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Independent School District No. 97
Moose Lake, Minnesota

Basic Financial Statements

June 30, 2022

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Independent School District No. 97
Board of Education and Administration
June 30, 2022

Board of Education	Position	Term Expires
Steven Blondo	Chairperson	December 31, 2022
Ben Anderson	Vice Chairperson	December 31, 2024
Lisa Anderson-Reed	Clerk	December 31, 2024
Kim Bohnsack	Director	December 31, 2022
Julie Peterson	Director	December 31, 2022
Jerome Pederson	Director	December 31, 2024

Administration	
Billie Jo Steen	Superintendent
Kara Burn	Business Manager

Independent Auditor's Report

To the School Board
Independent School District No. 97
Moose Lake, 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. 97, Moose Lake, 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. 97, Moose Lake, Minnesota, as of June 30, 2022, and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund and Community Service Special Revenue 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. 97 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. 97 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 the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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 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 16, 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.

BerganKDV, Ltd.

St. Cloud, Minnesota
November 16, 2022

This section of the annual financial report for Independent School District No. 97, Moose Lake, Minnesota (the "District") presents management's overview and analysis of the District's financial performance during the year ending June 30, 2022. Please read it in conjunction with the District's financial statements that immediately follow this section.

Financial Highlights

- The unassigned fund balance of the major fund of the District, the General Fund, saw a decrease. With the influx of federal funds for COVID-19, we were able to shift some costs for Fiscal 22 (F22) from the general fund. The increase of the General Fund for F22 was $71,808, giving the District an unassigned fund balance of $455,137. This fund balance is monies that can be used to run day to day operations, and may be used for other purchases if needed. The Fund Balance Policy of the District is to have 2 months' worth of expenditures in this balance. We are short of this, and are working on finding ways to improve this balance.

- ADM (Average Daily Membership) served for 21-22 was up by 9 students. We feel this was a response to families choosing to homeschool in 20-21 due to COVID-19 sending their children back to school. 2020-2021 was down roughly 45 students from 2019-2020, after being down 24 from the previous year. This number takes into account the number of days every student is registered at Moose Lake. As students move into and out of the district throughout the year, they are counted for the number of days they are enrolled here. As a District, we have more non-resident students coming to our school than we have resident students attending other districts. Since the majority of our operating revenue comes from the state and is figured on the ADM number, we took some measures early in the school year to cut some costs.

- The change in total net position of all governmental activities for the District resulted in an increase of $1,537,741 in net position over the previous year. This follows two years of increases, and a year of no significant change. This calculation takes into consideration not only cash and investments but also land, buildings, equipment, vehicles and other assets less liabilities. This is a very positive sign as this figure is a good indicator of the general financial health of the District.

- The biggest change for the year was the school system being changed due to COVID-19. We received special ESSER funding which we used for planning our teaching models to distance learning and purchase extra supplies to thoroughly clean the building. Overall, we ended the year with an increase in our fund balance after having a budgeted deficit of almost $210,000.

Independent School District No. 97
Management's Discussion and Analysis

Overview of the Financial Statements

This annual report consists of three major parts: Management's Discussion and Analysis (MD&A, this section), the basic financial statements, and required supplementary information. The MD&A is intended to serve as an introduction to the District's basic financial statements. Comparisons to the previous year are included. The basic financial statements comprise three components which include two kinds of statements that present different views of the District: 1) government-wide financial statements and 2) fund financial statements, followed by Notes to the Financial Statements.

Government-wide financial statements – 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 in a manner similar to a private-sector business.

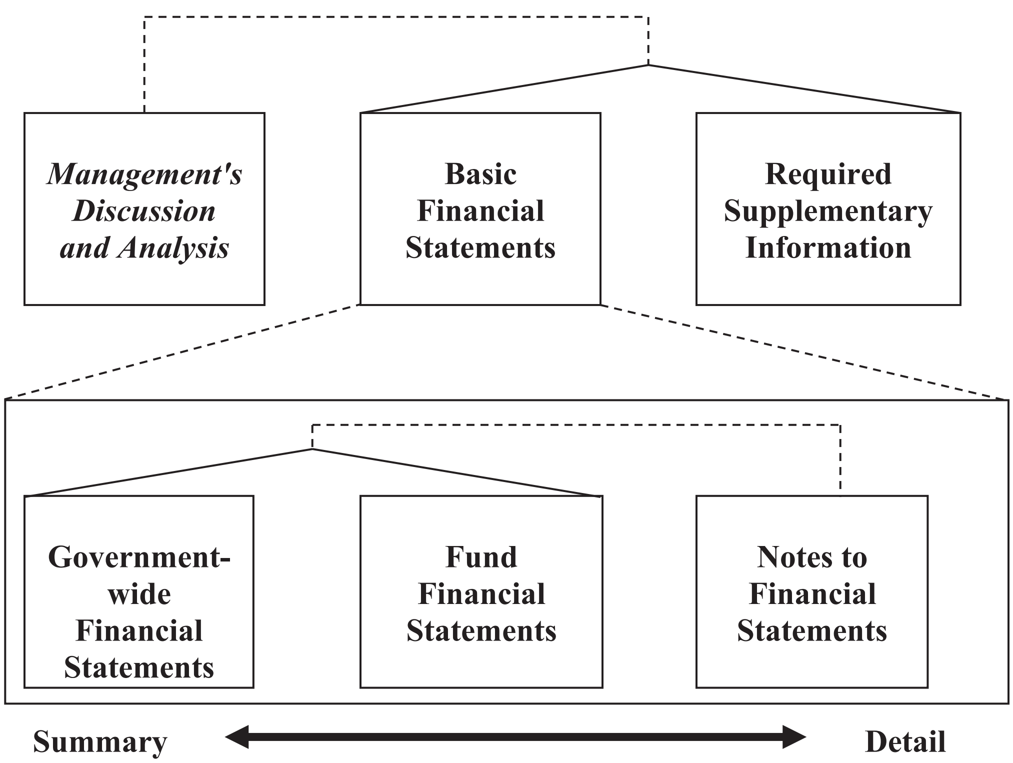
Fund financial statements – The remaining statements are fund financial statements that focus on individual parts or funds of the District, reporting the District's operations in more detail than the district-wide statements.

Notes to the Financial Statements – The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. 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. 97
Annual Financial Report



Overview of the Financial Statements (Continued)
Figure A-2 summarizes 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. The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

	Government-Wide Statements	Fund Financial Statements Governmental Funds
Scope	Entire District	The activities of the District such as special education and building maintenance
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus
Type of asset/ liability information	All assets and liabilities and deferred inflows/outflows of resources, both financial and capital, short-term and long-term	Generally, assets and deferred outflows expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter; no capital assets or long-term liabilities included
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

Government-Wide Statements
Minnesota schools are funded by a very detailed series of formulas. The accounting requirements are also very intricate. 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, liabilities and deferred inflows/ outflows. All of the current year's revenues and expenses are accounted for in the Statement of Activities.

Overview of the Financial Statements (Continued)

Government-Wide Statements (Continued)

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; and liabilities and deferred inflows, is one way to measure the District's financial health or position.

- Statement of Net Position – The Statement of Net Position presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources with the difference between the four reported as "net position".

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

- Statement of Activities – The Statement of Activities presents information showing how the District's net position has changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as uncollected taxes or unused compensated absences.

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

Government-wide financial statements outline functions of the District that are principally supported by property taxes and state formula aid (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of the facilities, student transportation and operation of non-instructional services.

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. A fund is a grouping of related accounts that is used to manage resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements.

- Some funds are required by state law and by bond covenants.

- The District establishes other funds to control and manage money for particular purposes (such as repaying long-term debts) or to show that it is properly using certain revenues (such as federal grants).

Overview of the Financial Statements (Continued)

Fund Financial Statements (Continued)

All of the funds of the District can be divided into two categories:

- Governmental funds: All 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 (fund balances). Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

  Because this information does not encompass the additional long-term focus of the District-wide statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This enables the reader to better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances are followed by a reconciliation to facilitate this comparison between governmental funds as shown in the fund financial statements and governmental activities as shown in the government-wide statements.

  - In accordance with *Minnesota Statutes*, the District maintains five individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General, Debt Service, and Community Service Funds as well as in a combined column for the Food Service and Capital Projects Funds.

Along with the basic financial statements and accompanying notes, this report also presents certain information concerning the District's budget process. The District adopts an annual budget for all governmental funds prior to the beginning of the fiscal year. The budget is revised after the year is underway to account for any changes that have taken place including updated student numbers that will change the amount and source of revenue to be received by the District. A budgetary comparison statement has been provided for the General Fund and Community Service Fund as basic financial statements.

Financial Analysis of the District as A Whole
Net Position – Net position may serve over time as a useful indicator of a government's financial position. As of June 30, 2022, revenues of District resources exceeded expenses by $1,537,741. The ending net position of the District at June 30, 2022 was $2,498,398.

Net investment in capital assets consists of land, buildings and improvements, vehicles and equipment less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Independent School District No. 97
Management's Discussion and Analysis

Financial Analysis of the District as A Whole (Continued)
The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

Figure A-3 presents a summary of the District's net position for the fiscal year ended June 30, 2022 as compared to the previous year. There were some shifts in both the Deferred outflows of Resources Related to Pensions and the Deferred Inflows of Resources Related to Pensions with an adjustment to TRA and PERA pension funds. These are not actual revenues and expenses, but are recognized on our books due to GASB rulings.

