

**Independent School District No. 51
Foley, Minnesota**

Basic Financial Statements

June 30, 2022

Independent School District No. 51
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**Independent School District No. 51
Board of Education and Administration
June 30, 2022**

<u>Board of Education</u>	<u>Position</u>	<u>Term Expires</u>
Nathan Anderson	Chairperson	December 31, 2022
Stephanie Rudnitski	Vice-Chairperson	December 31, 2022
Sharon Kipka	Clerk	December 31, 2024
Emily Lachinski	Treasurer	December 31, 2024
Becky Howard	Director	December 31, 2022
Ken Anderson	Director	December 31, 2024
Patric Lewandowski	Director	December 31, 2024
 <u>Administration</u>		
Paul Neubauer	Superintendent	Appointed

Independent Auditor's Report

To the School Board
Independent School District No. 51
Foley, Minnesota

Report on the Audit of the Financial Statements

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 51, Foley, Minnesota, as of and for the year ended June 30, 2022, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 51, Foley, Minnesota, as of June 30, 2022, and the respective changes in financial position and, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Independent School District No. 51 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Implementation of GASB 87

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

Responsibilities of Management for the Financial Statements

The management of Independent School District No. 51 is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

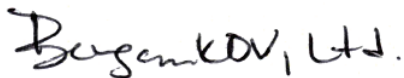
Supplementary Information

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

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2022, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



St. Cloud, Minnesota
November 28, 2022

Independent School District No. 51 Management's Discussion and Analysis

This section of the District's annual financial report presents the District's Management's Discussion and Analysis (MD&A) of the District's financial performance during the year that ended on June 30, 2022. Please read it in conjunction with this report and the District's financial statements, which immediately follows this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2021-22 year include the following:

- The District experienced a decrease in the unassigned General Fund Balance from \$3,788,336 on June 30, 2021, to \$3,451,704 on June 30, 2022. The fund balance was approximately 14.5% of 2022 expenditures or approximately one and three-quarters months' of expenditures based on 2022 spending levels. This is due, in part, to the uncertainty of kindergarten students enrolling following the pandemic. The District had budgeted for 145 students yielding 7 sections and 125 students enrolled.
- The District experienced a significant decrease in students identified as receiving educational benefits due to the pandemic related Federal Free Breakfast and Lunch program.
- The government's total net position increased by \$1,412,367, primarily due to decreased liabilities for 2022 and increases in the Debt Service and Food Service Fund balances.
- During fiscal year 2022, the District received and spent \$1,003,025 in COVID 19 federal relief funding. The District has implemented several programs funded through ESSER (pandemic related federal funds) that aided in the academic and behavioral support provided to all students.

Independent School District No. 51 Management's Discussion and Analysis

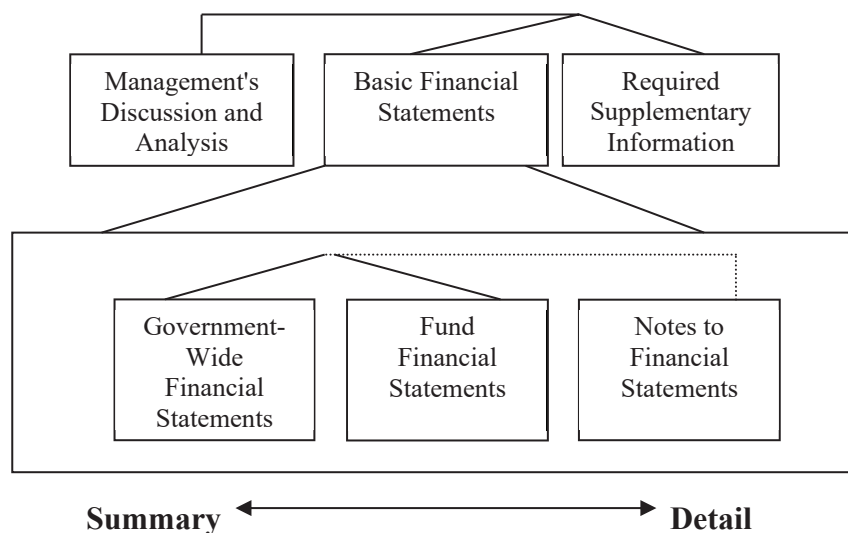
OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information which includes the 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 government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-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.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1



Independent School District No. 51

Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

Fund Financial Statements				
	District-Wide Statements	Governmental Funds	Fiduciary Fund	Proprietary Fund
Scope	Entire District (except fiduciary funds)	The activities of the District that is not fiduciary, such as special education and building maintenance.	Instances in which the District administers resources on behalf of someone else, such as scholarship programs.	The activities the District operates like a business, such as retiree severance funds and self-insurance funds.
Required Financial Statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Fiduciary Position • Statement of Changes in Fiduciary Net Position 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses, and Changes in Fund Net Position • Statement of Cash Flows
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial focus.	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
Type of Assets/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term.	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can.	All assets and liabilities, both financial and capital, and short-term and long-term.
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All additions and deductions during the year, regardless of when cash is received or paid.	All revenues and expenses during year, regardless of when cash is received or paid.

Independent School District No. 51 Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Statements

The government-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 and deferred outflows of resources; and 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 government-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 is an indicator of whether its financial position is improving or deteriorating.
- 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 government-wide financial statements, the District's activities are shown in one category:

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

Fund Financial Statements

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

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

**Independent School District No. 51
Management's Discussion and Analysis**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The District has three 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 government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- **Proprietary Fund** – The District uses an Internal Service Fund to account for operations of the District's OPEB benefits. The activities of this fund are reported in a separate Statement of Net Position, Statement of Revenues, Expenses, and Changes in Fund Net Position, and Statement of Cash Flows. This activity is also included in the Government-Wide Statement of Net Position and Statement of Activities.
- **Fiduciary Fund** – The District is the trustee, or fiduciary, for assets that belong to others, such as certain scholarship funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

Independent School District No. 51
Management's Discussion and Analysis

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

	Net Position		
	<u>2022</u>	<u>2021</u>	<u>Change</u>
Current assets	\$ 14,790,912	\$ 14,430,080	2.5%
Capital assets, net of depreciation	<u>36,351,982</u>	<u>37,509,927</u>	-3.1%
Total assets	<u>\$ 51,142,894</u>	<u>\$ 51,940,007</u>	-1.5%
Deferred outflows related to OPEB	\$ 1,109,421	\$ 1,154,687	-3.9%
Deferred outflows related to pensions	<u>5,983,459</u>	<u>6,566,050</u>	-8.9%
Total deferred outflows	<u>\$ 7,092,880</u>	<u>\$ 7,720,737</u>	-8.1%
Current liabilities	\$ 2,521,962	\$ 2,391,512	5.5%
Noncurrent liabilities	<u>24,185,575</u>	<u>31,599,197</u>	-23.5%
Total liabilities	<u>\$ 26,707,537</u>	<u>\$ 33,990,709</u>	-21.4%
Deferred inflows related to OPEB	\$ 861,275	\$ 922,986	-6.7%
Deferred inflows related to pensions	14,877,217	10,494,110	41.8%
Property taxes levied for subsequent year's expenditures	<u>3,602,065</u>	<u>3,477,626</u>	3.6%
Total deferred inflows	<u>\$ 19,340,557</u>	<u>\$ 14,894,722</u>	29.8%
Net investment in capital assets	\$ 24,768,832	\$ 24,527,164	1.0%
Restricted	3,292,756	2,167,920	51.9%
Unrestricted	<u>(15,873,908)</u>	<u>(15,919,771)</u>	0.3%
Total net position	<u>\$ 12,187,680</u>	<u>\$ 10,775,313</u>	13.1%

**Independent School District No. 51
Management's Discussion and Analysis**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Position

	<u>2022</u>	<u>2021</u>	<u>Change</u>
Revenues			
Program revenues			
Charges for services	\$ 1,307,613	\$ 882,358	48.2%
Operating grants and contributions	7,784,740	6,914,739	12.6%
Capital grants and contributions	815,956	856,551	-4.7%
General revenues			
Property taxes	3,272,390	3,328,722	-1.7%
State aid-formula grants	15,500,206	15,289,675	1.4%
Other and investment income	(277,386)	731,015	-137.9%
Total revenues	<u>28,403,519</u>	<u>28,003,060</u>	1.4%
Expenses			
Administration	\$1,192,051	\$1,224,628	-2.7%
District support services	579,982	580,373	-0.1%
Elementary/secondary regular instruction	10,447,281	11,460,301	-8.8%
Vocational education instruction	254,090	217,785	16.7%
Special education instruction	4,276,908	4,271,134	0.1%
Instructional support services	1,843,100	1,732,385	6.4%
Pupil support services	1,859,666	1,638,161	13.5%
Sites and buildings	2,222,870	1,947,220	14.2%
Fiscal and other fixed cost programs	257,938	116,641	121.1%
Food service	1,696,852	1,379,569	23.0%
Community service	896,702	644,136	39.2%
Unallocated depreciation	1,218,579	1,160,397	5.0%
Interest and fiscal charges on long-term debt	245,133	228,587	7.2%
Total expenses	<u>26,991,152</u>	<u>26,601,317</u>	1.5%
Change in net position	1,412,367	1,401,743	0.8%
Beginning of the year net position	<u>10,775,313</u>	<u>9,373,570</u>	15.0%
End of year net position	<u><u>\$ 12,187,680</u></u>	<u><u>\$ 10,775,313</u></u>	13.1%

**Independent School District No. 51
Management's Discussion and Analysis**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Position

The District's total revenues were \$28,403,519 for the year ended June 30, 2022. Property taxes, state formula aid, and other general revenues accounted for 65.1% of total revenue for the year and 34.9% came from program revenues.

The total cost of all programs and services was \$26,991,152. The District's expenses are predominantly related to educating and caring for students (78.8%). The purely administrative activities of the District accounted for 4.4% of total cost.

GENERAL FUND

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

General Fund Revenue

Revenues from the State of Minnesota make up a vast majority of the General Fund operating dollars. The primary factors in calculating the amount of "state aid" each year are student enrollment and the General Education Aid Formula Allowance.

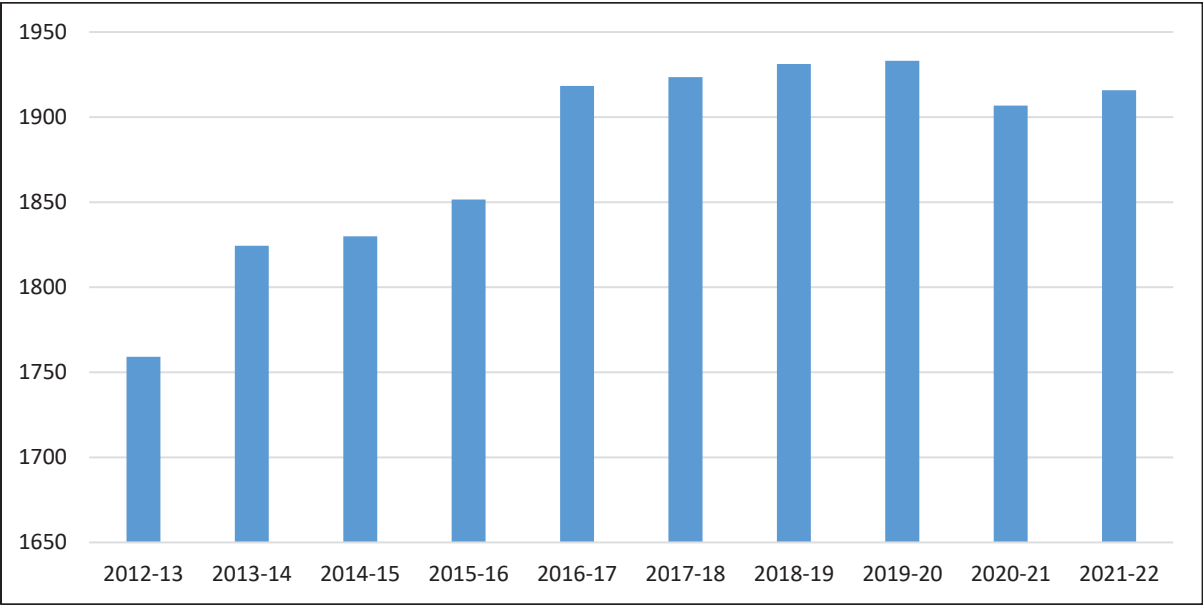
The General Education Aid Formula Allowance has increased in recent years, reflecting the robust state economy, from \$6,312 per "Weighted Average Daily Membership" in FY19 to \$6,438 in FY20, and \$6,567 in FY21, with a further 2.5% increase to \$6,728 in FY22.

