

INDEPENDENT SCHOOL DISTRICT NO. 831
FOREST LAKE, MINNESOTA

Financial Statements
and Supplemental Information

Year Ended
June 30, 2022

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INDEPENDENT SCHOOL DISTRICT NO. 831

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INTRODUCTORY SECTION

INDEPENDENT SCHOOL DISTRICT NO. 831

School Board and Administration
Year Ended June 30, 2022

SCHOOL BOARD

	Board Position During 2021-2022
Jeff Peterson	Chairperson (President)
Alex Keto	Vice Chairperson (Vice President)
Gail Theisen	Clerk
Julie Corcoran	Treasurer
Jill Landstrom	Director
Kate Luthner	Director
Robert Rapheal	Director

ADMINISTRATION

Dr. Steven Massey	Superintendent
Lawrence Martini	Business Manager

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the School Board and Management of
Independent School District No. 831
Forest Lake, Minnesota

OPINIONS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 831 (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINIONS

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

EMPHASIS OF MATTER

Change in Accounting Principle

As described in Note 1 to the basic financial statements, in fiscal 2022, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

(continued)

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

(continued)

Required Supplementary Information

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

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining and individual fund financial statements and schedules, as listed in the table of contents, are presented for purpose of additional analysis and are not a required part of the basic financial statements. The accompanying Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Table is presented for purposes of additional analysis as required by the Minnesota Department of Education, and is also not a required part of the basic financial statements of the District. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and the UFARS Compliance Table are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

(continued)

Prior Year Comparative Information

We have previously audited the District's 2021 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated November 22, 2021. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota
December 21, 2022

INDEPENDENT SCHOOL DISTRICT NO. 831

Management's Discussion and Analysis Year Ended June 30, 2022

This section of Independent School District No. 831's (the District) annual financial statements presents management's narrative overview and analysis of the District's financial performance during the fiscal year ended June 30, 2022. Please read it in conjunction with the other components of the District's annual financial statements.

FINANCIAL HIGHLIGHTS

- The District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2022 by \$38,369,801 (deficit net position). The District's total net position increased by \$5,076,123 during the fiscal year ended June 30, 2022.
- Government-wide expenses totaled \$101,857,178, and were \$5,076,123 less than revenues of \$106,933,301.
- The General Fund's total fund balance (under the governmental fund presentation) decreased by \$1,049,712 from the prior year, compared to a decrease of \$500,000 planned in the budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual financial statements consists of the following parts:

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

FUND FINANCIAL STATEMENTS

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

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. For Minnesota schools, funds are established in accordance with Uniform Financial Accounting and Reporting Standards in accordance with Minnesota statutory requirements and accounting principles generally accepted in the United States of America. Some funds are required by state law and by bond covenants. The District can establish other funds to control and manage money for particular purposes or to show that it is properly using certain revenues.

The District maintains the following kinds of funds:

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

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

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

Table 1 Summary Statement of Net Position as of June 30, 2022 and 2021		
	2022	2021
Assets		
Current and other assets	\$ 47,754,210	\$ 53,467,655
Capital assets, net of depreciation/amortization	205,854,872	200,199,352
Total assets	<u>\$ 253,609,082</u>	<u>\$ 253,667,007</u>
Deferred outflows of resources		
Bond refunding deferments	\$ 326,111	\$ 364,670
OPEB plan deferments	450,062	468,338
Pension plan deferments	22,388,984	25,836,566
Total deferred outflows of resources	<u>\$ 23,165,157</u>	<u>\$ 26,669,574</u>
Liabilities		
Current and other liabilities	\$ 17,271,269	\$ 17,839,352
Long-term liabilities, including due within one year	210,453,732	232,102,546
Total liabilities	<u>\$ 227,725,001</u>	<u>\$ 249,941,898</u>
Deferred inflows of resources		
OPEB plan deferments	\$ 1,889,577	\$ 1,371,735
Pension plan deferments	57,119,772	44,343,838
Property taxes levied for subsequent year	28,409,690	28,125,034
Total deferred inflows of resources	<u>\$ 87,419,039</u>	<u>\$ 73,840,607</u>
Net position		
Net investment in capital assets	\$ 42,525,055	\$ 39,310,681
Restricted	2,561,191	1,065,259
Unrestricted	(83,456,047)	(83,821,864)
Total net position	<u>\$ (38,369,801)</u>	<u>\$ (43,445,924)</u>

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

The District's increase in net investment in capital assets is due mostly to the relationship between the rate at which the District's capital assets are being added, depreciated/amortized, and how that compares to the rate at which the District is repaying the debt issued to purchase or construct those assets. The District's increase in net position restricted for food service, community service, and other state funding restrictions contributed to the increase in the restricted portion of net position. The change in the District's share of the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) pension plans contributed to the change in deferred outflows of resources, long-term liabilities, deferred inflows of resources, and unrestricted net position. Unrestricted net position was also impacted by the decline in the internal service fund of \$2,939,592.

Table 2 presents a summarized version of the District's Statement of Activities:

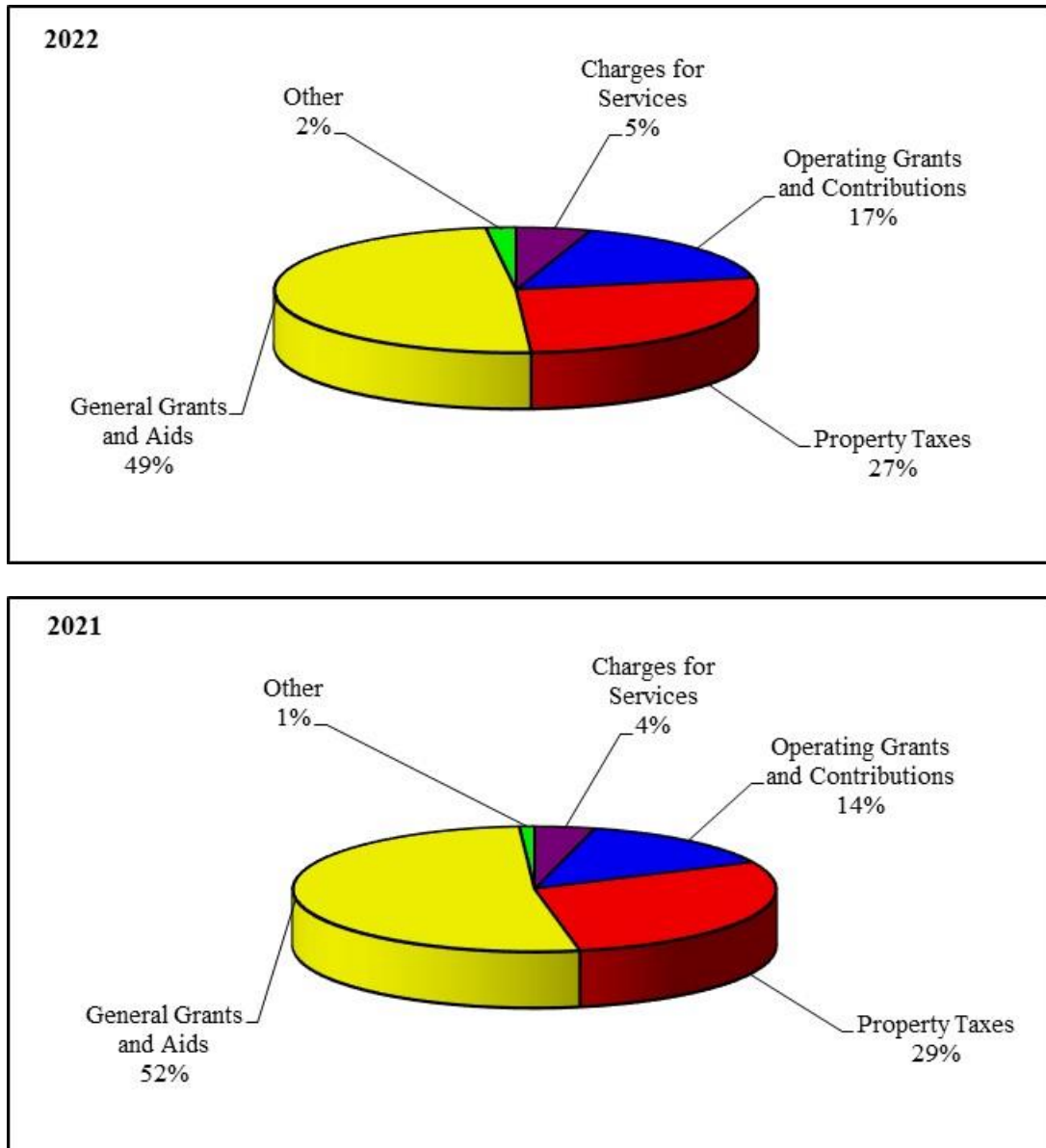
Table 2 Summary Statement of Activities for the Years Ended June 30, 2022 and 2021		
	2022	2021
Revenues		
Program revenues		
Charges for services	\$ 5,018,226	\$ 3,570,969
Operating grants and contributions	18,539,329	14,315,351
General revenues		
Property taxes	29,180,891	28,190,860
General grants and aids	52,091,600	51,422,933
Other	2,103,255	1,125,026
Total revenues	106,933,301	98,625,139
Expenses		
Administration	3,614,109	3,732,567
District support services	3,042,190	2,920,183
Elementary and secondary regular instruction	29,686,990	32,235,382
Vocational education instruction	1,393,696	1,741,085
Special education instruction	14,879,136	14,439,227
Instructional support services	6,651,162	7,479,775
Pupil support services	11,973,638	11,334,205
Sites and buildings	7,905,801	8,130,514
Fiscal and other fixed cost programs	735,321	645,420
Food service	4,397,786	3,057,501
Community service	4,698,261	4,397,440
Depreciation and amortization not allocated to other functions	7,570,657	7,061,377
Interest and fiscal charges	5,308,431	5,589,973
Total expenses	101,857,178	102,764,649
Change in net position	5,076,123	(4,139,510)
Net position – beginning	(43,445,924)	(39,306,414)
Net position – ending	\$ (38,369,801)	\$ (43,445,924)

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

The COVID-19 pandemic continues to impact financial activity in the current year, when compared to the prior year. Revenues shifted in operating grants and contributions with more federal revenues recognized through pandemic-related grants. Charges for services and other general revenues were up, with less activity restrictions in the current year. Expenses were down, compared to the prior year, due in part to changes in state-wide pension plans.

Figure A shows further analysis of these revenue sources:

Figure A – Sources of Revenues for Fiscal Years 2022 and 2021

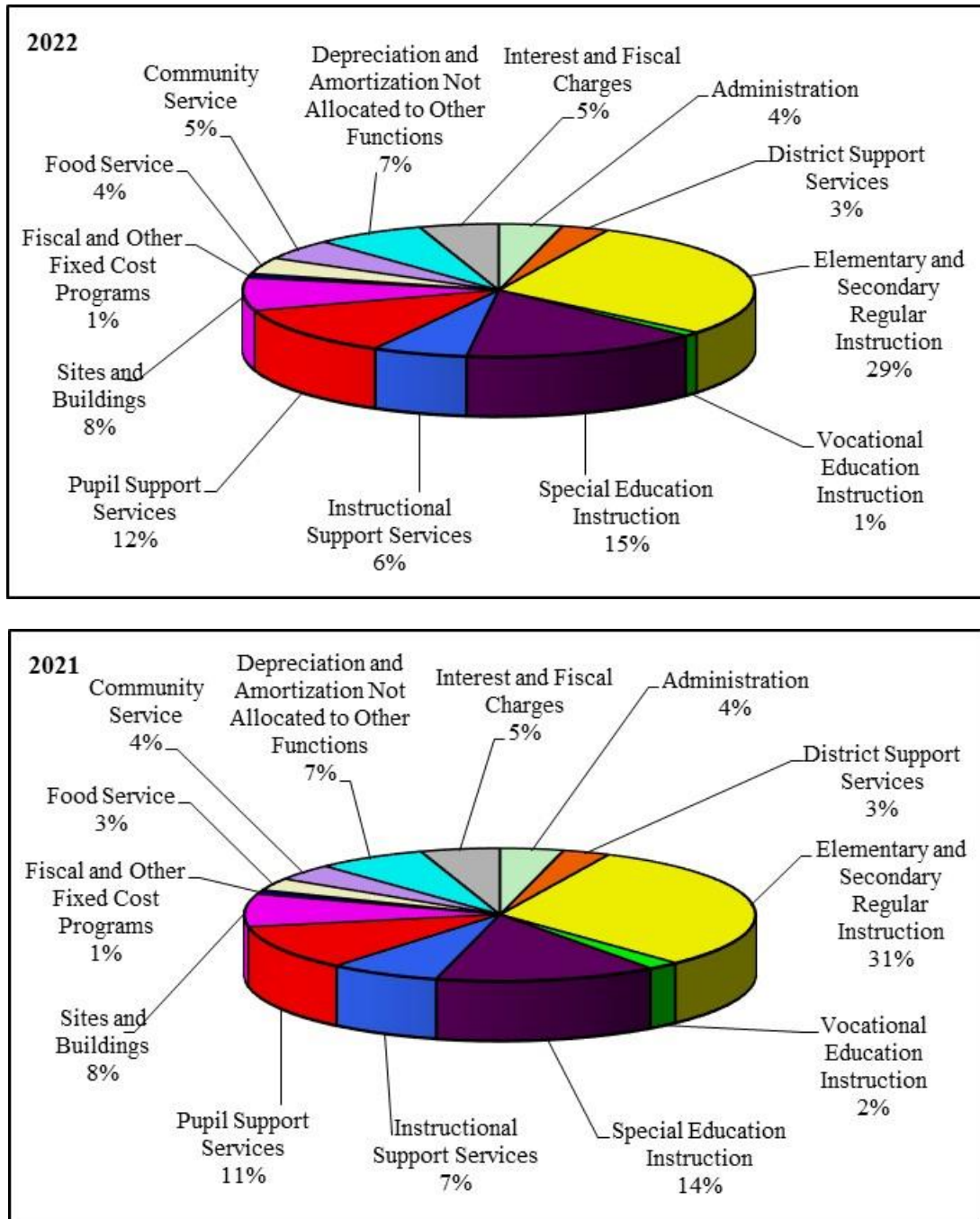


The largest share of the District's revenue is received from the state, including general grants and aids, and most of the operating grants.

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

Figure B shows further analysis of the expense functions:

Figure B – Expenses for Fiscal Years 2022 and 2021



The District's expenses are predominately related to educating students. Programs (or functions), such as elementary and secondary regular instruction, vocational education instruction, special education instruction, and instructional support services are directly related to classroom instruction, while the rest of the programs support instruction and other necessary costs to operate the District.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

Table 3 Governmental Fund Balances as of June 30, 2022 and 2021			
	<u>2022</u>	<u>2021</u>	<u>Change</u>
Major funds			
General Fund	\$ 1,844,311	\$ 2,894,023	\$ (1,049,712)
Capital Projects – Building Construction	(624,566)	2,674,048	(3,298,614)
Debt Service	1,932,948	1,560,998	371,950
Nonmajor funds			
Food Service Special Revenue	1,141,148	3,214	1,137,934
Community Service Special Revenue	<u>1,279,492</u>	<u>932,554</u>	<u>346,938</u>
Total governmental funds	<u>\$ 5,573,333</u>	<u>\$ 8,064,837</u>	<u>\$ (2,491,504)</u>

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

At June 30, 2022, the District's governmental funds reported combined fund balances of \$5,573,333, a decrease of \$2,491,504 in comparison with the prior year. Approximately 12.8 percent of this amount (\$711,182) constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of the fund balance is either nonspendable, restricted, or assigned to indicate that it is: 1) not in spendable form (\$197,040), 2) restricted for particular purposes (\$4,414,994), or 3) assigned for particular purposes (\$250,117).

ANALYSIS OF THE GENERAL FUND

Table 4 summarizes the amendments to the General Fund budget:

Table 4 General Fund Budget				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Change</u>	<u>Percent Change</u>
Revenue	<u>\$ 79,125,000</u>	<u>\$ 82,000,000</u>	<u>\$ 2,875,000</u>	<u>3.6 %</u>
Expenditures	<u>\$ 79,125,000</u>	<u>\$ 82,500,000</u>	<u>\$ 3,375,000</u>	<u>4.3 %</u>

The District is required to adopt an operating budget prior to the beginning of its fiscal year, referred to above as the original budget. During the year, the District amended the budget for known significant changes in circumstances such as: updated enrollment estimates, legislative changes, additional funding received from grants or other local sources, staffing changes, employee contract settlements, insurance premium changes, special education tuition changes, or for new debt issued.

Table 5 summarizes the operating results of the General Fund:

Table 5 General Fund Operating Results					
	<u>2022 Actual</u>	<u>Over (Under) Final Budget</u>		<u>Over (Under) Prior Year</u>	
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Revenues and other financing sources	\$ 88,102,555	\$ 6,102,555	7.4 %	\$ 6,893,298	8.5 %
Expenditures and other financing uses	<u>89,152,267</u>	\$ 6,652,267	8.1 %	\$ 8,189,789	10.1 %
Net change in fund balances	<u>\$ (1,049,712)</u>				

The fund balance of the General Fund decreased \$1,049,712, compared to a decrease of \$500,000, approved in the final budget.