Figure A-3

Statement of Net Position

	Fiscal Year Ending June 30, 2021	Percent of Total 2020-2021	Fiscal Year Ending June 30, 2022	Percent of Total 2021-2022	Total Percent Change
Assets					
Current assets	$ 5,625,124	13.91%	$ 6,001,202	15.00%	6.69%
Capital assets	34,813,869	86.09%	33,996,887	85.00%	-2.35%
Total assets	40,438,993		39,998,089		-1.09%
Deferred Outflows of Resources Related to Pensions and OPEB	2,206,672	5.46%	1,966,808	4.92%	-10.87%
Total assets and deferred outflows of resources	$ 42,645,665		$ 41,964,897		
Liabilities					
Current liabilities	$ 3,492,846	9.74%	$ 3,725,122	11.53%	6.65%
Noncurrent liabilities (long-term debt)	32,368,873	90.26%	28,589,752	88.47%	-11.68%
Total liabilities	35,861,719		32,314,874		-9.89%
Deferred Inflows of Resources					
Property taxes levied for subsequent year's expenditures	1,599,804	27.47%	1,643,100	22.98%	2.71%
Deferred inflows of resources related to pensions and OPEB	4,223,485	72.53%	5,508,525	77.02%	30.43%
Total deferred inflows of resources	5,823,289		7,151,625		22.81%
Net Position					
Net investment in capital assets	6,412,299	667.49%	7,204,973	288.38%	12.36%
Restricted for					
Debt service	129,811	13.51%	149,463	5.98%	0.00%
Other purposes	940,431	97.89%	1,171,750	46.90%	24.60%
Unrestricted	(6,521,884)	-678.90%	(6,027,788)	-241.27%	-7.58%
Total net position	960,657		2,498,398		
Total liabilities, deferred inflows of resources and net position	$ 42,645,665		$ 41,964,897		-1.60%

Changes in Net Position – The District's total revenue for the fiscal year ended June 30, 2022, was roughly the same as last year. State aid accounted for about 53% of all revenue.

Financial Analysis of the District as A Whole (Continued)
The total expenses of all programs and services were down 1.5% from the prior year to $9.15 million. The largest expense is Instructional expenses, which includes all costs for teaching our students.

Figure A-4 represents a summary of the changes in net position and a comparison of the fiscal years ended June 30, 2021 and June 30, 2022. This shows the revenue and expenses in all of the District funds, including Food Service, Transportation, Community Services, Capital, and Debt Service. Overall, you can see that expenses with adjustments were under the revenues, causing the increase in net position.

Figure A-4

Changes in Net Position

	Fiscal Year Ending June 30, 2021	Percent of Total 2020-2021	Fiscal Year Ending June 30, 2022	Percent of Total 2021-2022	Total Percent Change
Revenues					
Program revenues					
Charges for services	$ 683,507	6.64%	$ 764,951	7.16%	11.92%
Operating grants and contr	2,575,461	25.01%	2,507,166	23.46%	-2.65%
Capital grants and contr	96,965	0.94%	92,394	0.86%	-4.71%
		32.59%		31.48%	
General revenues					
Property taxes	1,335,701	12.97%	1,653,840	15.47%	23.82%
State aid-formula grants	5,595,751	54.34%	5,630,946	52.69%	0.63%
Investment income	3,161	0.03%	7,696	0.07%	143.47%
Other gen revenue	7,881	0.08%	30,682	0.29%	289.32%
Total revenues	10,298,427	67.41%	10,687,675	68.52%	3.78%
Expenses					
Instruction	4,697,844	50.59%	4,395,375	48.04%	-6.44%
Pupil and instruction support	783,347	8.44%	868,334	9.49%	10.85%
Admin and business support	901,841	9.71%	835,834	9.13%	-7.32%
Sites and buildings	572,807	6.17%	641,597	7.01%	12.01%
Special programs	661,924	7.13%	769,582	8.41%	16.26%
Other	1,667,844	17.96%	1,639,212	17.92%	-1.72%
Total expenses	9,285,607		9,149,934		-1.46%
Increase (decrease) in net position	$ 1,012,820		$ 1,537,741		52%

Financial Analysis of the District as A Whole (Continued)
Figures A-5 and A-6 compare the overall revenues and expenses for the five-year period from fiscal year 2017-2018 through fiscal year 2021-2022 in chart form.

Figure A-5

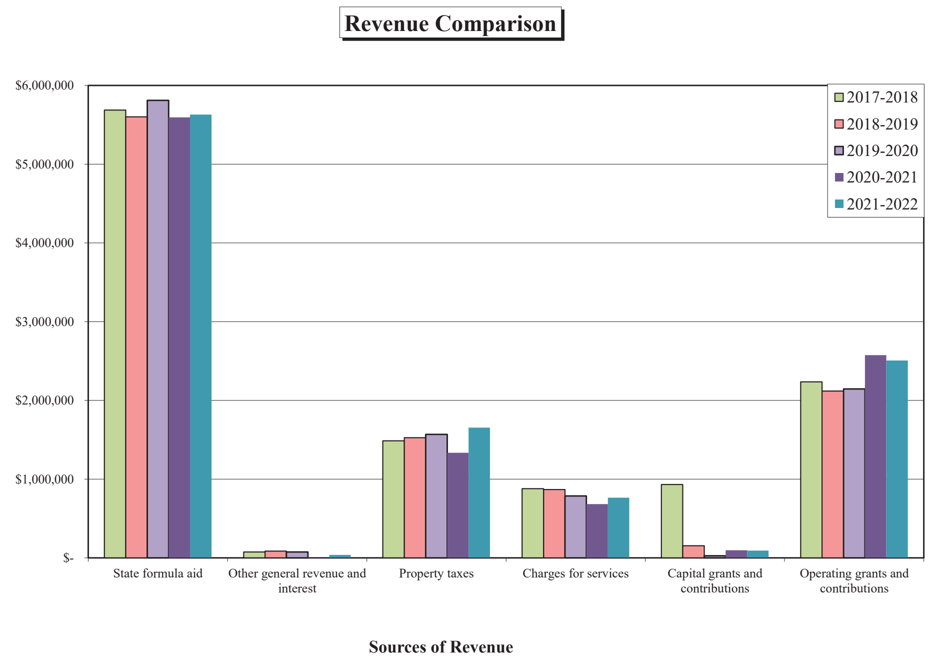
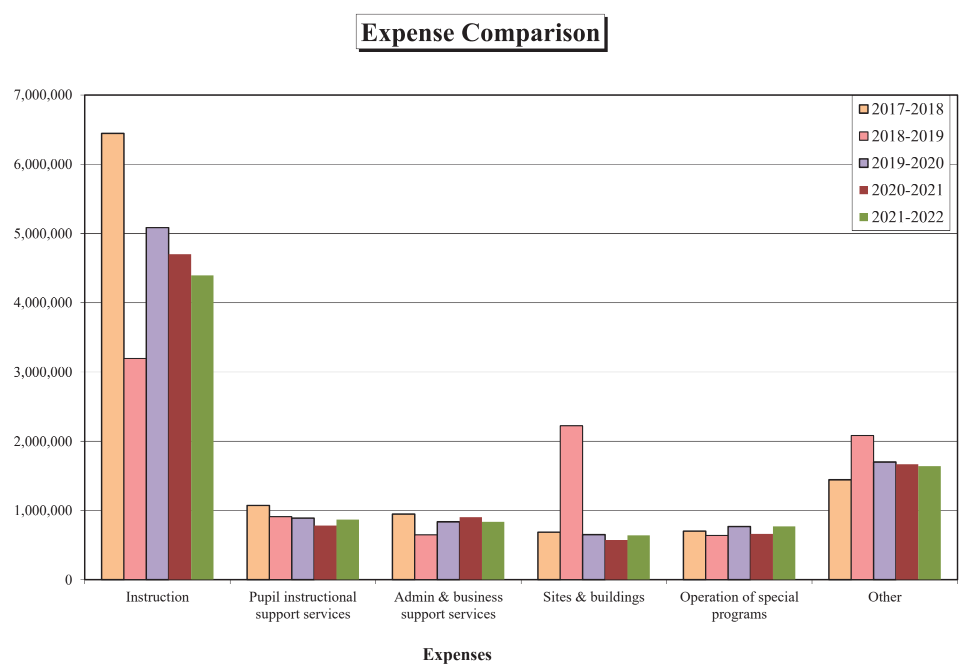


Figure A-6



Financial Analysis of the District as A Whole (Continued)

Governmental Activities

The following table represents the costs of the six major District functional activities: instruction, pupil instructional support services, administration and business support services, sites and buildings, operation of special programs (food service and community service), and other. The table also shows each function's net cost which is the total cost less fees for services generated by the activities and intergovernmental aid provided for specific programs. The net cost shows the financial burden that was placed on the State and District's taxpayers by each of these functions.

Figure A-7

Net Cost of Governmental Activities

	Total Expenses 2021	Total Expenses 2022	Total Dollar Change	Total Percentage Change	Net Cost of Services 2021	Net Cost of Services 2022	Total Dollar Change	Percentage Change 2021 to 2022
Instruction	$ 4,697,844	$ 4,395,375	$ (302,469)	-6.44%	$ 2,700,612	$ 2,602,550	($98,062)	-3.63%
Pupil and Instructional Support Services	783,347	868,334	84,987	10.85%	293,922	314,475	$20,553	6.99%
Administration and Business Support Services	901,841	835,834	(66,007)	-7.32%	863,482	800,048	($63,434)	-7.35%
Sites and Buildings	572,807	641,597	68,790	12.01%	410,958	521,475	$110,517	26.89%
Operation of Special Programs	661,924	769,582	107,658	16.26%	(7,144)	(92,337)	($85,193)	1192.51%
Other	1,667,844	1,639,212	(28,632)	-1.72%	1,667,844	1,639,212	($28,632)	-1.72%
Total Expenses	$ 9,285,607	$ 9,149,934	$ (135,673)	-1.46%	$ 5,929,674	$ 5,785,423	($144,251)	-2.43%

- The total expenses of all governmental activities during the 2021-2022 school year were down $135,673 from the prior year to $9,149,934. The Special Programs include Food Service and Community Services (Early Childhood programs and Community Education programs). Our Food Service program operated in the black for the fourth year in a row. Overall, the Early Childhood program expenses are covered by revenue received for each program. The Other costs are Unallocated depreciation and Interest and fiscal charges on long-term debt.

- Some of the overall expenses of the District were reimbursed by the users of the District's programs. This reimbursement came to $764,951. These revenues would include food service and community education.

- Net cost of governmental activities was down approximately $144,000, over 2.4% from 2020-2021, which had been down 14.9% from 2019-2020. These activities were financed by general revenues, which are made up primarily of state aid formula grants.

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. This practice provides a more detailed look at the finances of the District.

Financial Analysis of the District's Funds (Continued)

Governmental Funds – The focus of the District's governmental funds is to provide information on near-term inflows, outflows, balances of spendable resources, and of non-spendable funds. Such information is useful in assessing the District's financial requirements. The unassigned fund balance in particular may serve as a useful measure of the District's net resources available for future spending as of June 30, 2022.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of $2,673,147, with a positive net change of $160,813. For 2017-2018, the total fund balance decreased by $2.4 million. The fund balances had been changing drastically in the four years prior due to the construction of the new school. The District is working now to increase our unassigned fund balance, which decreased by about $87,000 in 2021-2022.

