convertible sick leave totaled \$19,834. At June 30, 2022, the long-term portion of the convertible sick leave liability is included as part of severance payable in the long-term debt.

Other Postemployment Benefits Payable

Under the terms of certain collectively bargained employment contracts, including the teachers' contract, the District is required to pay \$150 per month or \$250 per month, if the employee has 25 or more years of service and 34 or more years of teaching, toward the premium cost of the individual health insurance for 96 months. The employee pays the difference toward the full premium for any coverage elected. All premiums are funded on a pay-as-you-go basis. This amount was actuarially determined, in accordance with GASB 75. See Note 8 for further information.

Q. Deferred Inflows of Resources

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow or resources (revenue) until that time.

R. Unearned Revenue

Unearned revenues are those in which resources are received by the District before it has a legal claim to them. The District has reported unearned revenues for the school lunch deposits.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Fund Balance

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

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

The District has a minimum fund balance policy, which identifies a minimum total of committed, assigned, and unassigned fund balance in the General Fund as 20% of the District's operating budgeted expenditures.

T. Net Position

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

U. Adoption of New Accounting Standards

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, Leases. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. Adoption of New Accounting Standards (Continued)

The District adopted the requirements of the guidance effective July 1, 2021, and has applied the provisions of this standard to the beginning of the period of adoption. Beginning fund balance/net position was not restated due to the implementation of GASB 87. The implementation of this standard resulted in the District reporting a right-to-use asset and a lease liability as disclosed in Note 4 and Note 5.

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY

A. Excess of Expenditures Over Budget

Expenditures exceeded budgeted amounts in the following funds:

	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
Special Revenue Funds:			
Food Service Fund	\$ 1,127,979	\$ 1,232,139	\$ 104,160

These overages were considered by District management to be the result of necessary expenditures critical to operations.

NOTE 3 DEPOSITS AND INVESTMENTS

A. Deposits

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

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

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

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

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

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

- Direct obligations or obligations guaranteed by the United States or its agencies.
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less.
- General obligations 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 banks corporations or their Canadian subsidiaries, of highest quality category by a least two nationally recognized rating agencies, and maturing in 270 days or less.
- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories.
- Repurchase or reverse purchase agreement and securities lending agreements financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

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

U.S. Treasury	\$ 998,501
Negotiable Certificates of Deposit	1,207,449
MN Trust Full Flex	500,705
MN Trust Limited Term Duration Series	494,233
MN Trust Investment Shares Portfolio	<u>3,554,975</u>
Total	<u><u>\$ 6,755,863</u></u>

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

MN Trust is an external investment pool and is rated AA+ and is measured at amortized cost. MN Trust is an external investment pool (Pool). The Pool is regulated by Minnesota statutes and is not registered with the Securities and Exchange Commission (SEC) as an investment company. The MN Trust Investment Series and Term Series is managed to maintain a dollar-weighted average portfolio maturity of no greater than 60 days and seeks to maintain a constant net asset value (NAV) per share of \$1.00. The Pool elects to measure its investments at amortized cost in accordance with accounting statements issued by the Governmental Accounting Standards Board. The MN Trust Term Series withdraws requires a seven-day notice of redemption and would likely carry a penalty. The MN Trust Investment Series withdrawals may only be made on the third Wednesday of each month upon advance written notice, with no penalties assessed.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from the maturities to meet cash requirements for ongoing operations. Information about the sensitivity of the fair values of the District's investments to market interest rate risk fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

Type	Total	Maturity Duration in Years	
		Less Than 1 Year	25 to 60 Months
Negotiable Certificates of Deposit	\$ 1,207,449	\$ -	\$ 1,207,449
U.S. Treasury	998,501	998,501	-
MN Trust Full Flex	500,705	500,705	-
MN Trust Limited Term Duration Series	494,233	494,233	-
MN Trust Investments Shares Portfolio	3,554,975	3,554,975	-
Total	<u>\$ 6,755,863</u>	<u>\$ 5,548,414</u>	<u>\$ 1,207,449</u>

Custodial Credit Risk

For an investment, custodial risk is the risk that, in the event of failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's investment policy requires that insurance of all balances held with each investment account. As of June 30, 2022, the investment balances were fully covered by insurance for each brokerage firm.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The following chart summarizes year-end ratings for the District's investments as rated by Moody's.

<u>Type</u>	<u>Rating</u>
U.S. Treasury	NR
MN Trust Full Flex	NR
MN Trust Limited Term Duration Series	AAAf
MN Trust Investments Shares Portfolio	AAAf

C. Balance Sheet Presentation

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

Deposits	\$ 2,176,880
Negotiable Certificates of Deposit	1,207,449
U.S. Treasury	998,501
MN Trust Full Flex	500,705
MN Trust Limited Term Duration Series	494,233
MN Trust Investments Shares Portfolio	3,554,975
Cash on Hand	700
Total Pooled Cash and Investments	<u>\$ 8,933,443</u>
 Cash and Investments - Statement of Net Position	 \$ 8,023,499
Cash and Investments - Statement of Fiduciary	
Net Position	<u>909,944</u>
Total Cash and Investments	<u>\$ 8,933,443</u>

D. Fair Value Measurement

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

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

D. Fair Value Measurement (Continued)

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

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

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.

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

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

Assets measured at fair value on a recurring basis:

Investment	Level 1	Level 2	Level 3	Total
Negotiable Certificates of Deposit	\$ -	\$ 1,207,449	\$ -	\$ 1,207,449
U.S. Treasury	998,501	-	-	998,501
Total	<u>\$ 998,501</u>	<u>\$ 1,207,449</u>	<u>\$ -</u>	<u>2,205,950</u>
Investments Measured at Amortized Cost				<u>4,549,913</u>
Total District Investments				<u>\$ 6,755,863</u>

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 4 CAPITAL ASSETS

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

	Beginning Balance As Restated	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 130,000	\$ -	\$ -	\$ 130,000
Construction in Progress	28,362	-	(28,362)	-
Total Capital Assets, Not Being Depreciated	158,362	-	(28,362)	130,000
Capital Assets, Being Depreciated/Amortized:				
Right-to-Use Assets	253,513	-	-	253,513
Land Improvements	2,336,610	83,630	-	2,420,240
Buildings and Improvements	36,248,096	317,406	-	36,565,502
Equipment	5,103,591	652,592	(506)	5,755,677
Total Capital Assets, Being Depreciated/Amortized	43,941,810	1,053,628	(506)	44,994,932
Less Accumulated Depreciation/Amortization for:				
Right-to-Use Assets	-	(63,378)	-	(63,378)
Land Improvements	(577,482)	(118,701)	-	(696,183)
Buildings and Improvements	(8,404,361)	(668,447)	-	(9,072,808)
Equipment	(3,694,909)	(267,112)	34,923	(3,927,098)
Total Accumulated Depreciation/Amortization	(12,676,752)	(1,117,638)	34,923	(13,759,467)
Total Capital Assets, Being Depreciated/Amortized, Net	31,265,058	(64,010)	34,417	31,235,465
Governmental Activities Capital Assets, Net	\$ 31,423,420	\$ (64,010)	\$ 6,055	\$ 31,365,465