The District continues to enjoy strong student enrollment, maintaining a strong attraction for resident students as well as a non-resident students, experiencing an increase in Average Daily Membership in FY22 of 0.7% to 1,916.

**Independent School District No. 51
Management's Discussion and Analysis**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Historical Adjusted Average Daily Membership (ADM = 1.0)



Source: Minnesota Dept. of Education, Minnesota Funding Reports

The last MARSS run available reports 1915.76 Average Daily Membership for 2021-2022.

**Independent School District No. 51
Management's Discussion and Analysis**

GENERAL FUND (CONTINUED)

General Fund Revenue				
	2022	2021	Amount of Increase/ Decrease	Change
Property taxes	\$1,930,083	\$1,732,665	\$ 197,418	11.4%
Other local and county revenues	641,120	607,693	33,427	5.5%
State sources	19,815,736	19,308,448	507,288	2.6%
Federal sources	1,432,703	1,278,523	154,180	12.1%
Sales and other	28,931	19,382	9,549	49.3%
Total general fund revenue	<u>\$ 23,848,573</u>	<u>\$ 22,946,711</u>	<u>\$ 901,862</u>	3.9%

General Fund Expenditures				
	2022	2021	Amount of Increase/ Decrease	Change
Administration	\$ 1,239,406	\$ 1,171,319	\$ 68,087	5.8%
District support services	600,905	585,035	15,870	2.7%
Elementary/secondary regular instruction	10,733,099	10,524,551	208,548	2.0%
Vocational education instruction	263,720	198,694	65,026	32.7%
Special education instruction	4,403,351	4,089,235	314,116	7.7%
Instructional support services	1,668,373	1,811,050	(142,677)	-7.9%
Pupil support services	1,862,237	1,577,088	285,149	18.1%
Sites and buildings	2,273,800	1,825,025	448,775	24.6%
Fiscal and other fixed cost programs	257,938	116,641	141,297	121.1%
Debt service	287,392	266,493	20,899	7.8%
Capital outlay	202,143	272,431	(70,288)	-25.8%
Total general fund expenditures	<u>\$ 23,792,364</u>	<u>\$ 22,437,562</u>	<u>\$ 1,354,802</u>	6.0%

Changes in Unassigned Fund Balance

	2020	2021	2022
Unassigned fund balance	\$ 3,648,936	\$ 3,788,336	\$ 3,451,704
Change	217,050	139,400	(336,632)
Percentage change	6.3%	3.8%	-8.9%

The unassigned fund balance of \$3,451,704 as of June 30, 2021, represents 14.5% of the FY22 General Fund expenditures. The District closely monitors its fund balance as the District fund balance policy requires 12%, or about one and one half months' worth of expenditures as the fund balance amount. This amount is somewhat higher than required in policy so it can be used to offset loss of future funding, contract negotiations, funding OPEB obligations, or expanding programs.

Independent School District No. 51
Management's Discussion and Analysis

NONMAJOR FUNDS

The Food Service Fund balance increased from \$622,458 on June 30, 2021, to \$1,067,646 on June 30, 2022. The \$445,188 2022 increase is primarily attributable to increased reimbursement rates; all meals served were reimbursed by the federal government.

The Community Service Fund continues to show strong performance with high levels of community participation in a wide variety of program offerings. An expanded Early Childhood education program also provides opportunities for students to get a better start when they enroll in what is now an all day, every day kindergarten program.

CAPITAL ASSETS

	2022	2021	Change
Land	\$ 150,325	\$ 150,325	0.0%
Land improvements	3,246,319	3,018,144	7.6%
Buildings	55,242,175	55,149,225	0.2%
Machinery and equipment	9,222,568	9,180,072	0.5%
Leased assets	20,429	-	N/A
Less accumulated depreciation	(31,529,834)	(29,987,839)	-5.1%
Total	<u>\$ 36,351,982</u>	<u>\$ 37,509,927</u>	-3.1%

Net capital assets decreased by 3.1% from June 30, 2021 to June 30, 2022, as seen in the above table. See Note 3 for further information on capital assets.

LONG-TERM LIABILITIES

	2022	2021	Change
Bond principal, net of premium	\$ 9,406,538	\$ 10,823,182	-13.1%
Financed purchase agreements	2,254,021	2,457,077	-8.3%
Compensated absences	586,312	553,218	6.0%
Net pension liability	9,501,524	15,333,314	-38.0%
Other post employment benefits (OPEB)	4,068,197	4,007,435	1.5%
Total	<u>\$ 25,816,592</u>	<u>\$ 33,174,226</u>	-22.2%

At year-end, the District had \$25,816,592 in long-term liabilities. See Note 4 for additional information on long-term liabilities.

Independent School District No. 51 Management's Discussion and Analysis

FACTORS BEARING ON THE DISTRICT'S FUTURE

The District, along with all other areas of the economy, workforce and society, continues to be affected by the COVID-19 pandemic. We continue to budget conservatively with the unknowns of future state funding parameters and unexpected expenditures due to the pandemic requirements. Enrollment for the District will continue to be monitored closely and the impacts on the budget adjusted for accordingly.

Foley Public Schools received various COVID-19 pandemic related funding and used these funds to focus on how to make the student's experience better during the pandemic. Student achievement continues to be a priority for Foley Public Schools.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the District Office, Independent School District 51, 840 Norman Avenue North, Foley, Minnesota 56329.

BASIC FINANCIAL STATEMENTS

Independent School District No. 51
Statement of Net Position
June 30, 2022

	Governmental Activities
Assets	
Cash and investments	\$ 9,514,787
Current property taxes receivable	1,858,963
Delinquent property taxes receivable	63,095
Accounts receivable	61,544
Due from Department of Education	2,290,277
Due from Federal Government through Department of Education	406,642
Due from other governmental units	9,432
Due from other Minnesota school districts	488,423
Inventory	51,470
Prepaid items	46,279
Capital assets not being depreciated	
Land	150,325
Capital assets, net of accumulated depreciation	
Buildings	32,476,980
Improvements other than buildings	1,329,804
Machinery and equipment	2,394,873
Total assets	<u>51,142,894</u>
Deferred Outflows of Resources	
Deferred outflows of resources related to OPEB	1,109,421
Deferred outflows of resources related to pensions	5,983,459
Total deferred outflows of resources	<u>7,092,880</u>
 Total assets and deferred outflows of resources	 <u><u>\$ 58,235,774</u></u>
Liabilities	
Accounts payable	\$ 205,055
Salaries and benefits payable	507,929
Interest payable	134,922
Due to other governmental units	30,439
Unearned revenue	12,600
Bond principal payable, net of premiums	
Payable within one year	1,370,000
Payable after one year	8,036,538
Financed purchase agreements payable	
Payable within one year	208,349
Payable after one year	2,045,672
Compensated absences payable	
Payable within one year	52,668
Payable after one year	533,644
Total OPEB liability	4,068,197
Net pension liability	9,501,524
Total liabilities	<u>26,707,537</u>
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	861,275
Deferred inflows of resources related to pensions	14,877,217
Property taxes levied for subsequent year's expenditures	3,602,065
Total deferred inflows of resources	<u>19,340,557</u>
Net Position	
Net investment in capital assets	24,768,832
Restricted for	
Debt service	1,111,234
Other purposes	2,181,522
Unrestricted	(15,873,908)
Total net position	<u>12,187,680</u>
 Total liabilities, deferred inflows of resources, and net position	 <u><u>\$ 58,235,774</u></u>

See notes to basic financial statements.

Independent School District No. 51
Statement of Activities
Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for	Operating	Capital Grants	Revenues and
		Services	Grants and	and	Changes in
			Contributions	Contributions	Net Position
					Governmental
					Activities
Governmental activities					
Administration	\$ 1,192,051	\$ -	\$ -	\$ -	\$ (1,192,051)
District support services	579,982	-	-	-	(579,982)
Elementary and secondary regular instruction	10,447,281	553,984	1,246,211	-	(8,647,086)
Vocational education instruction	254,090	-	31,528	-	(222,562)
Special education instruction	4,276,908	31,346	3,211,986	-	(1,033,576)
Instructional support services	1,843,100	9,860	876,636	-	(956,604)
Pupil support services	1,859,666	5,477	141,875	-	(1,712,314)
Sites and buildings	2,222,870	4,538	-	815,956	(1,402,376)
Fiscal and other fixed cost programs	257,938	-	-	-	(257,938)
Food service	1,696,852	161,448	2,000,854	-	465,450
Community education and services	896,702	540,960	275,650	-	(80,092)
Unallocated depreciation	1,218,579	-	-	-	(1,218,579)
Interest and fiscal charges on long-term debt	245,133	-	-	-	(245,133)
Total governmental activities	<u>\$ 26,991,152</u>	<u>\$ 1,307,613</u>	<u>\$ 7,784,740</u>	<u>\$ 815,956</u>	(17,082,843)
General revenues					
Taxes					
Property taxes, levied for general purposes					1,931,379
Property taxes, levied for community service					98,752
Property taxes, levied for debt service					1,242,259
State aid-formula grants					15,500,206
Other general revenues					49,906
Investment income					(327,292)
Total general revenues					<u>18,495,210</u>
Change in net position					1,412,367
Net position - beginning					<u>10,775,313</u>
Net position - ending					<u>\$ 12,187,680</u>

See notes to basic financial statements.