The largest revenue and other financing sources variance to budget occurred in federal sources, other local sources, and other financing sources. Federal sources were over budget, with more pandemic-related federal grants recognized than anticipated. Other local sources were over budget, due to the District collecting more fees and charges as pandemic restrictions eased. Other financing sources were over budget, mainly due to proceeds recognized on a new lease for equipment in the current year. The increase from the prior year was mainly in state sources, with increased general education aid and special education aid. More pandemic-related grants were recognized in the current year resulting in the increase in federal sources. Other local sources and other financing sources increased, consistent with the explanation above, with the easing COVID-19 restrictions and leases recognized in the current year.

The expenditure variance to budget occurred in purchased services, supplies and materials, and capital expenditures. Expenditures in purchased services were over budget, mainly in tuition, transportation, and utility costs. Supplies and materials were over budget, due to easing COVID-19 restrictions and the return to normal classroom activities. Capital expenditures were over budget, due to a lease recognized in the current year under the new lease standard reporting. Expenditures increased from the prior year, with increased spending in capital expenditures, debt service, salaries, and supplies and materials.

COMMENTS ON SIGNIFICANT ACTIVITIES IN OTHER FUNDS

Capital Projects – Building Construction Fund

The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition or construction of major capital facilities financed with voter-approved building bonds, certificates of participation (COP), and as authorized by the District's long-term facilities maintenance program as approved by the Minnesota Department of Education. At June 30, 2022, the District had an unassigned fund balance deficit of \$624,566, which will be reimbursed with proceeds from a future bond issue.

Debt Service Fund

Debt Service Fund revenues exceeded expenditures by \$371,950 in the current year, compared to a \$420,100 fund balance increase anticipated in the budget. The funding of the Debt Service Fund is largely controlled with each individual debt obligation's financing plan. The remaining fund balance of \$1,932,948 at June 30, 2022 is available for meeting future debt service obligations.

Food Service Special Revenue Fund

The Food Service Special Revenue Fund ended the year with revenues exceeding expenditures, increasing equity by \$1,137,934, compared to a planned fund balance increase of \$200,000. As students returned to a more traditional learning model, activity increased significantly contributing to the favorable variance in this fund.

Community Service Special Revenue Fund

The Community Service Special Revenue Fund ended the year with revenues exceeding expenditures, increasing equity by \$346,938, compared to a planned fund balance increase of \$32,135. Revenues and expenditures were more than prior year amounts and over budget, due to increased program participation with pandemic restrictions easing in the current year.

Internal Service Funds

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

Operating revenues for the internal service funds for fiscal 2022 totaled \$10,717,437. Operating expenses totaled \$13,666,525 for self-insured health and dental benefit claims. The internal service funds also reported \$9,496 in investment earnings in the current year.

The internal service funds had a net position deficit as of June 30, 2022 of \$1,522,584, which represents a decrease of \$2,939,592 in net position from the prior year. This decrease was due to a significant increase in health benefit claims in the current year.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

Table 6 shows the District's capital assets, together with changes from the previous year. The table also shows the total depreciation/amortization expense for fiscal years ended June 30, 2022 and 2021:

Table 6 Capital Assets			
	2022	2021	Change
Land	\$ 1,885,726	\$ 1,885,726	\$ —
Construction in progress	365,314	8,357,279	(7,991,965)
Buildings	78,602,259	78,399,633	202,626
Leased buildings	528,394	—	528,394
Building and land improvements	193,959,935	179,049,883	14,910,052
Furniture and equipment	26,646,887	24,380,073	2,266,814
Leased furniture and equipment	5,676,909	—	5,676,909
Intangibles	1,895,000	1,895,000	—
Less accumulated depreciation/amortization	(103,705,552)	(93,768,242)	(9,937,310)
Total	<u>\$ 205,854,872</u>	<u>\$ 200,199,352</u>	<u>\$ 5,655,520</u>
Depreciation/amortization expense	<u>\$ 9,958,758</u>	<u>\$ 7,761,097</u>	<u>\$ 2,197,661</u>

By the end of fiscal year 2022, the District had invested in a broad range of capital assets, including school buildings, athletic facilities, and other equipment for various instructional programs (see Table 6).

The changes presented in the table above reflect the ongoing activity of projects at district sites during fiscal year 2022, including the activity of the Capital Projects – Building Construction Fund.

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

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

Long-Term Liabilities

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

Table 7 Outstanding Long-Term Liabilities			
	2022	2021	Change
General obligation bonds payable	\$ 152,260,000	\$ 156,965,000	\$ (4,705,000)
Certificates of participation payable	6,210,000	6,820,000	(610,000)
Unamortized premium/discount	3,800,440	4,058,914	(258,474)
Lease liability	4,935,975	—	4,935,975
Net pension liability	33,204,517	54,150,649	(20,946,132)
Net OPEB liability	8,070,127	8,175,950	(105,823)
Severance benefits payable	927,694	966,639	(38,945)
Compensated absences payable	1,044,979	965,394	79,585
Total	<u>\$ 210,453,732</u>	<u>\$ 232,102,546</u>	<u>\$ (21,648,814)</u>

The change in general obligation bonds payable and COP payable are due to the scheduled principal payments in the current year. The District reported a liability with various lease agreements for equipment and buildings, accounting for the change in this category, in accordance with the new lease guidance implemented in the current year.

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

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

Table 8 Limitations on Debt	
District's market value	\$ 6,416,807,947
Limit rate	<u>15.0%</u>
Legal debt limit	<u>\$ 962,521,192</u>

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

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

The general education program is the method by which school districts receive the majority of their financial support. This source of funding is primarily state aid and, as such, school districts rely heavily on the state of Minnesota for educational resources. The Legislature has added \$135, or 2.00 percent, per pupil to the formula for fiscal year 2023.

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

These financial statements are designed to provide our 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 these statements or need additional financial information, contact the Business Services Department at (651) 982-8125. The address is: Independent School District No. 831, 6100 North 210th Street, Forest Lake, Minnesota 55025.

BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 831

Statement of Net Position
as of June 30, 2022
(With Partial Comparative Information as of June 30, 2021)

	Governmental Activities	
	2022	2021
Assets		
Cash and temporary investments	\$ 18,612,081	\$ 23,717,868
Receivables		
Current taxes	16,314,131	16,214,427
Delinquent taxes	221,311	436,579
Accounts and interest	110,552	126,460
Due from other governmental units	11,549,095	7,605,784
Due from fiduciary fund	750,000	215,000
Inventory	71,680	85,518
Prepaid items	125,360	162,221
Restricted assets – temporarily restricted		
Cash and investments for future construction and debt service	–	4,903,798
Capital assets		
Not depreciated/amortized	2,251,040	10,243,005
Depreciated, net of accumulated depreciation/amortized	203,603,832	189,956,347
Total capital assets, net of accumulated depreciation/amortization	<u>205,854,872</u>	<u>200,199,352</u>
Total assets	253,609,082	253,667,007
Deferred outflows of resources		
Bond refunding deferments	326,111	364,670
OPEB plan deferments	450,062	468,338
Pension plan deferments	22,388,984	25,836,566
Total deferred outflows of resources	<u>23,165,157</u>	<u>26,669,574</u>
Total assets and deferred outflows of resources	<u>\$ 276,774,239</u>	<u>\$ 280,336,581</u>
Liabilities		
Salaries payable	\$ 819,136	\$ 490,180
Accounts and contracts payable	10,463,181	11,613,012
Accrued interest payable	2,164,946	2,212,955
Due to other governmental units	686,597	280,263
Unearned revenue	2,247,653	2,426,676
Claims incurred, but not reported	889,756	816,266
Long-term liabilities		
Due within one year	8,088,438	6,492,092
Due in more than one year	202,365,294	225,610,454
Total long-term liabilities	<u>210,453,732</u>	<u>232,102,546</u>
Total liabilities	227,725,001	249,941,898
Deferred inflows of resources		
OPEB plan deferments	1,889,577	1,371,735
Pension plan deferments	57,119,772	44,343,838
Property taxes levied for subsequent year	28,409,690	28,125,034
Total deferred inflows of resources	<u>87,419,039</u>	<u>73,840,607</u>
Net position		
Net investment in capital assets	42,525,055	39,310,681
Restricted for		
Capital asset acquisition	–	42,743
Food service	1,141,148	3,214
Community service	1,286,957	943,596
Other purposes (state funding restrictions)	133,086	75,706
Unrestricted	(83,456,047)	(83,821,864)
Total net position	<u>(38,369,801)</u>	<u>(43,445,924)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 276,774,239</u>	<u>\$ 280,336,581</u>

INDEPENDENT SCHOOL DISTRICT NO. 831

Statement of Activities
Year Ended June 30, 2022
(With Partial Comparative Information for the Year Ended June 30, 2021)

Functions/Programs	2022			2021
	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities				
Administration	\$ 3,614,109	\$ —	\$ —	\$ (3,614,109)
District support services	3,042,190	—	—	(3,042,190)
Elementary and secondary regular instruction	29,686,990	1,067,250	1,058,999	(27,560,741)
Vocational education instruction	1,393,696	10,779	48,319	(1,334,598)
Special education instruction	14,879,136	119,565	10,742,423	(4,017,148)
Instructional support services	6,651,162	—	92,248	(6,558,914)
Pupil support services	11,973,638	—	338,599	(11,635,039)
Sites and buildings	7,905,801	93,916	—	(7,811,885)
Fiscal and other fixed cost programs	735,321	—	—	(735,321)
Food service	4,397,786	486,333	5,123,645	1,212,192
Community service	4,698,261	3,240,383	1,135,096	(322,782)
Depreciation and amortization not allocated to other functions	7,570,657	—	—	(7,570,657)
Interest and fiscal charges	5,308,431	—	—	(5,308,431)
Total governmental activities	<u>\$101,857,178</u>	<u>\$ 5,018,226</u>	<u>\$ 18,539,329</u>	(78,299,623)
General revenues				
Taxes				
Property taxes for general purposes				18,157,267
Property taxes for community service				853,980
Property taxes for debt service				10,169,644
General grants and aids				52,091,600
Other general revenues				2,066,932
Investment earnings				36,323
Total general revenues				<u>83,375,746</u>
Change in net position				5,076,123
Net position – beginning				<u>(43,445,924)</u>
Net position – ending				<u>\$ (38,369,801)</u>

INDEPENDENT SCHOOL DISTRICT NO. 831

Balance Sheet
Governmental Funds
as of June 30, 2022
(With Partial Comparative Information as of June 30, 2021)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
	<u>General Fund</u>	<u>Capital Projects – Building Construction Fund</u>	<u>Debt Service Fund</u>
Assets			
Cash and temporary investments	\$ 7,139,957	\$ –	\$ 6,346,001
Cash and investments held by trustee	–	–	–
Receivables			
Current taxes	9,853,839	–	5,682,766
Delinquent taxes	135,364	–	77,608
Accounts and interest	58,350	–	–
Due from other governmental units	11,128,033	–	22,321
Due from other funds	1,374,566	–	–
Inventory	–	–	–
Prepaid items	125,360	–	–
	<u>125,360</u>	<u>–</u>	<u>–</u>
Total assets	<u>\$ 29,815,469</u>	<u>\$ –</u>	<u>\$ 12,128,696</u>
Liabilities			
Salaries payable	\$ 612,183	\$ –	\$ –
Accounts and contracts payable	9,665,778	–	4,975
Due to other governmental units	686,125	–	–
Due to other funds	–	624,566	–
Unearned revenue	7,741	–	–
Total liabilities	<u>10,971,827</u>	<u>624,566</u>	<u>4,975</u>
Deferred inflows of resources			
Property taxes levied for subsequent year	16,885,110	–	10,125,011
Unavailable revenue – delinquent taxes	114,221	–	65,762
Total deferred inflows of resources	<u>16,999,331</u>	<u>–</u>	<u>10,190,773</u>
Fund balances			
Nonspendable	125,360	–	–
Restricted	133,086	–	1,932,948
Assigned	250,117	–	–
Unassigned	1,335,748	(624,566)	–
Total fund balances	<u>1,844,311</u>	<u>(624,566)</u>	<u>1,932,948</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 29,815,469</u>	<u>\$ –</u>	<u>\$ 12,128,696</u>

Nonmajor Funds	Total Governmental Funds	
	2022	2021
\$ 2,975,520	\$ 16,461,478	\$ 19,140,693
—	—	4,903,798
777,526	16,314,131	16,214,427
8,339	221,311	436,579
28,846	87,196	97,498
398,741	11,549,095	7,605,784
—	1,374,566	565,906
71,680	71,680	85,518
—	125,360	159,221
<u>\$ 4,260,652</u>	<u>\$ 46,204,817</u>	<u>\$ 49,209,424</u>
\$ 206,953	\$ 819,136	\$ 490,180
59,888	9,730,641	11,350,152
472	686,597	280,263
—	624,566	350,906
165,665	173,406	313,673
432,978	12,034,346	12,785,174
1,399,569	28,409,690	28,125,034
7,465	187,448	234,379
1,407,034	28,597,138	28,359,413
71,680	197,040	244,739
2,348,960	4,414,994	5,283,551
—	250,117	451,669
—	711,182	2,084,878
2,420,640	5,573,333	8,064,837
<u>\$ 4,260,652</u>	<u>\$ 46,204,817</u>	<u>\$ 49,209,424</u>

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INDEPENDENT SCHOOL DISTRICT NO. 831

Reconciliation of the Balance Sheet to the
Statement of Net Position
Governmental Funds
as of June 30, 2022
(With Partial Comparative Information as of June 30, 2021)

	2022	2021
Total fund balances – governmental funds	\$ 5,573,333	\$ 8,064,837
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets are included in net position, but are excluded from fund balances because they do not represent financial resources.		
Cost of capital assets	309,560,424	293,967,594
Accumulated depreciation/amortization	(103,705,552)	(93,768,242)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable.		
General obligation bonds payable	(152,260,000)	(156,965,000)
Certificates of participation payable	(6,210,000)	(6,820,000)
Unamortized premium/discount	(3,800,440)	(4,058,914)
Lease liability	(4,935,975)	–
Net pension liability	(33,204,517)	(54,150,649)
Net OPEB liability	(8,070,127)	(8,175,950)
Severance benefits payable	(927,694)	(966,639)
Compensated absences payable	(1,044,979)	(965,394)
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.	(2,164,946)	(2,212,955)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.	(1,522,584)	1,417,008
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – bond refunding deferments	326,111	364,670
Deferred outflows of resources – OPEB plan deferments	450,062	468,338
Deferred outflows of resources – pension plan deferments	22,388,984	25,836,566
Deferred inflows of resources – OPEB plan deferments	(1,889,577)	(1,371,735)
Deferred inflows of resources – pension plan deferments	(57,119,772)	(44,343,838)
Deferred inflows of resources – unavailable revenue – delinquent taxes	187,448	234,379
Total net position – governmental activities	<u>\$ (38,369,801)</u>	<u>\$ (43,445,924)</u>

INDEPENDENT SCHOOL DISTRICT NO. 831

Statement of Revenue, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2022
 (With Partial Comparative Information for the Year Ended June 30, 2021)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Revenue			
Local sources			
Property taxes	\$ 18,186,743	\$ –	\$ 10,183,522
Investment earnings	24,268	1,152	1,407
Other	3,243,952	–	–
State sources	59,202,914	–	223,333
Federal sources	5,213,559	–	–
Total revenue	85,871,436	1,152	10,408,262
Expenditures			
Current			
Administration	3,554,400	–	–
District support services	3,127,221	–	–
Elementary and secondary regular instruction	30,088,093	–	–
Vocational education instruction	1,421,255	–	–
Special education instruction	15,135,532	–	–
Instructional support services	6,809,508	–	–
Pupil support services	12,191,222	–	–
Sites and buildings	13,965,344	–	–
Fiscal and other fixed cost programs	735,321	–	–
Food service	–	–	–
Community service	–	–	–
Capital outlay	–	3,299,766	–
Debt service			
Principal	1,879,328	–	4,705,000
Interest and fiscal charges	245,043	–	5,331,312
Total expenditures	89,152,267	3,299,766	10,036,312
Excess (deficiency) of revenue over expenditures	(3,280,831)	(3,298,614)	371,950
Other financing sources (uses)			
Debt issued	2,129,174	–	–
Premium on debt issued	–	–	–
Payment of refunded debt	–	–	–
Insurance recovery	101,945	–	–
Sale of assets	–	–	–
Transfers in	–	–	–
Transfers out	–	–	–
Total other financing sources (uses)	2,231,119	–	–
Net change in fund balances	(1,049,712)	(3,298,614)	371,950
Fund balances			
Beginning of year	2,894,023	2,674,048	1,560,998
End of year	\$ 1,844,311	\$ (624,566)	\$ 1,932,948

See notes to basic financial statements

Nonmajor Funds	Total Governmental Funds	
	2022	2021
\$ 857,557	\$ 29,227,822	\$ 28,273,586
—	26,827	101,583
3,726,716	6,970,668	4,559,659
881,724	60,307,971	58,610,528
5,377,017	10,590,576	7,026,334
10,843,014	107,123,864	98,571,690
—	3,554,400	3,615,285
—	3,127,221	2,903,287
—	30,088,093	29,556,070
—	1,421,255	1,638,936
—	15,135,532	13,484,153
—	6,809,508	6,999,335
—	12,191,222	10,792,226
—	13,965,344	11,011,143
—	735,321	645,420
4,424,838	4,424,838	3,081,156
4,837,300	4,837,300	4,318,977
108,549	3,408,315	6,155,294
—	6,584,328	4,320,000
—	5,576,355	5,820,096
9,370,687	111,859,032	104,341,378
1,472,327	(4,735,168)	(5,769,688)
—	2,129,174	6,820,000
—	—	435,647
—	—	(2,180,000)
—	101,945	13,049
12,545	12,545	14,000
—	—	80,863
—	—	(80,863)
12,545	2,243,664	5,102,696
1,484,872	(2,491,504)	(666,992)
935,768	8,064,837	8,731,829
\$ 2,420,640	\$ 5,573,333	\$ 8,064,837