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

Governmental Activities:	
Administration	\$ 150
District Support Services	12,824
Regular Instruction	962,332
Vocational Education Instruction	1,856
Special Education Instruction	12,677
Community Ed & Services	10,991
Instructional Support Services	39,408
Pupil Support Services	31,509
Sites and Buildings	87,560
Food Service	31,257
Total Depreciation/Amortization Expense, Governmental Activities	<u>\$ 1,190,564</u>

* The beginning balance of capital assets was restated to record right-to-use assets due to the implementation of GASB Statement No. 87.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 5 LONG-TERM LIABILITIES

A. Components of Long-Term Liabilities

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

Long-term liabilities consisted of the following at June 30, 2022:

Issue Date	Net Interest Rate	Series Number	Original Issue	Maturity Date	Principal Outstanding	
					Due Within One Year	Total
8/13/2015	3.0% - 4.0%	2015A	\$ 23,695,000	2/1/2045	\$ 575,000	\$ 20,750,000
6/6/2019	5%	2019A	1,035,000	2/1/2029	100,000	840,000
Total General Obligation Bonds					675,000	21,590,000
Bond Premiums					-	525,895
Lease Purchase Payable					154,637	233,785
Lease Liability						
7/2/2020	5%	N/A	309,372	6/30/2025	61,721	194,797
Severance Benefits Payable					19,834	357,568
Total					<u>\$ 911,192</u>	<u>\$ 22,902,045</u>

B. Future Minimum Debt Payments

Minimum annual principal and interest payments necessary to retire bonds payable and lease purchase payable are as follows:

Year Ending June 30.	G.O. Building Bonds Series 2015A		GO Tax Abatement Bonds 2019A	
	Principal	Interest	Principal	Interest
2023	\$ 575,000	\$ 819,438	\$ 100,000	\$ 42,000
2024	590,000	802,188	110,000	37,000
2025	615,000	778,588	115,000	31,500
2026	640,000	753,988	120,000	25,750
2027	665,000	728,388	125,000	19,750
2028-2032	3,740,000	3,221,538	270,000	20,500
2033-2037	4,550,000	2,413,300	-	-
2038-2042	5,510,000	1,451,600	-	-
2043-2045	3,865,000	313,200	-	-
Total	<u>\$ 20,750,000</u>	<u>\$ 11,282,228</u>	<u>\$ 840,000</u>	<u>\$ 176,500</u>

Year Ending June 30.	Lease Purchase Payable		Lease Liability	
	Principal	Interest	Principal	Interest
2023	\$ 154,637	\$ 6,156	\$ 61,721	\$ 8,047
2024	79,148	1,247	64,878	4,890
2025	-	-	68,198	1,570
Total	<u>\$ 233,785</u>	<u>\$ 7,403</u>	<u>\$ 194,797</u>	<u>\$ 14,507</u>

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

B. Future Minimum Debt Payments (Continued)

Description of Long-Term Liabilities

Lease Purchase Payable

On September 12, 2013, the District entered into a lease-purchase agreement for \$1,375,000. The debt was issued to help fund the construction of the new Early Childhood Center, along with necessary equipment and other site improvements. The District will use General Fund levy in future years to pay for the debt payments.

Severance Benefits Payable

Severance benefits payable consist of convertible sick leave payable to employees upon retirement. Severance benefits have been paid by the General and Special Revenue Funds. Annual payments to retire the severance benefits liability have not been determined and will depend on actual employee turnover.

C. Changes in Long-Term Liabilities

	June 30, 2021			June 30, 2022
	* As Restated	Additions	Retirements	
Bonds Payable	\$ 22,245,000	\$ -	\$ 655,000	\$ 21,590,000
Bond Premiums	666,941	-	141,046	525,895
Lease Purchase Payable	383,663	-	149,878	233,785
Lease Liability	253,513	-	58,716	194,797
Severance Benefits Payable	301,726	55,842	-	357,568
Total	<u>\$ 23,850,843</u>	<u>\$ 55,842</u>	<u>\$ 1,004,640</u>	<u>\$ 22,902,045</u>

* The beginning balance of the lease liability was restated due to the implementation of GASB Statement No. 87.

Right-to-use assets acquired through outstanding leases are shown below, by underlying asset class.

	Governmental Activities
Equipment	\$ 309,372
Less: Accumulated Amortization	(123,748)
Total	<u>\$ 185,624</u>

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 6 RESTRICTED FUND BALANCES

Certain portions of fund balance are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities, or as required by other outside parties. The following is a summary of the restricted fund balances for the governmental funds:

A. Restricted for Staff Development

Restricted for staff development represents general education aid resources to be expended for staff development programs.

B. Restricted for Operating Capital

Restricted for operating capital represents available resources to be used only for operating capital purposes, including but not limited to the purchase, lease, repair and improvement of school buildings, and the purchase or lease of computers, vehicles, textbooks, and telecommunications equipment.

C. Restricted for Community Education Programs

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

D. Restricted for Early Childhood and Family Education Programs

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

E. Restricted for Student Activities

This fund balance restriction represents accumulated resources available to provide student activity programs.

F. Restricted for Gifted and Talented

The fund balance restriction represents accumulated resources available to be spent on the Gifted and Talented program within the District.

G. Restricted for Teacher Development and Evaluation

The fund balance restriction represents accumulated resources available for teacher development and evaluation uses.

H. Restricted for Safe Schools – Crime Levy

The fund balance restriction represents accumulated resources available to provide for safe schools programs in accordance with funding made available for that purpose.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 6 RESTRICTED FUND BALANCES (CONTINUED)

I. Restricted for Long Term Facilities Maintenance (LTFM)

Represents available resources to be used for LTFM capital projects in accordance with the 10-year plan.