The funds in the total balances include the General Fund, Debt Service Fund, as well as the other special funds of Food Service and Community Service. Of this total combined fund balance, $455,137 are unassigned funds which are available for spending at the District's discretion. In addition, $440,000 has been assigned or committed at the District level for specific future expenditures such as curriculum, designated student activities, bus costs, and severance costs for which the District is obligated. Also, $1,600,000 is restricted for specific purposes by law such as Capital Expenditures, Capital Projects, or Community Service, and $106,000 is non-spendable as the dollars have already been spent on inventory and prepaid items so are unavailable for future expenditures.

General Fund – This fund is the principal operating fund of the District. This is where most of the activity of running the District occurs including instruction, transportation, equipment needs and maintenance of the building, among other areas. The fund balance in the General Fund during the 2021-2022 school year increased by $72,000, after an increase by roughly $243,000 in the 2020-2021 school year, and a decrease in the 2019-2020 school year by roughly $70,000, and decreases the prior four years. A comparison of the past two years is illustrated in Figure A-8 on the next page.

Financial Analysis of the District's Funds (Continued)

General Fund (Continued)

Figure A-8

Changes in Fund Balances of the General Fund

	Fiscal Year Ending June 30, 2021	Percentage of Total 2020-2021	Fiscal Year Ending June 30, 2022	Percentage of Total 2021-2022	Total Percentage Change
Revenues					
Local property taxes	$ 443,686	6.21%	$ 754,439	10.21%	70.04%
Other local and county revenues	350,541	4.90%	430,852	5.83%	22.91%
Revenue from state sources	5,607,248	78.42%	5,560,225	75.27%	-0.84%
Revenue from federal sources	748,514	10.47%	624,283	8.45%	-16.60%
Sales and other conversion of sssets	-	0.00%	17,384	0.24%	N/A
Total revenues	7,149,989		7,387,183		3.32%
Expenses					
Instruction	4,440,358	58.28%	4,727,959	63.44%	6.48%
Pupil & instr support	753,833	9.89%	814,817	10.93%	8.09%
Admin & business support	884,737	11.61%	896,993	12.04%	1.39%
Sites and buildings	1,354,750	17.78%	782,703	10.50%	-42.23%
Debt service	150,894	1.98%	187,150	2.51%	0.00%
Other	34,797	0.46%	43,115	0.58%	23.90%
Total expenses	7,619,369		7,452,737		-2.19%
Excess of revenues over (under) expenditures in General Fund	(469,380)		(65,554)		
Proceeds from leases	712,716		133,519		
Insurance recovery	-		3,843		
Net change in fund balances	$ 243,336		$ 71,808		

The fund balances of the Other Funds, which includes the Food Service Fund and the Capital Projects Fund, had an increase from 2021 to 2022, following a decrease in the prior year. This was due to final payments out of the construction fund. Community Service fund had a decrease of roughly $30,000.

Budgetary Highlights

The District revised the operating budget twice during the 2021-2022 school year when updated information on revenues and expenditures was available. Revisions were made to the revenue budget mainly to reflect updated enrollment figures, and to the expenditure budget to reflect personnel changes. Changes were also made as announcements of new Federal Funds were made. Over the course of the year, we received funding from several new federal bills. This allowed us to help fill in some expense areas that were related to COVID-19.

Financial Analysis of the District's Funds (Continued)

Budgetary Highlights (Continued)

The revised budget of the District's General Fund predicted expenditures would exceed revenues by $215,000 in the general, transportation, and capital funds. Actual expenditures exceeded revenues by $65,000. Total revenue received for the general fund was $6,000 more than budgeted, and actual expenditures were $143,800 less than what was budgeted. Almost all categories came in under budget. Our adjusted ADM was up by about 9 students from last year, and was down by about 46 students in 2020-2021. It is important to continue to monitor our student population changes and subsequent changes in expenditures because our student population is what drives our revenue as well as the staffing and supply needs of our District.

- Actual General Fund revenues in total were very close to what was budgeted. Our deficit in federal revenues was offset by greater local revenues. While we received less Federal funds than normal, it is not expected that we will continue to receive them in the same capacity. These funds are also very limiting as to how they can be spent, and cannot cover general day to day operations.

- Actual General Fund expenditures were around $140,000 less than budgeted. Much of this difference in from some instruction costs that were shifted to Federal funding, Special Education services that are charged through our Special Education Co-op were less, and some transportation costs were less.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2022, the District had $38,433,446 in capital assets, which includes school buildings, athletic facilities, vehicles, computers and other equipment prior to depreciation. This amount did not change much from last year, as we did not buy or sell any large assets. Total accumulated depreciation/ amortization is $4,436,559. Total capital assets net of depreciation/ amortization is $33,996,887, which is a 2.73% decrease over the prior year, mainly from the increase in depreciation/ amortization.

The following schedule represents the capital asset balances net of depreciation/ amortization for the fiscal year ended June 30, 2022. Additional information about the District's capital assets is presented in Note 3 to the financial statements.

Capital Asset and Debt Administration (Continued)

Figure A-9

Capital Assets (net of depreciation/ amortization)

	June 30, 2021	Percentage of Total 2020-2021	June 30, 2022	Percentage of Total 2021-2022	Total Percentage Change
Land and improvements	$ 1,902,858	5.46%	$ 1,929,565	5.68%	1.40%
Buildings and improvements	34,187,593	98.06%	34,187,593	100.56%	0.00%
Vehicles, furnit, and equipment	1,365,858	3.92%	2,182,769	6.42%	59.81%
Leased building	-	0.00%	133,519	0.39%	0.00%
Less accumulated depreciation/ amortization	(2,590,765)	-7.43%	(4,436,559)	-13.05%	71.25%
Total net capital assets	$ 34,865,544		$ 33,996,887		-2.87%

Debt Administration

The bond principal payable for the G.O. Bonds of the District as of June 30, 2022, is $26,262,288.

GASB 68, which requires the District to provide reporting for pensions, has the District recognizing $3,062,285.

Other long-term debts include the OPEB valuation and compensated absences payable of $423,951.

The following table presents a summary of the District's outstanding long-term debt for the fiscal year ended June 30, 2022, as it compares to the prior year.

Figure A-10

Schedule of Outstanding Long-Term Debt

	June 30, 2021	Percentage of Total 2020-2021	June 30, 2022	Percentage of Total 2021-2022	Total Percentage Change
General obligation bonds payable	$ 27,839,003	81.92%	$ 26,262,288	86.74%	-5.66%
Net pension liability	5,217,387	15.35%	3,062,285	10.11%	-41.31%
Financed purchase from direct borrowing	562,567	1.66%	427,432	1.41%	0.00%
Lease liability	-	0.00%	102,194	0.34%	0.00%
Net OPEB	261,312	0.77%	371,563	1.23%	42.19%
Compensated absences payable	101,876	0.30%	52,388	0.17%	-48.58%
Total Long-Term Debt	$ 33,982,145		$ 30,278,150		-11.20%

Additional information about the District's long-term liabilities is presented in Note 4 to the financial statements.

Factors Bearing on the District's Future

With the COVID-19 pandemic, we have seen a significant decrease in our student count. This will affect our budget for the 2022-2023 school year. We are being proactive and are making some changes early in the year to try to offset the lost revenue. Almost every district across the country is feeling the same financial burden. We hope that once school resumes to normal, many of the students that chose other learning options will be back on our enrollment.

It is important that expenses are monitored, however. The initial budget for the subsequent year anticipates even spending. With the loss in students, the district is working on revising a budget early in the school year, which will likely show deficit spending. The administration will work to keep that to a minimum.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or would like additional financial information, please contact Garret Hultgren, Director of Finance & Business Manager, Moose Lake Independent School District No. 97, 4812 County Rd 10, Moose Lake, Minnesota 55767 or e-mail garret.hultgren@isd97.org.

BASIC FINANCIAL STATEMENTS

Independent School District No. 97
Statement of Net Position
June 30, 2022

	Governmental Activities
Assets	
Cash and investments	$ 4,092,631
Current property taxes receivable	813,496
Delinquent property taxes receivable	20,531
Accounts receivable	18,337
Interest receivable	49
Due from Department of Education	693,733
Due from Federal Government through Department of Education	109,066
Due from other Minnesota school districts	146,474
Inventory	5,246
Prepaid items	101,639
Capital assets	
Capital assets not being depreciated/ amortized	
Land	25,782
Capital assets being depreciated / amortized	
Land Improvements	1,903,783
Buildings	34,187,593
Equipment and vehicles	2,182,769
Leased building	133,519
Less accumulated depreciation/ amortization	(4,436,559)
	39,998,089
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	1,763,210
Deferred outflows of resources related to OPEB	203,598
Total deferred outflows of resources	1,966,808
Total assets and deferred outflows of resources	$ 41,964,897
Liabilities	
Accounts and contracts payable	$ 53,288
Salaries and benefits payable	585,057
Interest payable	372,300
Due to other Minnesota school districts	228,401
Due to other governmental units	681,390
Unearned revenue	116,288
Bond principal payable	
Payable within one year	1,500,000
Payable after one year	24,762,288
Financed purchase from direct borrowing	
Payable within one year	138,741
Payable after one year	288,691
Lease Liability	
Payable within one year	32,657
Payable after one year	69,537
Compensated absences payable	
Payable within one year	17,000
Payable after one year	35,388
Net pension liability	3,062,285
Total OPEB liability	371,563
Total liabilities	32,314,874
Deferred Inflows of Resources	
Property taxes levied for subsequent year's expenditures	1,643,100
Deferred inflows of resources related to pensions	5,502,669
Deferred inflows of resources related to OPEB	5,856
Total deferred inflows of resources	7,151,625
Net Position	
Net investment in capital assets	7,204,973
Restricted for	
Debt service	149,463
Other purposes	1,171,750
Unrestricted	(6,027,788)
Total net position	2,498,398
Total liabilities, deferred inflows of resources, and net position	$ 41,964,897

Independent School District No. 97
Statement of Activities
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position: Governmental Activities
Governmental activities					
Administration	$ 487,248	$ -	$ 5,925	$ -	$ (481,323)
District support services	348,586	-	29,861	-	(318,725)
Elementary and secondary regular instruction	3,224,512	143,180	649,266	-	(2,432,066)
Vocational education instruction	79,784	-	24	-	(79,760)
Special education instruction	1,091,079	206,573	793,782	-	(90,724)
Instructional support services	188,266	10,356	83,804	-	(94,106)
Pupil support services	680,068	49,768	409,931	-	(220,369)
Sites and buildings	641,597	1,619	26,109	92,394	(521,475)
Fiscal and other fixed cost programs	43,115	-	-	-	(43,115)
Food service	275,724	10,581	410,963	-	145,820
Community education and services	493,858	342,874	97,501	-	(53,483)
Unallocated depreciation	785,274	-	-	-	(785,274)
Interest and fiscal charges on long-term debt	810,823	-	-	-	(810,823)
Total governmental activities	$ 9,149,934	$ 764,951	$ 2,507,166	$ 92,394	(5,785,423)
General revenues					
Taxes					
Property taxes, levied for general purposes					752,892
Property taxes, levied for community service					70,836
Property taxes, levied for debt service					830,112
State aid-formula grants					5,630,946
Other general revenues					30,682
Investment income					7,696
Total general revenues					7,323,164
Change in net position					1,537,741
Net position - beginning					960,657
Net position - ending					$ 2,498,398

See notes to basic financial statements.