Independent School District No. 51
Balance Sheet - Governmental Funds
June 30, 2022

	General	Debt Service	Other Nonmajor Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 3,764,189	\$ 1,871,611	\$ 1,336,429	\$ 6,972,229
Current property taxes receivable	917,657	876,243	65,063	1,858,963
Delinquent property taxes receivable	27,572	33,854	1,669	63,095
Accounts receivable	41,771	-	19,773	61,544
Due from Department of Education	2,244,328	28,243	17,706	2,290,277
Due from Federal Government through Department of Education	369,072	-	37,570	406,642
Due from other Minnesota school districts	481,385	-	7,038	488,423
Due from other governmental units	9,432	-	-	9,432
Inventory	33,218	-	18,252	51,470
Prepaid items	46,279	-	-	46,279
	<u>\$ 7,934,903</u>	<u>\$ 2,809,951</u>	<u>\$ 1,503,500</u>	<u>\$ 12,248,354</u>
Liabilities				
Accounts payable	\$ 187,082	\$ -	\$ 17,973	\$ 205,055
Salaries and benefits payable	451,854	-	56,075	507,929
Due to other governmental units	30,439	-	-	30,439
Unearned revenue	-	-	12,600	12,600
Total liabilities	<u>669,375</u>	<u>-</u>	<u>86,648</u>	<u>756,023</u>
Deferred Inflows of Resources				
Unavailable revenue - delinquent property taxes	14,219	23,221	927	38,367
Property taxes levied for subsequent year's expenditures	<u>1,902,321</u>	<u>1,563,795</u>	<u>135,949</u>	<u>3,602,065</u>
Total deferred inflows of resources	<u>1,916,540</u>	<u>1,587,016</u>	<u>136,876</u>	<u>3,640,432</u>
Fund Balances				
Nonspendable	79,497	-	18,252	97,749
Restricted	978,028	1,222,935	1,261,724	3,462,687
Assigned	839,759	-	-	839,759
Unassigned	<u>3,451,704</u>	<u>-</u>	<u>-</u>	<u>3,451,704</u>
Total fund balances	<u>5,348,988</u>	<u>1,222,935</u>	<u>1,279,976</u>	<u>7,851,899</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,934,903</u>	<u>\$ 2,809,951</u>	<u>\$ 1,503,500</u>	<u>\$ 12,248,354</u>

Independent School District No. 51
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2022

Total fund balances - governmental funds	\$ 7,851,899
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	
Cost of capital assets	67,861,387
Less accumulated depreciation	(31,509,405)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of:	
Bond principal payable	(8,765,000)
Bond premiums	(641,538)
Financed purchase agreements payable	(2,254,021)
Compensated absences payable	(586,312)
Total OPEB liability	(4,068,197)
Net pension liability	(9,501,524)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions and OPEB that are not recognized in the governmental funds.	
Deferred outflows of resources related to pensions	5,983,459
Deferred inflows of resources related to pensions	(14,877,217)
Deferred outflows of resources related to OPEB	1,109,421
Deferred inflows of resources related to OPEB	(861,275)
Delinquent property taxes receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	38,367
The OPEB internal service fund is used to charge the benefits to the fund that incurs the cost. This amount represents assets available to fund the OPEB liability. These assets are included with governmental activities.	2,542,558
Governmental funds do not report a liability for accrued interest on bonds and capital loans until due and payable.	(134,922)
Total net position - governmental activities	<u>\$ 12,187,680</u>

Independent School District No. 51
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2022

	General	Debt Service	Other Nonmajor Funds	Total Governmental Funds
Revenues				
Local property taxes	\$ 1,930,083	\$ 1,246,940	\$ 98,749	\$ 3,275,772
Other local and county revenues	641,120	5,504	545,534	1,192,158
Revenue from state sources	19,815,736	617,484	228,687	20,661,907
Revenue from federal sources	1,432,703	-	2,052,103	3,484,806
Sales and other conversion of assets	28,931	-	160,320	189,251
Total revenues	<u>23,848,573</u>	<u>1,869,928</u>	<u>3,085,393</u>	<u>28,803,894</u>
Expenditures				
Current				
Administration	1,239,406	-	-	1,239,406
District support services	600,905	-	-	600,905
Elementary and secondary regular instruction	10,733,099	-	-	10,733,099
Vocational education instruction	263,720	-	-	263,720
Special education instruction	4,403,351	-	-	4,403,351
Instructional support services	1,668,373	-	-	1,668,373
Pupil support services	1,862,237	-	-	1,862,237
Sites and buildings	2,273,800	-	-	2,273,800
Fiscal and other fixed cost programs	257,938	-	-	257,938
Food service	-	-	1,695,748	1,695,748
Community education and services	-	-	912,816	912,816
Capital outlay				
Elementary and secondary regular instruction	106,740	-	-	106,740
Special education instruction	3,178	-	-	3,178
Instructional support services	50,707	-	-	50,707
Pupil support services	23,728	-	-	23,728
Sites and buildings	17,790	-	220,311	238,101
Food service	-	-	25,400	25,400
Debt service				
Principal	223,485	1,300,000	-	1,523,485
Interest and fiscal charges	63,907	316,087	-	379,994
Total expenditures	<u>23,792,364</u>	<u>1,616,087</u>	<u>2,854,275</u>	<u>28,262,726</u>
Excess of revenues over expenditures	56,209	253,841	231,118	541,168
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	1,500	1,500
Insurance recovery	3,650	-	-	3,650
Transfers in	-	-	85,751	85,751
Transfers out	(85,751)	-	-	(85,751)
Total other financing sources (uses)	<u>(82,101)</u>	<u>-</u>	<u>87,251</u>	<u>5,150</u>
Net change in fund balances	(25,892)	253,841	318,369	546,318
Fund Balances				
Beginning of year	<u>5,374,880</u>	<u>969,094</u>	<u>961,607</u>	<u>7,305,581</u>
End of year	<u>\$ 5,348,988</u>	<u>\$ 1,222,935</u>	<u>\$ 1,279,976</u>	<u>\$ 7,851,899</u>

See notes to basic financial statements.

Independent School District No. 51
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances to the
Statement of Activities - Governmental Funds
Year Ended June 30, 2022

Net change in fund balances - total governmental funds	\$ 546,318
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Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.

Capital outlays	648,409
Depreciation expense	(1,826,607)
Disposals of capital assets	(176)

Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	(33,094)
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OPEB are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	(44,317)
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Governmental funds recognize pension contributions as expenditures at the time of payment in the funds whereas the Statement of Activities factors in items related to pensions in a full accrual perspective.	866,092
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Principal payments on long-term debt are recognized as expenditures in the governmental funds but as an increase in net position in the Statement of Activities.	1,523,485
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The change in net position of the OPEB Revocable Trust internal service fund is reported with governmental activities.	(399,222)
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	18,217
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Governmental funds report the effect of bond premiums when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Amortization of premiums	116,644

Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	(3,382)
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Change in net position - governmental activities	\$ <u>1,412,367</u>
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Independent School District No. 51
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Over (Under)
Revenues				
Local property taxes	\$ 1,978,018	\$ 1,947,317	\$ 1,930,083	\$ (17,234)
Other local and county revenues	571,635	508,525	641,120	132,595
Revenue from state sources	19,411,031	19,360,368	19,815,736	455,368
Revenue from federal sources	693,190	1,675,296	1,432,703	(242,593)
Sales and other conversion of assets	6,000	8,000	28,931	20,931
Total revenues	<u>22,659,874</u>	<u>23,499,506</u>	<u>23,848,573</u>	<u>349,067</u>
Expenditures				
Current				
Administration	1,215,936	1,190,561	1,239,406	48,845
District support services	617,275	437,899	600,905	163,006
Elementary and secondary regular instruction	10,534,704	10,543,988	10,733,099	189,111
Vocational education instruction	145,085	259,515	263,720	4,205
Special education instruction	4,192,914	4,401,870	4,403,351	1,481
Instructional support services	1,456,327	1,717,970	1,668,373	(49,597)
Pupil support services	1,650,612	1,914,888	1,862,237	(52,651)
Sites and buildings	2,109,080	2,346,743	2,273,800	(72,943)
Fiscal and other fixed cost programs	132,000	132,000	257,938	125,938
Capital outlay				
Elementary and secondary regular instruction	131,095	171,068	106,740	(64,328)
Special education instruction	55,000	73,350	3,178	(70,172)
Instructional support services	-	51,000	50,707	(293)
Pupil support services	122,000	25,000	23,728	(1,272)
Sites and buildings	18,000	40,500	17,790	(22,710)
Debt service				
Principal	260,000	260,000	223,485	(36,515)
Interest and fiscal charges	7,700	7,700	63,907	56,207
Total expenditures	<u>22,647,728</u>	<u>23,574,052</u>	<u>23,792,364</u>	<u>218,312</u>
Excess of revenues over (under) expenditures	12,146	(74,546)	56,209	130,755
Other Financing Sources				
Insurance recovery	-	3,150	3,650	500
Transfers out	-	(50,000)	(85,751)	(35,751)
Total other financing sources	<u>-</u>	<u>(46,850)</u>	<u>(82,101)</u>	<u>(35,251)</u>
Net change in fund balances	<u>\$ 12,146</u>	<u>\$ (121,396)</u>	<u>(25,892)</u>	<u>\$ 95,504</u>
Fund Balances				
Beginning of year			<u>5,374,880</u>	
End of year			<u>\$ 5,348,988</u>	

See notes to basic financial statements.

Independent School District No. 51
Statement of Net Position - Proprietary Fund
June 30, 2022

	OPEB Revocable Trust Fund
Assets	
Cash and investments	<u>\$ 2,542,558</u>
Net Position	
Unrestricted	<u>\$ 2,542,558</u>

Independent School District No. 51
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Fund
Year Ended June 30, 2022

	<u>OPEB Revocable Trust Fund</u>
Operating Expenses	
Insurance	\$ 80,000
Operating loss	(80,000)
Nonoperating Revenue	
Investment income	<u>(319,222)</u>
Change in net position	(399,222)
Net Position	
Beginning of year	<u>2,941,780</u>
End of year	<u><u>\$ 2,542,558</u></u>

Independent School District No. 51
Statement of Cash Flows - Proprietary Fund
Year Ended June 30, 2022

	<u>OPEB Revocable Trust Fund</u>
Cash Flows - Operating Activities	
Insurance paid	\$ (80,000)
Cash Flows - Investing Activities	
Interest received	<u>(319,222)</u>
Net change in cash and cash equivalents	(399,222)
Cash and Cash Equivalents	
Beginning of year	<u>2,941,780</u>
End of year	<u><u>\$ 2,542,558</u></u>
Reconciliation of Operating Income to Net Cash Flows- Operating Activities	
Operating loss	<u>\$ (80,000)</u>
Net cash flows - operating activities	<u><u>\$ (80,000)</u></u>

Independent School District No. 51
Statement of Fiduciary Net Position
June 30, 2022

	<u>Custodial Fund</u>
Assets	
Current:	
Cash and cash equivalents	<u>\$ 23,560</u>
Net Position	
Restricted for scholarships	<u><u>\$ 23,560</u></u>

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

	<u>Custodial Fund</u>
Additions	
Contributions	\$ 6,646
Deductions	
Scholarships	<u>8,500</u>
Change in net position	(1,854)
Net Position	
Beginning of year	<u>25,414</u>
End of year	<u><u>\$ 23,560</u></u>

Independent School District No. 51
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

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

B. Basic Financial Statement Information

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

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

Independent School District No. 51 Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing the delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Internal Service Fund are charges to customers for services. Operating expenses for the Internal Service Fund are insurance claims and premiums. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded on the following page, in the following manner.

1. Revenue Recognition

Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to *Minnesota Statutes* and accounting principles generally accepted in the United States of America. *Minnesota Statutes* include state aid funding formulas for specific years. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within 60 days.

Independent School District No. 51
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

2. Recording of Expenditures

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

The District applies restricted resources first when an expenditure is incurred for a purpose for which both restricted and unrestricted fund balances are available. Further, the District applies unrestricted funds in this order if various levels of restricted fund balances exist: committed, assigned, and unassigned.

Description of Funds:

Major Funds:

General Fund – This fund is the basic operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

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

Nonmajor Funds:

Food Service Special Revenue fund – This fund is used to account for food service revenues and expenditures.