J. Restricted for Other Purposes

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

Other Restricted:

Restricted for Food Service	\$ 317,326
Restricted for Bond Payments	331,019
Total Other Restricted	<u>\$ 648,345</u>

NOTE 7 DEFINED BENEFIT PENSION PLANS

A. Plan Description

1. General Employees Retirement Plan (General Employees Plan)

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

All full-time and certain part-time employees of the District, other than teachers, are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

2. Teachers Retirement Fund (TRA)

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

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

A. Plan Description (Continued)

2. Teachers Retirement Fund (TRA) (Continued)

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

B. Benefits Provided

1. General Employees Plan Benefits

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

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

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

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefits

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

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

Tier 1 Benefits

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

With these provisions:

- (a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- (b) 3.0% per year early retirement reduction factor for all years under normal retirement age.
- (c) Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

or

Tier II Benefits

For years of service prior to July 1, 2006, a level formula of 1.7% per year for coordinated members and 2.7% per year for basic members. For years of service July 1, 2006 and after, a level formula of 1.9% per year for Coordinated members and 2.7% for Basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota 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.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefits (Continued)

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

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

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

C. Contributions

1. General Employees Fund Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature. Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2022 and the District was required to contribute 7.50% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2022 were \$192,423. The District's contributions were equal to the required contributions for each year as set by state statute.

2. TRA Contributions

Per *Minnesota Statutes*, Chapter 354 rates for the fiscal year 2022 for coordinated were 7.50% for the employee and 8.34% for the employer. Basic rates were 11.00% for the employee and 12.34% for the employer. The District's contributions to TRA for the plan's fiscal year ended June 30, 2022 were \$774,221. The District's contributions were equal to the required contributions for each year as set by state statute.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs

1. General Employees Fund Pension Costs

At June 30, 2022, the District reported a liability of \$1,443,441 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 \$44,165, for a total net pension liability of \$1,487,576 associated with the District. The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was .0338% at the end of the measurement period and .0329% for the beginning of the period.

For the year ended June 30, 2022, the District recognized pension expense of \$10,679 for its proportionate share of General Employees Plan's pension expense. In addition, the District recognized an additional \$3,563 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$16 million to the General Employees Fund.

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 8,868	\$ 44,172
Changes in Actuarial Assumptions	881,317	31,929
Net Difference Between Projected and Actual		
Earnings on Plan Investments	-	1,250,055
Changes in Proportion	66,537	12,446
District Contributions Subsequent to the Measurement Date	192,423	-
Total	<u>\$ 1,149,145</u>	<u>\$ 1,338,602</u>

\$192,423 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

<u>Year Ending June 30,</u>	<u>Pension Expense Amount</u>
2023	\$ (48,117)
2024	4,750
2025	2,441
2026	(340,954)

2. TRA Pension Costs

At June 30, 2022, the District reported a liability of \$5,956,143 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the state of Minnesota, City of Minneapolis, and Minneapolis School District. The District's proportionate share was .1361% at the end of the measurement period and .1347% at the beginning of the period.

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

<u>Description</u>	<u>Amount</u>
District's Proportionate Share of the TRA Net Pension Liability	\$ 5,956,143
State's Proportionate Share of the Net Pension Liability Associated with the District	502,407
Total	<u>\$ 6,458,550</u>

For the year ended June 30, 2022, the District recognized pension expense of \$176,956. It also recognized \$(48,121) as an increase to pension expense for the support provided by direct aid.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs (Continued)

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 123,630	\$ 168,719
Changes in Actuarial Assumptions	2,182,702	5,373,707
Net Difference Between Projected and Actual		
Earnings on Plan Investments	-	4,994,223
Changes in Proportion	274,781	263,862
District Contributions Subsequent to the Measurement Date	774,221	-
Total	<u><u>\$ 3,355,334</u></u>	<u><u>\$ 10,800,511</u></u>

\$774,221 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2023	\$ (3,941,292)
2024	(3,017,987)
2025	(723,746)
2026	(944,296)
2027	445,610

3. Total Pension Expense

The District's total pension expense for all plans for the year ended June 30, 2022 was \$143,077.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Long-Term Expected Return on Investment

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.5 %	5.10 %
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
Cash	-	-
Totals	<u>100.0 %</u>	

The long-term expected rate of return on TRA pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocations 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	35.5 %	5.10 %
International Equity	17.5	5.30
Private Markets	25.0	5.90
Fixed Income	20.0	0.75
Cash	2.0	-
Totals	<u>100.0 %</u>	

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Actuarial Assumptions

The total pension liability in the June 30, 2021, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5% for PERA and 7.0% for TRA. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5% for PERA and 7.0% for TRA was deemed to be within that range of reasonableness for financial reporting purposes.

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

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

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

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

TRA pre-retirement mortality rates were based on the RP-2014 white collar employee table, male rates set back 5 years and female rates set back 7 years. Generational projection uses the MP-2015 scale. Post-retirement mortality rates were based on the RP-2014 white collar annuitant table, male rates set back 3 years and female rates set back 3 years, with further adjustments of the rates. Generational projection uses the MP-2015 scale. Post-disability mortality rates were based on the RP-2014 disabled retiree mortality table, without adjustment.

Inflation is assumed to be 2.5% for TRA. Benefit increases after retirement are assumed to be 1.0% for January 2020 through January 2023 then increasing by 0.10% each year up to 1.5% annually.

Salary growth assumptions for TRA range in annual increments from 2.85% to 8.85% before July 1, 2028 and 3.25% to 9.25% after June 30, 2028.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Actuarial Assumptions (Continued)

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

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

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

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

G. Discount Rate

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

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

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

H. Pension Liability Sensitivity

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

Description	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
General Employees Plan Discount Rate	5.50%	6.50%	7.50%
District's Proportionate Share of the General Employees Plan Net Pension Liability	\$ 2,943,822	\$ 1,443,411	\$ 212,233
TRA Discount Rate	6.00%	7.00%	8.00%
District's Proportionate Share of the TRA Net Pension Liability	\$ 12,031,699	\$ 5,956,143	\$ 973,703

I. Pension Plan Fiduciary Net Position

Detailed information about each pension 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 TRA's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at www.MinnesotaTRA.org; by writing to TRA at 60 Empire Drive #400, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-2409 or 1-800-657-3669.

J. Defined Contribution Plan

The District provides eligible employees future retirement benefits through the District's 403(b) Plan (the Plan). Employees of the District are eligible to participate in the Plan commencing on the date of their employment. Eligible employees may elect to have a percentage of their pay contributed to the Plan. Some employees are eligible to receive a District match of employee contributions up to the qualifying amounts set forth in their respective collective bargaining agreements. Contributions are invested in tax deferred annuities selected and owned by Plan participants. The District contributions for the years ended June 30, 2022, 2021, and 2020 are \$126,000, \$132,000, and \$129,100, respectively. The related employee contributions were \$234,517, \$247,338, and \$230,569, for the years ended June 30, 2022, 2021, and 2020, respectively.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN

A. Plan Description

The District operates a single-employer postemployment defined benefit plan (the Plan) that provides health and dental insurance to eligible employees and their spouses through the District's health insurance plan. There are 217 active participants and 13 retired participants. Benefit and eligibility provisions are established through negotiations between the District and various unions representing District employees and are renegotiated each two-year bargaining period. The Plan does not issue a publicly available financial report.