Independent School District No. 97
Balance Sheet - Governmental Funds
June 30, 2022

	General	Debt Service	Special Revenue Community Service	Other Nonmajor Funds	Total Governmental Funds
Assets					
Cash and investments	$ 2,409,322	$ 835,209	$ 644,752	$ 203,348	$ 4,092,631
Current property taxes receivable	315,504	465,404	32,588	-	813,496
Delinquent property taxes receivable	8,132	11,293	1,106	-	20,531
Accounts receivable	7,958	-	10,109	270	18,337
Interest receivable	49	-	-	-	49
Due from Department of Education	533,759	155,442	4,532	-	693,733
Due from Federal Government through Department of Education	109,066	-	-	-	109,066
Due from other Minnesota school districts	146,474	-	-	-	146,474
Inventory	-	-	-	5,246	5,246
Prepaid items	93,749	-	180	7,710	101,639
Total assets	$ 3,624,013	$ 1,467,348	$ 693,267	$ 216,574	$ 6,001,202
Liabilities					
Accounts payable	$ 46,073	$ -	$ 5,006	$ 2,209	$ 53,288
Salaries and benefits payable	540,239	-	30,206	14,612	585,057
Due to other Minnesota school districts	227,991	-	410	-	228,401
Due to other governmental units	681,390	-	-	-	681,390
Unearned revenue	63,899	-	42,164	10,225	116,288
Total liabilities	1,559,592	-	77,786	27,046	1,664,424
Deferred Inflows of Resources					
Property taxes levied for subsequent year's expenditures	625,372	945,585	72,143	-	1,643,100
Unavailable delinquent property taxes	8,132	11,293	1,106	-	20,531
Total deferred inflows of resources	633,504	956,878	73,249	-	1,663,631
Fund Balances					
Nonspendable	93,749	-	180	12,956	106,885
Restricted	438,884	510,470	542,052	176,572	1,667,978
Committed	150,223	-	-	-	150,223
Assigned	292,924	-	-	-	292,924
Unassigned	455,137	-	-	-	455,137
Total fund balances	1,430,917	510,470	542,232	189,528	2,673,147
Total liabilities, deferred inflows of resources, and fund balances	$ 3,624,013	$ 1,467,348	$ 693,267	$ 216,574	$ 6,001,202

Independent School District No. 97
Reconciliation of the Balance Sheet to
the Statement of Net Position- Governmental Funds
June 30, 2022

Total fund balances - governmental funds	$ 2,673,147
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	38,433,446
Less accumulated depreciation/amortization	(4,436,559)
Long-term liabilities 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	(24,745,000)
Financed purchase from direct borrowing	(427,432)
Lease liability	(102,194)
Compensated absences payable	(52,388)
Unamortized bond premium	(1,517,288)
Total OPEB liability	(371,563)
Net pension liability	(3,062,285)
Deferred outflows of resources and deferred inflows of resources are created as a result of various diffeences related to pensions and OPEB that are not recognized in the governmental funds.	
Deferred outflows of resources related to pensions	1,763,210
Deferred inflows of resources related to pensions	(5,502,669)
Deferred ouflows of resources related to OPEB	203,598
Deferred inflows of resources related to OPEB	(5,856)
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.	20,531
Governmental funds do not report a liability for accrued interest on bonds payable until due and payable.	(372,300)
Total net position - governmental activities	$ 2,498,398

Independent School District No. 97
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2022

			Special Revenue		
	General	Debt Service	Community Service	Other Nonmajor Funds	Total Governmental Funds
Revenues					
Local property taxes	$ 754,439	$ 834,305	$ 71,404	$ -	$ 1,660,148
Other local and county revenues	430,852	1,967	388,241	534	821,594
Revenue from state sources	5,560,225	1,554,421	44,974	4,556	7,164,176
Revenue from federal sources	624,283	-	10,800	406,082	1,041,165
Sales and other conversion of assets	17,384	-	-	10,581	27,965
Total revenues	7,387,183	2,390,693	515,419	421,753	10,715,048
Expenditures					
Current					
Administration	524,283	-	-	-	524,283
District support services	371,779	-	-	-	371,779
Elementary and secondary regular instruction	3,430,591	-	-	-	3,430,591
Vocational education instruction	85,297	-	-	-	85,297
Special education instruction	1,203,287	-	-	-	1,203,287
Instructional support services	194,663	-	-	-	194,663
Pupil support services	620,154	-	-	-	620,154
Sites and buildings	608,432	-	-	-	608,432
Fiscal and other fixed cost programs	43,115	-	-	-	43,115
Food service	-	-	-	299,389	299,389
Community education and services	-	-	549,347	-	549,347
Capital outlay					
District support services	931	-	-	-	931
Elementary and secondary regular instruction	1,848	-	-	-	1,848
Vocational education instruction	30	-		-	30
Special education instruction	6,906	-	-	-	6,906
Sites and buildings	174,271	-	-	2,149	176,420
Debt service			-		
Principal	166,460	1,460,000	-	-	1,626,460
Interest and fiscal charges	20,690	927,975	-	-	948,665
Total expenditures	7,452,737	2,387,975	549,347	301,538	10,691,597
Excess of revenues over (under) expenditures	(65,554)	2,718	(33,928)	120,215	23,451
Other financing sources					
Issuance of capital lease	133,519	-	-	-	133,519
Insurance recovery	3,843	-	-	-	3,843
Total other financing sources	137,362	-	-	-	137,362
Net change in fund balances	71,808	2,718	(33,928)	120,215	160,813
Fund Balances					
Beginning of year	1,359,109	507,752	576,160	69,313	2,512,334
End of year	$ 1,430,917	$ 510,470	$ 542,232	$ 189,528	$ 2,673,147

Independent School District No. 97
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	$ 160,813
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/ amortization expense.	
Capital outlays	172,615
Depreciation/ amortization expense	(989,597)
OPEB amounts are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	54
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 on a full accrual perspective.	519,893
Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	49,488
Principal payments on long-term debt are recognized as expenditures in the Governmental funds but as an increase in the net position in the Statement of Activities.	1,626,460
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.	21,127
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.	116,715
Proceeds from long-term liabilities are recognized as other financing sources in the governmental funds increasing fund balance but having no effect on net position in the Statement of Activities.	(133,519)
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.	(6,308)
Change in net position - governmental activities	$ 1,537,741

Independent School District No. 97
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Local property taxes	$ 685,595	$ 694,605	$ 754,439	$ 59,834
Other local and county revenues	302,481	392,760	430,852	38,092
Revenue from state sources	5,722,496	5,579,443	5,560,225	(19,218)
Revenue from federal sources	786,234	717,355	624,283	(93,072)
Sales and other conversion of assets	10	(3,015)	17,384	20,399
Total revenues	7,496,816	7,381,148	7,387,183	6,035
Expenditures				
Current				
Administration	539,925	535,939	524,283	(11,656)
District support services	354,123	361,903	371,779	9,876
Elementary and secondary regular instruction	3,635,732	3,536,315	3,430,591	(105,724)
Vocational education instruction	62,980	64,096	85,297	21,201
Special education instruction	1,285,191	1,247,529	1,203,287	(44,242)
Instructional support services	208,330	219,865	194,663	(25,202)
Pupil support services	528,224	653,144	620,154	(32,990)
Sites and buildings	698,703	651,467	608,432	(43,035)
Fiscal and other fixed cost programs	42,000	47,970	43,115	(4,855)
Capital outlay				
Administration	100	100	-	(100)
District support services	4,500	1,500	931	(569)
Elementary and secondary regular instruction	33,000	13,000	1,848	(11,152)
Vocational education instruction	-	-	30	30
Special education instruction	-	6,550	6,906	356
Instructional support services	200	200	-	(200)
Pupil support services	153,500	2,500	-	(2,500)
Sites and buildings	47,000	67,300	174,271	106,971
Debt service				
Principal	31,325	166,460	166,460	-
Interest and fiscal charges	5,675	20,690	20,690	-
Total expenditures	7,630,508	7,596,528	7,452,737	(143,791)
Excess of revenues over (under) expenditures	(133,692)	(215,380)	(65,554)	149,826
Other Financing Sources				
Issuance of capital lease	-	-	133,519	133,519
Insurance recovery	-	3,843	3,843	-
Total other financing sources (uses)	-	3,843	137,362	133,519
Net change in fund balances	$ (133,692)	$ (211,537)	71,808	$ 283,345
Fund Balances				
Beginning of year			1,359,109	
End of year			$ 1,430,917	

See notes to basic financial statements.

Independent School District No. 97
Statement of Revenues, Expenditures and
Changes in Fund Balances -
Budget and Actual - Community Service Fund
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Local property taxes	$ 70,432	$ 71,202	$ 71,404	$ 202
Other local and county revenues	333,580	388,730	388,241	(489)
Revenue from state sources	65,550	46,436	44,974	(1,462)
Revenue from Federal Sources	-	10,288	10,800	512
Total revenues	469,562	516,656	515,419	(1,237)
Expenditures				
Current				
Community education and services	509,716	561,189	549,347	(11,842)
Capital outlay				
Community education and services	3,650	3,550	-	(3,550)
Total expenditures	513,366	564,739	549,347	(15,392)
Net change in fund balances	$ (43,804)	$ (48,083)	(33,928)	$ 14,155
Fund Balances				
Beginning of year			576,160	
Ending of year			$ 542,232	

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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 six 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 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.