Community Service Special Revenue fund – This fund is used to account for services provided to residents in the areas of community education, school readiness, early childhood, and family education, adult basic education or other similar services.

Building Construction Capital Projects fund – This fund is used to account for financial resources used for the acquisition or construction of major capital facilities authorized by bond issue.

Proprietary Fund:

OPEB Revocable Trust Internal Service fund – This fund is used to account for the financial resources relating to post-employment benefits.

Fiduciary Fund:

Custodial Fund – This fund is used to account for resources received and held by the District in a custodial capacity to be used in making scholarship awards.

Independent School District No. 51
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deposits and Investments

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances.

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

Cash and pooled and nonpooled investments at June 30, 2022, were comprised of deposits, shares in the Minnesota School District Liquid Asset Fund (MSDLAF), shares in the MSDLAF MAX, shares in the MNTrust Investment Shares Portfolio, MNTrust Flex SDA, shares in a US Treasury Money Market Fund, and negotiable certificates of deposit. In accordance with GASB Statement No. 79, the various MSDLAF, MNTrust securities, and US Treasury Money Market Fund are valued at amortized cost, which approximates fair value. The District also held OPEB Trust investments consisting of shares of the equity pool and fixed pool of the State Board of Investments (SBI). These pools are also measured at amortized cost.

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

There are no restrictions or limitations on withdrawals from the MSDLAF, MNTrust Investment Shares portfolio, US Treasury Money Market Fund, or SBI pools. Investments in the MSDLAF MAX must be deposited for a minimum of 14 calendar days with the exception of direct investments of funds distributed by the State of Minnesota. Withdrawals prior to the 14-day restriction period may be subject to a penalty and there is a 24 hour hold on all requests for redemptions.

Minnesota Statutes authorizes the District to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days.

E. Property Tax Receivable

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

Independent School District No. 51
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Property Taxes Levied for Subsequent Year's Expenditures

Property taxes levied for subsequent year's expenditures consist principally of property taxes levied in the current year which will be collected and recognized as revenue in the District's following year to properly match those revenues with the budgeted expenditures for which they were levied. This amount is equal to the amount levied by the School Board in December 1899, less various components and their related adjustments as mandated by the state. These portions of that levy were recognized as revenue in fiscal year 2022. The remaining portion of the levy will be recognized when measurable and available.

G. Inventories

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

H. Prepaid Items

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

I. Property Taxes

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

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

J. Capital Assets

Capital assets are recorded in the government-wide financial statements but are not reported in the fund financial statements.

Capital assets are defined by the District as assets with an initial individual cost of more than \$2,000 with a useful life of more than one year. Such 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 costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets lives are not capitalized.

Independent School District No. 51
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets (Continued)

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 purpose. Useful lives vary from 20 to 50 years for improvements other than buildings and buildings and 5 to 20 years for machinery and equipment.

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

K. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the Statement of Financial Position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has four types of items which qualify for reporting in this category. The first item, unavailable revenue from property taxes, arises under a modified accrual basis of accounting and is reported only in the Governmental Funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available. The second item is property taxes levied for subsequent years, which represent property taxes received or reported as a receivable before the period for which the taxes are levied and is reported as a deferred inflow of resources in both the government-wide Statement of Net Position and the Governmental Funds Balance Sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied and in the governmental fund financial statements during the year for which they are levied, if available. Deferred inflows of resources related to pensions is recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years. Deferred inflows of resources related to OPEB is recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years.

Independent School District No. 51
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Long-Term Obligations

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

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

M. Compensated Absences

The District compensates certain employees upon termination of employment for unused vacation in accordance with contract provisions. Accumulated unused vacation time payable upon termination is included in the compensated absences liability balance on the Statement of Net Position.

Certain employees are entitled to sick leave at various rates based on contract provisions. Employees are not compensated for unused sick leave upon termination of employment, unless taken in conjunction with severance pay. Sick leave pay is shown as an expenditure in the year paid.

N. Pensions

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

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

O. Post Employment Severance Benefits

Teacher contracts provide for severance pay in the event a teacher hired before June 30, 2002 and is 55 years of age and has completed at least 20 years of service. A teacher shall receive as severance pay an amount representing five days for each year of full-time service, not to exceed 50 days, times his/her daily rate of pay, less amounts contributed toward the teacher's 403(b) plan. In addition, a teacher shall receive the amount obtained by multiplying 40% of his/her unused number of sick leave days, but not to exceed 50 days, times his/her daily rate of pay.

Independent School District No. 51
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Post Employment Severance Benefits (Continued)

Full-time custodians who have completed at least 15 years of service with the District and have reached at least 55 years of age shall receive as severance pay, 55% of unused sick leave days times the employee's daily rate of pay.

Full-time food service employees who have completed at least 15 years of continuous service with the District and have reached 55 years of age shall receive as severance pay, 55% of the employee's unused number of sick leave days times the employee's daily rate of pay. Employees eligible for severance have the option of participating in the 403(b) plan. Those who participate in the 403(b) will have 102% of annual contribution, compounded annually, to the 403(b) subtracted from the final severance pay out upon the employee's retirement.

Educational assistants who are contracted 20 hours or more per week at the time of retirement, who have completed at least 15 years of continuous service with the District, and who are at least 55 years of age, shall receive as severance pay an amount equal to 50% of unused sick leave days, but not to exceed 325 hours, times the employee's daily rate of pay. Employees eligible for severance have the option of participating in the 403(b) plan. Those who participate in the 403(b) will have 102% of annual contribution, compounded annually, to the 403(b) subtracted from the final severance pay out upon the employee's retirement.

Secretarial and clerical employees who have at least 15 years of continuous service with the District and have reached 55 years of age shall receive as severance pay, 55% of the employee's unused number of sick leave days times the employee's daily rate of pay.

Bus drivers who have at least 15 years of continuous service with the District shall receive as severance pay, the amount of three paid sick leave days for each year of service, up to a maximum of 110 days, times the employee's daily rate of pay.

In addition, teachers, administrators, aides, food service employees, custodian staff, and secretaries who apply for early retirement shall be eligible to remain in the existing group health and hospitalization insurance program and shall remain eligible for a District contribution toward individual coverage until the retiree becomes eligible for full Medicare benefits.

P. 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 injuries to employees for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in the District's insurance coverage during the year ending June 30, 2022.

Independent School District No. 51
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Fund Equity

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purpose for which amounts in those funds can be spent. Nonspendable fund balances include amounts that cannot be spent because they are not in spendable form. Amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments, or b) imposed by law through enabling legislation are classified as restricted fund balances. Amounts that can only be used for specific purposes pursuant to constraints imposed by the School Board (highest level of decision making authority) through resolution are classified as committed fund balances. Amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed are classified as assigned fund balances. Assignments are made by the District's Administration. Unassigned fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to a specific purpose in the General Fund. The District's policy is to spend resources from fund balance classifications in the following order (first-to-last) if resources from more than one fund balance classification could be spent: restricted, committed, assigned, and unassigned.

The District's policy is to maintain a minimum unassigned General Fund balance of 12% of the annual budget. If the unassigned fund balance is equal to or less than 12% of the expenditure budget, the administration shall alert the school board and propose alternative measures to reach the 12% level including: seek other revenue sources, reduce expenditures by reducing programs and/or services in all areas, seek additional funds through a referendum, pass a resolution authorizing the exception to the fund balance guidelines, or some combination of these measures.

R. Net Position

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

S. Use of Estimates

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

Independent School District No. 51
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Budgetary Information

The District follows these procedures in establishing the budgetary data reflected in the basic financial statements:

1. Prior to July 1, the School Superintendent submits to the School Board, a proposed operating budget for the year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. The Superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the School Board.
3. Formal budgetary integration is employed as a management control device during the year for all funds with the exception of capital projects. Budgetary control for the Capital Project Fund is accomplished through the use of project controls.
4. Budgets for all funds with the exception of the Capital Project Fund, are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Budgets are as originally adopted or as amended by the School Board. Budgeted expenditure appropriations lapse at year-end.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

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

Custodial Credit Risk – Deposits: This is the risk that in the event of the failure of a depository financial institution, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. *Minnesota Statutes* 118A requires all deposits be protected by federal deposit insurance, corporate surety bonds, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds. The District's investment policy states all deposits shall be collateralized as required by *Minnesota Statutes* 118A. As of June 30, 2022, the District's bank balance was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name. The District's deposits had a book balance as follows:

Checking	\$ 628,551
Certificates of deposit	<u>518,820</u>
Total	<u><u>\$ 1,147,371</u></u>

Independent School District No. 51
Notes to Basic Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

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

Pooled Investments	Total	Less Than One Year	1-3 Years
MSDLAF	\$ 49,636	\$ 49,636	\$ -
MSDLAF MAX	96	96	-
MN Trust Investment Shares Portfolio	2,391,096	2,391,096	-
MNTrust Flex SDA	2,002,819	2,002,819	-
Negotiable Certificates of Deposit	1,205,469	-	1,205,469
	<u>\$ 5,649,116</u>	<u>\$ 4,443,647</u>	<u>\$ 1,205,469</u>
Total investments			
Nonpooled Investments	Total	Less Than One Year	1-3 Years
Construction Fund			
US Treasury Money Market	\$ 111,109	\$ 111,109	\$ -
MN Trust Investment Shares Portfolio	88,193	88,193	-
	<u>\$ 199,302</u>	<u>\$ 199,302</u>	<u>\$ -</u>
Total construction fund			
OPEB Revocable Trust Investments	Total	Less Than One Year	1-3 Years
State Board of Investments			
Equity Fund	\$ 1,782,029	\$ 1,782,029	\$ -
Bond Fund	760,529	760,529	-
	<u>\$ 2,542,558</u>	<u>\$ 2,542,558</u>	<u>\$ -</u>
Total investments			

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. *Minnesota Statutes* 118A.04 and 118A.05 limits investments in the top two ratings issued by nationally recognized statistical rating organizations. The District's investment policy limits investments to those specified in the above statutes. As of June 30, 2022, the District's investments in MSDLAF funds, MNTrust funds, and US Treasury Money Market funds were rated AAAm by Standard & Poor's (S&P). Negotiable certificates of deposit and State Board of Investment funds were not rated.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. The District's investment policy addresses concentration of credit risk, stating the District shall diversify its investments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions and maturities. However, it places no specific limit on the amount the District may invest in any one issuer.

Independent School District No. 51
Notes to Basic Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Interest Rate Risk: This is the risk that market values of securities in a portfolio would decrease due to changes in market interest rates. The District's investment policy addresses interest rate risk stating investments shall be managed in a manner to attain a market rate of return through various economic and budgetary cycles. Furthermore, investment maturities shall be scheduled to coincide with projected District cash flow needs and shall provide for stability of income and reasonable liquidity.

Custodial Credit Risk – Investments: This is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy states that securities shall be held in third party safekeeping by an institution designated as custodial agent.