B. Funding Policy

The District does not have assets accumulated in a trust to pay for OPEB related costs. Contribution requirements are negotiated between the District and union representatives. The District contributes \$150 per month or \$250 per month, with 25 years of service and 34 years of teaching, of the cost of current-year premiums for eligible retired plan members and their spouses. For fiscal year 2022, the District contributed \$103,247 to the plan.

C. Actuarial Methods and Assumptions

The District's OPEB liability was measured as of July 1, 2021, and the total OPEB liability used to calculate the OPEB liability was determined by an actuarial valuation as of July 1, 2020.

The total OPEB liability was determined by an actuarial valuation as of July 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	Services Graded Table
20-Year Municipal Bond Yield	2.10%
Health Care Trend Rates	6.50% Decreasing to 5.00% Over 6 Years and then to 4.00% Over 48 Years

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

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

The discount rate used to measure the total OPEB liability was 2.10%. The discount rate is based on the estimated yield of 20-year AA-rated bonds.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

C. Actuarial Methods and Assumptions (Continued)

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

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

D. Changes in the OPEB Liability

The following table shows the components of the changes in the District's OPEB liability:

	Total OPEB Liability
Balances at June 30, 2021	\$ 1,155,363
Changes for the Year:	
Service Cost	87,792
Interest Cost	28,845
Assumption Changes	16,784
Benefit Payments	(83,041)
Net Changes for the Year	<u>50,380</u>
Balances at June 30, 2022	<u>\$ 1,205,743</u>

E. OPEB Liability Sensitivity

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

	1% Decrease (1.10%)	Discount Rate (2.10%)	1% Increase (3.10%)
Net OPEB Liability (Asset)	\$ 1,275,142	\$ 1,205,743	\$ 1,136,862

The following presents the OPEB liability of the Districts, as well as what the District's OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% point lower (5.50% decreasing to 4.00% over 5 years and then 3.00%) or 1% point higher (7.50% decreasing to 6.00% over 5 years and then 5.00%) than the current healthcare cost trend rates:

	Healthcare Cost		
	1% Decrease (5.50%) Decreasing to 4.00% over 6 Years and then 3.00%)	Current Trend Rates (6.50%) Decreasing to 5.00% over 6 Years and then 4.00%)	1% Increase (7.50%) Decreasing to 6.00% over 6 Years and then 5.00%)
Net OPEB Liability (Asset)	\$ 1,097,474	\$ 1,205,743	\$ 1,336,363

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

F. OPEB Liability Costs

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ -	\$ 261,709
Change of Assumptions	29,384	25,337
Contributions Between Measurement Date and Reporting Date	83,413	-
Total	<u>\$ 112,797</u>	<u>\$ 287,046</u>

\$103,247 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date and will be recognized as a reduction of the OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in pension expense as follows

For the year ended June 30, 2022, the District recognized OPEB expense of \$48,370.

Other 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,	Future Recognition
2023	\$ (68,267)
2024	(68,267)
2025	(68,262)
2026	(25,762)
2027	(29,496)
Thereafter	2,392
Total	<u>\$ (257,662)</u>

NOTE 9 RISK MANAGEMENT

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

There has been no significant reduction in insurance coverage from the previous year in any of the District's policies. In addition, there have been no settlements in excess of the District's insurance coverage in any of the prior three years.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 10 COMMITMENTS AND CONTINGENCIES

Federal and State Receivables

Amounts received or receivable from federal and state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. 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.

NOTE 11 JOINTLY GOVERNED ORGANIZATION

The District is a member of the Southwest West Central Service Cooperative. The Southwest West Central Service Cooperative was established for the primary objective to provide specialized services for special education students, as defined by state law, and to provide other programs and services as approved by the Joint Powers Governing Board.

REQUIRED SUPPLEMENTARY INFORMATION

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
JUNE 30, 2022**

	Budgeted Amounts		Actual	Over (Under)
	Original	Final	Amounts	Final Budget
REVENUES				
Local Sources:				
Property Taxes	\$ 2,661,143	\$ 2,632,756	\$ 2,725,292	\$ 92,536
Earnings and Investments	35,000	10,000	(32,502)	(42,502)
Other	433,090	682,900	794,092	111,192
State Sources	14,717,154	14,770,428	14,692,477	(77,951)
Federal Sources	1,155,145	2,503,891	2,500,918	(2,973)
Total Revenues	19,001,532	20,599,975	20,680,277	80,302
EXPENDITURES				
Current:				
Administration	1,080,056	1,079,821	955,455	(124,366)
District Support Services	399,849	400,800	358,856	(41,944)
Elementary and Secondary Regular Instruction	8,402,599	9,028,137	9,135,705	107,568
Vocational Education Instruction	239,938	262,677	274,490	11,813
Special Education Instruction	3,636,669	3,946,122	3,894,242	(51,880)
Instructional Support Services	692,525	1,293,797	1,241,883	(51,914)
Pupil Support Services	1,749,829	1,761,945	1,814,228	52,283
Sites and Buildings	2,194,698	2,172,239	2,314,334	142,095
Fiscal and Other Fixed Cost Programs	140,000	157,009	102,657	(54,352)
Capital Outlay	250,000	551,000	540,438	(10,562)
Debt Service:				
Principal	188,578	212,878	204,237	(8,641)
Interest and Fiscal Charges	10,914	10,914	23,723	12,809
Total Expenditures	18,985,655	20,877,339	20,860,248	(17,091)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	15,877	(277,364)	(179,971)	97,393
OTHER FINANCING SOURCES (USES)				
Sale of Equipment	-	3,000	3,206	206
NET CHANGE IN FUND BALANCE	<u>\$ 15,877</u>	<u>\$ (274,364)</u>	(176,765)	<u>\$ 97,599</u>
FUND BALANCE				
Beginning of Year			5,640,565	
END OF YEAR			<u>\$ 5,463,800</u>	

See accompanying Notes to Required Supplementary Information.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
BUDGETARY COMPARISON SCHEDULE
FOOD SERVICE FUND
JUNE 30, 2022**