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.

Depreciation/ amortization 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 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 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.

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 in the Debt Service Fund, 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. If resources from more than one fund balance classification could be spent, the District will strive to spend resources from fund balance classifications in the following order (first to last): restricted, committed, assigned, and unassigned, except for buses which will be paid out of the transportation portion of the General Fund unless otherwise determined by the School Board, equipment purchases which will be determined on a case by case basis and textbooks which will be taken partially from restricted and partially from 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Major Funds: (Continued)

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, or other similar services.

Nonmajor Funds:

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

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

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 investments at June 30, 2022, were comprised of deposits, shares in the Minnesota School District Liquid Asset Fund (MSDLAF) and shares in MNTrust. MSDLAF and MNTrust securities ae valued at amortized cost, which approximates fair value.

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deposits and Investments (Continued)
In accordance with GASB Statement No. 79, the various MSDLAF and MNTrust securities are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the MSDLAF Liquid Class or MNTrust Investment Shares Portfolio. Investments in the MSDLAF MAX class must be deposited for a minimum of 14 calendar days with the exception of direct investments of funds distributed by the State of Minnesota. Withdrawals prior to the 14-day restriction period may be subject to a penalty and there is a 24 hour hold on all requests for redemptions.

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 receivable 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.

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 2021, 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. Carlton and Pine Counties 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Property Taxes (Continued)

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 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 and an estimated 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 its 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.

Capital assets are depreciated/ amortized 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. Useful lives vary from 20 to 50 years for land improvements and buildings and 5 to 30 years for equipment and vehicles.

Capital assets not being depreciated/ amortized 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/expenditure) until that time. The District has two items that qualify for reporting in this category. A deferred outflows 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 outflows of resources related to OPEB is recorded for various estimate differences that will be amortized and recognized over future years.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Deferred Outflows/Inflows of Resources (Continued)

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. The third item, a 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. Finally, 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

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 an other financing source. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as an 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 – Vacation and Sick Pay

The District compensates salaried clerical, custodial, and nonrepresented employees upon termination of employment for unused vacation. Employees earn vacation time up to a maximum amount which varies depending upon the contract the employee is covered by. Employees are required to take their vacation during the contract period.

Employees are not compensated for unused sick leave upon termination of employment, unless taken in conjunction with severance pay as described in Note 1.N.

Sick leave pay is shown as an expenditure in the year paid.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Post Employment Severance Benefits

A teacher shall receive one of the following severance packages described on the following page upon their retirement.

In order to be eligible for the benefits, the following must be satisfied: (1) the teacher must have 20 years of continuous service to the District and (2) be a least age 55 as of the effective date of the teacher's resignation.

a. Teachers hired by the District on or before September 1, 1985, shall have a one-time irrevocable choice to receive severance instead of the 403(b) match. If this method is selected, they must also choose an option for calculation of benefits.

   The amount of severance shall be obtained by the following steps: (1) divide the teacher's step and lane on the salary schedule at the time of retirement by the number of duty days as stated in the teacher's contract and (2) multiply the value determined in Step 1 by the teacher's unused sick leave days (maximum 123 days) as of the effective date of the teacher's resignation. Part-time teachers may participate on a prorated basis.

   Or

   The amount of severance shall be obtained by the following steps: (1) divide the teacher's step and lane on the salary schedule as of January 1, 2000, by 181 and (2) multiply the value determined in Step 1 by the teacher's unused sick leave days (maximum of 68% of duty days less allowed vacations days and holidays) as of the effective date of the teacher's resignation. Part-time teachers may participate on a prorated basis.

b. Teachers hired after September 1, 1985, those teachers not choosing severance, shall receive 403(b) District matching contribution to a specific amount (CAP). The CAP shall be $25,500.

Noncertified employees upon retirement, 12 month employees shall receive 70% of his or her unused sick leave, not to exceed 84 days, as severance pay. Nine or ten month employees shall receive 55% of unused sick leave, not to exceed 66 days, as severance pay. Such employees must have completed ten years of service to the District and must meet one of the following criteria to be eligible: has reached the age of 58 or has reached the Rule of 85 (age plus years of work-retirement points).

The Superintendent is (1) is eligible to receive reimbursement for unused sick leave (to a maximum of 152 days) and vacations days (to a maximum of 25 days) as stipulated in this Contract, and (2) terminates services with the District, 100% of that payment will be directed to a district sponsored Health Reimbursement Arrangement (HRA) on behalf of the Superintendent. Reimbursement shall be based on a duty year of 260 days.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Pensions

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

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.

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.

Q. Fund Equity

In the fund financial statements, governmental funds report various levels of spending constraints.

- Nonspendable Fund Balances – These are amounts that cannot be spent because they are not in spendable form as they are legally or contractually required to be maintained intact and include, but are not limited to, inventories and prepaid items.

- Restricted Fund Balances – These are subject to externally enforceable legal restrictions

- Committed Fund Balances – Committed balances are funds used for specific purposes pursuant to constraints imposed by formal action of the School Board. The government's highest level of decision making authority is the School Board. The formal action to establish or modify a commitment is action by the School Board.

- Assigned Fund Balances – Assigned fund balances are amounts constrained by the District's intent that they be used for specific purposes, but they do not meet the criteria to be classified as restricted or committed. The Director of Finance and the Superintendent are authorized to assign fund balances. The policy to establish that authorization is 714 Fund Balances.

- Minimum Fund Balance Policy – The School Board recognizes the need to maintain a minimum unassigned General Fund balance amount to guard against unanticipated calamities, state hold backs and future obligations. This amount should be eight weeks of unassigned expenditures in the General Fund.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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/ amortization, 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 or laws or regulations of other governments.

S. Use of Estimates

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

T. Budgetary Information

The District follows these procedures in establishing the budgetary data reflected in the 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 the General and Special Revenue Funds and the Capital Project Fund. Formal budgetary integration is not required for Debt Service Funds because effective budgetary control is alternatively achieved through general obligation (G.O.) bond indenture provisions.
4. Budgets for all funds 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.

The District has an investment policy in place to address custodial credit risk for deposits, stating that deposit type securities shall be collateralized as required by *Minnesota Statutes* 118A for any amount exceeding FDIC, SAIF, FIB, FCUA, or other federal deposit coverage.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits (Continued)

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.

Pooled deposits	
Checking	$ 523,128
Petty cash checking	6,000
Flex checking	15,402
Total pooled deposits	$ 544,530

B. Investments

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

Investment	Total	Maturities Less Than 1 Year	S&P Rating
MSDLAF Liquid Class	$ 135	$ 135	AAAm
MSDLAF MAX Class	3,223,473	3,223,473	AAAm
MNTrust Investment Shares Portfolio	324,493	324,493	AAAm
Total pooled investments	$ 3,548,101	$ 3,548,101	

Interest Rate Risk: This is the risk that market value of securities will fall due to the change in market interest rates. The District's policy states 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. Operating funds will primarily be invested in shorter-term securities, money market mutual funds or similar investment pools.

Credit Risk: The District's investment policy states the District may invest its available funds in those instruments specified in *Minnesota Statutes* 118A.04 and 118A.05, which outline allowable investments. The District shall maintain a list of the financial institutions that are approved for investment purposes. As of June 30, 2022, the District's investments were rated in the above tables.

Custodial Credit Risk: For an investment, 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 policy states all investment securities shall be held in third party safekeeping by an institution designated as the custodial agent.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Concentration of Credit Risk – Investments: The District's investment policy states the District shall diversify its investments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, or maturities. However, the policy places no specific limit on the amount the District may invest in any one issuer.

C. Deposits and Investments

The following is a summary of total deposits and investments:

Deposits - pooled	$ 544,530
Investments - pooled	3,548,101
Total deposits and investments	$ 4,092,631

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

Statement of Net Position	
Cash and investments	$ 4,092,631

NOTE 3 – CAPITAL ASSETS

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

	Beginning Balance	Adjustments	Increases	Decreases	Ending Balance
Governmental activities					
Capital assets not being depreciated					
Land	$ 25,782	$ -	$ -	$ -	$ 25,782
Other capital assets					
Land improvements	1,877,076	-	26,707	-	1,903,783
Buildings	34,187,593	-	-	-	34,187,593
Equipment and vehicles	2,202,210	-	12,389	31,830	2,182,769
Leased building	-	133,519	-	-	133,519
Total other capital assets at historical cost	38,266,879	133,519	39,096	31,830	38,407,664
Less accumulated depreciation for					
Land improvements	319,711	-	94,322	-	414,033
Buildings	2,500,151	-	688,412	-	3,188,563
Equipment and vehicles	658,930	-	173,483	31,830	800,583
Less accumulated amortization for					
Leased building	-	-	33,380	-	33,380
Total accumulated depreciation and amortization	3,478,792	-	989,597	31,830	4,436,559
Total capital assets being depreciated, net	34,788,087	133,519	(950,501)	-	33,971,105
Governmental activities, capital assets, net	$ 34,813,869	$ 133,519	$ (950,501)	$ -	$ 33,996,887

See Note 8 for discussion regarding the adjustment.

NOTE 3 – CAPITAL ASSETS (CONTINUED)

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

Administration	$ 1,475
Elementary and secondary regular instruction	32,669
Special education instruction	4,041
Community Education	1,356
Pupil support services	115,304
Sites and buildings	49,478
Unallocated	785,274
Total depreciation/amortization expense	$ 989,597

NOTE 4 – LONG-TERM DEBT

A. Components of Long-Term Liabilities

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

	Interest Rate	Maturity Date	Original Issue	Principal Outstanding	Due Within One Year
Long-Term Liabilities					
G.O. School Building Bonds Series 2015A	2.0%-4.0%	2/1/2035	$ 32,745,000	$ 24,745,000	$ 1,500,000
Unamortized Bond Premium				1,517,288	-
Total G.O. Bonds (net of unamortized premiums)				26,262,288	1,500,000
Financed purchase from direct borrowing				427,432	138,741
Lease liability				102,194	32,657
Compensated absences payable				52,388	17,000
Total long-term liabilities				$ 26,844,302	$ 1,688,398

The long-term bond liabilities listed were issued to finance the acquisition and construction or improvements of capital facilities. Other liabilities are typically liquidated through the General Fund.