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

- \$1,205,469 of investments are valued using a matrix pricing model (Level 2 inputs)

C. Deposits and Investments

The following is a summary of total deposits and investments as of June 30, 2022:

Deposits (Note 2.A.)	\$ 1,147,371
Pooled investments (Note 2.B.)	5,649,116
Nonpooled Investments (Note 2.B.)	199,302
OPEB trust investments (Note 2.B.)	<u>2,542,558</u>
 Total deposits and investments	 <u><u>\$ 9,538,347</u></u>

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

Statement of Net Position	
Cash and investments	\$ 9,514,787
 Statement of Fiduciary Net Position	
Cash and investments	 <u>23,560</u>
 Total deposits and investments	 <u><u>\$ 9,538,347</u></u>

Independent School District No. 51
Notes to Basic Financial Statements

NOTE 3 – CAPITAL ASSETS

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

	Beginning Balance	Change in Accounting Principal	Increases	Decreases	Ending Balance
Governmental activities					
Capital assets not being					
Land	\$ 150,325	\$ -	\$ -	\$ -	\$ 150,325
Other capital assets					
Buildings	55,149,225	-	99,258	6,308	55,242,175
Improvements other than buildings	3,018,144	-	228,175	-	3,246,319
Machinery and equipment	9,180,072	-	320,976	278,480	9,222,568
Leased equipment	-	20,429	-	20,429	-
Total other capital assets at historical cost	67,347,441	20,429	648,409	305,217	67,711,062
Less accumulated depreciation for					
Buildings	21,577,557	-	1,193,946	6,308	22,765,195
Improvements other than buildings	1,833,890	-	82,625		1,916,515
Machinery and equipment	6,576,392	-	529,607	278,304	6,827,695
Less accumulated amortization for					
Leased equipment	-	-	20,429	20,429	-
Total accumulated depreciation and amortization	29,987,839	-	1,826,607	305,041	31,509,405
Total capital assets being depreciated, net	37,359,602	20,429	(1,178,198)	176	36,201,657
Governmental activities, capital assets, net	<u>\$37,509,927</u>	<u>\$ 20,429</u>	<u>\$ (1,178,198)</u>	<u>\$ 176</u>	<u>\$36,351,982</u>

Independent School District No. 51
Notes to Basic Financial Statements

NOTE 3 – CAPITAL ASSETS (CONTINUED)

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

Administration	\$ 916
District support services	82
Elementary and secondary regular instruction	42,144
Special education instruction	34,368
Instructional support services	152,990
Pupil support services	35,490
Sites and buildings	307,375
Food service	21,896
Community education and services	12,767
Unallocated depreciation	<u>1,218,579</u>
Total depreciation and amortization expense	<u><u>\$ 1,826,607</u></u>

NOTE 4 – LONG-TERM DEBT

A. Components of Long-Term Liabilities

	Issue Date	Interest Rates	Original Issue	Final Maturity	Outstanding	Due Within One Year
Long-term liabilities						
G.O. bonds						
2019A G.O. Building Refunding Bond	10/02/19	3.0-4.0%	\$ 7,615,000	02/01/28	\$ 4,330,000	\$ 675,000
2019B G.O. Building Refunding Bond	10/02/19	2.75-3.0%	5,440,000	02/01/28	<u>4,435,000</u>	<u>695,000</u>
Total G.O. bonds					8,765,000	1,370,000
Financed purchase agreements from direct borrowing						
2019 Financed Purchase	07/18/19	2.59%	2,197,500	08/01/29	1,701,521	208,349
2019 Financed Purchase	09/11/19	2.79%	552,500	02/01/34	<u>552,500</u>	-
Total financed purchase agreements					2,254,021	208,349
Premiums on bonds					641,538	-
Compensated absences					<u>586,312</u>	<u>52,668</u>
Total all long-term liabilities					<u><u>\$12,246,871</u></u>	<u><u>\$ 1,631,017</u></u>

The long-term liabilities listed above, with the exception of compensated absences, were issued to finance acquisition and construction or improvements of capital facilities or to refinance (refund) previous bond issues. Compensated absences are typically liquidated through the General Fund.

Independent School District No. 51
Notes to Basic Financial Statements

NOTE 4 – LONG-TERM DEBT (CONTINUED)

B. Minimum Debt Payments

Minimum annual principal and interest payments required to retire bond liabilities:

Year Ending June 30,	G.O. Bonds		
	Principal	Interest	Total
2023	\$ 1,370,000	\$ 268,312	\$ 1,638,312
2024	1,390,000	227,212	1,617,212
2025	1,425,000	185,512	1,610,512
2026	1,490,000	142,762	1,632,762
2027	1,515,000	90,712	1,605,712
2028	1,575,000	45,262	1,620,262
Total	<u>\$ 8,765,000</u>	<u>\$ 959,772</u>	<u>\$ 9,724,772</u>

Year Ending June 30,	Financed Purchase Agreements from Direct Borrowing		
	Principal	Interest	Total
2023	\$ 208,349	\$ 58,143	\$ 266,492
2024	213,781	52,713	266,494
2025	219,353	47,139	266,492
2026	225,072	41,422	266,494
2027	230,938	35,554	266,492
2028-2032	902,451	92,531	994,982
2033-2034	254,077	8,923	263,000
Total	<u>\$ 2,254,021</u>	<u>\$ 336,425</u>	<u>\$ 2,590,446</u>

C. Changes in Long-Term Liabilities

	Beginning Balance	Change in Accounting Principle	Additions	Reductions	Ending Balance
Long-term liabilities					
G.O. bonds	\$ 10,065,000	\$ -	\$ -	\$ 1,300,000	\$ 8,765,000
Premiums on bonds	758,182	-	-	116,644	641,538
Financed purchase agreements	2,457,077	-	-	203,056	2,254,021
Lease liability	-	20,429	-	20,429	-
Compensated absences	553,218	-	243,767	210,673	586,312
Total long-term liabilities	<u>\$ 13,833,477</u>	<u>\$ 20,429</u>	<u>\$ 243,767</u>	<u>\$ 1,850,802</u>	<u>\$ 12,246,871</u>

Independent School District No. 51
Notes to Basic Financial Statements

NOTE 5 – FUND BALANCES/NET POSITION

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

A. Fund Equity

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

	General Fund	Debt Service Fund	Other Nonmajor Funds	Total
Nonspendable				
Inventory	\$ 33,218	\$ -	\$ 18,252	\$ 51,470
Prepaid items	46,279	-	-	46,279
Total nonspendable	<u>79,497</u>	<u>-</u>	<u>18,252</u>	<u>97,749</u>
Restricted/reserved for				
Student Activities	123,193	-	-	123,193
Scholarships	28,479	-	-	28,479
Staff Development	51,697	-	-	51,697
Area Learning Center	50,144	-	-	50,144
Safe schools - crime levy	18,351	-	-	18,351
Operating Capital	70,428	-	-	70,428
Medical Assistance	282,656	-	-	282,656
Long-Term Facilities Maintenance	353,080	-	-	353,080
Community Education	-	-	53,315	53,315
Adult Basic Education	-	-	6,141	6,141
Debt Service	-	1,222,935	-	1,222,935
Building Project	-	-	77,409	77,409
Food Service	-	-	1,049,394	1,049,394
Community Service	-	-	75,465	75,465
Total restricted/reserved	<u>978,028</u>	<u>1,222,935</u>	<u>1,261,724</u>	<u>3,462,687</u>
Assigned for				
Safe Routes to School	32,058	-	-	32,058
OPEB	200,000	-	-	200,000
Emergency	376,879	-	-	376,879
Sharing	11,712	-	-	11,712
Extracurricular Activities	219,110	-	-	219,110
Total assigned	<u>839,759</u>	<u>-</u>	<u>-</u>	<u>839,759</u>
Unassigned for				
General purposes	<u>3,451,704</u>	<u>-</u>	<u>-</u>	<u>3,451,704</u>
Total fund balance	<u>\$ 5,348,988</u>	<u>\$1,222,935</u>	<u>\$ 1,279,976</u>	<u>\$ 7,851,899</u>

Independent School District No. 51
Notes to Basic Financial Statements

NOTE 5 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Equity (Continued)

Nonspendable for Inventory and Prepaid Items – a portion of the fund balance has been spent on inventory and prepaid items and is not available for other uses.

Restricted/Reserved for Student Activities – This balance represents available resources to be used for the extracurricular activity funds raised by students and spent with student and advisor involvement.

Restricted/Reserved for Scholarships – This balance represents available resources for the scholarship funds.

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

Restricted/Reserved for Area Learning Center– This balance represents amounts restricted for students attending area learning centers. Each district that sends students to an area learning center must restrict an amount equal to the sum of 1) at least 90 and no more than 100 percent of the district average General Education Revenue per adjusted pupil unit minus an amount equal to the product of the formula allowance according to *Minnesota Statutes* 126C.10, subd. 2, times .0466, calculated without basic skills revenue, local optional revenue, and transportation sparsity revenue, times the number of pupil units attending a state-approved area learning center, plus (2) the amount of basic skills revenue generated by pupils attending the area learning center. The amount restricted may only be spent on program costs associated with the area learning center.

Restricted/Reserved for Safe Schools – The unspent resources available from the Safe Schools Levy must be restricted in this account for future use.

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

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

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

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

Independent School District No. 51
Notes to Basic Financial Statements

NOTE 5 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Equity (Continued)

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

Restricted for Debt Service – This balance represents the resources available to provide for principal and interest payments on the District's outstanding debt.

Restricted for Building Project – This balance represents the resources set-aside for school building projects.

Restricted for Food Service – This balance represents the resources available to provide the food service program.

Restricted for Community Service – This balance represents the resources available to provide community service programs.

Assigned for Safe Routes to School – This balance represents resources to be spent in the future for improving safety on school routes.

Assigned for OPEB – This balance represents resources to be spent in the future for OPEB.

Assigned for Emergency – This balance represents resources to be spent in the future on unexpected expenditures related to emergency situations such as pandemic related needs or building emergencies.

Assigned for Sharing – This balance represents resources to be used by buildings due to underspending their budget.

Assigned for Extracurricular Activities – This balance represents resources relating to extracurricular activities.

B. Net Position

Net position restricted for other purposes on the Statement of Net Position is comprised of the total positive net position of the Community Service and Food Service Funds and the total positive position of the restricted fund balance portion of the General Fund.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

The District participates in various pension plans, total pension expense for the year ended June 30, 2022, was \$310,994. The components of pension expense are noted in the following plan summaries.

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

Independent School District No. 51
Notes to Basic Financial Statements

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

Teachers' Retirement Association

A. Plan Description

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

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

B. Benefits Provided

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

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

Tier I Benefits

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

With these provisions:

- Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- 3% per year early retirement reduction factor for all years under normal retirement age.
- Unreduced benefits for early retirement under a Rule of 90 (age plus allowable service equals 90 or more).

Independent School District No. 51
Notes to Basic Financial Statements

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

B. Benefits Provided (Continued)

Tier II Benefits

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

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

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

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

C. Contribution Rate

Per *Minnesota Statutes*, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year ended June 30, 1899, June 30, 1899, and June 30, 2022, were:

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

Independent School District No. 51
Notes to Basic Financial Statements

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

Teachers' Retirement Association (Continued)

D. Contribution Rate (Continued)

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

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

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

Independent School District No. 51
Notes to Basic Financial Statements

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

Teachers' Retirement Association (Continued)

B. Actuarial Assumptions

The total pension liability in the June 30, 1899, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information

Valuation date	July 1, 2021
Measurement date	June 30, 2021
Experience study	June 5, 2019 (demographic assumptions) November 6, 2017 (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	7.00%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028, and 3.25% thereafter
Projected salary increase	2.85% to 8.85% before July 1, 2028, and 3.25% to 9.25% thereafter
Cost of living adjustment	1.0% for January 2020 through January 2023, then increasing by 0.1% each year up to 1.5% annually.