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INDEPENDENT SCHOOL DISTRICT NO. 831

Reconciliation of the Statement of
Revenue, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
Year Ended June 30, 2022
(With Partial Comparative Information for the Year Ended June 30, 2021)

	2022	2021
Total net change in fund balances – governmental funds	\$ (2,491,504)	\$ (666,992)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are recorded as net position and the cost is allocated over their estimated useful lives as depreciation/amortization expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase.		
Capital outlays	11,538,149	9,273,572
Depreciation/amortization expense	(9,958,758)	(7,761,097)
A gain or loss on the disposal of capital assets, including the difference between the carrying value and any related sale proceeds, is included in the change in net position. However, only the sale proceeds are included in the change in fund balances.	–	(14,750)
The amount of debt issued is reported in the governmental funds as a source of financing. Debt obligations are not revenues in the Statement of Activities, but rather constitute long-term liabilities.		
Certificates of participation payable	–	(6,820,000)
Lease liability	(2,129,174)	–
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds payable	4,705,000	4,195,000
Certificates of participation payable	610,000	2,305,000
Lease liability	1,269,328	–
Interest on long-term debt is included in the change in net position as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due.	48,009	54,890
Debt issuance premiums and discounts are included in the change in net position as they are amortized over the life of the debt. However, they are included in the change in fund balances upon issuance as other financing sources and uses.	258,474	(221,855)
Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.		
Net pension liability	20,946,132	(9,846,383)
Net OPEB liability	105,823	17,086
Severance benefits payable	38,945	195,860
Compensated absences payable	(79,585)	(14,828)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is included in the governmental activities in the Statement of Activities.	(2,939,592)	(2,188,335)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – bond refunding deferments	(38,559)	(38,559)
Deferred outflows of resources – OPEB plan deferments	(18,276)	(68,349)
Deferred outflows of resources – pension plan deferments	(3,447,582)	(12,614,572)
Deferred inflows of resources – OPEB plan deferments	(517,842)	(746,639)
Deferred inflows of resources – pension plan deferments	(12,775,934)	20,904,167
Deferred inflows of resources – unavailable revenue – delinquent taxes	(46,931)	(82,726)
Change in net position – governmental activities	\$ 5,076,123	\$ (4,139,510)

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INDEPENDENT SCHOOL DISTRICT NO. 831

Statement of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
General Fund
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
Revenue				
Local sources				
Property taxes	\$ 17,750,000	\$ 17,750,000	\$ 18,186,743	\$ 436,743
Investment earnings	85,000	85,000	24,268	(60,732)
Other	2,515,000	2,215,000	3,243,952	1,028,952
State sources	55,975,000	58,250,000	59,202,914	952,914
Federal sources	2,800,000	3,700,000	5,213,559	1,513,559
Total revenue	79,125,000	82,000,000	85,871,436	3,871,436
Expenditures				
Current				
Administration	3,542,096	3,436,743	3,554,400	117,657
District support services	2,857,624	3,057,624	3,127,221	69,597
Elementary and secondary regular instruction	29,831,270	30,611,623	30,088,093	(523,530)
Vocational education instruction	1,414,849	1,644,849	1,421,255	(223,594)
Special education instruction	13,243,221	13,313,221	15,135,532	1,822,311
Instructional support services	6,426,033	6,426,033	6,809,508	383,475
Pupil support services	10,416,341	9,616,341	12,191,222	2,574,881
Sites and buildings	10,504,566	12,199,566	13,965,344	1,765,778
Fiscal and other fixed cost programs	650,000	650,000	735,321	85,321
Debt service				
Principal	125,000	1,380,000	1,879,328	499,328
Interest and fiscal charges	114,000	164,000	245,043	81,043
Total expenditures	79,125,000	82,500,000	89,152,267	6,652,267
Excess (deficiency) of revenue over expenditures	—	(500,000)	(3,280,831)	(2,780,831)
Other financing sources				
Debt issued	—	—	2,129,174	2,129,174
Insurance recovery	—	—	101,945	101,945
Total other financing sources	—	—	2,231,119	2,231,119
Net change in fund balances	\$ —	\$ (500,000)	(1,049,712)	\$ (549,712)
Fund balances				
Beginning of year			2,894,023	
End of year			\$ 1,844,311	

INDEPENDENT SCHOOL DISTRICT NO. 831

Statement of Net Position
Internal Service Funds
as of June 30, 2022
(With Partial Comparative Information as of June 30, 2021)

	<u>2022</u>	<u>2021</u>
Assets		
Current assets		
Cash and temporary investments	\$ 2,150,603	\$ 4,577,175
Receivables		
Accounts and interest	23,356	28,962
Prepaid items	—	3,000
Total current assets	<u>2,173,959</u>	<u>4,609,137</u>
Liabilities		
Current liabilities		
Accounts and contracts payable	732,540	262,860
Unearned revenue	2,074,247	2,113,003
Claims incurred, but not reported	889,756	816,266
Total current liabilities	<u>3,696,543</u>	<u>3,192,129</u>
Net position		
Unrestricted	<u><u>\$ (1,522,584)</u></u>	<u><u>\$ 1,417,008</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 831

Statement of Revenue, Expenses, and Changes in Net Position
Internal Service Funds
Year Ended June 30, 2022
(With Partial Comparative Information for the Year Ended June 30, 2021)

	<u>2022</u>	<u>2021</u>
Operating revenue		
Charges for services		
Contributions from governmental funds	\$ 10,717,437	\$ 10,732,363
Operating expenses		
Health benefit claims	13,067,985	12,314,075
Dental benefit claims	598,540	628,327
Total operating expenses	<u>13,666,525</u>	<u>12,942,402</u>
Operating income (loss)	(2,949,088)	(2,210,039)
Nonoperating revenue		
Investment earnings	<u>9,496</u>	<u>21,704</u>
Change in net position	(2,939,592)	(2,188,335)
Net position		
Beginning of year	<u>1,417,008</u>	<u>3,605,343</u>
End of year	<u><u>\$ (1,522,584)</u></u>	<u><u>\$ 1,417,008</u></u>

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INDEPENDENT SCHOOL DISTRICT NO. 831

Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2022
(With Partial Comparative Information for the Year Ended June 30, 2021)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Contributions from governmental funds	\$ 10,684,287	\$ 10,843,341
Payment for health claims	(12,540,327)	(12,205,919)
Payment for dental claims	(580,028)	(629,627)
Net cash flows from operating activities	<u>(2,436,068)</u>	<u>(1,992,205)</u>
Cash flows from investing activities		
Investment income received	<u>9,496</u>	<u>21,704</u>
Net change in cash and cash equivalents	(2,426,572)	(1,970,501)
Cash and cash equivalents		
Beginning of year	<u>4,577,175</u>	<u>6,547,676</u>
End of year	<u><u>\$ 2,150,603</u></u>	<u><u>\$ 4,577,175</u></u>
Reconciliation of operating income (loss) to net cash flows from operating activities		
Operating income (loss)	\$ (2,949,088)	\$ (2,210,039)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities		
Changes in assets and liabilities		
Accounts and interest receivable	5,606	(4,218)
Prepaid items	3,000	(3,000)
Accounts and contracts payable	469,680	95,560
Unearned revenue	(38,756)	115,196
Claims incurred, but not reported	<u>73,490</u>	<u>14,296</u>
Net cash flows from operating activities	<u><u>\$ (2,436,068)</u></u>	<u><u>\$ (1,992,205)</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 831

Statement of Fiduciary Net Position
as of June 30, 2022

	Post-Employment Benefits Trust Fund
Assets	
Cash and temporary investments	\$ 249,800
Investments	
U.S. treasuries	873,282
State and local bonds	312,142
MNTrust Investment Shares Portfolio	20,031
Accounts and interest receivable	4,054
Total assets	<u>1,459,309</u>
Liabilities	
Due to other funds	<u>750,000</u>
Net position	
Held in trust for employee benefits	<u><u>\$ 709,309</u></u>

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

	Post-Employment Benefits Trust Fund
Additions	
Investment earnings (charges)	\$ (32,412)
Deductions	
Benefits paid to plan members and administrative fees	<u>750,250</u>
Change in net position	(782,662)
Net position	
Beginning of year	<u>1,491,971</u>
End of year	<u><u>\$ 709,309</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 831

Notes to Basic Financial Statements as of June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Independent School District No. 831 (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a School Board elected by voters of the District. The District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

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

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

C. Government-Wide Financial Statement Presentation

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. Generally, the effect of material interfund activity has been removed from the government-wide financial statements. Transactions representing interfund services provided and used are not eliminated in the consolidation process to the government-wide financial statements.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

D. Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements.

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. For this purpose, the District generally considers revenues, including property taxes, to be available if they are collected within 60 days after year-end. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to funding formulas established by Minnesota Statutes. Proceeds of long-term debt and acquisitions under leases are reported as other financing sources.
2. **Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt and other long-term liabilities, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as capital outlay expenditures in the governmental funds. In the General Fund, capital outlay expenditures are included within the applicable functional areas.

The proprietary (internal service) funds are presented in the proprietary fund financial statements. Because the principal users of the internal services are the District’s governmental activities, the internal service funds are consolidated into the governmental activities column when presented in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary funds are presented in the fiduciary fund financial statements by type, for which the District has one Post-Employment Benefits Trust Fund. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide financial statements.

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

Description of Funds

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

Major Governmental Funds

General Fund – The General Fund is the government’s primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Capital Projects – Building Construction Fund – The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition or construction of major capital facilities and as authorized by the District’s MDE-approved long-term facilities maintenance program.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and payment of general obligation debt principal, interest, and related costs. The regular debt service account is used for all general obligation debt service except for the financial activities of the other post-employment benefits (OPEB) debt service account. The OPEB debt service account is used for the taxable OPEB bond issues.

Nonmajor Governmental Funds

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

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

Proprietary Funds

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

Fiduciary Fund

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Information

The School Board adopts an annual budget for all governmental funds prepared on the same basis of accounting as the fund financial statements. Legal budgetary control is at the fund level. Budgeted appropriations lapse at year-end. Expenditures in the General, Community Service Special Revenue, Capital Projects – Building Construction, and Debt Service Funds exceeded budgeted appropriations by \$6,652,267, \$342,814, \$999,766, and \$1,407,712, respectively, during the year ended June 30, 2022. Revenues in excess of budget, along with available fund balance, financed these variances.

F. Cash and Temporary Investments

Cash and temporary investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund. Bond proceeds recorded in the Capital Projects – Building Construction Fund are not pooled, and earnings on these proceeds are allocated directly to the fund.

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

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

Investments are generally stated at fair value, except for certain investments in external investment pools, which are stated at amortized cost. Short-term, highly liquid debt instruments (including commercial paper, bankers' acceptance, and U.S. treasury and agency obligations) purchased with a remaining maturity of one year or less may also be reported at amortized cost. Investment income is accrued at the Balance Sheet date.

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Receivables

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

H. Inventories

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

I. Prepaid Items

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

J. Property Taxes

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

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes \$816,659 of the property tax levy collectible in 2022 as revenue to the District in fiscal year 2021–2022. The remaining portion of the taxes collectible in 2022 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

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

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is reported as a deferred inflow of resources (unavailable revenue) in the fund financial statements because it is not known to be available to finance the operations of the District in the current year.

K. Capital Assets

Capital assets that are purchased or constructed by the District are recorded at historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation. Leased capital assets are recorded based on the measurement of payments applicable to the lease term. The District defines capital assets as those with an initial, individual cost of \$5,000 or more, which benefit more than one fiscal year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital assets are recorded in the government-wide financial statements, but are not reported in the governmental fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are generally sold for an immaterial amount or scrapped when declared as no longer fit or needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for buildings and building and land improvements, 5 to 15 years for furniture and equipment, and 10 to 20 years for intangible assets. Leased assets are amortized over the term of the lease or over the useful life of the applicable asset class previously described, if future ownership is anticipated. Land and construction in progress are not depreciated.

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

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. If material, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

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

M. Compensated Absences

Under the terms of collectively bargained contracts, eligible employees accrue vacation and sick leave at varying rates, portions of which may be carried over to future years. Employees are reimbursed for unused, accrued vacation to the limit specified in their labor contract or School Board policy upon termination. Unused sick leave enters into the calculation of severance benefits for some employees upon termination. Compensated absences are accrued when earned in the government-wide financial statements. Compensated absences are accrued in the governmental fund financial statements only to the extent they have been used or otherwise matured prior to year-end, due to employee termination or similar circumstances.

N. Severance Benefits

The District provides lump sum severance benefits to eligible employees in accordance with provisions in certain collectively bargained contracts. Eligibility for these benefits is based on years of service and/or minimum age requirements. The severance benefit is calculated by converting a portion of unused accumulated sick leave. No individual can receive severance benefits in excess of one year's salary. Members of certain employee groups may also elect to receive district matching contributions paid into a tax-deferred matching contribution plan. The amount of any severance or retirement benefit due to an individual is reduced by the total matching contributions made by the District to such a plan over the course of that individual's employment.

Severance benefits payable are recorded as a liability in the government-wide financial statements as they are earned and it becomes probable they will vest at some point in the future. Severance benefits payable are accrued in the governmental fund financial statements as the liability matures, due to employee termination.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. State-Wide Pension Plans

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

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

P. Other Post-Employment Benefits (OPEB) Plan

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

Q. Deferred Outflows/Inflows of Resources

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

R. Net Position

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

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

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

S. Fund Balance Classifications

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

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.
- **Restricted** – Consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.
- **Committed** – Consists of internally imposed constraints that are established by resolution of the School Board. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **Assigned** – Consists of internally imposed constraints. These constraints consist of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In the governmental funds, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority.
- **Unassigned** – The residual classification for the General Fund, which also reflects negative residual amounts in other funds.

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

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

T. Use of Estimates

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

U. Risk Management and Self-Insurance

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in the balance of dental claim liabilities for the past two years were as follows:

	Balance – Beginning of Year	Charges and Changes in Estimates	Claim Payments	Balance – End of Year
2021	\$ 10,000	\$ 628,327	\$ 624,812	\$ 13,515
2022	\$ 13,515	\$ 598,540	\$ 599,472	\$ 12,583

Changes in the balance of health claim liabilities for the past two years were as follows:

	Balance – Beginning of Year	Charges and Changes in Estimates	Claim Payments	Balance – End of Year
2021	\$ 791,970	\$ 12,314,075	\$ 12,303,294	\$ 802,751
2022	\$ 802,751	\$ 13,067,985	\$ 12,993,563	\$ 877,173

V. Prior Period Comparative Financial Information/Reclassification

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

W. Change in Accounting Principle

During the year ended June 30, 2022, the District implemented GASB Statement No. 87, *Leases*. This statement included major changes in recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Certain amounts necessary to fully restate fiscal year 2021 financial information are not determinable; therefore, prior year comparative amounts have not been restated. The implementation of the new GASB statement in the current year resulted in the District reporting a new category of capital assets and long-term liability, but did not require a restatement of net position in the current year. See Note 3 and Note 4 for additional details on this change in the current year.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

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

Deposits	\$ 4,749,992
Investments	<u>15,317,344</u>
Total deposits and investments	<u>\$ 20,067,336</u>

Cash and investments are included on the basic financial statements as follows:

Statement of Net Position	
Cash and temporary investments	\$ 18,612,081
Statement of Fiduciary Net Position	
Cash and temporary investments	249,800
Investments – U.S. treasuries	873,282
Investments – state and local bonds	312,142
Investments – MNTrust Investment Shares Portfolio	<u>20,031</u>
Total deposits and investments	<u>\$ 20,067,336</u>

B. Deposits

In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the School Board, including checking accounts, savings accounts, and nonnegotiable certificates of deposit.

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

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

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

At year-end, the carrying amount of the District’s deposits was \$4,749,992, while the balance on the bank records was \$7,038,168. At June 30, 2022, all deposits were fully covered by federal deposit insurance, surety bonds, or by collateral held by the District’s agent in the District’s name.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Investments

The District has the following investments at year-end:

Deposits/Investments	Credit Risk		Fair Value Measurements Using	Interest Risk – Maturity Duration in Years		Total
	Rating	Agency		Less Than 1	1 to 5	
U.S. treasuries	AA	S&P	Level 2	\$ 843,473	\$ 1,527,830	\$ 2,371,303
State and local bonds	AA	S&P	Level 2	\$ –	\$ 312,142	312,142
Investment pools/mutual funds						
Minnesota School District						
Liquid Asset Fund	AAA	S&P	Amortized cost	N/A	N/A	109,732
MNTrust Investment						
Shares Portfolio	AAA	S&P	Amortized cost	N/A	N/A	11,967,848
Wells Fargo Federal Treasury						
Obligation I	AAA	S&P	Level 1	N/A	N/A	556,319
Total investments						<u>\$ 15,317,344</u>

N/A – Not Applicable

The District's investments include investment pools managed by MNTrust and the Minnesota School District Liquid Asset Fund (MSDLAF), which are external investment pools regulated by Minnesota Statutes not registered with the Securities and Exchange Commission. The District's investments in these investment pools are measured at the net asset value per share provided by the pools, which are based on amortized cost methods that approximate fair value. There are no restrictions or limitations on withdrawals from the MNTrust Investment Shares Portfolio or MSDLAF Liquid Class investment pools. 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.