NOTE 4 – LONG-TERM DEBT (CONTINUED)

B. Minimum Debt Payments for Bonds

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

Year Ending	G.O. Bonds		Financed Purchases from Direct Borrowing		Lease Liability		
June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Total
2023	$ 1,500,000	$ 880,700	$ 138,741	$ 11,408	$ 32,657	$ 4,343	$ 2,567,849
2024	1,560,000	820,700	142,445	7,705	34,045	2,955	2,567,850
2025	1,625,000	758,300	146,246	3,904	35,492	1,508	2,570,450
2026	1,690,000	693,300	-	-	-	-	2,383,300
2027	1,755,000	625,700	-	-	-	-	2,380,700
2028-2032	9,875,000	2,037,050	-	-	-	-	11,912,050
2033-2035	6,740,000	408,450	-	-	-	-	7,148,450
Total	$ 24,745,000	$ 6,224,200	$ 427,432	$ 23,017	$ 102,194	$ 8,806	$ 31,530,649

C. Changes in Long-Term Liabilities

	Beginning Balance	Adjustments	Additions	Reductions	Ending Balance
Long-term liabilities					
G.O. bond	$ 26,205,000	$ -	$ -	$ 1,460,000	$ 24,745,000
Unamortized premium	1,634,003	-	-	116,715	1,517,288
Financed purchase direct from direct borrowing	562,567	-	-	135,135	427,432
Lease liability	-	133,519	-	31,325	102,194
Compensated absences payable	101,876	-	81,840	131,328	52,388
Total long-term liabilities	$ 28,503,446	$ 133,519	$ 81,840	$ 1,874,503	$ 26,844,302

See Note 8 for discussion regarding the adjustment.

D. Financed Purchases from Direct Borrowing

The District entered into a purchase agreement on September 3, 2020, with Bell Bank Equipment Finance for four 2022 Blue Bird buses. The capital obligation and corresponding improvements totaled $416,646. The capital agreement includes annual principal and interest payments of $87,798 for each of the four remaining years of the agreement.

On August 1, 2020, the District entered into a purchase agreement with Bell Bank Equipment Finance for the acquisition of four 2018 Blue Bird Buses. The capital obligation and corresponding equipment totaled $296,070. The capital agreement includes annual principal and interest payments of $62,351 for each of the four remaining years of the agreement.

E. Lease Liability

The District entered into a lease agreement on July 1, 2020, with Bell Bank Equipment Finance for use of the hockey arena. The lease agreement includes annual payments of $37,000 with interest at 4.25%. The lease agreement expires on July 1, 2025.

NOTE 5 – FUND BALANCES

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

Fund Equity

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

A. Fund Balances

	General Fund	Debt Service	Community Service	Nonmajor Funds	Total
Nonspendable					
Inventory	$ -	$ -	$ -	$ 5,246	$ 5,246
Prepaid items	93,749	-	180	7,710	101,639
Total nonspendable	93,749	-	180	12,956	106,885
Restricted/reserved for					
Student Activities	30,635	-	-	-	30,635
Operating Capital	187,589	-	-	-	187,589
Gifted and talented	16,179	-	-	-	16,179
Long-term Facilities Maintenance	115,051	-	-	-	115,051
Safe School Crime Levy	20,184	-	-	-	20,184
Basic Skills	14,229	-	-	-	14,229
Basic Skills Extended Time	2,539	-	-	-	2,539
Medical Assistance	52,478	-	-	-	52,478
Community Service	-	-	353,535	-	353,535
Community Education	-	-	144,485	-	144,485
Early Childhood and Family Education	-	-	3,600	-	3,600
Debt Service	-	510,470	-	-	510,470
School Readiness	-	-	40,432	-	40,432
Food Service	-	-	-	176,572	176,572
Total restricted/reserved	438,884	510,470	542,052	176,572	1,667,978
Committed for					
Retiree benefits	150,223	-	-	-	150,223
Assigned for					
Students	131,977	-	-	-	131,977
Bus lease	160,947	-	-	-	160,947
Total assigned	292,924	-	-	-	292,924
Unassigned	455,137	-	-	-	455,137
Total fund balances	$ 1,430,917	$ 510,470	$ 542,232	$ 189,528	$ 2,673,147

Nonspendable Inventory – A portion of the fund balance has been spent on inventory and is not available for other uses.

Nonspendable Prepaid Items – A portion of the fund balance has been spent on prepaid expenses and is not available for other uses.

NOTE 5 – FUND BALANCES (CONTINUED)

A. Fund Balances (Continued)

Restricted/Reserved for Student Activities – This balance represents available resources to be used for the extracurricular activity funds raised by the students.

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 Gifted and Talented – The part of General Education Aid revenue for gifted and talented program that is unspent at the year end must be restricted in this Balance Sheet Account.

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

Restricted/Reserved for Basic Skills Programs – This balance represents resources available for the basic skills uses listed in *Minnesota Statutes* 126C.15, subd. 1.

Restricted/Reserved for Basic Skills Extended Time – This balance represents resources available for the basic skills extended time uses listed in *Minnesota Statutes* 126C.15, subd. 1.

Restricted/Reserved for Medical Assistance – This balance represents available resources to be used for medical assistance expenditures.

Restricted for Community Service – This balance represents the remaining positive fund balance of the Community Service Fund.

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.

Restricted/Reserved for Early Childhood and Family Education – This balance represents the resources available to provide for services for early childhood and family education programming.

Restricted/Reserved for Debt Service – This balance represents the positive fund balance of the Debt Service Fund.

NOTE 5 – FUND BALANCES (CONTINUED)

A. Fund Balances (Continued)

Restricted/Reserved for School Readiness – This balance represents the resources available to provide for services for school readiness programs (*Minnesota Statutes* 124D.16).

Restricted for Food Service - This balance represents the remaining positive fund balance in the Food Service Fund.

Committed for Retiree Benefits – This balance represents resources segregated from the unreserved/undesignated fund balance for retirement benefits, including compensated absences, pensions, OPEB and termination benefits (as defined in GASB Statement Nos. 16, 27, 45, 47 and 50 and *Minnesota Statutes* 123B.79, subd. 7).

Assigned for Students – The District has assigned funds at year-end for student purposes.

Assigned for Bus Lease – The District has assigned funds at year-end for future bus lease payments.

Net position restricted for other purposes is comprised of the total positive General Fund restricted fund balances plus the total net position in the Food Service, Community Service and Capital Project Funds.

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 ($133,622). The components of pension expense are noted in the following plan summaries.

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

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.

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

Teachers' Retirement Association (Continued)

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 1 Benefits

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

With these provisions:

- 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).

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.

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

Teachers' Retirement Association (Continued)

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

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

The benefit provisions stated apply to active plan participants. Vested, terminated employees who are entitled to benefits but not yet receiving them are bound by the 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, 2020, June 30, 2021, 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%

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

Teachers' Retirement Association (Continued)

C. 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		(538)
Total employer contributions		448,670
Total non-employer contributions		37,840
Total contributions reported in Schedule of Employer and Non-Employer Allocations	$	486,510

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

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

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions

The total pension liability in the June 30, 2021, 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.

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
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).

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 $2,310,686 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. District proportionate share was 0.0528% at the end of the measurement period and 0.0552% 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	$ 2,310,686
State's proportionate share of the net pension liability associated with the District	195,040

For the year ended June 30, 2022, the District recognized pension expense of ($31,417). Included in this amount, the District recognized ($2,184) 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 experience	$ 5,378	$ 23,212
Net difference between projected and actual earnings on plan investments	-	649,642
Changes of assumptions	458,911	18,400
Changes in proportion	-	127,995
Contributions paid to PERA subsequent to the measurement date	102,085	-
Total	$ 566,374	$ 819,249

The $284,522 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.

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	$ (1,826,531)
2024	(1,334,740)
2025	(341,750)
2026	(401,639)
2027	133,554
Total	$ (3,771,106)

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%)
$ 4,667,698	$ 2,310,686	$ 377,748

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.

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 10 years of service 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.

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

Public Employees' Retirement Association (Continued)

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 $102,085. 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 $751,599 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 $22,905.

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0176% at the end of the measurement period and 0.0190% for the beginning of the period.

District's proportionate share of net pension liability	$751,599
State's proportionate share of the net pension liability associated with the District	22,905

For the year ended June 30, 2022, the District recognized pension expense of $(102,205) for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized $1,848 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.

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

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund 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
Differences between expected and actual experience	$ 5,378	$ 23,212
Net difference between projected and actual earnings on plan investments	-	649,642
Changes of assumptions	458,911	18,400
Changes in proportion	-	127,995
Contributions paid to PERA subsequent to the measurement date	102,085	-
Total	$ 566,374	$ 819,249

The $102,085 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
2023	$ (101,337)
2024	(51,274)
2025	(24,809)
2026	(177,540)
Total	$ (354,960)

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	33.5 %	5.10 %
International equity	16.5	5.30
Fixed income	25.0	0.75
Private markets	25.0	5.90
Total	100.0 %	

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.

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

Public Employees' Retirement Association (Continued)

F. Actuarial Methods and Assumptions (Continued)

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.

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

General Employees Fund

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 Rate

The discount rate used to measure the total pension liability in 2021 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:

	1% Decrease in Discount Rate (5.5%)	Current Discount Rate (6.5%)	1% Increase in Discount Rate (7.5%)
District's proportionate share of the PERA net pension liability	$ 1,532,878	$ 751,599	$ 110,512

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 financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

The District's defined benefit OPEB plan provides a single-employer defined benefit health care plan to eligible retirees. The plan offers medical coverage. Medical coverage is administered by Public Employees Insurance Program (PEIP) for employees. 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. No assets are acclimated in a trust.

B. Benefits Provided

At retirement, employees of the district receiving retirement or disability benefit, or eligible to receive benefit from a Minnesota public pension plan may continue to participate in the District's group insurance plan.

All teachers who were hired before January 1, 2018, are at least age 55 at the age of retirement and have at least 20 years of service with the District at the age of retirement are entitled to a District contribution towards the District's health care premium until Medicare eligible.

After 20 years of service, the Superintendent is eligible for a contribution to monthly insurance premium paid by the District upon retirement until Medicare eligible. The Principals are entitled to a contribution towards monthly insurance premiums paid by the District upon retirement until Medicare eligible, provided they have at least 20 years of service with the District.