Mortality Assumptions

Pre-retirement	RP 2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP 2015 scale.
Post-retirement	RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projections uses the MP 2015 scale.
Post-disability	RP 2014 disabled retiree mortality table, without adjustment.

Independent School District No. 51
Notes to Basic Financial Statements

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

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

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

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

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

Changes in actuarial assumptions since the 2020 valuation:

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

E. Discount Rate

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

Independent School District No. 51
Notes to Basic Financial Statements

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

Teachers' Retirement Association (Continued)

F. Net Pension Liability

On June 30, 2022, the District reported a liability of \$7,229,646 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 1899, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. The District's proportionate share was 0.1652% at the end of the measurement period and 0.1638% for the beginning of the year.

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:

District's proportionate share of net pension liability	\$ 7,229,646
State's proportionate share of the net pension liability associated with the District	<u>609,628</u>
Total	<u><u>\$ 7,839,274</u></u>

For the year ended June 30, 2022, the District recognized pension expense of \$269,357. Included in this amount, the District recognized (\$6,826) as pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 194,152	\$ 203,314
Changes in actuarial assumptions	2,649,332	6,443,284
Difference between projected and actual investments earnings	-	6,066,345
Change in proportion	502,854	46,743
Contributions paid to TRA subsequent to the measurement date	<u>857,885</u>	<u>-</u>
Total	<u><u>\$ 4,204,223</u></u>	<u><u>\$ 12,759,686</u></u>

The \$857,885 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

Independent School District No. 51
Notes to Basic Financial Statements

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

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)

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

Year Ended June 30,	Pension Expense Amount
2023	\$ (4,475,897)
2024	(3,517,295)
2025	(856,155)
2026	(1,091,556)
2027	527,555
Total	<u>\$ (9,413,348)</u>

G. Pension Liability Sensitivity

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

District proportionate share of NPL		
1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
\$ 14,604,237	\$ 7,229,646	\$ 1,181,894

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

H. Pension Plan Fiduciary Net Position

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

Independent School District No. 51
Notes to Basic Financial Statements

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

Public Employees' Retirement Association

A. Plan Description

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

General Employees Retirement Plan

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

B. Benefits Provided

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

General Employees Plan Benefits

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

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

Independent School District No. 51
Notes to Basic Financial Statements

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

Public Employees' Retirement Association

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2022 and the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2022, were \$320,432. The District's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At June 30, 2022, the District reported a liability of \$2,271,878 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$69,347. The net pension liability was measured as of June 30, 1899, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 1899, through June 30, 1899, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0532% at the end of the measurement period and 0.0539% for the beginning of the period.

District's proportionate share of net pension liability	\$ 2,271,878
State's proportionate share of the net pension liability associated with the District	<u>69,347</u>
Total	<u><u>\$ 2,341,225</u></u>

For the year ended June 30, 2022, the District recognized pension expense of \$41,637 for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized \$5,595 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.

Independent School District No. 51
Notes to Basic Financial Statements

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

Public Employees’ Retirement Association (Continued)

D. Pension Costs (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<hr/>	<hr/>
Differences between expected and actual economic experience	\$ 13,590	\$ 69,633
Changes in actuarial assumptions	1,387,162	50,286
Difference between projected and actual investments earnings	-	1,963,362
Change in proportion	58,052	34,250
Contributions paid to PERA subsequent to the measurement date	<hr/> 320,432	<hr/> -
Total	<hr/> <u>\$ 1,779,236</u>	<hr/> <u>\$ 2,117,531</u>

The \$320,432 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense
	<hr/>
2023	\$ (79,924)
2024	(14,974)
2025	(27,174)
2026	<hr/> (536,655)
Total	<hr/> <u>\$ (658,727)</u>

Independent School District No. 51
Notes to Basic Financial Statements

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

Public Employees' Retirement Association (Continued)

E. Long-Term Expected Return on Investment

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

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

F. Actuarial Methods and Assumptions

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

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

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

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

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

Independent School District No. 51
Notes to Basic Financial Statements

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

Public Employees’ Retirement Association (Continued)

F. Actuarial Methods and Assumptions (Continued)

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

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the previous valuation.

G. Discount Rates

The discount rate used to measure the total pension liability in 1899 was 6.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Pension Liability Sensitivity

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

District proportionate share of NPL		
1% Decrease in Discount Rate (5.50%)	Current Discount Rate (6.50%)	1% Increase in Discount Rate (7.50%)
\$ 4,633,472	\$ 2,271,878	\$ 334,047

I. Pension Plan Fiduciary Net Position

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

Independent School District No. 51
Notes to Basic Financial Statements

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

The District provides a single-employer defined benefit health care plan to eligible retirees and their spouses. The District also offers dental and life insurance to retirees. It is the District's policy to periodically review its medical coverage, and to obtain requests for proposals in order to provide the most favorable benefits and premiums for District employees and retirees. The District holds assets to fund these liabilities in a revocable trust.

B. Benefits Paid

The District provides benefits to certain employees and retirees based on different bargaining groups. See Note 1.O. for more detail. The General Fund, Food Service Fund, and Community Service Fund typically liquidate the liability related to OPEB.

C. Members

As of the June 30, 2020, valuation date, the following were covered by the benefit terms:

Retirees electing coverage	33
Active employees waiving coverage	51
Active employees electing coverage	<u>193</u>
Total	<u><u>277</u></u>

D. Contributions

Retirees and their spouses contribute to the health care plan at the same rate as District employees. This results in the retirees receiving an implicit rate subsidy. Plan participants meeting additional requirements are eligible for an explicit subsidy of the premium paid by the District. Contribution requirements are established by the District, based on the contract terms. The required contributions are based on projected pay-as-you-go financing requirements. For the year 2022, the District contributed \$320,688 to the plan.

Independent School District No. 51
Notes to Basic Financial Statements

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

E. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

Discount rate	1.92%
Inflation	2.25%
Healthcare cost trend increases	6.7% for 2021, gradually decreasing over several decades to an ultimate rate of 3.8% in 2076 and years eligible
Mortality Assumption	Teachers - RP-2014 mortality tables with projected mortality improvements based on scale MP-2015 and other adjustments Non-Teachers - Pub-2010 General mortality tables with projected mortality improvements based on scale MP-2019 and other adjustments

The discount rate used to measure the total OPEB liability was based on the index rate for 20-year tax-exempt municipal bonds (Fidelity 20-year municipal GO AA index).

F. Total OPEB Liability

The District's total OPEB liability was measured as of June 30, 2021, and was determined by an actuarial valuation as of June 30, 2020.

Independent School District No. 51
Notes to Basic Financial Statements

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

F. Total OPEB Liability (Continued)

Changes in the total OPEB liability are as follows:

	<u>Total OPEB Liability</u>
Balances at June 30, 2021	<u>\$ 4,007,435</u>
Changes for the year	
Service cost	188,589
Interest	99,333
Differences between expected and actual experience	(56,931)
Changes in assumptions	112,998
Employer contributions	<u>(283,227)</u>
Net changes	<u>60,762</u>
Balances at June 30, 2022	<u><u>\$ 4,068,197</u></u>

Changes in actuarial assumptions include the following:

- The discount rate was changed from 2.45% to 1.92% based on updated 20-year municipal bond rates.

G. OPEB Liability Sensitivity

The following presents the District's total OPEB liability calculated using the discount rate of 1.92% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

	<u>1% Decrease in Discount Rate (0.92%)</u>	<u>Current Discount Rate (1.92%)</u>	<u>1% Increase in Discount Rate (2.92%)</u>
Total OPEB liability	\$ 4,284,750	\$ 4,068,197	\$ 3,856,333

Independent School District No. 51
Notes to Basic Financial Statements

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

G. OPEB Liability Sensitivity (Continued)

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower and 1% higher than the current healthcare cost trend rates.

	<u>1% Decrease in Trend Rates</u>	<u>Current Trend Rates</u>	<u>1% Increase in Trend Rates</u>
Total OPEB liability	\$ 3,793,662	\$ 4,068,197	\$ 4,388,217

**H. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to OPEB**

For the year ended June 30, 2022, the District recognized OPEB expense of \$308,763. As of June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual liability	\$ 24,377	\$ 666,171
Changes of assumptions	764,356	195,104
Subsequent contributions	<u>320,688</u>	<u>-</u>
Total	<u>\$ 1,109,421</u>	<u>\$ 861,275</u>

The \$320,688 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2023.

Independent School District No. 51
Notes to Basic Financial Statements

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

**H. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to OPEB (Continued)**

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

Year Ended June 30,	Total
2023	\$ 20,841
2024	20,841
2025	20,841
2026	20,841
2027	31,907
Thereafter	<u>(187,813)</u>
Total	<u>\$ (72,542)</u>

NOTE 8 – TRANSFERS

During the year ended June 30, 2022, the District transferred \$85,751 from the General Fund to the Community Service Fund to eliminate deficit fund balances related to the school readiness program (\$40,702) and early childhood and family education program (\$45,049).

NOTE 9 – CHANGE IN ACCOUNTING PRINCIPLE

The District implemented GASB Statement No. 87 – *Leases*, which resulted in the recording of leased equipment and lease liability on July 1, 2021, in offsetting amounts of \$20,429. Because there was no net effect on the beginning net position, a change in accounting principle is not reported on the Statement of Activities.

NOTE 10 – GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED

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

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REQUIRED SUPPLEMENTARY INFORMATION

Independent School District No. 51
Schedule of Changes in Total OPEB Liability
and Related Ratios

	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>	<u>June 30, 2022</u>
Total OPEB Liability					
Service cost	\$ 179,825	\$ 171,357	\$ 225,094	\$ 246,879	\$ 188,589
Interest	114,071	132,472	174,853	155,713	99,333
Differenced between expected and actual experience	-	42,741	-	(776,398)	(56,931)
Changes of assumptions	(136,504)	1,061,676	84,926	(167,085)	112,998
Benefit payments	<u>(327,599)</u>	<u>(341,079)</u>	<u>(364,729)</u>	<u>(359,281)</u>	<u>(283,227)</u>
Net change in total OPEB liability	<u>(170,207)</u>	<u>1,067,167</u>	<u>120,144</u>	<u>(900,172)</u>	<u>60,762</u>
Beginning of year	<u>3,890,503</u>	<u>3,720,296</u>	<u>4,787,463</u>	<u>4,907,607</u>	<u>4,007,435</u>
End of year	<u>\$ 3,720,296</u>	<u>\$ 4,787,463</u>	<u>\$ 4,907,607</u>	<u>\$ 4,007,435</u>	<u>\$ 4,068,197</u>
Covered payroll	\$ 11,491,805	\$ 12,922,673	\$ 11,618,064	\$ 13,877,367	\$ 12,675,824
Total OPEB liability as a percentage of covered-employee payroll	32.4%	37.0%	42.2%	28.9%	32.1%

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

Independent School District No. 51
Schedule of District's and Non-Employer Proportionate Share
(if Applicable) of Net Pension Liability
Last Ten Years General Employees Retirement Fund

For the Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension of Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0494%	\$ 2,320,565	\$ -	\$ 2,320,565	\$ 2,595,172	89.42%	78.75%
2015	0.0485%	2,513,522	-	2,513,522	2,803,413	89.66%	78.19%
2016	0.0527%	4,278,979	55,793	4,334,772	3,267,293	130.96%	68.91%
2017	0.0517%	3,300,494	41,494	3,341,988	3,330,093	99.11%	75.90%
2018	0.0520%	2,884,747	94,615	2,979,362	3,493,347	82.58%	79.53%
2019	0.0518%	2,863,906	88,996	2,952,902	3,664,760	78.15%	80.23%
2020	0.0539%	3,231,551	99,718	3,331,269	3,845,560	84.03%	79.06%
2021	0.0532%	2,271,878	69,347	2,341,225	3,827,493	59.36%	87.00%