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

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

Concentration Risk – This is the risk associated with investing a significant portion of the District's investments (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The District's investment policies do not address concentration risk.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the District’s investments to direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that receive the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated “A” or better; revenue obligations rated “AA” or better; general obligations of the Minnesota Housing Finance Agency rated “A” or better; bankers’ acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000; that are a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; or certain Minnesota securities broker-dealers. For assets held in the Post-Employment Benefits Trust Fund, the investment options available to the District are expanded to include the investment types specified in Minnesota Statutes § 356A.06, Subd. 7. The District’s investment policies do not further restrict investing in specific financial instruments.

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year is as follows:

	Beginning Balance	Change in Accounting Principle*	Additions	Deletions	Completed Construction	Ending Balance
Capital assets, not depreciated/amortized						
Land	\$ 1,885,726	\$ –	\$ –	\$ –	\$ –	\$ 1,885,726
Construction in progress	8,357,279	–	8,360,816	–	(16,352,781)	365,314
Total capital assets, not depreciated/amortized	10,243,005	–	8,360,816	–	(16,352,781)	2,251,040
Capital assets, depreciated/amortized						
Buildings	78,399,633	–	–	–	202,626	78,602,259
Leased buildings	–	528,394	–	–	–	528,394
Building and land improvements	179,049,883	–	399,890	–	14,510,162	193,959,935
Furniture and equipment	24,380,073	–	648,269	(21,448)	1,639,993	26,646,887
Leased furniture and equipment	–	3,547,735	2,129,174	–	–	5,676,909
Intangibles	1,895,000	–	–	–	–	1,895,000
Total capital assets, depreciated/amortized	283,724,589	4,076,129	3,177,333	(21,448)	16,352,781	307,309,384
Less accumulated depreciation/amortization for						
Buildings	(54,066,343)	–	(1,448,185)	–	–	(55,514,528)
Leased buildings	–	–	(176,131)	–	–	(176,131)
Building and land improvements	(21,906,696)	–	(5,214,828)	–	–	(27,121,524)
Furniture and equipment	(17,229,145)	–	(1,407,461)	21,448	–	(18,615,158)
Leased furniture and equipment	–	–	(1,683,117)	–	–	(1,683,117)
Intangibles	(566,058)	–	(29,036)	–	–	(595,094)
Total accumulated depreciation/amortization	(93,768,242)	–	(9,958,758)	21,448	–	(103,705,552)
Net capital assets, depreciated/amortized	189,956,347	4,076,129	(6,781,425)	–	16,352,781	203,603,832
Total capital assets, net	\$ 200,199,352	\$ 4,076,129	\$ 1,579,391	\$ –	\$ –	\$ 205,854,872

* The remeasurement adjustment was for new lease standard requirements in the current year.

NOTE 3 – CAPITAL ASSETS (CONTINUED)

Depreciation/amortization expense was charged to the following governmental functions:

Administration	\$ 28,327
District support services	47,247
Elementary and secondary regular instruction	127,213
Vocational education instruction	18,107
Special education instruction	3,882
Instructional support services	35,282
Pupil support services	2,120,749
Community service	7,294
Depreciation and amortization not allocated to other functions	<u>7,570,657</u>
Total depreciation/amortization expense	<u><u>\$ 9,958,758</u></u>

NOTE 4 – LONG-TERM LIABILITIES

A. General Obligation Bonds Payable

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

Issue	Issue Date	Interest Rate	Face/Par Value	Final Maturity	Principal Outstanding
School building bonds	05/05/2016	2.00–5.00%	\$ 75,000,000	02/01/2046	\$ 70,410,000
School building bonds	12/15/2016	3.00–5.00%	\$ 67,070,000	02/01/2046	62,380,000
Taxable OPEB refunding bonds	12/15/2016	1.25–3.35%	\$ 5,365,000	02/01/2030	3,880,000
Facilities maintenance and tax abatement bonds	08/16/2018	3.00–5.00%	\$ 8,250,000	02/01/2029	6,300,000
Facilities maintenance and capital facilities bonds	04/30/2020	2.00–4.00%	\$ 9,610,000	02/01/2035	<u>9,290,000</u>
Total general obligation bonds payable					<u><u>\$ 152,260,000</u></u>

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

B. Certificates of Participation Payable

Issue	Issue Date	Interest Rate	Face/Par Value	Final Maturity	Principal Outstanding
Certificates of participation	06/17/2021	2.00–4.00%	\$ 6,820,000	04/01/2031	\$ 6,210,000

This certificate of participation was issued to finance improvements at Forest Lake Area High School and to retire (refund) a prior certificate of participation. The certificates of participation are paid by the General Fund. The debt is secured by the original property purchased and includes terms that upon default all payments may become due and payable. The debtor also may repossess the property and seek full recovery of any losses upon default.

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

C. Lease Liability

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

Lease Description	Lease Date	Interest Rate	Final Maturity	Principal Outstanding
Bus lease	09/15/2020	2.68%	09/15/2027	\$ 444,916
Bus lease	09/15/2020	2.30%	09/15/2025	1,626,090
Bus lease	10/20/2017	3.20%	08/20/2022	247,355
Bus lease	01/25/2019	3.80%	07/25/2023	483,592
Bus lease	08/15/2021	2.10%	08/15/2026	1,751,962
Step building space	09/01/2008	3.58%	11/01/2024	382,060
Total lease liability				<u><u>\$ 4,935,975</u></u>

D. Other Long-Term Liabilities

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

District employees participate in two state-wide, cost-sharing, multiple-employer defined benefit pension plans administered by the PERA and the TRA. The following is a summary of the net pension liabilities, deferred outflows and inflows of resources, and pension expense reported for these plans for the current year:

Pension Plans	Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
PERA	\$ 8,412,783	\$ 6,409,728	\$ 8,413,537	\$ (586,302)
TRA	24,791,734	15,979,256	48,706,235	(122,805)
Total	<u><u>\$ 33,204,517</u></u>	<u><u>\$ 22,388,984</u></u>	<u><u>\$ 57,119,772</u></u>	<u><u>\$ (709,107)</u></u>

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

E. Minimum Debt Payments

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

Year Ending June 30,	General Obligation Bonds		Certificates of Participation		Lease	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 5,045,000	\$ 5,090,780	\$ 600,000	\$ 176,150	\$ 1,492,006	\$ 109,574
2024	5,255,000	4,921,123	630,000	152,150	1,528,283	67,119
2025	5,520,000	4,674,033	655,000	126,950	1,086,884	39,310
2026	5,745,000	4,450,658	675,000	107,300	599,386	16,566
2027	5,960,000	4,236,105	690,000	87,050	162,501	28,813
2028–2032	30,470,000	18,314,633	2,960,000	156,850	66,915	861
2033–2037	30,470,000	13,758,700	–	–	–	–
2038–2042	33,065,000	8,736,844	–	–	–	–
2043–2046	30,730,000	2,717,268	–	–	–	–
	<u>\$ 152,260,000</u>	<u>\$ 66,900,144</u>	<u>\$ 6,210,000</u>	<u>\$ 806,450</u>	<u>\$ 4,935,975</u>	<u>\$ 262,243</u>

F. Changes in Long-Term Liabilities

	Beginning Balance	Change in Accounting Principle*	Additions	Retirements	Ending Balance	Due Within One Year
General obligation bonds payable	\$ 156,965,000	\$ –	\$ –	\$ 4,705,000	\$ 152,260,000	\$ 5,045,000
Certificates of participation payable	6,820,000	–	–	610,000	6,210,000	600,000
Unamortized premium/discount	4,058,914	–	–	258,474	3,800,440	–
Total bonds and certificates payable	167,843,914	–	–	5,573,474	162,270,440	5,645,000
Lease liability	–	4,076,129	2,129,174	1,269,328	4,935,975	1,492,006
Net pension liability	54,150,649	–	8,128,206	29,074,338	33,204,517	–
Net OPEB liability	8,175,950	–	476,002	581,825	8,070,127	–
Severance benefits payable	966,639	–	291,168	330,113	927,694	250,117
Compensated absences payable	965,394	–	780,900	701,315	1,044,979	701,315
	<u>\$ 232,102,546</u>	<u>\$ 4,076,129</u>	<u>\$ 11,805,450</u>	<u>\$ 37,530,393</u>	<u>\$ 210,453,732</u>	<u>\$ 8,088,438</u>

* The remeasurement adjustment was for new lease standard requirements in the current year.

NOTE 5 – FUND BALANCES

The following is a breakdown of equity components of governmental funds, which are defined earlier in the report. When applicable, certain restrictions, which have an accumulated deficit balance at June 30, are included in unassigned fund balance in the District's financial statements in accordance with accounting principles generally accepted in the United States of America. A description of these deficit balance restrictions is included herein since the District has specific authority to future resources for such deficits. At June 30, 2022, a summary of the District's governmental fund balance classifications are as follows:

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Nonmajor Funds	Total
Nonspendable					
Inventory	\$ –	\$ –	\$ –	\$ 71,680	\$ 71,680
Prepaid items	125,360	–	–	–	125,360
Total nonspendable	125,360	–	–	71,680	197,040
Restricted					
Student activities	94,116	–	–	–	94,116
Achievement and integration	38,970	–	–	–	38,970
Food service	–	–	–	1,069,468	1,069,468
Debt service	–	–	1,932,948	–	1,932,948
Community education programs	–	–	–	883,688	883,688
Early childhood and family education programs	–	–	–	233,990	233,990
School readiness	–	–	–	161,315	161,315
Adult basic education	–	–	–	499	499
Total restricted	133,086	–	1,932,948	2,348,960	4,414,994
Assigned					
Severance	250,117	–	–	–	250,117
Unassigned					
Long-term facilities maintenance restricted account deficit	(2,124,983)	(624,566)	–	–	(2,749,549)
Unassigned	3,460,731	–	–	–	3,460,731
Total unassigned	1,335,748	(624,566)	–	–	711,182
Total	<u>\$ 1,844,311</u>	<u>\$ (624,566)</u>	<u>\$ 1,932,948</u>	<u>\$ 2,420,640</u>	<u>\$ 5,573,333</u>

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Descriptions

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

1. General Employees Retirement Fund (GERF)

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

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

2. Teachers Retirement Association (TRA)

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

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

B. Benefits Provided

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

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

1. GERF Benefits

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

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

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

2. TRA Benefits

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

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

Tier I Benefits

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

With these provisions:

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

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

Tier II Benefits

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

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

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

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

C. Contributions

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

1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Coordinated Plan members were required to contribute 6.5 percent of their annual covered salary in fiscal year 2022 and the District was required to contribute 7.5 percent for Coordinated Plan members. The District's contributions to the GERF for the year ended June 30, 2022, were \$1,122,439. The District's contributions were equal to the required contributions as set by state statutes.

2. TRA Contributions

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

	Year Ended June 30,					
	2020		2021		2022	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic Plan	11.00 %	11.92 %	11.00 %	12.13 %	11.00 %	12.34 %
Coordinated Plan	7.50 %	7.92 %	7.50 %	8.13 %	7.50 %	8.34 %

The District's contributions to the TRA for the plan's fiscal year ended June 30, 2022, were \$2,892,845. The District's contributions were equal to the required contributions for each year as set by state statutes.

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

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

	<i>in thousands</i>
Employer contributions reported in the TRA's Annual Comprehensive Financial Report Statement of Changes in Fiduciary Net Position	\$ 448,829
Add employer contributions not related to future contribution efforts	379
Deduct the TRA's contributions not included in allocation	<u>(538)</u>
Total employer contributions	448,670
Total nonemployer contributions	<u>37,840</u>
Total contributions reported in the Schedule of Employer and Nonemployer Allocations	<u>\$ 486,510</u>

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

D. Pension Costs

1. GERF Pension Costs

At June 30, 2022, the District reported a liability of \$8,412,783 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction, due to the state of Minnesota's contribution of \$16 million. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the District totaled \$256,889. 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 the 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 the PERA's participating employers. The District's proportionate share was 0.1970 percent at the end of the measurement period and 0.2088 percent for the beginning of the period.

District's proportionate share of the net pension liability	\$ 8,412,783
State's proportionate share of the net pension liability associated with the District	\$ 256,889

For the year ended June 30, 2022, the District recognized negative pension expense of \$607,029 for its proportionate share of the GERF's pension expense. In addition, the District recognized an additional \$20,727 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's pension expense for the annual \$16 million contribution.

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 53,863	\$ 259,239
Changes in actuarial assumptions	5,136,672	196,192
Net collective difference between projected and actual investment earnings on pension plan investments	–	7,256,920
Changes in proportion	96,754	701,186
District's contributions to the GERF subsequent to the measurement date	1,122,439	–
Total	<u>\$ 6,409,728</u>	<u>\$ 8,413,537</u>

The \$1,122,439 reported as deferred outflows of resources related to pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2023	\$ (672,036)
2024	\$ (241,684)
2025	\$ (225,304)
2026	\$ (1,987,224)

2. TRA Pension Costs

At June 30, 2022, the District reported a liability of \$24,791,734 for its proportionate share of the TRA's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the TRA in relation to total system contributions, including direct aid from the state of Minnesota, City of Minneapolis, and Minneapolis School District. The District's proportionate share was 0.5665 percent at the end of the measurement period and 0.5635 percent for the beginning of the period.

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

District's proportionate share of the net pension liability	\$ 24,791,734
State's proportionate share of the net pension liability associated with the District	\$ 2,090,980

For the year ended June 30, 2022, the District recognized negative pension expense of \$99,393. It also recognized \$23,412 as a decrease to pension expense for the support provided by direct aid.

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 667,914	\$ 696,163
Changes in actuarial assumptions	9,085,105	21,933,325
Net collective difference between projected and actual investment earnings on pension plan investments	–	20,788,093
Changes in proportion	3,333,392	5,288,654
District's contributions to the TRA subsequent to the measurement date	2,892,845	–
Total	<u>\$ 15,979,256</u>	<u>\$ 48,706,235</u>

A total of \$2,892,845 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2023	\$ (17,244,702)
2024	\$ (14,163,883)
2025	\$ (2,767,421)
2026	\$ (3,230,725)
2027	\$ 1,786,907

E. Long-Term Expected Return on Investment

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

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
	GERF	TRA	
Domestic equity	33.50 %	35.50 %	5.10 %
International equity	16.50	17.50	5.30 %
Private markets	25.00	25.00	5.90 %
Fixed income	25.00	20.00	0.75 %
Unallocated cash	–	2.00	– %
Total	<u>100.00 %</u>	<u>100.00 %</u>	

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

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 and the following actuarial assumptions:

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

1. GERF

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

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

Salary growth assumptions in the GERF Plan range in annual increments from 10.25 percent after one year of service to 3.00 percent after 29 years of service, and 6.00 percent per year thereafter.

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

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

2. TRA

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP-2014 tables for the TRA for males and females, as appropriate, with slight adjustments to fit the TRA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.00 percent for January 2020 through January 2023, then increasing by 0.10 percent each year, up to 1.50 percent annually.

Actuarial assumptions for the TRA Plan were based on the results of actuarial experience studies. The most recent experience study in the TRA Plan was completed in 2015, with economic assumptions updated in 2017.

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

The following changes in actuarial assumptions occurred in 2021:

1. GERF

CHANGES IN ACTUARIAL ASSUMPTIONS

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

2. TRA

CHANGES IN ACTUARIAL ASSUMPTIONS

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

G. Discount Rate

1. GERF

The discount rate used to measure the total pension liability in 2021 was 6.50 percent. The discount rate used to measure the total pension liability at the prior measurement date was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the GERF was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

2. TRA

The discount rate used to measure the total pension liability was 7.00 percent. The discount rate used to measure the total pension liability at the prior measurement date was 7.50 percent. 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.

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

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:

	<u>1% Decrease in Discount Rate</u>	<u>Current Discount Rate</u>	<u>1% Increase in Discount Rate</u>
GERF discount rate	5.50%	6.50%	7.50%
District's proportionate share of the GERF net pension liability	\$ 17,157,782	\$ 8,412,783	\$ 1,236,977
TRA discount rate	6.00%	7.00%	8.00%
District's proportionate share of the TRA net pension liability	\$ 50,080,509	\$ 24,791,734	\$ 4,052,922

I. Pension Plan Fiduciary Net Position

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

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

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

A. Plan Description

The District provides post-employment benefits to certain eligible employees through the OPEB Plan, a single-employer defined benefit plan administered by the District. Management of the plan is vested with the School Board of the District. All post-employment benefits are based on contractual agreements with employee groups. Eligibility for these benefits is based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements.