	Budgeted Amounts		Actual	Over (Under)
	Original	Final	Amounts	Final Budget
REVENUES				
Local Sources:				
Earnings and Investments	\$ -	\$ -	\$ 532	\$ 532
Other - Primarily Meal Sales	104,500	151,463	157,538	6,075
State Sources	2,000	25,220	38,790	13,570
Federal Sources	937,282	1,094,537	1,112,090	17,553
Total Revenues	1,043,782	1,271,220	1,308,950	37,730
EXPENDITURES				
Current:				
Food Service	1,047,916	1,126,583	1,229,187	102,604
Capital Outlay	-	1,396	2,952	1,556
Total Expenditures	1,047,916	1,127,979	1,232,139	104,160
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(4,134)	143,241	76,811	(66,430)
OTHER FINANCING SOURCES (USES)				
Sale of Equipment	-	2,366	2,367	1
NET CHANGE IN FUND BALANCE	<u>\$ (4,134)</u>	<u>\$ 145,607</u>	79,178	<u>\$ (66,429)</u>
FUND BALANCE				
Beginning of Year			266,658	
END OF YEAR			<u>\$ 345,836</u>	

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
BUDGETARY COMPARISON SCHEDULE
COMMUNITY SERVICE FUND
JUNE 30, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES				
Local Sources:				
Property Taxes	\$ 159,096	\$ 154,091	\$ 155,561	\$ 1,470
Earnings and Investments	2,000	2,000	751	(1,249)
Other - Primarily Tuition and Fees	494,960	649,119	665,594	16,475
State Sources	173,419	176,977	178,445	1,468
Federal Sources	-	-	11,000	11,000
Total Revenues	<u>829,475</u>	<u>982,187</u>	<u>1,011,351</u>	<u>29,164</u>
EXPENDITURES				
Current:				
Community Service	837,581	945,456	913,995	(31,461)
Capital Outlay	13,627	72,114	63,103	(9,011)
Debt Service:				
Principal	4,477	3,850	4,358	508
Interest	-	-	1,574	1,574
Total Expenditures	<u>855,685</u>	<u>1,021,420</u>	<u>983,030</u>	<u>(38,390)</u>
NET CHANGE IN FUND BALANCE	<u><u>\$ (26,210)</u></u>	<u><u>\$ (39,233)</u></u>	28,321	<u><u>\$ 67,554</u></u>
FUND BALANCE				
Beginning of Year			<u>395,489</u>	
END OF YEAR			<u><u>\$ 423,810</u></u>	

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
JUNE 30, 2022**

Measurement Date:	July 1, 2021	July 1, 2020	July 1, 2019	July 1, 2018	July 1, 2017
Total OPEB Liability					
Service Cost	\$ 87,792	\$ 81,462	\$ 88,658	\$ 80,751	\$ 88,740
Interest	28,845	42,968	46,320	53,264	51,497
Differences Between Expected and Actual Experience	-	(203,176)	-	(272,029)	-
Changes of Assumptions	16,784	(20,154)	26,246	(25,529)	-
Benefit Payments	(83,041)	(99,944)	(82,881)	(92,116)	(68,613)
Net Change in Total OPEB Liability	50,380	(198,844)	78,343	(255,659)	71,624
Total OPEB Liability - Beginning	1,155,363	1,354,207	1,275,864	1,531,523	1,459,899
Total OPEB Liability - Ending	<u>\$ 1,205,743</u>	<u>\$ 1,155,363</u>	<u>\$ 1,354,207</u>	<u>\$ 1,275,864</u>	<u>\$ 1,531,523</u>
Covered-Employee Payroll	<u>\$ 10,270,373</u>	<u>\$ 9,971,236</u>	<u>\$ 9,733,906</u>	<u>\$ 9,450,394</u>	<u>\$ 9,373,030</u>
District's Total OPEB Liability as a Percentage of Covered-Employee Payroll	11.7%	11.6%	13.9%	13.5%	16.3%

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

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN FISCAL YEARS**

	Measurement Date June 30,							
	2021	2020	2019	2018	2017	2016	2015	2014
PERA - General Employees Fund								
District's Proportion of the Net Pension Liability	0.0338%	0.0329%	0.0321%	0.0329%	0.0335%	0.0348%	0.0358%	0.0368%
District's Proportionate Share of the Net Pension Liability	\$ 1,443,411	\$ 1,972,505	\$ 1,774,737	\$ 1,825,157	\$ 2,138,618	\$ 2,825,587	\$ 1,855,342	\$ 1,728,680
State's Proportionate Share of the Net Pension Liability Associated with District	44,165	60,799	55,164	59,905	26,925	36,951	-	-
Total	<u>\$ 1,487,576</u>	<u>\$ 2,033,304</u>	<u>\$ 1,829,901</u>	<u>\$ 1,885,062</u>	<u>\$ 2,165,543</u>	<u>\$ 2,862,538</u>	<u>\$ 1,855,342</u>	<u>\$ 1,728,680</u>
District's Covered Payroll	\$ 2,436,747	\$ 2,308,613	\$ 2,282,133	\$ 2,197,067	\$ 2,179,539	\$ 2,174,745	\$ 2,142,717	\$ 1,933,600
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	59.24%	85.44%	77.77%	83.07%	98.12%	129.93%	86.59%	89.40%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.00%	79.06%	80.20%	79.45%	75.90%	68.90%	78.20%	78.20%
TRA								
District's Proportion of the Net Pension Liability	0.1361%	0.1347%	0.1386%	0.1363%	0.1363%	0.1336%	0.1322%	0.1480%
District's Proportionate Share of the Net Pension Liability	\$ 5,956,143	\$ 9,951,817	\$ 8,834,393	\$ 8,558,346	\$ 27,207,953	\$ 31,866,788	\$ 8,177,877	\$ 6,819,733
State's Proportionate Share of the Net Pension Liability Associated with District	502,407	834,058	781,995	804,291	2,630,533	3,198,377	1,002,989	479,724
Total	<u>\$ 6,458,550</u>	<u>\$ 10,785,875</u>	<u>\$ 9,616,388</u>	<u>\$ 9,362,637</u>	<u>\$ 29,838,486</u>	<u>\$ 35,065,165</u>	<u>\$ 9,180,866</u>	<u>\$ 7,299,457</u>
District's Covered Payroll	\$ 8,211,636	\$ 7,817,816	\$ 7,957,354	\$ 7,618,773	\$ 7,159,960	\$ 7,399,129	\$ 7,211,486	\$ 6,788,143
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	72.53%	127.30%	111.02%	112.33%	380.00%	430.68%	113.40%	100.47%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.63%	75.48%	78.21%	78.07%	51.57%	44.90%	76.80%	81.50%

NOTE: Information is presented prospectively, and an accumulation of 10 years will be provided.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
LAST TEN FISCAL YEARS**