C. Members

As of June 30, 2021, the following were covered by the benefit terms:

Retirees electing coverage	6
Active employees	91
Total	97

D. Contributions

Retirees contribute to the health care plan at the same rate as District employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the District, based on the contract terms with PEIP. The required contributions are based on projected pay-as-you-go financing requirements. For the year 2022, the District contributed $38,231 to the plan.

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, 2021, 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	6.3% for FY2022, decreasing over several decades to an ultimate rate of 3.8% in FY 2076 and later years
Mortality Assumptions	RP-2014 mortality tables with projected mortality improvements based on scale MP-2015 and other adjustments (Teachers). Pub-2010 General mortality tables with projected mortality improvements based on scale MP-2019, and other adjustments (Non-teachers).

Liabilities are based on an Entry Age Normal Level percent of pay cost method.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period July 1, 2020 to June 30, 2021.

The discount rate used to measure the total OPEB liability was 1.92% using the 20-year municipal bond yield.

F. Total OPEB Liability

The District's total OPEB liability of $371,563 was measured as of June 30, 2021, and was determined by an actuarial valuation as of June 30, 2021.

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

F. Total OPEB Liability (Continued)

Changes in the total OPEB liability are as follows:

	Total OPEB Liability
Balances at July 1, 2021	$ 261,312
Changes for the year	
Service cost	14,737
Interest	6,285
Differences between expected and actual economic experience	59,919
Changes in assumptions	64,005
Changes of benefit terms	4,367
Benefit payments	(39,062)
Net changes	110,251
Balances at June 30, 2022	$ 371,563

Since the last valuation, the following changes have been made:

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

The General Fund typically liquidates the OPEB liability.

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.

	1% Decrease in Discount Rate (0.92%)	Current Discount Rate (1.92%)	1% Increase in Discount Rate (2.92%)
Total OPEB liability (asset)	$ 389,500	$ 371,563	$ 353,857

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.

	1% decrease (5.3% decreasing to 2.8%)	Current (6.3% decreasing to 3.8%)	1% increase (7.3% decreasing to 4.8%)
Total OPEB liability (asset)	$ 347,751	$ 371,563	$ 399,351

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 $46,292. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual liability	$ 91,492	$ -
Change of assumptions	73,875	5,856
Subsequent Contributions	38,231	-
Total	$ 203,598	$ 5,856

The $38,231 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.

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 related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Total
2023	$ 20,903
2024	20,903
2025	20,903
2026	21,229
2027	21,991
Thereafter	53,582
Total	$ 159,511

NOTE 8 – CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2022, the District implemented GASB Statement No. 87, Leases. This resulted in the District recognizing a leased asset and corresponding lease liability of $133,519 as of July 1, 2021. GASB Statement No. 87, Leases, requires leases that were in effect prior to implementation year be recognized as if they were issues as of July 1, 2021. Due to this, there is no effect on the beginning net position of the District.

NOTE 9 – 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.

REQUIRED SUPPLEMENTARY INFORMATION

Independent School District No. 97
Schedule of Changes in Total OPEB Liability
and Related Ratios

	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Total OPEB Liability					
Service cost	$ 11,327	$ 10,709	$ 10,989	$ 13,130	$ 14,737
Interest cost	8,385	9,043	7,969	8,637	6,285
Differenced between expected and actual experience	-	-	57,367	-	59,919
Changes of assumptions	(7,423)	(5,110)	21,198	3,393	64,005
Changes of benefit terms	-	-	2,597	-	4,367
Benefit payments	(31,712)	(57,970)	(39,577)	(53,342)	(39,062)
Net change in total OPEB liability	(19,423)	(43,328)	60,543	(28,182)	110,251
Beginning of year	291,702	272,279	228,951	289,494	261,312
End of year	$ 272,279	$ 228,951	$ 289,494	$ 261,312	$ 371,563
Covered payroll	$ 3,941,410	$ 4,335,296	$ 4,164,342	$ 4,367,901	$ 4,021,637
Total OPEB liability as a percentage of covered-employee payroll	6.91%	5.28%	6.95%	5.98%	9.24%

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

Independent School District No. 97
Schedule of District's and Non-Employer Proportionate
Share of Net Pension Liability
Last Ten Years General Employees Retirement Fund

For 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 Proportionated 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	0.0239%	$ 1,122,702	$ -	$ 1,122,702	$ 1,254,234	89.51%	78.75%
2015	0.0226%	1,171,249	-	1,171,249	1,308,333	89.52%	78.19%
2016	0.0230%	1,867,486	24,390	1,891,876	1,427,427	130.83%	68.91%
2017	0.0234%	1,493,841	18,798	1,512,639	1,508,600	99.02%	75.90%
2018	0.0222%	1,231,565	40,348	1,271,913	1,488,947	82.71%	79.53%
2019	0.0205%	1,133,399	35,332	1,168,731	1,453,480	77.98%	80.23%
2020	0.0190%	1,139,137	35,152	1,174,289	1,355,507	84.04%	79.06%
2021	0.0176%	751,599	22,905	774,504	1,266,627	59.34%	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-Employee Proportionate
Share of Net Pension Liability
Last Ten Years TRA Retirement Fund

For 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 Proportionated 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	0.0672%	$ 3,096,528	$ 217,754	$ 3,314,282	$ 3,068,714	100.91%	81.50%
2015	0.0595%	3,680,663	451,480	4,132,143	3,020,227	121.87%	76.77%
2016	0.0607%	14,478,398	1,453,412	15,931,810	3,157,040	458.61%	44.88%
2017	0.0588%	11,737,547	1,134,912	12,872,459	3,167,627	370.55%	51.57%
2018	0.0587%	3,686,909	346,315	4,033,224	3,245,040	113.62%	78.07%
2019	0.0573%	3,652,314	323,370	3,975,684	3,250,285	112.37%	78.21%
2020	0.0552%	4,078,250	341,621	4,419,871	3,208,194	127.12%	75.48%
2021	0.0528%	2,310,686	195,040	2,505,726	3,161,328	73.09%	86.63%

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

Independent School District No. 97
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	$ 90,932	$ 90,932	$ -	$ 1,254,234	7.25%
2015	98,125	98,125	-	1,308,333	7.50%
2016	107,057	107,057	-	1,427,427	7.50%
2017	113,145	113,145	-	1,508,600	7.50%
2018	111,671	111,671	-	1,488,947	7.50%
2019	109,011	109,011	-	1,453,480	7.50%
2020	101,663	101,663	-	1,355,507	7.50%
2021	94,997	94,997	-	1,266,627	7.50%
2022	102,085	102,085	-	1,361,133	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	$ 214,810	$ 214,810	$ -	$ 3,068,714	7.00%
2015	226,517	226,517	-	3,020,227	7.50%
2016	236,778	236,778	-	3,157,040	7.50%
2017	237,572	237,572	-	3,167,627	7.50%
2018	243,378	243,378	-	3,245,040	7.50%
2019	250,597	250,597	-	3,250,285	7.71%
2020	254,089	254,089	-	3,208,194	7.92%
2021	257,016	257,016	-	3,161,328	8.13%
2022	284,522	284,522	-	3,411,535	8.34%

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

Independent School District No. 97
Notes to the Required Supplementary Information

TRA Retirement Fund

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% 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.

Independent School District No. 97
Notes to the Required Supplementary Information

TRA Retirement Fund (Continued)

2017 Changes

Changes in Actuarial Assumptions

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

TRA Retirement Fund (Continued)

2015 Changes

Changes of Benefit Terms

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

Changes in Actuarial Assumptions

- 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. 97
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 changes 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 retires 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. 97
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. 97
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. 97
Notes to the Required Supplementary Information

Total OPEB Liability

2021 Changes
Since the last valuation, the following changes have been made:
- The discount rate was changed from 2.45% to 1.92% based on updated 20-year municipal bond rates.
- Retiree premiums were updated to current levels
- Medical explicit subsidy eligibility and benefit for Superintendent were updated
- District Secretary medical explicit subsidy was added
- Life insurance benefit for Certified Occupational Therapy Assistant was removed

2020 Changes
Since the last valuation, the following changes have been made:
- The discount rate was changed from 3.13% to 2.45% based on updated 20-year municipal bond rates.

2019 Changes
Since the last valuation, the following changes have been made:
- The discount rate was changed from 3.62% to 3.13% 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 were updated to reflect recent experience.
- Mortality and salary increase rates were updated from the rates used in the 7/1/2017 PERA General Employees Retirement Plan and 7/1/2017 Teachers Retirement Association valuations to the rates used in the 7/1/2018 valuations.
- The percent of retirees election spouse coverage changed from 0% to 10% to reflect recent plan experience.
- The percent of future non Medicare eligible retirees electing each medical plan changed to reflect recent plan experience.
- The inflation assumptions was changed from 2.75% to 2.50% based on an updated historical analysis of inflation rates and forward-looking market expectations.