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

B. Benefits Provided

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

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

C. Contributions

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

D. Membership

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

Retirees and beneficiaries receiving benefits	92
Active plan members	<u>770</u>
Total members	<u><u>862</u></u>

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

E. Net OPEB Liability of the District

The District's net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2020. The components of the net OPEB liability of the District at year-end were as follows:

Total OPEB liability	\$ 8,779,436
Plan fiduciary net position	<u>(709,309)</u>
District's net OPEB liability	<u>\$ 8,070,127</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>8.1%</u>

F. Actuarial Method and Assumptions

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

Discount rate	3.80%
Expected long-term investment return	2.90% (net of investment expenses)
20-year municipal bond yield	3.80%
Inflation rate	2.50%
Salary increases	Service graded table
Medical trend rate	6.25%, grading to 5.00% over 5 years and then 4.00% over the next 48 years
Dental trend rate	4.00%

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

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

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

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

The long-term expected rate of return on OPEB Plan investments was set based on the plan's target investment allocation described below, along with long-term return expectations by asset class. When there is sufficient historical evidence of market outperformance, historical average returns may be considered.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Fixed income	95.00 %	3.00 %
Cash	<u>5.00</u>	1.00 %
Total	<u>100.00 %</u>	2.90 %

G. Rate of Return

For the current year ended, the annual money-weighted rate of return on investments, net of investment expense, was negative 2.20 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

H. Discount Rate

The discount rate used to measure the total OPEB liability was 3.80 percent. The projection of cash flows used to determine the discount rate was determined by projecting forward the fiduciary net position (assets) as of the valuation date, increasing by the investment return assumption, and reducing by benefit payments in each period until assets are exhausted. Expected benefit payments by year were discounted using the expected asset return assumptions for the years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the 20-year municipal bond rate. The equivalent single rate is the discount rate. The contribution and benefit payment history, as well as the funding policy, have also been taken into account. The District discount rate used in the prior measurement date was 2.10 percent.

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)**I. Changes in the Net OPEB Liability**

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Beginning balance	\$ 9,667,921	\$ 1,491,971	\$ 8,175,950
Changes for the year			
Service cost	508,257	–	508,257
Interest	205,388	–	205,388
Assumption changes	(806,423)	–	(806,423)
Employer contributions	–	45,707	(45,707)
Net investment income	–	43,267	(43,267)
Differences between expected and actual experience	–	(75,679)	75,679
Benefit payments – employer financed	(45,707)	(45,707)	–
Benefit payments – paid by trust	(750,000)	(750,000)	–
Administrative expenses	–	(250)	250
Total net changes	<u>(888,485)</u>	<u>(782,662)</u>	<u>(105,823)</u>
Ending balance	<u>\$ 8,779,436</u>	<u>\$ 709,309</u>	<u>\$ 8,070,127</u>

Assumption changes since the prior measurement date include the following:

- The expected long-term investment return was changed from 2.40 percent to 2.90 percent.
- The discount rate was changed from 2.10 percent to 3.80 percent.

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

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
OPEB discount rate	2.80%	3.80%	4.80%
Net OPEB liability	\$ 8,628,025	\$ 8,070,127	\$ 7,540,417

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

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

	1% Decrease in Healthcare Trend Rate	Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Medical trend rate	5.25% decreasing to 4.00% then 3.00%	6.25% decreasing to 5.00% then 4.00%	7.25% decreasing to 6.00% then 5.00%
Dental trend rate	3.00%	4.00%	5.00%
Net OPEB liability	\$ 7,233,537	\$ 8,070,127	\$ 9,053,789

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

For the current year ended, the District recognized OPEB expense of \$476,002. As of year-end, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ –	\$ 869,472
Changes in actuarial assumptions	374,541	1,020,105
Differences between projected and actual investment earnings	75,521	–
Total	<u>\$ 450,062</u>	<u>\$ 1,889,577</u>

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

Year Ending June 30,	OPEB Expense Amount
2023	\$ (199,559)
2024	\$ (202,746)
2025	\$ (202,790)
2026	\$ (206,689)
2027	\$ (189,577)
Thereafter	\$ (438,154)

NOTE 8 – FLEXIBLE BENEFIT PLAN

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

Before the beginning of the Plan year, which is from September 1 to August 31, each participant designates a total amount of pretax dollars to be contributed to the Plan during the year. Payments are made from the Plan to participating employees upon submitting a request for reimbursement of eligible expenses actually incurred by the participant. At June 30, the District is contingently liable for claims against the total amount of participants' annual contributions to the Plan, whether or not such contributions have been made.

The Plan is administered by the District for child care, medical expense reimbursements, and health insurance premiums. The District withholds amounts from employee payroll checks equal to the amount of the health insurance premiums owing and makes the premium payments when due. These payments are recorded in the General Fund. The medical reimbursement and dependent care activity in the financial statements is accounted for in the General Fund.

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

NOTE 9 – HEALTHCARE REIMBURSEMENT PLAN

The District also maintains a healthcare reimbursement plan (the Healthcare Plan) under § 105 of the IRC. All employee groups of the District are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Participants may use the funds contributed by the District to be reimbursed for uninsured health expenses paid, additional costs associated with health insurance coverage, or insurance premiums paid under a spouse or dependent plan.

All assets of the Healthcare Plan are held by the District. The Healthcare Plan is administered by an independent contract administrator and is included in the financial statements in the various district funds.

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

NOTE 10 – INTERFUND TRANSACTIONS

A. Interfund Receivables and Payables

The District's General Fund has an interfund receivable from the fiduciary Post-Employment Benefits Trust Fund relating to post-employment benefit costs of \$750,000 to be reimbursed as of June 30, 2022.

The District's General Fund has an interfund receivable from the Capital Projects – Building Construction Fund of \$624,566, to eliminate temporary cash balance deficits.

Interfund receivables and payables reported in the fund financial statements are eliminated to the extent possible in the government-wide financial statements. However, receivables and payables between the District's governmental activities and the fiduciary fund are not eliminated.

NOTE 11 – STEWARDSHIP AND ACCOUNTABILITY

As of June 30, 2022, the District's Health Benefits Self-Insurance Internal Service Fund had a deficit net position of \$1,949,256. This deficit is expected to be eliminated through future premiums paid from the District's governmental funds.

As of June 30, 2022, the District's Capital Projects – Building Construction Fund had a deficit fund balance of \$624,566. This deficit is expected to be eliminated through future bond proceeds.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

A. Federal and State Revenues

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

B. Legal Claims

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

C. Guaranteed Energy Savings Commitment

During fiscal year 2016, the District entered into a guaranteed energy savings agreement under Minnesota Statutes, Section 471.345, Subd. 13, not to exceed 20 years. This agreement is for the purpose of implementing comprehensive utility cost-saving measures to improve the energy efficiency of school district facilities. As of June 30, 2022, the District has recorded \$1,895,000 as an intangible asset related to this energy savings contract. Total accumulated depreciation/amortization on these intangible assets at year-end was \$595,094. The District is also required to purchase the energy generated by the solar panels owned by the provider that are installed on various buildings of the District.

NOTE 12 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

D. Purchase Power Commitment

During fiscal year 2018, the District entered into five community solar garden subscription agreements. The District is committed to purchasing up to 36.94 percent of the annual delivered energy of three solar systems, 29.77 percent of the annual delivered energy of one solar system, and 34.25 percent of the annual delivered energy of one solar system for a period of 25 years from the commercial operation starting date to receive bill credits associated with the energy production.

During fiscal year 2018, the District entered into two community solar garden subscription agreements. The District is committed to purchasing up to 23.00 percent of the annual delivered energy for a period of 25 years from the commercial operation date of December 31, 2017 to receive bill credits associated with the energy production.

During fiscal year 2019, the District entered into one community solar garden subscription agreement. The District is committed to purchasing up to 40.00 percent of the annual delivered energy for a period of 25 years from the commercial operation starting date to receive bill credits associated with the energy production.

During fiscal year 2019, the District entered into two community solar garden subscription agreements. The District is committed to purchasing up to 36.00 percent of the annual delivered energy for a period of 25 years from the commercial operation date of September 30, 2018 to receive bill credits associated with the energy production.

During fiscal year 2021, the District entered into two community solar garden subscription agreements. The District is committed to purchasing up to 6.70 percent of the annual delivered energy of one solar system and 2.00 percent of the annual delivered energy of one solar system. These agreements are for a period of 25 years from the estimated commercial operation date of July 30, 2021 to receive bill credits associated with the energy production.

During fiscal year 2021, the District entered into one community solar garden subscription agreement. The District is committed to purchasing up to 5.22 percent of the annual delivered energy for a period of 25 years from the estimated commercial operation date of July 30, 2021 to receive bill credits associated with the energy production.

During fiscal year 2021, the District entered into one community solar garden subscription agreement. The District is committed to purchasing up to 6.70 percent of the annual delivered energy for a period of 25 years from the estimated commercial operation date of July 30, 2021 to receive bill credits associated with the energy production.

During fiscal year 2021, the District entered into one community solar garden subscription agreement. The District is committed to purchasing up to 2.57 percent of the annual delivered energy for a period of 25 years from the estimated commercial operation date of July 30, 2021 to receive bill credits associated with the energy production.

During fiscal year 2021, the District entered into one community solar garden subscription agreement. The District is committed to purchasing up to 10.00 percent of the annual delivered energy for a period of 25 years from the estimated commercial operation date of July 30, 2021 to receive bill credits associated with the energy production.

NOTE 13 – SUBSEQUENT EVENT

In August 2022, the District issued \$4,995,000 of General Obligation Capital Notes and Facilities Maintenance Bonds, Series 2022A with interest rates ranging from 3.00–4.00 percent. The bonds mature in February 2036.

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REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 831

Public Employees Retirement Association Pension Benefits Plan
Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability
Year Ended June 30, 2022

District Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.2504%	\$ 11,762,537	\$ —	\$ 11,762,537	\$ 13,148,109	89.46%	78.70%
06/30/2016	06/30/2015	0.2348%	\$ 12,168,555	\$ —	\$ 12,168,555	\$ 13,777,131	88.32%	78.20%
06/30/2017	06/30/2016	0.2280%	\$ 18,512,470	\$ 241,803	\$ 18,754,273	\$ 14,132,795	130.99%	68.90%
06/30/2018	06/30/2017	0.2318%	\$ 14,797,960	\$ 186,086	\$ 14,984,046	\$ 14,933,242	99.09%	75.90%
06/30/2019	06/30/2018	0.2176%	\$ 12,071,556	\$ 396,078	\$ 12,467,634	\$ 14,645,936	82.42%	79.50%
06/30/2020	06/30/2019	0.2053%	\$ 11,350,577	\$ 352,818	\$ 11,703,395	\$ 14,467,360	78.46%	80.20%
06/30/2021	06/30/2020	0.2088%	\$ 12,518,514	\$ 386,136	\$ 12,904,650	\$ 14,891,478	84.06%	79.10%
06/30/2022	06/30/2021	0.1970%	\$ 8,412,783	\$ 256,889	\$ 8,669,672	\$ 14,171,781	59.36%	87.00%

Public Employees Retirement Association Pension Benefits Plan
Schedule of District Contributions
Year Ended June 30, 2022

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	\$ 1,018,736	\$ 1,018,736	\$ —	\$ 13,777,131	7.39%
06/30/2016	\$ 1,060,550	\$ 1,060,550	\$ —	\$ 14,132,795	7.50%
06/30/2017	\$ 1,120,066	\$ 1,120,066	\$ —	\$ 14,933,242	7.50%
06/30/2018	\$ 1,096,981	\$ 1,096,981	\$ —	\$ 14,645,936	7.49%
06/30/2019	\$ 1,084,088	\$ 1,084,088	\$ —	\$ 14,467,360	7.49%
06/30/2020	\$ 1,116,340	\$ 1,116,340	\$ —	\$ 14,891,478	7.50%
06/30/2021	\$ 1,062,123	\$ 1,062,123	\$ —	\$ 14,171,781	7.49%
06/30/2022	\$ 1,122,439	\$ 1,122,439	\$ —	\$ 14,976,005	7.49%

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

INDEPENDENT SCHOOL DISTRICT NO. 831

Teachers Retirement Association Pension Benefits Plan
Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability
Year Ended June 30, 2022

District Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.6615%	\$ 30,481,444	\$ 2,144,221	\$ 32,625,665	\$ 30,196,677	100.94%	81.50%
06/30/2016	06/30/2015	0.6052%	\$ 37,437,605	\$ 4,591,853	\$ 42,029,458	\$ 30,724,443	121.85%	76.80%
06/30/2017	06/30/2016	0.5824%	\$ 138,916,297	\$ 13,944,490	\$ 152,860,787	\$ 30,285,682	458.69%	44.88%
06/30/2018	06/30/2017	0.6119%	\$ 122,146,340	\$ 11,808,367	\$ 133,954,707	\$ 32,939,487	370.82%	51.57%
06/30/2019	06/30/2018	0.5462%	\$ 34,306,472	\$ 3,223,106	\$ 37,529,578	\$ 30,174,216	113.69%	78.07%
06/30/2020	06/30/2019	0.5170%	\$ 32,953,689	\$ 2,916,546	\$ 35,870,235	\$ 29,353,536	112.26%	78.21%
06/30/2021	06/30/2020	0.5635%	\$ 41,632,135	\$ 3,488,762	\$ 45,120,897	\$ 32,746,274	127.14%	75.48%
06/30/2022	06/30/2021	0.5665%	\$ 24,791,734	\$ 2,090,980	\$ 26,882,714	\$ 33,899,760	73.13%	86.63%

Teachers Retirement Association Pension Benefits Plan
Schedule of District Contributions
Year Ended June 30, 2022

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	\$ 2,304,333	\$ 2,304,333	\$ —	\$ 30,724,443	7.50%
06/30/2016	\$ 2,271,426	\$ 2,271,426	\$ —	\$ 30,285,682	7.50%
06/30/2017	\$ 2,470,228	\$ 2,470,228	\$ —	\$ 32,939,487	7.50%
06/30/2018	\$ 2,267,163	\$ 2,267,163	\$ —	\$ 30,174,216	7.51%
06/30/2019	\$ 2,262,283	\$ 2,262,283	\$ —	\$ 29,353,536	7.71%
06/30/2020	\$ 2,593,206	\$ 2,593,206	\$ —	\$ 32,746,274	7.92%
06/30/2021	\$ 2,756,049	\$ 2,756,049	\$ —	\$ 33,899,760	8.13%
06/30/2022	\$ 2,892,845	\$ 2,892,845	\$ —	\$ 34,698,474	8.34%

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

INDEPENDENT SCHOOL DISTRICT NO. 831

Other Post-Employment Benefits Plan
Schedule of Changes in the District's Net
OPEB Liability and Related Ratios
Year Ended June 30, 2022

	District Fiscal Year-End Date					
	2017	2018	2019	2020	2021	2022
Total OPEB liability						
Service cost	\$ 492,508	\$ 458,783	\$ 499,612	\$ 577,722	\$ 642,830	\$ 508,257
Interest	245,576	257,179	315,686	289,203	249,731	205,388
Assumption changes	—	(290,265)	233,741	367,034	(224,076)	(806,423)
Plan changes	—	—	25,530	—	76,387	—
Differences between expected and actual experience	—	—	(554,899)	—	(721,541)	—
Benefit payments	(340,848)	(267,136)	(364,440)	(210,518)	(234,710)	(795,707)
Net change in total OPEB liability	397,236	158,561	155,230	1,023,441	(211,379)	(888,485)
Total OPEB liability – beginning of year	8,144,832	8,542,068	8,700,629	8,855,859	9,879,300	9,667,921
Total OPEB liability – end of year	8,542,068	8,700,629	8,855,859	9,879,300	9,667,921	8,779,436
Plan fiduciary net position						
Employer contributions	—	—	14,440	—	19,710	45,707
Net investment income	19,917	32,754	51,796	53,470	40,470	43,267
Differences between expected and actual experience	—	—	(15,935)	(210)	(19,513)	(75,679)
Benefit payments	(340,848)	(267,136)	(364,440)	(210,518)	(234,710)	(795,707)
Administrative expenses	(250)	(250)	(250)	(250)	(250)	(250)
Net change in plan fiduciary net position	(321,181)	(234,632)	(314,389)	(157,508)	(194,293)	(782,662)
Plan fiduciary net position – beginning of year	2,713,974	2,392,793	2,158,161	1,843,772	1,686,264	1,491,971
Plan fiduciary net position – end of year	2,392,793	2,158,161	1,843,772	1,686,264	1,491,971	709,309
Net OPEB liability	<u>\$ 6,149,275</u>	<u>\$ 6,542,468</u>	<u>\$ 7,012,087</u>	<u>\$ 8,193,036</u>	<u>\$ 8,175,950</u>	<u>\$ 8,070,127</u>
Fiduciary net position as a percentage of the total OPEB liability	<u>28.0%</u>	<u>24.8%</u>	<u>20.8%</u>	<u>17.1%</u>	<u>15.4%</u>	<u>8.1%</u>
Covered-employee payroll	<u>\$ 39,738,394</u>	<u>\$ 40,930,546</u>	<u>\$ 37,903,982</u>	<u>\$ 39,041,102</u>	<u>\$ 42,337,029</u>	<u>\$ 43,607,140</u>
Net OPEB liability as a percentage of covered-employee payroll	<u>15.5%</u>	<u>16.0%</u>	<u>18.5%</u>	<u>21.0%</u>	<u>19.3%</u>	<u>18.5%</u>

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

INDEPENDENT SCHOOL DISTRICT NO. 831

Other Post-Employment Benefits Plan
Schedule of Investment Returns
Year Ended June 30, 2022

<u>Year</u>	<u>Annual Money-Weighted Rate of Return Net of Investment Expense</u>
2017	0.70%
2018	1.40%
2019	1.70%
2020	2.90%
2021	1.20%
2022	(2.20%)

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

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INDEPENDENT SCHOOL DISTRICT NO. 831

Notes to Required Supplementary Information
June 30, 2022

PERA – GENERAL EMPLOYEES RETIREMENT FUND

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2020 CHANGES IN PLAN PROVISIONS

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

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

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

INDEPENDENT SCHOOL DISTRICT NO. 831

Notes to Required Supplementary Information (continued)
June 30, 2022

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2019 CHANGES IN PLAN PROVISIONS

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

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN PLAN PROVISIONS

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

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

INDEPENDENT SCHOOL DISTRICT NO. 831

Notes to Required Supplementary Information (continued)
June 30, 2022

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2017 CHANGES IN PLAN PROVISIONS

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

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2015 CHANGES IN PLAN PROVISIONS

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

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

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

INDEPENDENT SCHOOL DISTRICT NO. 831

Notes to Required Supplementary Information (continued)
June 30, 2022

TEACHERS RETIREMENT ASSOCIATION (TRA)

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN PLAN PROVISIONS

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

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

INDEPENDENT SCHOOL DISTRICT NO. 831

Notes to Required Supplementary Information (continued)
June 30, 2022

TEACHERS RETIREMENT ASSOCIATION (TRA) (CONTINUED)

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2015 CHANGES IN PLAN PROVISIONS

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

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

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

INDEPENDENT SCHOOL DISTRICT NO. 831

Notes to Required Supplementary Information (continued)
June 30, 2022

OTHER POST-EMPLOYMENT BENEFITS PLAN

2022 CHANGES IN ACTUARIAL ASSUMPTIONS

- The expected long-term investment return was changed from 2.40 percent to 2.90 percent.
- The discount rate was changed from 2.10 percent to 3.80 percent.