		Fiscal Year Ending June 30,								
		2022	2021	2020	2019	2018	2017	2016	2015	2014
PERA - General Employees Fund										
Statutorily Required Contribution		\$ 192,423	\$ 182,756	\$ 173,146	\$ 171,160	\$ 164,780	\$ 160,741	\$ 157,669	\$ 155,347	\$ 140,186
Contributions in Relation to the Statutorily Required Contribution		(192,423)	(182,756)	(173,146)	(171,160)	(164,780)	(160,741)	(157,669)	(155,347)	(140,186)
Contribution Deficiency (Excess)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll		\$ 2,565,640	\$ 2,436,747	\$ 2,308,613	\$ 2,282,133	\$ 2,197,067	\$ 2,179,539	\$ 2,174,745	\$ 2,142,717	\$ 1,933,600
Contributions as a Percentage of Covered Payroll		7.50%	7.50%	7.50%	7.50%	7.50%	7.38%	7.25%	7.25%	7.25%
		Fiscal Year Ending June 30,								
		2022	2021	2020	2019	2018	2017	2016	2015	2014
TRA										
Statutorily Required Contribution		\$ 774,221	\$ 667,606	\$ 619,171	\$ 613,512	\$ 571,408	\$ 536,997	\$ 517,939	\$ 504,804	\$ 475,170
Contributions in Relation to the Statutorily Required Contribution		(774,221)	(667,606)	(619,171)	(613,512)	(571,408)	(536,997)	(517,939)	(504,804)	(475,170)
Contribution Deficiency (Excess)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll		\$ 9,283,225	\$ 8,211,636	\$ 7,817,816	\$ 7,957,354	\$ 7,618,773	\$ 7,159,960	\$ 7,399,129	\$ 7,211,486	\$ 6,788,143
Contributions as a Percentage of Covered Payroll		8.34%	8.13%	7.92%	7.71%	7.50%	7.50%	7.00%	7.00%	7.00%

NOTE: Information is presented prospectively, and an accumulation of 10 years will be provided.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2022**

NOTE 1 COMPLIANCE – BUDGETS

The budget and actual amounts are both prepared on the modified accrual basis of accounting in accordance with GAAP.

In the following fund, expenditures exceeded the appropriations during the year ended June 30, 2022:

	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
Special Revenue Funds:			
Food Service Fund	\$ 1,127,979	\$ 1,232,139	\$ 104,160

The overages above were considered by District management to be the result of necessary expenditures critical to operations.

NOTE 2 CHANGES IN SIGNIFICANT OPEB PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS

Since the most recent GASB Statement No. 45 Other Postemployment Benefits valuation, the following changes have been made:

2022

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

2021

- The health care 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-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and contract group.
- The discount rate was changed from 3.10% to 2.40%.

2020

- The discount rate was changed from 3.50% to 3.10%.

2019

- The health care 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-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The discount rate was changed from 3.40% to 3.50%.
- The percentage of future retirees not eligible for a subsidy who are assumed to continue on one of the District's medical plans postemployment was reduced from 30% to 25%.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2022**

NOTE 3 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS

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

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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2022**

NOTE 3 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2020 (Continued)

Changes in Plan Provisions

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

2019

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018

Changes in Actuarial Assumption

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

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Postretirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50% beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2022**

NOTE 3 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2017

Changes in Actuarial Assumption

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

Changes in Plan Provisions

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

2016

Changes in Actuarial Assumptions

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

Changes in Actuarial Plan Provisions

- There have been no changes since the prior valuation.

2015

Changes in Actuarial Assumptions

- The assumed postretirement 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.

Changes in Plan Provisions

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

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2022**

NOTE 3 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

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

2021

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020

Changes in Actuarial Assumptions

- Assumed termination rates were changed to more closely reflect actual experience.
- The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back 5 years and female rates set back 7 years.
- Generational projection uses the MP-2015 scale. Assumed form of annuity election proportions were changed to more closely reflect actual experience for female retirees.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018

Changes in Actuarial Assumptions

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

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2022**

NOTE 3 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2018 (Continued)

Changes in Plan Provisions

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

Changes in Plan Provisions (Continued)

- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 4 years, (7.92% in 2019, 8.13% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2022**

NOTE 3 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2016

Changes in Actuarial Assumptions

- The cost of living adjustment was not assumed to increase (it remained at 2.0% for all future years).
- The price inflation assumption was lowered from 3.0% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes at some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back 6 years, and female rates set back 5 years. Generational projection uses the MP-2015 scale.
- The postretirement mortality assumption was changed to the RP-2014 white collar annuitant table, male rates set back 3 years and female rates set back 3 years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
- The post-disability mortality assumption was changed to the RP-2014 disabled retiree mortality table, without adjustments.
- Separate retirement assumptions for members hired before or after July 1, 1989 were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional forms of payment at retirement were made.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2022**

**NOTE 3 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2014

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

SINGLE AUDIT AND OTHER REQUIRED REPORTS



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

Board of Education
Independent School District No. 2859
Glencoe, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 2859 (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 7, 2022.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

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

The District's Response to Findings

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

Purpose of This Report

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



CliftonLarsonAllen LLP

Austin, Minnesota
September 7, 2022



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Education
Independent School District No. 2859
Glencoe, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Independent School District No. 2859's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2022-002. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-002 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