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

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

For the Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension of Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.1588%	\$ 7,317,390	\$ 514,855	\$ 7,832,245	\$ 7,250,127	100.93%	81.50%
2015	0.1565%	9,681,073	1,187,501	10,868,574	7,944,920	121.85%	76.77%
2016	0.1561%	37,233,575	3,737,968	40,971,543	8,118,733	458.61%	44.88%
2017	0.1607%	32,078,635	3,100,334	35,178,969	8,648,493	370.92%	51.57%
2018	0.1636%	10,275,611	965,583	11,241,194	9,037,267	113.70%	78.07%
2019	0.1649%	10,510,761	930,206	11,440,967	9,359,870	112.30%	78.21%
2020	0.1638%	12,101,763	1,014,009	13,115,772	9,516,831	127.16%	75.48%
2021	0.1652%	7,229,646	609,628	7,839,274	9,884,010	73.14%	86.63%

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

**Independent School District No. 51
Schedule of District Contributions
General Employees Retirement Fund
Last Ten Years**

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	\$ 188,150	\$ 188,150	\$ -	\$ 2,595,172	7.25%
2015	210,256	210,256	-	2,803,413	7.50%
2016	245,047	245,047	-	3,267,293	7.50%
2017	249,757	249,757	-	3,330,093	7.50%
2018	262,001	262,001	-	3,493,347	7.50%
2019	274,857	274,857	-	3,664,760	7.50%
2020	288,417	288,417	-	3,845,560	7.50%
2021	287,062	287,062	-	3,827,493	7.50%
2022	320,432	320,432	-	4,272,427	7.50%

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

**Schedule of District Contributions
TRA Retirement Fund
Last Ten Years**

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	\$ 507,509	\$ 507,509	\$ -	\$ 7,250,127	7.00%
2015	595,869	595,869	-	7,944,920	7.50%
2016	608,905	608,905	-	8,118,733	7.50%
2017	648,637	648,637	-	8,648,493	7.50%
2018	677,795	677,795	-	9,037,267	7.50%
2019	721,646	721,646	-	9,359,870	7.71%
2020	753,733	753,733	-	9,516,831	7.92%
2021	803,570	803,570	-	9,884,010	8.13%
2022	857,885	857,885	-	10,286,391	8.34%

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

Independent School District No. 51
Notes to the Required Supplementary Information

TRA Retirement Funds

2021 Changes

Changes in Actuarial Assumptions

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

2020 Changes

Changes in Actuarial Assumptions

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

2019 Changes

Changes in Actuarial Assumptions

- None

2018 Changes

Changes in Actuarial Assumptions

- The discount rate was increased to 7.5% from 5.12%.
- The cost of living adjustment (COLA) was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019, and ending July 1, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to 0.0% beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers was reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017 Changes

Changes in Actuarial Assumptions

- The discount rate was increased to 5.12% from 4.66%.

Independent School District No. 51
Notes to the Required Supplementary Information

TRA Retirement Funds (Continued)

2017 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

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

2016 Changes

Changes in Actuarial Assumptions

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

2015 Changes

Changes of Benefit Terms

- The DTRFA was merged into TRA on June 30, 2015.

Independent School District No. 51
Notes to the Required Supplementary Information

TRA Retirement Funds (Continued)

2015 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

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

Independent School District No. 51
Notes to the Required Supplementary Information

General Employees Fund

2021 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were 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 and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

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

2019 Changes

Changes in Actuarial Assumptions

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

Independent School District No. 51
Notes to the Required Supplementary Information

General Employees Fund (Continued)

2019 Changes (Continued)

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from \$31 million to \$21 million per year. The State's special funding contribution was changes prospectively, requiring \$16 million due per year through 2031.

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2017 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

Independent School District No. 51
Notes to the Required Supplementary Information

General Employees Fund (Continued)

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

Independent School District No. 51
Notes to the Required Supplementary Information

Post Employment Health Care Plan

2021 Changes

- The discount rate was changed from 2.45% to 1.92% based on updated 20-year municipal bond rates.

2020 Changes

- The discount rate was changed from 3.13% to 2.45% based on updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims were updated to reflect recent experience and new plan offerings.
- Withdrawal, retirement, mortality, and salary increase rates were updated to rates used in the July 1, 2020 PERA and TRA valuations.
- The percent of future non-Medicare eligible retirees electing each medical plan changed to reflect recent plan experience and new plan offerings.
- The inflation assumption was changed from 2.5% to 2.25% based on an updated historical analysis of inflation rates and forward-looking market expectations.

2019 Changes

- A change in the discount rate from 3.62% in 2018 to 3.13% in 2019.
- The medical trend rates were updated to exclude the Affordable Care Act's excise tax on high-cost health insurance plans due to its repeal.

2018 Changes

- The discount rate was changed from 3.56% to 3.62% based on updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations, including an adjustment to reflect the impact of the Affordable Care Act's Excise Tax on high-cost health insurance plans.
- Medical per capita claims costs were updated to reflect recent experience and new plan offerings.
- Mortality and salary increase rates were updated from the rates used in the 7/1/2016 PERA General Employees Retirement Plan and 7/1/16 Teachers Retirement Association valuations to the rates used in the 7/1/2018 valuations.
- The percent of future retirees eligible for a medical direct subsidy assumed to elect coverage at retirement changed from 75% to 90% to reflect recent plan experience.
- The percent of future retirees not eligible for a medical direct subsidy assumed to elect coverage at retirement changed from 25% to 10% to reflect recent plan experience.
- The percent of future non-Medical eligible retirees electing each medical plan changed to reflect recent plan experience and new plan offerings.
- The inflation assumption was changed from 2.75% to 2.50% based on the updated historical analysis of inflation rates and forward-looking market expectations.

2017 Changes

- Changes of assumptions and other inputs reflect a change in the discount rate from 2.92% in 2016 to 3.56% in 2017.

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SUPPLEMENTARY INFORMATION

Independent School District No. 51
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2022

	Special Revenue Funds		
	Food Service	Community Service	Total Special Revenue
Assets			
Cash and investments	\$ 1,042,972	\$ 216,048	\$ 1,259,020
Current property taxes receivable	-	65,063	65,063
Delinquent property taxes receivable	-	1,669	1,669
Accounts receivable	49	19,724	19,773
Due from Department of Education	762	16,944	17,706
Due from other Minnesota school districts	-	7,038	7,038
Due from Federal Government through Department of Education	37,570	-	37,570
Inventory	18,252	-	18,252
Total assets	<u>\$ 1,099,605</u>	<u>\$ 326,486</u>	<u>\$ 1,426,091</u>
Liabilities			
Accounts payable	\$ 7,108	\$ 10,865	\$ 17,973
Salaries and benefits payable	12,251	43,824	56,075
Unearned revenue	12,600	-	12,600
Total liabilities	<u>31,959</u>	<u>54,689</u>	<u>86,648</u>
Deferred Inflows of Resources			
Unavailable revenue - delinquent property taxes	-	927	927
Property taxes levied for subsequent year's expenditures	-	135,949	135,949
Total deferred inflows of resources	<u>-</u>	<u>136,876</u>	<u>136,876</u>
Fund Balances			
Nonspendable	18,252	-	18,252
Restricted	1,049,394	134,921	1,184,315
Total fund balances	<u>1,067,646</u>	<u>134,921</u>	<u>1,202,567</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,099,605</u>	<u>\$ 326,486</u>	<u>\$ 1,426,091</u>

Capital Projects Fund	
Building Construction	Total
\$ 77,409	\$ 1,336,429
-	65,063
-	1,669
-	19,773
-	17,706
-	7,038
-	37,570
-	18,252
<u>\$ 77,409</u>	<u>\$ 1,503,500</u>
\$ -	\$ 17,973
-	56,075
-	12,600
<u>-</u>	<u>86,648</u>
-	927
<u>-</u>	<u>135,949</u>
<u>-</u>	<u>136,876</u>
-	18,252
<u>77,409</u>	<u>1,261,724</u>
<u>77,409</u>	<u>1,279,976</u>
<u>\$ 77,409</u>	<u>\$ 1,503,500</u>

Independent School District No. 51
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended June 30, 2022

	Special Revenue Funds		
	Food Service	Community Service	Total Special Revenue
Revenues			
Local property taxes	\$ -	\$ 98,749	\$ 98,749
Other local and county revenues	3,801	541,509	545,310
Revenue from state sources	60,212	168,475	228,687
Revenue from federal sources	1,940,503	111,600	2,052,103
Sales and other conversion of assets	160,320	-	160,320
Total revenues	<u>2,164,836</u>	<u>920,333</u>	<u>3,085,169</u>
Expenditures			
Current			
Food service	1,695,748	-	1,695,748
Community education and services	-	912,816	912,816
Capital outlay			
Sites and buildings	-	-	-
Food service	25,400	-	25,400
Total expenditures	<u>1,721,148</u>	<u>912,816</u>	<u>2,633,964</u>
Excess of revenues over (under) expenditures	443,688	7,517	451,205
Other Financing Sources			
Proceeds from sale of capital assets	1,500	-	1,500
Transfers in	-	85,751	85,751
Total other financing sources	<u>1,500</u>	<u>85,751</u>	<u>87,251</u>
Net change in fund balances	445,188	93,268	538,456
Fund Balances			
Beginning of year	<u>622,458</u>	<u>41,653</u>	<u>664,111</u>
End of year	<u>\$ 1,067,646</u>	<u>\$ 134,921</u>	<u>\$ 1,202,567</u>

Capital Projects Fund	
Building Construction	Total
\$ -	\$ 98,749
224	545,534
-	228,687
-	2,052,103
-	160,320
224	3,085,393
-	1,695,748
-	912,816
220,311	220,311
-	25,400
220,311	2,854,275
(220,087)	231,118
-	1,500
-	85,751
-	87,251
(220,087)	318,369
297,496	961,607
<u>\$ 77,409</u>	<u>\$ 1,279,976</u>

Independent School District No. 51
Uniform Financial Accounting and Reporting Standards
Compliance Table
Year Ended June 30, 2022