2021 CHANGES IN PLAN PROVISIONS

- A subsidy was added for the superintendent. Unused sick days over 200, multiplied by half the daily rate of pay will be held by the District to pay medical premiums upon retirement.
- The coordinators' sick leave accrual increased from 18 days per year to 20 days per year.
- The substitute teachers' daily rate of pay increased from \$120 to \$130.

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00 percent per year for all employees to rates that vary by service and contract group.
- The expected long-term investment return was changed from 2.90 percent to 2.40 percent.
- The discount rate was changed from 2.40 percent to 2.10 percent.

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The expected long-term investment return was changed from 2.40 percent to 2.90 percent.
- The discount rate was changed from 3.10 percent to 2.40 percent.

2019 CHANGES IN PLAN PROVISIONS

- Unused sick days over 100, but limited to 50 days, multiplied by the daily rate of pay, are being held by the District to pay medical premiums for the superintendent, who retired in 2017. This benefit was not valued in the prior valuation.

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The discount rate was changed from 3.50 percent to 3.10 percent.

INDEPENDENT SCHOOL DISTRICT NO. 831

Notes to Required Supplementary Information (continued)
June 30, 2022

OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

2019 CHANGES IN ACTUARIAL ASSUMPTIONS (CONTINUED)

- The trend on estimated post-age 65 premiums, which are assumed to be withdrawn from unused sick leave balances held by the District, was changed from being the same as the healthcare trend rates noted above, to 4.00 percent per year.
- For current and future retirees, except directors, we previously assumed the full pre- and post-age 65 premium amounts would be withdrawn from unused sick leave balances each year. The valuation we are assuming at 50.00 percent of these amounts will be withdrawn each year. For directors, we are assuming \$5,000 (increasing 4.00 percent per year) will be withdrawn each year, starting after the 10 years of district-paid premiums end. This is the same assumption used in the prior valuation.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 2.90 percent to 3.50 percent.

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SUPPLEMENTAL INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 831

Nonmajor Governmental Funds
Combining Balance Sheet
as of June 30, 2022

	Special Revenue Funds		
	Food Service	Community Service	Total
Assets			
Cash and temporary investments	\$ 1,102,987	\$ 1,872,533	\$ 2,975,520
Receivables			
Current taxes	–	777,526	777,526
Delinquent taxes	–	8,339	8,339
Accounts and interest	–	28,846	28,846
Due from other governmental units	210,818	187,923	398,741
Inventory	71,680	–	71,680
Total assets	<u>\$ 1,385,485</u>	<u>\$ 2,875,167</u>	<u>\$ 4,260,652</u>
Liabilities			
Salaries payable	\$ 46,863	\$ 160,090	\$ 206,953
Accounts and contracts payable	31,809	28,079	59,888
Due to other governmental units	–	472	472
Unearned revenue	165,665	–	165,665
Total liabilities	<u>244,337</u>	<u>188,641</u>	<u>432,978</u>
Deferred inflows of resources			
Property taxes levied for subsequent year	–	1,399,569	1,399,569
Unavailable revenue – delinquent taxes	–	7,465	7,465
Total deferred inflows of resources	<u>–</u>	<u>1,407,034</u>	<u>1,407,034</u>
Fund balances			
Nonspendable	71,680	–	71,680
Restricted	1,069,468	1,279,492	2,348,960
Total fund balances	<u>1,141,148</u>	<u>1,279,492</u>	<u>2,420,640</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,385,485</u>	<u>\$ 2,875,167</u>	<u>\$ 4,260,652</u>

INDEPENDENT SCHOOL DISTRICT NO. 831

Nonmajor Governmental Funds
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2022

	Special Revenue Funds		
	Food Service	Community Service	Total
Revenue			
Local sources			
Property taxes	\$ —	\$ 857,557	\$ 857,557
Other	486,333	3,240,383	3,726,716
State sources	110,113	771,611	881,724
Federal sources	5,013,532	363,485	5,377,017
Total revenue	5,609,978	5,233,036	10,843,014
Expenditures			
Current			
Food service	4,424,838	—	4,424,838
Community service	—	4,837,300	4,837,300
Capital outlay	59,751	48,798	108,549
Total expenditures	4,484,589	4,886,098	9,370,687
Excess of revenue over expenditures	1,125,389	346,938	1,472,327
Other financing sources			
Sale of assets	12,545	—	12,545
Net change in fund balances	1,137,934	346,938	1,484,872
Fund balances			
Beginning of year	3,214	932,554	935,768
End of year	\$ 1,141,148	\$ 1,279,492	\$ 2,420,640

INDEPENDENT SCHOOL DISTRICT NO. 831

General Fund
Comparative Balance Sheet
as of June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash and temporary investments	\$ 7,139,957	\$ 12,027,487
Receivables		
Current taxes	9,853,839	9,917,123
Delinquent taxes	135,364	266,383
Accounts and interest	58,350	84,081
Due from other governmental units	11,128,033	6,806,104
Due from other funds	1,374,566	565,906
Prepaid items	<u>125,360</u>	<u>146,426</u>
Total assets	<u><u>\$ 29,815,469</u></u>	<u><u>\$ 29,813,510</u></u>
Liabilities		
Salaries payable	\$ 612,183	\$ 358,750
Accounts and contracts payable	9,665,778	9,128,312
Due to other governmental units	686,125	280,242
Unearned revenue	<u>7,741</u>	<u>80,575</u>
Total liabilities	<u>10,971,827</u>	<u>9,847,879</u>
Deferred inflows of resources		
Property taxes levied for subsequent year	16,885,110	16,927,911
Unavailable revenue – delinquent taxes	<u>114,221</u>	<u>143,697</u>
Total deferred inflows of resources	<u>16,999,331</u>	<u>17,071,608</u>
Fund balances (deficits)		
Nonspendable for prepaid items	125,360	146,426
Restricted for student activities	94,116	75,706
Restricted for operating capital	–	42,743
Restricted for achievement and integration	38,970	–
Assigned for severance	250,117	451,669
Unassigned – long-term facilities maintenance		
restricted account deficit	(2,124,983)	(538,489)
Unassigned	<u>3,460,731</u>	<u>2,715,968</u>
Total fund balances	<u><u>1,844,311</u></u>	<u><u>2,894,023</u></u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 29,815,469</u></u>	<u><u>\$ 29,813,510</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 831

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2022
(With Comparative Actual Amounts for the Year Ended June 30, 2021)

	2022			2021
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 17,750,000	\$ 18,186,743	\$ 436,743	\$ 17,321,043
Investment earnings	85,000	24,268	(60,732)	68,777
Other	2,215,000	3,243,952	1,028,952	2,129,381
State sources	58,250,000	59,202,914	952,914	57,516,905
Federal sources	3,700,000	5,213,559	1,513,559	4,146,102
Total revenue	82,000,000	85,871,436	3,871,436	81,182,208
Expenditures				
Current				
Administration				
Salaries	2,324,961	2,380,494	55,533	2,453,482
Employee benefits	1,007,920	1,070,383	62,463	1,051,121
Purchased services	39,807	35,625	(4,182)	50,973
Supplies and materials	14,455	11,983	(2,472)	6,731
Capital expenditures	—	—	—	392
Other expenditures	49,600	55,915	6,315	52,586
Total administration	3,436,743	3,554,400	117,657	3,615,285
District support services				
Salaries	1,236,160	1,280,452	44,292	1,103,362
Employee benefits	765,831	533,284	(232,547)	558,888
Purchased services	998,133	1,105,437	107,304	1,130,107
Supplies and materials	50,500	201,838	151,338	101,984
Other expenditures	7,000	6,210	(790)	8,946
Total district support services	3,057,624	3,127,221	69,597	2,903,287
Elementary and secondary regular instruction				
Salaries	20,624,422	19,559,983	(1,064,439)	19,367,681
Employee benefits	7,987,095	7,288,723	(698,372)	7,683,156
Purchased services	886,138	1,365,681	479,543	1,189,688
Supplies and materials	878,468	1,685,606	807,138	739,828
Capital expenditures	225,000	21,454	(203,546)	427,819
Other expenditures	10,500	166,646	156,146	147,898
Total elementary and secondary regular instruction	30,611,623	30,088,093	(523,530)	29,556,070

INDEPENDENT SCHOOL DISTRICT NO. 831

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
Year Ended June 30, 2022
(With Comparative Actual Amounts for the Year Ended June 30, 2021)

	2022			2021
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Vocational education instruction				
Salaries	1,200,351	955,993	(244,358)	1,102,925
Employee benefits	354,498	333,656	(20,842)	426,886
Purchased services	28,300	42,701	14,401	24,321
Supplies and materials	41,700	61,258	19,558	55,017
Capital expenditures	20,000	20,470	470	22,119
Other expenditures	—	7,177	7,177	7,668
Total vocational education instruction	1,644,849	1,421,255	(223,594)	1,638,936
Special education instruction				
Salaries	9,596,792	10,502,815	906,023	9,377,258
Employee benefits	3,308,919	3,653,283	344,364	3,456,578
Purchased services	334,810	769,577	434,767	485,728
Supplies and materials	23,700	122,617	98,917	93,934
Capital expenditures	—	25,245	25,245	11,773
Other expenditures	49,000	61,995	12,995	58,882
Total special education instruction	13,313,221	15,135,532	1,822,311	13,484,153
Instructional support services				
Salaries	4,907,860	4,906,019	(1,841)	4,663,684
Employee benefits	1,227,720	1,387,817	160,097	1,518,858
Purchased services	199,400	364,731	165,331	639,814
Supplies and materials	75,828	83,814	7,986	117,592
Capital expenditures	1,000	25,987	24,987	21,287
Other expenditures	14,225	41,140	26,915	38,100
Total instructional support services	6,426,033	6,809,508	383,475	6,999,335
Pupil support services				
Salaries	5,285,390	4,958,753	(326,637)	4,908,238
Employee benefits	2,026,572	1,927,053	(99,519)	2,092,550
Purchased services	1,656,030	2,335,586	679,556	3,217,465
Supplies and materials	648,349	771,020	122,671	548,356
Capital expenditures	—	2,178,508	2,178,508	5,181
Other expenditures	—	20,302	20,302	20,436
Total pupil support services	9,616,341	12,191,222	2,574,881	10,792,226

INDEPENDENT SCHOOL DISTRICT NO. 831

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
Year Ended June 30, 2022
(With Comparative Actual Amounts for the Year Ended June 30, 2021)

	2022			2021
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Sites and buildings				
Salaries	2,374,064	2,381,213	7,149	2,388,795
Employee benefits	1,121,445	1,093,090	(28,355)	1,131,863
Purchased services	2,502,382	4,372,649	1,870,267	3,388,941
Supplies and materials	167,000	517,660	350,660	423,945
Capital expenditures	5,915,000	5,591,657	(323,343)	3,668,079
Other expenditures	119,675	9,075	(110,600)	9,520
Total sites and buildings	12,199,566	13,965,344	1,765,778	11,011,143
Fiscal and other fixed cost programs				
Purchased services	650,000	735,321	85,321	645,420
Debt service				
Principal	1,380,000	1,879,328	499,328	125,000
Interest and fiscal charges	164,000	245,043	81,043	110,760
Total debt service	1,544,000	2,124,371	580,371	235,760
Total expenditures	82,500,000	89,152,267	6,652,267	80,881,615
Excess (deficiency) of revenue over expenditures	(500,000)	(3,280,831)	(2,780,831)	300,593
Other financing sources (uses)				
Debt issued	—	2,129,174	2,129,174	—
Insurance recovery	—	101,945	101,945	13,049
Sale of assets	—	—	—	14,000
Transfers out	—	—	—	(80,863)
Total other financing sources (uses)	—	2,231,119	2,231,119	(53,814)
Net change in fund balances	\$ (500,000)	(1,049,712)	\$ (549,712)	246,779
Fund balances				
Beginning of year		2,894,023		2,647,244
End of year		\$ 1,844,311		\$ 2,894,023

INDEPENDENT SCHOOL DISTRICT NO. 831

Food Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash and temporary investments	\$ 1,102,987	\$ —
Receivables		
Due from other governmental units	210,818	451,752
Inventory	71,680	85,518
Prepaid items	<u>—</u>	<u>10,297</u>
Total assets	<u>\$ 1,385,485</u>	<u>\$ 547,567</u>
Liabilities		
Salaries payable	\$ 46,863	\$ 13,604
Accounts and contracts payable	31,809	28,286
Due to other funds	—	275,365
Unearned revenue	<u>165,665</u>	<u>227,098</u>
Total liabilities	244,337	544,353
Fund balances		
Nonspendable for inventory	71,680	85,518
Nonspendable for prepaid items	—	10,297
Restricted for food service	1,069,468	—
Unassigned for food service	<u>—</u>	<u>(92,601)</u>
Total fund balances	<u>1,141,148</u>	<u>3,214</u>
Total liabilities and fund balances	<u>\$ 1,385,485</u>	<u>\$ 547,567</u>

INDEPENDENT SCHOOL DISTRICT NO. 831

Food Service Special Revenue Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2022
(With Comparative Actual Amounts for the Year Ended June 30, 2021)

	2022		2021	
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Other – primarily meal sales	\$ 435,986	\$ 486,333	\$ 50,347	\$ 134,182
State sources	134,303	110,113	(24,190)	56,137
Federal sources	4,829,711	5,013,532	183,821	2,677,956
Total revenue	5,400,000	5,609,978	209,978	2,868,275
Expenditures				
Current				
Salaries	1,454,257	1,525,587	71,330	1,340,592
Employee benefits	522,749	476,544	(46,205)	403,415
Purchased services	189,597	122,723	(66,874)	63,888
Supplies and materials	2,900,597	2,297,804	(602,793)	1,271,718
Other expenditures	2,300	2,180	(120)	1,543
Capital outlay	130,500	59,751	(70,749)	1,148
Total expenditures	5,200,000	4,484,589	(715,411)	3,082,304
Excess (deficiency) of revenue over expenditures	200,000	1,125,389	925,389	(214,029)
Other financing sources				
Sale of assets	—	12,545	12,545	—
Net change in fund balances	\$ 200,000	1,137,934	\$ 937,934	(214,029)
Fund balances				
Beginning of year		3,214		217,243
End of year		\$ 1,141,148		\$ 3,214

INDEPENDENT SCHOOL DISTRICT NO. 831

Community Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash and temporary investments	\$ 1,872,533	\$ 1,123,309
Receivables		
Current taxes	777,526	479,564
Delinquent taxes	8,339	20,144
Accounts and interest	28,846	8,079
Due from other governmental units	187,923	328,055
Prepaid items	<u>—</u>	<u>2,498</u>
Total assets	<u><u>\$ 2,875,167</u></u>	<u><u>\$ 1,961,649</u></u>
Liabilities		
Salaries payable	\$ 160,090	\$ 117,826
Accounts and contracts payable	28,079	34,007
Due to other governmental units	472	21
Unearned revenue	<u>—</u>	<u>6,000</u>
Total liabilities	<u>188,641</u>	<u>157,854</u>
Deferred inflows of resources		
Property taxes levied for subsequent year	1,399,569	860,199
Unavailable revenue – delinquent taxes	<u>7,465</u>	<u>11,042</u>
Total deferred inflows of resources	<u>1,407,034</u>	<u>871,241</u>
Fund balances		
Nonspendable for prepaid items	—	2,498
Restricted for community education programs	883,688	640,963
Restricted for early childhood family education programs	233,990	181,087
Restricted for school readiness	161,315	107,480
Restricted for community service	—	526
Restricted for adult basic education	<u>499</u>	<u>—</u>
Total fund balances	<u>1,279,492</u>	<u>932,554</u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 2,875,167</u></u>	<u><u>\$ 1,961,649</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 831

Community Service Special Revenue Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2022
(With Comparative Actual Amounts for the Year Ended June 30, 2021)