CliftonLarsonAllen LLP

Austin, Minnesota
September 7, 2022

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	Entity Identifying Number	Total Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture				
Passed Through Minnesota Department of Agriculture:				
Noncash Assistance (Commodities):				
National School Lunch Program	# 10.555	1-2859-000	\$ 81,088	\$ -
Total Noncash Assistance			81,088	-
Cash Assistance:				
School Breakfast Program	# 10.553	1-2859-000	113,486	
National School Lunch Program	# 10.555	1-2859-000	854,009	
COVID-19 - National School Lunch Program	# 10.555C	1-2859-000	1,822	
After School Snack Program	# 10.555	1-2859-000	16,558	-
COVID-19 - Supply Chain Assistance Funding	# 10.555C	1-2859-000	29,824	-
Special Milk Program for Children	# 10.556	1-2859-000	1,357	-
Summer Food Service Program for Children	# 10.559	1-2859-000	13,948	-
Total Cash Assistance			1,031,004	-
Total Child Nutrition Cluster			1,112,092	-
COVID-19 Pandemic EBT Administrative Costs	10.649C	1-2859-000	430	-
Total U.S. Department of Agriculture			1,112,522	-
U.S. Department of Treasury				
Passed Through Minnesota Department of Education:				
Cash Assistance:				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	70,892	-
Federal Communications Commission				
Passed Through Little Crow Telemedia Network:				
COVID-19 - Emergency Connectivity Fund Program	32.009	N/A	320,708	-
U.S. Department of Education				
Passed Through Minnesota Department of Education:				
Cash Assistance:				
Title I, Part A - Grants to Local Educational Agencies	84.010	S010A210023A	210,112	-
Title I, Part C - Migrant Education State Grant Program	84.011	4706	53,551	-
Perkins Basic State Grants	84.048	@	7,689	-
Title III - English Language Acq Grants	84.365	S365A210023A	25,806	-
Title II, Part A - Improving Teacher Quality	84.367	S367A210022	41,322	-
COVID-19 - Governor's Emergency Education Relief (GEER I) Fund	84.425C	S425C220015	\$ 11,486	
COVID-19 - Governor's Emergency Education Relief (GEER I) School Age Child Care	84.425C	S425C220015	11,100	
COVID-19 - 90% Elementary and Secondary School Emergency Relief Fund II (ESSER II)	84.425D	S425D220045	646,021	
COVID-19 - Elementary and Secondary School Emergency Relief Fund II (ESSER II) Expanded Summer Learning	84.425D	S425D220045	54,710	
COVID-19 - 90% Elementary and Secondary School Emergency Relief Fund III (ESSER III)	84.425U	S425C220045	700,855	
COVID-19 - Learning Recovery - Lost Instruction Time	84.425U	S425C220045	29,389	
Total Education Stabilization Fund			1,453,561	-
Passed Through SW/WC Service Cooperative #991:				
Cash Assistance:				
Special Education - Grants to States	& 84.027	83-0991-000	233,640	-
Special Education - Preschool Incentive	& 84.173	83-0991-000	7,659	-
Total Special Education Cluster			241,299	-
Total U.S. Department of Education			2,033,340	-
U.S. Department of Health and Human Services				
Passed Through Minnesota Department of Education:				
Cash Assistance:				
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	N/A	86,646	-
Total Federal Financial Assistance Expended			\$ 3,624,108	\$ -
# - Child Nutrition Cluster				
& - Special Education Cluster				
@ - Unknown Agency or Pass-Through Number				

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022**

NOTE 1 GENERAL

The accompanying schedule of expenditures of federal awards includes the federal award activity of Independent School District No. 2859 (the District) under programs of the federal government for the year ended June 30, 2022. The reporting entity is defined in Note 1 to the District's financial statements. All federal financial assistance received directly from federal agencies as well as federal financial assistance pass through other government agencies is included on the schedule. The District did not pass any federal award money to subrecipients during the fiscal year. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the District's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 INDIRECT COST RATE

The District has not elected to use the 10% de minimis in direct costs rate as allowed under Uniform Guidance.



INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Education
Independent School District No. 2859
Glencoe, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 2859 (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 7, 2022.

In connection with our audit, we noted that the District failed to comply with provisions of the contracting – bid laws section of *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, in so far as they relate to accounting matters as described in the schedule of findings and questioned costs as item 2022-003. Also, in connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters.

The District's written response to the legal compliance findings identified in our audit are described in the schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for School Districts* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

Austin, Minnesota
September 7, 2022

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

PART I: SUMMARY OF AUDITORS' RESULTS

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
 - Material weakness(es) identified? x yes no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes x none reported
3. Noncompliance material to financial statements noted? yes x no

Federal Awards

1. Internal control over major federal programs:
 - Material weakness(es) identified? x yes no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes x none reported
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes x no

Identification of Major Federal Programs

Assistance Listing Number(s)

84.425C, 84.425D, 84.425U
32.009

Name of Federal Program or Cluster

Education Stabilization Fund
Emergency Connectivity Fund Program

Dollar threshold used to distinguish between
Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee pursuant
to Uniform Guidance?

 yes x no

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2022**

PART II: FINDINGS RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS:

FINDING: 2022-001 ANNUAL FINANCIAL REPORTING UNDER GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)

Criteria: Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation of the financial statements including the related disclosures, in conformity with U.S. generally accepted accounting principles.

Condition: The Board and management share the ultimate responsibility for the District's internal control system. While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced.

The District engages CLA to assist in preparing its financial statements and accompanying disclosures. However, as independent auditors, CLA cannot be considered part of the District's internal control system. As part of its internal control over the preparation of its financial statements, including disclosures, the District has implemented a comprehensive review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such review procedures should be performed by an individual possessing a thorough understanding of U.S. generally accepted accounting principles and knowledge of the District's activities and operations.

Cause: The District's personnel have not monitored recent accounting developments to the extent necessary to enable them to prepare the District's financial statements and related disclosures. However, management has reviewed and approved the financial statements and related disclosures.

Possible Effect: The potential exists that a material misstatement of the annual financial statements could occur and not be prevented or detected by the District's internal controls in the normal course of business.

Repeat Finding: Yes, see finding 2021-001.

Recommendation: Management should continue to evaluate their internal staff capacity to determine if an internal control policy over the annual financial reporting is beneficial.

VIEWS OF RESPONSIBLE OFFICIALS: There is no disagreement with the audit finding.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2022**

PART III: FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS

FINDING: 2022-002 SPECIAL PROVISIONS – WAGE RATE REQUIREMENTS

Federal agency: U.S. Department of Education

Federal program title: Education Stabilization Fund

Assistance Listing Number: 84.425C, 84.425D, and 84.425U

Pass-Through Agency: Minnesota Department of Education

Pass-Through Number(s): S425C220015, S425D220045, and S425C220045

Award Period: July 1, 2021 – June 30, 2022

Type of Finding:

- Material weakness in internal control over compliance and compliance

Criteria: Per 2 CRF Part 176, Subpart C and 2 CFR section 200.326, the District shall include in their construction contracts subject to the wage rate requirements a provision that the contractor or subcontractor comply with those requirements and the DOL regulations. This includes a requirement for the contractor or subcontractor to submit to the District weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls).

Condition: During special provisions testing, it was noted that for 1 of 1 contractors tested the required wage rate requirements were not included and the District did not require the contractor to submit certified payrolls.

Questioned Costs: Not applicable.

Context: One of 1 contracts tested did not follow proper wage rate requirements.

Cause: Oversight.

Possible Effect: Lack of proper controls and noncompliance with wage rate requirements could result in the District doing business with contractors that are not paying laborer or mechanics prevailing wage rates.

Repeat Finding: Not applicable.

Recommendation: We recommend that the District consider any contracts for capital expenditures for applicability of Davis Bacon Act wage rate requirements prior to awarding the project and entering into the contract. If it is determined that wage rate requirements apply, the District should ensure the required provision is included in the applicable contracts and then the District also need to require the applicable contractors to submit certified payrolls during the time of the projects.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2022**

**PART III: FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
(CONTINUED)**

FINDING: 2022-002 SPECIAL PROVISIONS – WAGE RATE REQUIREMENTS (CONTINUED)

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Contact Person

Michelle Sander, Business Manager

Corrective Action Planned

A corrective action plan is in place.