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SUPPLEMENTARY INFORMATION

Independent School District No. 97
Moose Lake, Minnesota
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2022

	Special Revenue Food Service
Assets	
Cash and investments	$ 203,348
Accounts receivable	270
Inventory	5,246
Prepaid items	7,710
Total assets	$ 216,574
Liabilities	
Accounts payable	$ 2,209
Salaries and benefits payable	14,612
Unearned revenue	10,225
Total liabilities	27,046
Fund Balances	
Nonspendable	12,956
Restricted	176,572
Total fund balances	189,528
Total liabilities and fund balances	$ 216,574

Independent School District No. 97
Moose Lake, Minnesota
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2022

	Special Revenue Food Service	Capital Projects	Total Nonmajor Funds
Revenues			
Other local and county revenues	$ 534	$ -	$ 534
Revenue from state sources	4,556	-	4,556
Revenue from federal sources	406,082	-	406,082
Sales and other conversion of assets	10,581	-	10,581
Total revenues	421,753	-	421,753
Expenditures			
Current			
Food service	299,389	-	299,389
Capital outlay			
Sites and buildings	-	2,149	2,149
Total expenditures	299,389	2,149	301,538
Net change in fund balances	122,364	(2,149)	120,215
Fund Balances			
Beginning of year	67,164	2,149	69,313
End of year	$ 189,528	$ -	$ 189,528

Independent School District No. 97
Uniform Financial Accounting And Reporting Standards
Compliance Table
Year Ended June 30, 2022

	Audit	UFARS	Audit-UFARS
01 GENERAL FUND			
Total revenue	$ 7,387,183	$ 7,387,183	$ -
Total expenditures	7,452,737	7,452,738	(1)
Nonspendable:			
4.60 Nonspendable fund balance	93,749	93,750	(1)
Restricted/reserved:			
4.01 Student Activities	30,635	30,634	1
4.02 Scholarships	-	-	-
4.03 Staff Development	-	-	-
4.07 Capital Projects Levy	-	-	-
4.08 Cooperative Programs	-	-	-
4.09 Alternative Facility Program	-	-	-
4.13 Building Projects funded by COP/LP	-	-	-
4.14 Operating Debt	-	-	-
4.16 Levy Reduction	-	-	-
4.17 Taconite Buildilng Maintenance	-	-	-
4.24 Operating Capital	187,589	187,589	-
4.26 $25 Taconite	-	-	-
4.27 Disabled Accessibility	-	-	-
4.28 Learning And Development	-	-	-
4.34 Area Learning Center	-	-	-
4.35 Contracted Alternative Programs	-	-	-
4.36 State Approved Alternative Program	-	-	-
4.38 Gifted and Talented	16,179	16,179	-
4.40 Teacher Development and Evaluation	-	-	-
4.41 Basic Skills Programs	14,229	14,229	-
4.45 Career Technical Programs	-	-	-
4.48 Achievement and Integration Revenue	-	-	-
4.49 Safe School Crime	20,184	20,184	-
4.51 QZAB Payments	-	-	-
4.52 OPEB liabilities not held in trust	-	-	-
4.53 Unfunded Severance and Retirement Levy	-	-	-
4.59 Basic Skills Extended Time	2,539	2,539	-
4.67 Long-term Facilities Maintenance	115,051	115,051	-
4.72 Medical Assistance	52,478	52,478	-
4.75 Title VII - Impact Aid	-	-	-
4.76 Payments in Lieu of Taxes	-	-	-
Restricted:			
4.72 Medical Assistance	-	-	-
4.64 Restricted fund balance	-	-	-
4.75 Title VII - Impact Aid	-	-	-
4.76 Payments in Lieu of Taxes	-	-	-
Committed:			
4.18 Committed for separation	150,223	150,223	-
4.61 Committed	-	-	-
Assigned:			
4.62 Assigned fund balance	292,924	292,924	-
Unassigned:			
4.22 Unassigned fund balance (net position)	455,137	455,136	1
02 FOOD SERVICE FUND			
Total revenue	$ 421,753	$ 421,754	$ (1)
Total expenditures	299,389	299,391	(2)
Nonspendable:			
4.60 Nonspendable fund balance	12,956	12,956	-
Restricted/reserved:			
4.52 OPEB liabilities not held in trust	-	-	-
Restricted:			
4.64 Restricted fund balance	176,572	176,572	-
Unassigned:			
4.63 Unassigned fund balance	-	-	-
04 COMMUNITY SERVICE FUND			
Total revenue	$ 515,419	$ 515,420	$ (1)
Total expenditures	549,347	549,348	(1)
Nonspendable:			
4.60 Nonspendable fund balance	180	180	-
Restricted/reserved:			
4.26 $25 Taconite	-	-	-
4.31 Community Education	144,485	144,485	-
4.32 ECFE	3,600	3,600	-
4.40 Teacher Development and Evaluation	-	-	-
4.44 School Readiness	40,432	40,432	-
4.47 Adult Basic Education	-	-	-
4.52 OPEB Liabilities not Held in Trust	-	-	-
Restricted:			
4.64 Restricted fund balance	353,535	353,538	(3)
Unassigned:			
4.63 Unassigned fund balance	-	-	-

	Audit	UFARS	Audit-UFARS
06 BUILDING CONSTRUCTION FUND			
Total revenue	$ -	$ -	$ -
Total expenditures	2,149	2,149	-
Nonspendable:			
4.60 Nonspendable fund balance	-	-	-
Restricted/reserved:			
4.07 Capital Projects Levy	-	-	-
4.13 Building Projects Funded By COP/LP	-	-	-
4.67 Long-term Facilities Maintenance	-	-	-
Restricted:			
4.64 Restricted fund balance	-	-	-
Unassigned:			
4.63 Unassigned fund balance	-	-	-
07 DEBT SERVICE FUND			
Total revenue	$ 2,390,693	$ 2,390,693	$ -
Total expenditures	2,387,975	2,387,975	-
Nonspendable:			
4.60 Nonspendable fund balance	-	-	-
Restricted/reserved:			
4.25 Bond refundings	-	-	-
4.33 Maximum effort loan aid	-	-	-
4.51 QZAB payments	-	-	-
4.67 LTFM	-	-	-
Restricted:			
4.64 Restricted fund balance	510,470	510,469	1
Unassigned:			
4.63 Unassigned fund balance	-	-	-
08 TRUST FUND			
Total revenue	$ -	$ -	$ -
Total expenditures	-	-	-
Unassigned:			
4.01 Student Activities	-	-	-
4.02 Scholarships	-	-	-
4.22 Net position	-	-	-
18 CUSTODIAL			
Total revenue			
Total expenditures			
Restricted/Reserved:			
4.01 Student Activities	$ -	$ -	$ -
4.02 Scholarships	-	-	-
4.48 Achievement and Integration	-	-	-
4.64 Restricted	-	-	-
20 INTERNAL SERVICE FUND			
Total revenue	$ -	$ -	$ -
Total expenditures	-	-	-
Unassigned:			
4.22 Net position	-	-	-
25 OPEB REVOCABLE TRUST			
Total revenue	$ -	$ -	$ -
Total expenditures	-	-	-
Unassigned:			
4.22 Net position	-	-	-
45 OPEB IRREVOCABLE TRUST			
Total revenue	$ -	$ -	$ -
Total expenditures	-	-	-
Unassigned:			
4.22 Net position	-	-	-
47 OPEB DEBT SERVICE			
Total revenue	$ -	$ -	$ -
Total expenditures	-	-	-
Nonspendable:			
4.25 Bond refundings	-	-	-
4.60 Nonspendable fund balance	-	-	-
Restricted:			
4.64 Restricted fund balance	-	-	-
Unassigned:			
4.63 Unassigned fund balance	-	-	-

Independent School District No. 97
Schedule of Expenditures of Federal Awards
For the 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	$ 84,019
Type A Lunch	10.555	281,745
Supply Chain Assistance - COVID-19	10.555	15,107
Commodities	10.555	25,211
Total Child Nutrition Cluster and U.S. Department of Agriculture		406,082
U.S. Department of Health and Human Services		
Through Minnesota Department of Education:		
Minnesota COVID-19 Testing Program - COVID-19	93.323	40,000
U.S. Department of Education		
Through Minnesota Department of Education:		
Title I, Part A	84.010	76,813
Infants and Toddlers	84.181	1,001
Title IV, Part A - Student Support and Academic Enrichment	84.424	12,444
Title II, Part A - Improving Teacher Quality	84.367	14,341
Carl Perkins	84.048A	1,462
Special Education Cluster:		
Special Education	84.027	125,546
ARP IDEA Part B Section 611 - COVID-19	84.027X	411
Disabled Early Education	84.173	2,456
Total Special Education Cluster		128,413
Education Stabilization Fund		
Elementary and Secondary School Education Relief (ESSER) III Fund - COVID-19	84.425U	221,907
ESSER III Fund - Learning Loss - COVID-19	84.425U	81,865
The Governor's Emergency Education Relief (GEER) Fund - COVID-19	84.425C	1,502
Total Education Stabilization Fund		305,274
Direct from Federal Government		
Title V, Part A - Small, Rural Education Achievement Program	84.358	39,882
Total U.S. Department of Education		579,630
U.S. Department of Treasury		
Through Minnesota Department of Education:		
ARP Summer Academic Enrichment and Mental Health - COVID-19	21.027	6,664
Summer Preschool Program - COVID-19	21.027	10,514
Total Coronavirus Relief Fund		17,178
Total Federal Expenditures		$ 1,042,890

See notes to schedule of expenditures of federal awards.

Independent School District No. 97
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 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 Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To the School Board
Independent School District No. 97
Moose Lake, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 97, Moose Lake, Minnesota, as of and for the year ending 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 16, 2022.

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs in Accordance with 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 financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

District's Response to the Findings
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 financial statements and, accordingly, we express no opinion on the response.

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

BerganKDV, Ltd.

St. Cloud, Minnesota
November 16, 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. 97
Moose Lake, 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 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.

BerganKDV, Ltd.

St. Cloud, Minnesota
November 16, 2022

Independent School District No. 97
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?	Yes, Audit Finding 2022-001
Noncompliance material to financial statements noted?	No

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	No
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516?	No

Identification of Major Programs

Assistance Listing No:	84.425
Name of Federal Program or Cluster:	Education Stabilization Funds
Assistance Listing No:	10.553 and 10.555
Name of Federal Program or Cluster:	Child Nutrition Cluster
Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low risk auditee?	No

Independent School District No. 97
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance

SECTION II – FINANCIAL STATEMENT FINDINGS

Audit Finding 2022-001

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 financial statements requires adequate segregation of accounting duties.

Condition:
The District does not have adequate segregation of accounting duties.

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 record, process, summarize, and report financial data consistent with the assertions of management in the 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.

Management's Response:

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding
   There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding
   Administration will continually review current segregation of accounting duties to determine if further segregation is possible. However, at this time, the District does not consider it cost beneficial to increase staff in order to further segregate accounting functions.

3. Official Responsible for Ensuring CAP
   Billie Jo Steen, Superintendent, is the official responsible for ensuring corrective action of the deficiency.

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

Audit Finding 2022-001 (Continued)

Management's Response: (Continued)

CORRECTIVE ACTION PLAN (CAP): (Continued)

4. Planned Completion Date for CAP
   The planned completion date for the CAP is ongoing.

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 – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None

Minnesota Legal Compliance

Independent Auditor's Report

To the School Board
Independent School District No. 97
Moose Lake, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 97, Moose Lake, Minnesota, as of and for the year ended June 30, 2022, and the related notes to basic financial statements, and have issued our report thereon dated November 16, 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 solely to describe the scope of our testing of compliance and the result of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

BerganKDV, Ltd.

St. Cloud, Minnesota
November 16, 2022