	2022			2021
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 862,452	\$ 857,557	\$ (4,895)	\$ 1,246,465
Investment earnings	—	—	—	2,083
Other – primarily tuition and fees	2,989,762	3,240,383	250,621	2,295,343
State sources	721,205	771,611	50,406	838,760
Federal sources	2,000	363,485	361,485	202,276
Total revenue	<u>4,575,419</u>	<u>5,233,036</u>	<u>657,617</u>	<u>4,584,927</u>
Expenditures				
Current				
Salaries	3,016,489	3,087,927	71,438	2,806,171
Employee benefits	1,012,845	902,197	(110,648)	998,144
Purchased services	382,800	618,878	236,078	371,547
Supplies and materials	112,350	220,777	108,427	139,111
Other expenditures	5,550	7,521	1,971	4,004
Capital outlay	13,250	48,798	35,548	4,524
Total expenditures	<u>4,543,284</u>	<u>4,886,098</u>	<u>342,814</u>	<u>4,323,501</u>
Net change in fund balances	<u>\$ 32,135</u>	346,938	<u>\$ 314,803</u>	261,426
Fund balances				
Beginning of year		<u>932,554</u>		<u>671,128</u>
End of year		<u>\$ 1,279,492</u>		<u>\$ 932,554</u>

INDEPENDENT SCHOOL DISTRICT NO. 831

Capital Projects – Building Construction Fund
Comparative Balance Sheet
as of June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash and investments held by trustee	\$ –	\$ 4,903,798
Receivables		
Accounts and interest	–	5,338
	<u>–</u>	<u>5,338</u>
Total assets	<u>\$ –</u>	<u>\$ 4,909,136</u>
Liabilities		
Accounts and contracts payable	\$ –	\$ 2,159,547
Due to other funds	624,566	75,541
Total liabilities	<u>624,566</u>	<u>2,235,088</u>
Fund balances (deficit)		
Restricted for projects funded by COP	–	1,974,559
Restricted for long-term facilities maintenance	–	291,440
Restricted for capital projects	–	408,049
Unassigned – long-term facilities maintenance		
restricted account deficit	(624,566)	–
Total fund balances (deficit)	<u>(624,566)</u>	<u>2,674,048</u>
	<u>\$ –</u>	<u>\$ 4,909,136</u>
Total liabilities and fund balances		

INDEPENDENT SCHOOL DISTRICT NO. 831

Capital Projects – Building Construction Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2022
(With Comparative Actual Amounts for the Year Ended June 30, 2021)

	2022			2021
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	\$ 10,000	\$ 1,152	\$ (8,848)	\$ 25,034
Other	—	—	—	753
Total revenue	10,000	1,152	(8,848)	25,787
Expenditures				
Capital outlay				
Purchased services	400,000	472,297	72,297	267,364
Capital expenditures	1,900,000	2,827,469	927,469	5,882,258
Debt service				
Fiscal charges and other	—	—	—	155,400
Total expenditures	2,300,000	3,299,766	999,766	6,305,022
Excess (deficiency) of revenue over expenditures	(2,290,000)	(3,298,614)	(1,008,614)	(6,279,235)
Other financing sources				
Debt issued	—	—	—	4,690,000
Premium on debt issued	—	—	—	299,423
Transfers in	—	—	—	54,178
Total other financing sources	—	—	—	5,043,601
Net change in fund balances	<u>\$ (2,290,000)</u>	(3,298,614)	<u>\$ (1,008,614)</u>	(1,235,634)
Fund balances (deficit)				
Beginning of year		2,674,048		3,909,682
End of year		<u>\$ (624,566)</u>		<u>\$ 2,674,048</u>

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INDEPENDENT SCHOOL DISTRICT NO. 831

Debt Service Fund
Balance Sheet by Account
as of June 30, 2022
(With Comparative Totals as of June 30, 2021)

	Regular Debt Service Account	OPEB Debt Service Account	Totals	
			2022	2021
Assets				
Cash and temporary investments	\$ 5,988,861	\$ 357,140	\$ 6,346,001	\$ 5,989,897
Receivables				
Current taxes	5,376,736	306,030	5,682,766	5,817,740
Delinquent taxes	73,338	4,270	77,608	150,052
Due from other governmental units	22,227	94	22,321	19,873
Total assets	<u>\$ 11,461,162</u>	<u>\$ 667,534</u>	<u>\$ 12,128,696</u>	<u>\$ 11,977,562</u>
Liabilities				
Accounts and contracts payable	\$ 4,975	\$ —	\$ 4,975	\$ —
Deferred inflows of resources				
Property taxes levied for subsequent year	9,574,147	550,864	10,125,011	10,336,924
Unavailable revenue – delinquent taxes	62,161	3,601	65,762	79,640
Total deferred inflows of resources	<u>9,636,308</u>	<u>554,465</u>	<u>10,190,773</u>	<u>10,416,564</u>
Fund balances				
Restricted for debt service	<u>1,819,879</u>	<u>113,069</u>	<u>1,932,948</u>	<u>1,560,998</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 11,461,162</u>	<u>\$ 667,534</u>	<u>\$ 12,128,696</u>	<u>\$ 11,977,562</u>

INDEPENDENT SCHOOL DISTRICT NO. 831

Debt Service Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances by Account
Budget and Actual
Year Ended June 30, 2022
(With Comparative Actual Amounts for the Year Ended June 30, 2021)

		2022	
		Actual	
	Budget	Regular Debt Service Account	OPEB Debt Service Account
Revenue			
Local sources			
Property taxes	\$ 9,043,000	\$ 9,650,125	\$ 533,397
Investment earnings	—	—	1,407
State sources	5,700	222,396	937
Total revenue	9,048,700	9,872,521	535,741
Expenditures			
Debt service			
Principal	4,405,000	4,300,000	405,000
Interest	4,216,600	5,187,493	123,600
Fiscal charges and other	7,000	20,219	—
Total expenditures	8,628,600	9,507,712	528,600
Excess (deficiency) of revenue over expenditures	420,100	364,809	7,141
Other financing sources (uses)			
Debt issued	—	—	—
Premium on debt issued	—	—	—
Payment on refunded debt	—	—	—
Transfers in	—	—	—
Total other financing sources (uses)	—	—	—
Net change in fund balances	\$ 420,100	364,809	7,141
Fund balances			
Beginning of year		1,455,070	105,928
End of year		\$ 1,819,879	\$ 113,069

		2021
Total	Over (Under) Budget	Actual
\$ 10,183,522	\$ 1,140,522	\$ 9,706,078
1,407	1,407	5,689
223,333	217,633	198,726
10,408,262	1,359,562	9,910,493
4,705,000	300,000	4,195,000
5,311,093	1,094,493	5,468,553
20,219	13,219	85,383
10,036,312	1,407,712	9,748,936
371,950	(48,150)	161,557
—	—	2,130,000
—	—	136,224
—	—	(2,180,000)
—	—	26,685
—	—	112,909
371,950	\$ (48,150)	274,466
1,560,998		1,286,532
\$ 1,932,948		\$ 1,560,998

INDEPENDENT SCHOOL DISTRICT NO. 831

Internal Service Funds
Combining Statement of Net Position
as of June 30, 2022
(With Comparative Totals as of June 30, 2021)

	Health Benefits Self-Insurance	Dental Benefits Self-Insurance	Totals	
			2022	2021
Assets				
Current assets				
Cash and temporary investments	\$ 1,568,255	\$ 582,348	\$ 2,150,603	\$ 4,577,175
Receivables				
Accounts and interest	21,920	1,436	23,356	28,962
Prepaid items	—	—	—	3,000
Total current assets	<u>1,590,175</u>	<u>583,784</u>	<u>2,173,959</u>	<u>4,609,137</u>
Liabilities				
Current liabilities				
Accounts and contracts payable	697,936	34,604	732,540	262,860
Unearned revenue	1,964,322	109,925	2,074,247	2,113,003
Claims incurred, but not reported	877,173	12,583	889,756	816,266
Total current liabilities	<u>3,539,431</u>	<u>157,112</u>	<u>3,696,543</u>	<u>3,192,129</u>
Net position				
Unrestricted	<u>\$ (1,949,256)</u>	<u>\$ 426,672</u>	<u>\$ (1,522,584)</u>	<u>\$ 1,417,008</u>

INDEPENDENT SCHOOL DISTRICT NO. 831

Internal Service Funds
Combining Statement of Revenue, Expenses, and Changes in Net Position
Year Ended June 30, 2022
(With Comparative Totals for the Year Ended June 30, 2021)

	Health Benefits Self-Insurance	Dental Benefits Self-Insurance	Totals	
			2022	2021
Operating revenue				
Charges for services				
Contributions from governmental funds	\$ 10,127,929	\$ 589,508	\$ 10,717,437	\$ 10,732,363
Operating expenses				
Health benefit claims	13,067,985	—	13,067,985	12,314,075
Dental benefit claims	—	598,540	598,540	628,327
Total operating expenses	<u>13,067,985</u>	<u>598,540</u>	<u>13,666,525</u>	<u>12,942,402</u>
Operating income (loss)	(2,940,056)	(9,032)	(2,949,088)	(2,210,039)
Nonoperating revenue				
Investment earnings	<u>7,034</u>	<u>2,462</u>	<u>9,496</u>	<u>21,704</u>
Change in net position	(2,933,022)	(6,570)	(2,939,592)	(2,188,335)
Net position				
Beginning of year	<u>983,766</u>	<u>433,242</u>	<u>1,417,008</u>	<u>3,605,343</u>
End of year	<u>\$ (1,949,256)</u>	<u>\$ 426,672</u>	<u>\$ (1,522,584)</u>	<u>\$ 1,417,008</u>

INDEPENDENT SCHOOL DISTRICT NO. 831

Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2022
(With Comparative Totals for the Year Ended June 30, 2021)

	Health Benefits Self-Insurance	Dental Benefits Self-Insurance	Totals	
			2022	2021
Cash flows from operating activities				
Contributions from governmental funds	\$ 10,106,248	\$ 578,039	\$ 10,684,287	\$ 10,843,341
Payment for health claims	(12,540,327)	—	(12,540,327)	(12,205,919)
Payment for dental claims	—	(580,028)	(580,028)	(629,627)
Net cash flows from operating activities	(2,434,079)	(1,989)	(2,436,068)	(1,992,205)
Cash flows from investing activities				
Investment income received	7,034	2,462	9,496	21,704
Net change in cash and cash equivalents	(2,427,045)	473	(2,426,572)	(1,970,501)
Cash and cash equivalents				
Beginning of year	3,995,300	581,875	4,577,175	6,547,676
End of year	\$ 1,568,255	\$ 582,348	\$ 2,150,603	\$ 4,577,175
Reconciliation of operating income (loss) to net cash flows from operating activities				
Operating income (loss)	\$ (2,940,056)	\$ (9,032)	\$ (2,949,088)	\$ (2,210,039)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities				
Changes in assets and liabilities				
Accounts and interest receivable	5,610	(4)	5,606	(4,218)
Prepaid items	3,000	—	3,000	(3,000)
Accounts and contracts payable	450,236	19,444	469,680	95,560
Unearned revenue	(27,291)	(11,465)	(38,756)	115,196
Claims incurred, but not reported	74,422	(932)	73,490	14,296
Net cash flows from operating activities	\$ (2,434,079)	\$ (1,989)	\$ (2,436,068)	\$ (1,992,205)

OTHER DISTRICT INFORMATION

(UNAUDITED)

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INDEPENDENT SCHOOL DISTRICT NO. 831

Government-Wide Revenue by Type
Last Ten Fiscal Years

Year Ended June 30,	Program Revenues		General Revenues			Total
	Charges for Services	Operating Grants and Contributions	Property Taxes	General Grants and Aids	Investment Earnings and Other	
2013	\$ 6,115,186 8%	\$ 11,490,994 14%	\$ 16,176,424 21%	\$ 43,429,388 56%	\$ 553,293 1%	\$ 77,765,285 100%
2014	5,954,935 7%	12,220,938 15%	11,742,462 15%	50,084,696 62%	855,420 1%	80,858,451 100%
2015	6,423,354 7%	11,968,641 14%	17,571,864 21%	49,259,872 57%	1,193,682 1%	86,417,413 100%
2016	6,847,529 8%	12,672,382 14%	17,057,514 20%	49,382,999 57%	629,701 1%	86,590,125 100%
2017	6,437,175 7%	13,194,175 15%	19,430,966 21%	50,352,014 55%	1,585,486 2%	90,999,816 100%
2018	6,697,514 7%	13,334,671 14%	23,571,789 25%	48,177,917 52%	1,955,966 2%	93,737,857 100%
2019	6,891,345 8%	13,306,489 14%	22,372,109 24%	46,735,121 51%	2,605,932 3%	91,910,996 100%
2020	5,313,535 5%	13,010,160 14%	27,031,623 28%	48,773,418 51%	1,570,554 2%	95,699,290 100%
2021	3,570,969 4%	14,315,351 14%	28,190,860 29%	51,422,933 52%	1,125,026 1%	98,625,139 100%
2022	5,018,226 5%	18,539,329 17%	29,180,891 27%	52,091,600 49%	2,103,255 2%	106,933,301 100%

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

INDEPENDENT SCHOOL DISTRICT NO. 831

Government-Wide Expenses by Function
Last Ten Fiscal Years

Year Ended June 30,	Administration	District Support Services	Elementary and Secondary Regular Instruction	Vocational Education Instruction	Special Education Instruction	Instructional Support Services	Pupil Support Services
2013	\$ 3,201,925 4%	\$ 2,254,471 3%	\$ 27,594,183 36%	\$ 781,880 1%	\$ 10,918,573 14%	\$ 2,369,743 3%	\$ 9,928,802 13%
2014	3,323,552 4%	2,417,192 3%	29,596,211 37%	758,648 1%	11,736,976 15%	3,541,782 4%	10,017,084 12%
2015	3,226,706 4%	3,072,069 4%	29,472,957 36%	863,577 1%	12,018,150 14%	5,120,151 6%	10,278,319 12%
2016	3,796,645 4%	2,322,473 3%	29,008,857 33%	954,911 1%	12,558,342 14%	4,610,217 5%	11,046,015 13%
2017	4,923,047 4%	2,052,095 2%	39,074,208 35%	1,727,610 1%	17,305,271 16%	6,333,778 6%	12,344,131 11%
2018	3,618,600 3%	2,774,376 3%	36,792,292 34%	1,604,135 1%	16,690,659 16%	6,380,709 6%	11,308,606 11%
2019	2,404,931 3%	2,914,489 4%	15,406,822 22%	551,470 1%	9,188,795 13%	3,770,996 5%	9,919,553 14%
2020	3,527,550 4%	2,825,243 3%	29,013,805 29%	1,647,733 2%	14,352,862 14%	7,738,382 8%	11,321,031 11%
2021	3,732,567 4%	2,920,183 3%	32,235,382 31%	1,741,085 2%	14,439,227 14%	7,479,775 7%	11,334,205 11%
2022	3,614,109 4%	3,042,190 3%	29,686,990 29%	1,393,696 1%	14,879,136 15%	6,651,162 6%	11,973,638 12%

Sites and Buildings	Fiscal and Other Fixed Cost Programs	Food Service	Community Service	Depreciation/ Amortization Not Allocated to Other Functions	Interest and Fiscal Charges	Total
\$ 7,684,483 10%	\$ 317,174 1%	\$ 3,891,749 5%	\$ 4,113,757 5%	\$ 2,098,391 3%	\$ 1,275,898 2%	\$ 76,431,029 100%
7,639,633 9%	351,205 1%	3,959,013 5%	4,007,281 5%	2,535,075 3%	1,158,034 1%	81,041,686 100%
7,444,141 9%	379,529 —	4,138,798 5%	4,321,014 5%	2,488,510 3%	1,019,716 1%	83,843,637 100%
8,776,019 10%	526,412 1%	4,276,582 5%	4,531,548 5%	2,545,922 3%	2,243,227 3%	87,197,170 100%
8,490,188 8%	574,212 1%	3,957,910 4%	4,990,631 4%	2,835,218 3%	5,475,005 5%	110,083,304 100%
10,704,394 10%	635,768 1%	3,775,043 3%	4,956,962 5%	2,946,179 3%	4,860,767 4%	107,048,490 100%
9,509,308 13%	520,000 1%	3,642,072 5%	4,447,056 6%	4,393,215 6%	5,170,398 7%	71,839,105 100%
7,648,115 8%	650,000 1%	3,526,004 4%	4,855,822 5%	6,209,276 6%	5,489,519 5%	98,805,342 100%
8,130,514 8%	645,420 1%	3,057,501 3%	4,397,440 4%	7,061,377 7%	5,589,973 5%	102,764,649 100%
7,905,801 8%	735,321 1%	4,397,786 4%	4,698,261 5%	7,570,657 7%	5,308,431 5%	101,857,178 100%

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INDEPENDENT SCHOOL DISTRICT NO. 831