Anticipated Completion Date

June 30, 2023

PART IV: FINDINGS – MN LEGAL COMPLIANCE FINDINGS

FINDING: 2022-003 CONTRACTING AND BIDDING

Condition: During the audit of the District, it was noted that the District did not properly obtain a quote on a purchase over \$25,000 for a project.

Criteria: Minnesota Statute §471.345 requires that, for each construction contract in excess of \$25,000 a quote must be obtained.

Effect: The District was not in compliance with this statute.

Cause: The District received a quote for 11 vents, believing the vendor could not supply all 22 needed. However, the vendor was able to supply all 22 vents but the District did not obtain a quote for the full purchase.

Repeat Finding: No.

Recommendation: We recommend that the District review their processes and procedures for obtaining quotes for construction contracts in excess of \$25,000.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Contact Person

Michelle Sander, Business Manager

Corrective Action Planned

A corrective action plan is in place.

Anticipated Completion Date

June 30, 2023

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
YEAR ENDED JUNE 30, 2022**

	AUDIT	UFARS	DIFFERENCE		AUDIT	UFARS	DIFFERENCE
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$ 20,680,277	\$ 20,680,277	\$ -	Total Revenue	\$ -	\$ -	\$ -
Total Expenditures	20,860,248	20,860,247	1	Total Expenditures	-	-	-
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	-	-	-	460 Nonspendable Fund Balance	-	-	-
<i>Restricted:</i>				<i>Restricted:</i>			
401 Student Activities	68,623	68,621	2	407 Capital Projects Levy	-	-	-
403 Staff Development	67,773	67,773	-	409 Alternative Facility Program	-	-	-
407 Capital Project Levy	-	-	-	413 Projects Funded by COP	-	-	-
408 Cooperative Programs	-	-	-	464 Restricted Fund Balance	-	-	-
413 Projects Funded by COP	-	-	-	<i>Unassigned:</i>			
414 Operating Debt	-	-	-	463 Unassigned Fund Balance	-	-	-
416 Levy Reduction	-	-	-				
417 Taconite Building Maintenance	-	-	-	07 DEBT SERVICE			
424 Operating Capital	708,230	708,230	-	Total Revenue	1,549,309	1,549,308	1
426 \$25 Taconite	-	-	-	Total Expenditures	1,539,038	1,539,038	-
427 Disabled Accessibility	-	-	-	<i>Nonspendable:</i>			
428 Learning and Development	-	-	-	460 Nonspendable Fund Balance	-	-	-
434 Area Learning Center	-	-	-	<i>Restricted:</i>			
435 Contracted Alternative Programs	-	-	-	425 Bond Refunding	-	-	-
436 State-Approved Alternative Programs	-	-	-	451 QZAB and QSCB Payments	-	-	-
438 Gifted and Talented	19,143	19,143	-	464 Restricted Fund Balance	331,019	331,018	1
440 Teacher Development and Evaluations	3,027	3,027	-	<i>Unassigned:</i>			
441 Basic Skills Programs	-	-	-	463 Unassigned Fund Balance	-	-	-
445 Career and Technical Programs	-	-	-				
448 Achievement and Integration	-	-	-	08 TRUST			
449 Safe Schools Crime Levy	36,950	36,950	-	Total Revenue	-	-	-
451 QZAB Payments	-	-	-	Total Expenditures	-	-	-
452 OPEB Liability Not Held in Trust	-	-	-	<i>Net Position:</i>			
453 Unfunded Severance & Retirement Levy	-	-	-	464 Net Position	-	-	-
467 LTFM	268,810	268,810	-				
464 Restricted Fund Balance	-	-	-	18 CUSTODIAL			
<i>Committed:</i>				Total Revenue	10,839	10,840	(1)
418 Committed for Separation	-	-	-	Total Expenditures	17,200	17,200	-
461 Committed Fund Balance	-	-	-	<i>Net Position:</i>			
<i>Assigned:</i>				401 Student Activities	-	-	-
462 Assigned Fund Balance	400,000	400,000	-	402 Scholarships	910,239	910,239	-
<i>Unassigned:</i>				448 Achievement and Integration	-	-	-
422 Unassigned Fund Balance	3,891,244	3,891,249	(5)	464 Restricted Fund Balance	-	-	-
02 FOOD SERVICE				20 INTERNAL SERVICE			
Total Revenue	1,308,950	1,308,950	-	Total Revenue	-	-	-
Total Expenditures	1,232,139	1,232,139	-	Total Expenditures	-	-	-
<i>Nonspendable:</i>				<i>Net Position:</i>			
460 Nonspendable Fund Balance	28,510	28,510	-	422 Net Position	-	-	-
<i>Restricted:</i>							
452 OPEB Liability Not Held in Trust	-	-	-	25 OPEB REVOCABLE TRUST			
464 Restricted Fund Balance	317,326	317,326	-	Total Revenue	-	-	-
<i>Unassigned:</i>				Total Expenditures	-	-	-
463 Unassigned Fund Balance	-	-	-	<i>Net Position:</i>			
				422 Net Position	-	-	-
04 COMMUNITY SERVICE							
Total Revenue	1,011,351	1,011,348	3	45 OPEB IRREVOCABLE TRUST			
Total Expenditures	983,030	983,030	-	Total Revenue	-	-	-
<i>Nonspendable:</i>				Total Expenditures	-	-	-
460 Nonspendable Fund Balance	-	-	-	<i>Net Position:</i>			
<i>Restricted:</i>				422 Net Position	-	-	-
426 \$25 Taconite	-	-	-				
431 Community Education	468,461	468,461	-	47 OPEB DEBT SERVICE			
432 E.C.F.E.	2,867	2,867	-	Total Revenue	-	-	-
440 Teacher Development and Evaluations	-	-	-	Total Expenditures	-	-	-
444 School Readiness	(47,518)	(47,519)	1	<i>Nonspendable:</i>			
447 Adult Basic Education	-	-	-	460 Nonspendable Fund Balance	-	-	-
452 OPEB Liability Not Held in Trust	-	-	-	<i>Restricted:</i>			
464 Restricted Fund Balance	-	-	-	425 Bond Refunding	-	-	-
<i>Unassigned:</i>				464 Restricted Fund Balance	-	-	-
463 Unassigned Fund Balance	-	-	-	<i>Unassigned:</i>			
				463 Unassigned Fund Balance	-	-	-

*Amounts differ from those reported on the fund-level balance sheet due to the need to reclassify negative restricted fund balance to unassigned fund balance.



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