	Audit	UFARS	Audit-UFARS		Audit	UFARS	Audit-UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION FUND			
Total revenue	\$ 23,848,573	\$ 23,848,572	\$ 1	Total revenue	\$ 224	\$ 224	\$ -
Total expenditures	23,792,364	23,792,364	-	Total expenditures	220,311	220,312	(1)
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
4.60 Nonspendable fund balance	79,497	79,497	-	4.60 Nonspendable fund balance	-	-	-
<i>Restricted/reserved:</i>				<i>Restricted/reserved:</i>			
4.01 Student Activities	123,193	123,194	(1)	4.07 Capital Projects Levy	-	-	-
4.02 Scholarships	28,479	28,478	1	4.13 Building Projects Funded by COP	-	-	-
4.03 Staff Development	51,697	51,697	-	4.67 LTFM	-	-	-
4.07 Capital Projects Levy	-	-	-	<i>Restricted:</i>			
4.08 Cooperative Program	-	-	-	4.64 Restricted fund balance	77,409	77,408	1
4.13 Building Projects Funded by COP	-	-	-	<i>Unassigned:</i>			
4.14 Operating Debt	-	-	-	4.63 Unassigned fund balance	-	-	-
4.16 Levy Reduction	-	-	-				
4.17 Taconite Building Maintenance	-	-	-	07 DEBT SERVICE FUND			
4.24 Operating Capital	70,428	70,428	-	Total revenue	\$ 1,869,928	\$ 1,869,928	\$ -
4.26 \$25 Taconite	-	-	-	Total expenditures	1,616,087	1,616,088	(1)
4.27 Disabled Accessibility	-	-	-	<i>Nonspendable:</i>			
4.28 Learning and Development	-	-	-	4.60 Nonspendable fund balance	-	-	-
4.34 Area Learning Center	50,144	50,144	-	<i>Restricted/reserved:</i>			
4.35 Contracted Alternative Programs	-	-	-	4.25 Bond refunding	-	-	-
4.36 State Approved Alternative Program	-	-	-	4.33 Maximum Effort Loan	1,003,550	1,003,550	-
4.38 Gifted and Talented	-	-	-	4.51 QZAB payments	-	-	-
4.40 Teacher Development and Evaluation	-	-	-	4.67 LTFM	-	-	-
4.41 Basic Skills Programs	-	-	-	<i>Restricted:</i>			
4.48 Achievement and Integration Revenue	-	-	-	4.64 Restricted fund balance	219,385	219,383	2
4.49 Safe School Crime	18,351	18,351	-	<i>Unassigned:</i>			
4.51 QZAB Payments	-	-	-	4.63 Unassigned fund balance	-	-	-
4.52 OPEB Liabilities not Held in Trust	-	-	-				
4.53 Unfunded Severance and Retirement Levy	-	-	-	08 TRUST FUND			
4.59 Basic Skills Extended Time	-	-	-	Total revenue	\$ -	\$ -	\$ -
4.67 LTFM	353,080	353,080	-	Total expenditures	-	-	-
4.72 Medical Assistance	282,656	282,656	-	<i>Unassigned:</i>			
4.75 Title VII - Impact Aid	-	-	-	4.01 Student Activities	-	-	-
4.76 Payments in Lieu of Taxes	-	-	-	4.02 Scholarships	-	-	-
<i>Restricted:</i>				4.22 Net position	-	-	-
4.72 Medical Assistance	-	-	-				
4.64 Restricted fund balance	-	-	-	18 CUSTODIAL FUND			
4.75 Title VII - Impact Aid	-	-	-	Total revenue	\$ 6,646	\$ 6,646	\$ -
4.76 Payments in Lieu of Taxes	-	-	-	Total expenditures	8,500	8,500	-
<i>Committed:</i>				<i>Unassigned:</i>			
4.18 Committed for separation	-	-	-	4.01 Student Activities	-	-	-
4.61 Committed	-	-	-	4.02 Scholarships	23,560	23,560	-
<i>Assigned:</i>				4.48 Achievement and Integration	-	-	-
4.62 Assigned fund balance	839,759	839,759	-	4.64 Restricted Fund Balance	-	-	-
<i>Unassigned:</i>							
4.22 Unassigned fund balance (net position)	3,451,704	3,451,701	3	20 INTERNAL SERVICE FUND			
				Total revenue	\$ -	\$ -	\$ -
02 FOOD SERVICE FUND	\$ 2,164,836	\$ 2,164,835	\$ 1	Total expenditures	-	-	-
Total revenue	1,721,148	1,721,148	-	<i>Unassigned:</i>			
Total expenditures	-	-	-	4.22 Net position	-	-	-
<i>Nonspendable:</i>							
4.60 Nonspendable fund balance	18,252	18,252	-	25 OPEB REVOCABLE TRUST			
<i>Restricted/reserved:</i>				Total revenue	\$ (319,222)	\$ (319,223)	\$ 1
4.52 OPEB liabilities not held in trust	-	-	-	Total expenditures	80,000	80,000	-
<i>Restricted:</i>				<i>Unassigned:</i>			
4.64 Restricted fund balance	1,049,394	1,049,393	1	4.22 Net position	2,542,558	2,542,558	-
<i>Unassigned:</i>							
4.63 Unassigned fund balance	-	-	-	45 OPEB IRREVOCABLE TRUST			
				Total revenue	\$ -	\$ -	\$ -
04 COMMUNITY SERVICE FUND	\$ 920,333	\$ 920,334	\$ (1)	Total expenditures	-	-	-
Total revenue	912,816	912,816	-	<i>Unassigned:</i>			
Total expenditures	-	-	-	4.22 Net position	-	-	-
<i>Nonspendable:</i>							
4.60 Nonspendable fund balance	-	-	-	47 OPEB DEBT SERVICE			
<i>Restricted/reserved:</i>				Total revenue	\$ -	\$ -	\$ -
4.26 \$25 Taconite	-	-	-	Total expenditures	-	-	-
4.31 Community Education	53,315	53,315	-	<i>Nonspendable:</i>			
4.32 ECFE	-	-	-	4.25 Bond refundings	-	-	-
4.40 Teacher Development and Evaluation	-	-	-	4.60 Nonspendable fund balance	-	-	-
4.44 School Readiness	-	-	-	<i>Restricted:</i>			
4.47 Adult Basic Education	6,141	6,141	-	4.64 Restricted fund balance	-	-	-
4.52 OPEB Liabilities not Held in Trust	-	-	-	<i>Unassigned:</i>			
<i>Restricted:</i>				4.63 Unassigned fund balance	-	-	-
4.64 Restricted fund balance	75,465	75,466	(1)				
<i>Unassigned:</i>							
4.63 Unassigned fund balance	-	-	-				

Independent School District No. 51
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Agency/Pass Through Agency/Program Title	Federal Assistance Listing Number	Expenditures
U.S. Department of Agriculture		
Through Minnesota Department of Education		
Child Nutrition Cluster		
School Breakfast	10.553	\$ 413,578
Commodities (non-cash)	10.555	116,805
Type A Lunch	10.555	1,189,296
COVID-19 - Supply Chain Assistance Funds	10.555C	37,800
Summer Food Service Program	10.559	183,024
Total Child Nutrition Cluster		1,940,503
COVID-19 - Pandemic Electronic Benefit Transfer (EBT) Administrative Costs	10.649C	2,935
Total U.S. Department of Agriculture		1,943,438
U.S. Department of Treasury		
Through Minnesota Department of Education		
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027C	83,293
U.S. Department of Education		
Through Minnesota Department of Education		
Title I Grants to Local Educational Agencies	84.010	167,936
Supporting Effective Instruction State Grants	84.367	32,692
Student Support and Academic Enrichment Program	84.424	3,225
COVID 19 - Governor's Emergency Education Relief Fund	84.425C	11,744
COVID 19 - Elementary and Secondary School Emergency Relief Fund	84.425D	255,991
COVID 19 - American Rescue Plan - Elementary and Secondary School Emergency Relief	84.425U	547,191
Total Education Stabilization Fund		814,926
Through Independent School District No. 6383 - Benton-Stearns		
Education District Special Education Co-op		
Special Education Cluster		
Special Education	84.027	311,957
Early Special Education	84.173	15,000
Total Special Education Cluster		326,957
Through Independent School District No. 966 - Wright Technical Center		
Carl Perkins	84.048	6,363
Total U.S. Department of Education		1,352,099
U.S. Department of Health and Human Services		
Through Minnesota Department of Education		
COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	33,436
Total Federal Expenditures		<u>\$ 3,412,266</u>

Independent School District No. 51
Notes to the Schedule of Expenditures of Federal Awards

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of the modified accrual basis financial statements.

NOTE 2 – PASS-THROUGH GRANT NUMBERS

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

NOTE 3 – INVENTORY

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

NOTE 4 – INDIRECT COST RATE

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

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

Independent Auditor's Report

To the School Board
Independent School District No. 51
Foley, 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 basic financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 51, Foley, Minnesota, as of and for the year ended June 30, 2022, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 31, 2022.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

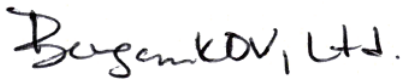
As part of obtaining reasonable assurance about whether the District's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

District's Response to the Finding

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

Purpose of this Report

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



St. Cloud, Minnesota
November 28, 2022

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

Independent Auditor's Report

To the School Board
Independent School District No. 51
Foley, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

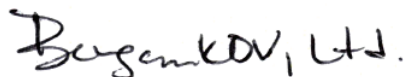
Report on Internal Control over Compliance (Continued)

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

However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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



St. Cloud, Minnesota

November 28, 2022

**Independent School District No. 51
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:	We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).
----------------------------------	---

Internal control over financial reporting:

- | | |
|---|-----------------------------|
| • Material weakness(es) identified? | No |
| • Significant deficiency(ies) identified that are not considered to be material weakness(es)? | Yes, Audit Finding 2022-001 |

Noncompliance material to basic financial statements noted?	No
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Federal Awards

Type of auditor’s report issued on compliance for major programs:	Unmodified
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Internal control over major programs:

- | | |
|---|---------------|
| • Material weakness(es) identified? | No |
| • Significant deficiency(ies) identified that are not considered to be material weakness(es)? | None reported |

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516?	No
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Identification of Major Programs

Assistance Listing No:	84.425C, 84.425D, 84.425U
Name of Federal Program or Cluster:	Education Stabilization Fund
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low risk auditee?	Yes

**Independent School District No. 51
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION II – BASIC FINANCIAL STATEMENT FINDINGS

Audit Finding 2022-001 – Lack of Segregation of Accounting Duties

Criteria or Specific Requirement:

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

Condition:

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

- The Accounts Payable Clerk determines capital assets additions in the District's voucher system, enters capital asset additions and disposals, prepares depreciation calculations using the accounting system, and maintains the master listing for reporting purposes.
- The Payroll Clerk enters employee information into the District's system, calculates timecards, and processes payroll. Payroll registers were not reviewed every payroll but were periodically reviewed.
- The Director of Finance is responsible for reconciliation of general ledger accounts and has the ability to make manual adjustments to these accounts.

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

Context:

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

Effect or Potential Effect:

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

Cause:

There are a limited number of office employees.

Recommendation:

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

**Independent School District No. 51
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION II – BASIC FINANCIAL STATEMENT FINDINGS (CONTINUED)

Audit Finding 2022-001 – Lack of Segregation of Accounting Duties (Continued)

CORRECTIVE ACTION PLAN (CAP):

Management's Response:

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
The District plans to implement additional procedures to improve the segregation of accounting duties.
3. Official Responsible for Ensuring CAP
The Director of Finance is the official responsible for ensuring corrective action of the deficiency.
4. Planned Completion Date for CAP
The planned completion date for the CAP is June 30, 2023.
5. Plan to Monitor Completion of CAP
The School Board will be monitoring this CAP.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV – SUMMARY OF PRIOR AUDIT FINDINGS

None

Minnesota Legal Compliance

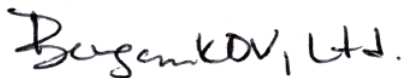
Independent Auditor's Report

To the School Board
Independent School District No. 51
Foley, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 51, Foley, Minnesota, as of and for the year ended June 30, 2022, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 28, 2022.

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

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

A handwritten signature in black ink that reads "BergankDV, Ltd." in a cursive, stylized script.

St. Cloud, Minnesota
November 28, 2022