General Fund Revenue by Source
Last Ten Fiscal Years

Year Ended June 30,	Local Property Tax Levies	State Revenue	Federal Revenue	Other Local and Miscellaneous	Total
2013	\$ 10,599,904 16%	\$ 50,759,534 78%	\$ 2,183,794 4%	\$ 1,616,894 2%	\$ 65,160,126 100%
2014	5,017,095 7%	57,937,865 87%	1,944,413 3%	2,032,995 3%	66,932,368 100%
2015	10,566,174 14%	56,971,250 79%	2,000,562 3%	2,639,541 4%	72,177,527 100%
2016	10,143,433 14%	57,995,977 80%	1,833,859 3%	2,255,801 3%	72,229,070 100%
2017	12,003,610 16%	57,412,440 78%	1,902,513 3%	2,374,673 3%	73,693,236 100%
2018	13,421,398 18%	57,201,749 76%	1,953,798 3%	2,589,135 3%	75,166,080 100%
2019	11,976,441 16%	58,120,768 77%	1,943,362 3%	3,110,611 4%	75,151,182 100%
2020	16,942,049 21%	57,199,212 73%	2,119,589 3%	2,560,763 3%	78,821,613 100%
2021	17,321,043 21%	57,516,905 71%	4,146,102 5%	2,198,158 3%	81,182,208 100%
2022	18,186,743 21%	59,202,914 69%	5,213,559 6%	3,268,220 4%	85,871,436 100%

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

INDEPENDENT SCHOOL DISTRICT NO. 831

General Fund Expenditures by Function
Last Ten Fiscal Years

Year Ended June 30,	Administration	District Support Services	Elementary and Secondary Regular Instruction	Vocational Education Instruction	Special Education Instruction
2013	\$ 3,159,778 5%	\$ 2,232,860 3%	\$ 27,755,921 43%	\$ 779,510 1%	\$ 10,809,283 17%
2014	3,364,983 5%	2,434,106 3%	30,818,312 43%	764,300 1%	11,842,041 16%
2015	3,298,590 5%	3,085,780 4%	29,877,813 40%	872,825 1%	12,139,538 16%
2016	3,654,157 5%	2,299,936 3%	28,929,355 41%	942,709 1%	12,427,639 18%
2017	3,706,541 5%	1,981,718 3%	27,796,600 38%	1,331,649 2%	13,191,811 18%
2018	3,305,470 4%	2,794,017 4%	27,505,436 37%	1,228,503 2%	12,505,873 17%
2019	3,237,724 4%	2,967,753 4%	26,064,394 35%	1,059,116 1%	12,741,535 17%
2020	3,372,758 4%	2,906,337 4%	27,191,856 35%	1,555,531 2%	13,637,180 17%
2021	3,615,285 4%	2,903,287 4%	29,556,070 36%	1,638,936 2%	13,484,153 17%
2022	3,554,400 4%	3,127,221 3%	30,088,093 34%	1,421,255 1%	15,135,532 17%

Instructional Support Services	Pupil Support Services	Sites and Buildings	Other Programs	Total
\$ 2,345,242 3%	\$ 9,699,810 15%	\$ 8,058,856 12%	\$ 394,099 1%	\$ 65,235,359 100%
3,560,499 5%	9,949,597 14%	8,718,984 12%	412,317 1%	71,865,139 100%
5,312,438 7%	10,214,856 14%	8,657,555 12%	692,148 1%	74,151,543 100%
4,571,268 6%	11,113,359 15%	7,306,746 10%	842,963 1%	72,088,132 100%
4,875,659 7%	11,214,282 15%	8,252,564 11%	899,378 1%	73,250,202 100%
5,258,752 7%	10,874,254 14%	10,193,913 14%	946,706 1%	74,612,924 100%
5,286,816 7%	11,736,493 16%	10,863,761 15%	828,465 1%	74,786,057 100%
7,467,572 9%	11,471,940 15%	10,325,268 13%	884,360 1%	78,812,802 100%
6,999,335 9%	10,792,226 13%	11,011,143 14%	881,180 1%	80,881,615 100%
6,809,508 8%	12,191,222 14%	13,965,344 16%	2,859,692 3%	89,152,267 100%

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INDEPENDENT SCHOOL DISTRICT NO. 831

School Tax Levies and Tax Rates by Fund
Last Ten Fiscal Years

	<u>Year Collectible</u>	<u>General Fund</u>	<u>Community Service Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total All Funds</u>
Levies					
	2013	\$ 11,377,392	\$ 882,776	\$ 4,755,527	\$ 17,015,695
	2014	11,573,258	927,114	4,637,561	17,137,933
	2015	11,337,029	915,154	4,658,652	16,910,835
	2016	11,996,073	986,419	6,482,348	19,464,840
	2017	12,927,090	1,057,994	9,197,425	23,182,509
	2018	11,282,541	1,137,354	9,300,188	21,720,083
	2019	16,981,566	1,212,469	9,005,584	27,199,619
	2020	17,087,846	1,245,373	9,793,569	28,126,788
	2021	17,769,591	860,199	10,336,924	28,966,714
	2022	17,701,769	1,399,569	10,125,011	29,226,349
Tax rates					
Tax capacity rates					
	2013	8.949	2.050	11.020	22.019
	2014	11.328	2.097	10.471	23.896
	2015	9.898	1.849	9.398	21.145
	2016	10.145	1.952	12.806	24.903
	2017	11.781	2.005	17.427	31.213
	2018	8.426	1.940	15.864	26.230
	2019	8.625	1.926	14.306	24.857
	2020	8.641	1.857	14.599	25.097
	2021	9.229	1.218	14.642	25.089
	2022	9.004	1.873	13.549	24.426
Market value rates					
	2013	0.17389	—	—	0.17389
	2014	0.14626	—	—	0.14626
	2015	0.13351	—	—	0.13351
	2016	0.13979	—	—	0.13979
	2017	0.12865	—	—	0.12865
	2018	0.11395	—	—	0.11395
	2019	0.20186	—	—	0.20186
	2020	0.17344	—	—	0.17344
	2021	0.16723	—	—	0.16723
	2022	0.15336	—	—	0.15336

Note: A tax rate based on market value is used primarily for the District's referendum, equity, and transition levies.

Source: State of Minnesota School Tax Report

INDEPENDENT SCHOOL DISTRICT NO. 831

Tax Capacities and Market Values
Last Ten Fiscal Years

For Taxes Collectible	Net Tax Capacities				
	Agricultural	Nonagricultural	Tax Increment	Fiscal Disparities	
				Contribution	Distribution
2013	\$ 1,741,624	\$ 42,273,461	\$ (1,232,190)	\$ (3,176,279)	\$ 4,443,326
2014	1,798,181	42,261,513	(858,721)	(3,136,170)	4,528,567
2015	1,947,446	46,296,615	(828,748)	(3,089,582)	4,621,327
2016	1,958,007	48,029,784	(197,609)	(3,149,763)	4,689,654
2017	2,010,419	50,174,007	(316,163)	(3,216,864)	5,264,712
2018	2,083,679	53,722,499	(327,428)	(3,169,145)	5,521,366
2019	2,127,411	58,412,990	(437,588)	(3,258,899)	5,834,684
2020	2,241,354	63,039,694	(761,940)	(3,495,850)	6,144,151
2021	2,446,212	66,057,877	(898,774)	(3,495,118)	6,456,084
2022	2,529,092	69,760,889	(973,551)	(3,904,950)	7,053,473

Note: Market value is used primarily for extension of the District's referendum levy.

Source: State of Minnesota School Tax Report

Total Taxable		Market Value
\$	44,049,942	\$ 3,939,600,600
	44,593,370	3,956,177,800
	48,947,058	4,328,284,000
	51,330,073	4,484,223,100
	53,916,111	4,672,890,900
	57,830,971	4,992,499,000
	62,678,598	5,413,348,800
	67,167,409	5,831,765,400
	70,566,281	6,086,754,570
	74,464,953	6,416,807,947

INDEPENDENT SCHOOL DISTRICT NO. 831

Property Tax Levies and Receivables
Last Ten Fiscal Years

For Taxes Collectible	Original Levy			
	Local Spread	Fiscal Disparities	Property Tax Credits	Total Spread
2013	\$ 15,567,747	\$ 1,447,948	\$ —	\$ 17,015,695
2014	15,357,515	1,780,418	—	17,137,933
2015	15,139,104	1,771,731	—	16,910,835
2016	17,861,854	1,602,986	—	19,464,840
2017	21,163,913	2,018,596	—	23,182,509
2018	19,314,437	2,405,646	—	21,720,083
2019	24,932,058	2,164,987	102,574	27,199,619
2020	25,294,660	2,708,298	123,830	28,126,788
2021	26,132,524	2,690,687	143,503	28,966,714
2022	26,188,742	2,891,075	146,532	29,226,349

Note: Delinquent taxes are written off after seven years.

Source: State of Minnesota School Tax Report

Uncollected Taxes Receivable as of June 30, 2022

Delinquent			Current		
Amount	Percent		Amount	Percent	
\$ —	—	%	\$ —	—	%
—	—		—	—	
—	—		—	—	
28,437	0.15		—	—	
8,830	0.04		—	—	
6,371	0.03		—	—	
28,476	0.10		—	—	
30,898	0.11		—	—	
118,299	0.41		—	—	
—	—		16,314,131	55.82	
<u>\$ 221,311</u>			<u>\$ 16,314,131</u>		

INDEPENDENT SCHOOL DISTRICT NO. 831

Student Enrollment
Last Ten Fiscal Years

Year Ended June 30,	Adjusted Average Daily Membership (ADM)					Total Pupil Units
	Handicapped and Pre-Kindergarten	Kindergarten	Elementary	Secondary	Total	
2013	102.14	394.47	2,962.30	3,202.66	6,661.57	7,741.35
2014	107.06	429.29	2,969.74	3,102.01	6,608.10	7,642.50
2015	116.37	384.90	2,960.46	3,164.73	6,626.46	7,259.42
2016	111.89	351.77	2,814.95	3,173.63	6,452.24	7,086.98
2017	109.78	389.39	2,701.60	3,091.89	6,292.66	6,911.03
2018	113.01	361.39	2,620.92	3,028.80	6,124.12	6,729.89
2019	109.07	342.53	2,609.78	2,997.49	6,058.87	6,658.37
2020	110.99	337.05	2,476.35	2,980.92	5,905.31	6,501.51
2021	99.73	330.53	2,473.38	2,944.46	5,848.10	6,436.97
2022	104.75	369.06	2,507.62	2,884.72	5,866.15	6,443.12

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

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

	Pre-Kindergarten	Handicapped Kindergarten	Half-Day Kindergarten	Full-Day Kindergarten	Elementary 1-3	Elementary 4-6	Secondary
Fiscal 2013 through 2014	1.250	1.000	0.612	0.612	1.115	1.060	1.300
Fiscal 2015 through 2022	1.000	1.000	0.550	1.000	1.000	1.000	1.200

Source: Minnesota Department of Education student reporting system

OTHER REQUIRED REPORTS

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INDEPENDENT AUDITOR'S 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

To the School Board and Management of
Independent School District No. 831
Forest 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. 831 (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 21, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

(continued)

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*.

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 report is not suitable for any other purpose.

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

Minneapolis, Minnesota

December 21, 2022

INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE

To the School Board and Management of
Independent School District No. 831
Forest 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. 831 (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 21, 2022.

MINNESOTA LEGAL COMPLIANCE

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 – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minnesota Statutes § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

PURPOSE OF THIS REPORT

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

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

Minneapolis, Minnesota
December 21, 2022

INDEPENDENT SCHOOL DISTRICT NO. 831

Uniform Financial Accounting and Reporting Standards
Compliance Table
June 30, 2022

		Audit	UFARS	Audit – UFARS
General Fund				
Total revenue		\$ 85,871,436	\$ 85,871,436	\$ –
Total expenditures		\$ 89,152,267	\$ 89,152,267	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ 125,360	\$ 125,360	\$ –
Restricted				
401	Student activities	\$ 94,116	\$ 94,116	\$ –
402	Scholarships	\$ –	\$ –	\$ –
403	Staff development	\$ –	\$ –	\$ –
407	Capital projects levy	\$ –	\$ –	\$ –
408	Cooperative revenue	\$ –	\$ –	\$ –
413	Projects funded by COP	\$ –	\$ –	\$ –
414	Operating debt	\$ –	\$ –	\$ –
416	Levy reduction	\$ –	\$ –	\$ –
417	Taconite building maintenance	\$ –	\$ –	\$ –
424	Operating capital	\$ –	\$ –	\$ –
426	\$25 taconite	\$ –	\$ –	\$ –
427	Disabled accessibility	\$ –	\$ –	\$ –
428	Learning and development	\$ –	\$ –	\$ –
434	Area learning center	\$ –	\$ –	\$ –
435	Contracted alternative programs	\$ –	\$ –	\$ –
436	State approved alternative programs	\$ –	\$ –	\$ –
438	Gifted and talented	\$ –	\$ –	\$ –
440	Teacher development and evaluation	\$ –	\$ –	\$ –
441	Basic skills programs	\$ –	\$ –	\$ –
448	Achievement and integration	\$ 38,970	\$ 38,970	\$ –
449	Safe schools levy	\$ –	\$ –	\$ –
451	QZAB payments	\$ –	\$ –	\$ –
452	OPEB liability not in trust	\$ –	\$ –	\$ –
453	Unfunded severance and retirement levy	\$ –	\$ –	\$ –
459	Basic skills extended time	\$ –	\$ –	\$ –
467	Long-term facilities maintenance	\$ (2,124,983)	\$ (2,124,983)	\$ –
472	Medical Assistance	\$ –	\$ –	\$ –
473	PPP loans	\$ –	\$ –	\$ –
474	EIDL loans	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ –	\$ –	\$ –
475	Title VII – Impact Aid	\$ –	\$ –	\$ –
476	PILT	\$ –	\$ –	\$ –
Committed				
418	Committed for separation	\$ –	\$ –	\$ –
461	Committed fund balance	\$ –	\$ –	\$ –
Assigned				
462	Assigned fund balance	\$ 250,117	\$ 250,117	\$ –
Unassigned				
422	Unassigned fund balance	\$ 3,460,731	\$ 3,460,732	\$ (1)
Food Service				
Total revenue		\$ 5,609,978	\$ 5,609,978	\$ –
Total expenditures		\$ 4,484,589	\$ 4,484,589	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ 71,680	\$ 71,680	\$ –
Restricted				
452	OPEB liability not in trust	\$ –	\$ –	\$ –
474	EIDL loans	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ 1,069,468	\$ 1,069,468	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –
Community Service				
Total revenue		\$ 5,233,036	\$ 5,233,036	\$ –
Total expenditures		\$ 4,886,098	\$ 4,886,098	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
426	\$25 taconite	\$ –	\$ –	\$ –
431	Community education	\$ 883,688	\$ 883,689	\$ (1)
432	ECFE	\$ 233,990	\$ 233,990	\$ –
440	Teacher development and evaluation	\$ –	\$ –	\$ –
444	School readiness	\$ 161,315	\$ 161,315	\$ –
447	Adult basic education	\$ 499	\$ 499	\$ –
452	OPEB liability not in trust	\$ –	\$ –	\$ –
473	PPP loans	\$ –	\$ –	\$ –
474	EIDL loans	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ –	\$ –	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –

INDEPENDENT SCHOOL DISTRICT NO. 831

Uniform Financial Accounting and Reporting Standards
Compliance Table (continued)
June 30, 2022

		Audit	UFARS	Audit – UFARS
Building Construction				
Total revenue		\$ 1,152	\$ 1,152	\$ –
Total expenditures		\$ 3,299,766	\$ 3,299,765	\$ 1
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
407	Capital projects levy	\$ –	\$ –	\$ –
413	Projects funded by COP	\$ –	\$ –	\$ –
467	Long-term facilities maintenance	\$ (624,566)	\$ (624,565)	\$ (1)
464	Restricted fund balance	\$ –	\$ –	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –
Debt Service				
Total revenue		\$ 9,872,521	\$ 9,872,521	\$ –
Total expenditures		\$ 9,507,712	\$ 9,507,713	\$ (1)
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
425	Bond refundings	\$ –	\$ –	\$ –
433	Maximum effort loan	\$ –	\$ –	\$ –
451	QZAB payments	\$ –	\$ –	\$ –
467	Long-term facilities maintenance	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ 1,819,879	\$ 1,819,879	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –
Trust				
Total revenue		\$ –	\$ –	\$ –
Total expenditures		\$ –	\$ –	\$ –
401	Student activities	\$ –	\$ –	\$ –
402	Scholarships	\$ –	\$ –	\$ –
422	Net position	\$ –	\$ –	\$ –
Custodial Fund				
Total revenue		\$ –	\$ –	\$ –
Total expenditures		\$ –	\$ –	\$ –
401	Student activities	\$ –	\$ –	\$ –
402	Scholarships	\$ –	\$ –	\$ –
448	Achievement and integration	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ –	\$ –	\$ –
Internal Service				
Total revenue		\$ 10,726,933	\$ 10,726,934	\$ (1)
Total expenditures		\$ 13,666,525	\$ 13,666,525	\$ –
422	Net position	\$ (1,522,584)	\$ (1,522,584)	\$ –
OPEB Revocable Trust Fund				
Total revenue		\$ –	\$ –	\$ –
Total expenditures		\$ –	\$ –	\$ –
422	Net position	\$ –	\$ –	\$ –
OPEB Irrevocable Trust Fund				
Total revenue		\$ (32,412)	\$ (32,412)	\$ –
Total expenditures		\$ 750,250	\$ 750,250	\$ –
422	Net position	\$ 709,309	\$ 709,309	\$ –
OPEB Debt Service Fund				
Total revenue		\$ 535,741	\$ 535,741	\$ –
Total expenditures		\$ 528,600	\$ 528,600	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
425	Bond refundings	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ 113,069	\$ 113,069	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –

Note: Statutory restricted deficits, if any, are reported in unassigned fund balances in the financial statements in accordance with accounting principles generally accepted in the United States of America.

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