# INDEPENDENT AUDITOR'S REPORT

## INDEPENDENT SCHOOL DISTRICT NO. 403
## IVANHOE, MINNESOTA 56142

## FOR THE YEAR ENDING JUNE 30, 2022

Meulebroeck, Taubert & Co., PLLP
Certified Public Accountants
P.O. Box 707
Pipestone, Minnesota 56164

Independent School District No. 403
Ivanhoe, Minnesota

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Independent School District No. 403
Ivanhoe, Minnesota

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Independent School District No. 403
Ivanhoe, Minnesota

## BOARD OF EDUCATION AND ADMINISTRATIVE PERSONNEL
## JUNE 30, 2022

### BOARD OF EDUCATION

| | |
|---|---|
| Becky Paluch | Chairperson |
| Justin Jerzak | Vice-Chairperson |
| Dan Popowski | Treasurer |
| Stacy Kiley | Clerk |
| Matt Landrus | Director |
| Marty Rost | Director |

### ADMINISTRATIVE PERSONNEL

| | |
|---|---|
| Dan Deitte | Superintendent |
| Heather Anderson | Principal |
| SW/WC Service Cooperative | Business Manager |

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Daryl J. Kanthak, CPA
Blake R. Klinsing, CPA
Amy L. Mollberg, CPA

# INDEPENDENT AUDITOR'S REPORT

To The Board of Education
Independent School District No. 403
Ivanhoe Public Schools
Ivanhoe, Minnesota

## Report on the Audit of the Financial Statements

### Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Independent School District No. 403, Ivanhoe Public Schools, Ivanhoe, Minnesota, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Independent School District No. 403, Ivanhoe Public Schools, Ivanhoe, Minnesota as of June 30, 2022, and the respective changes in financial position, and the respective budgetary comparison for General Fund and Major Special Revenue Funds (Food Service Fund, Community Service Fund, and Debt Service Fund), for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Governmental 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 Independent School District No. 403, Ivanhoe Public Schools, Ivanhoe, Minnesota, 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.



MEMBER OF AMERICAN INSTITUTE AND
MINNESOTA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financials 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 Independent School District No. 403, Ivanhoe, Minnesota's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter

***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 Independent School District No. 403, Ivanhoe Schools, Ivanhoe, Minnesota'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 Independent School District 403, Ivanhoe Schools, Ivanhoe, Minnesota'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.

The Financial statements include partial prior-year comparative information, which does not include all of the information required in a presentation in conformity with accounting principles generally accepted in the United States of America. The prior year partial comparative information has been derived from the District's financial statements for the year ended June 30, 2021, and in our report dated September 16, 2021, we expressed unqualified opinions on the respective financial statements of the governmental activities and each major fund. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2021, from which it was derived.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Required Supplementary Information other than MD&A 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 Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Independent School District No. 403, Ivanhoe Public Schools, Ivanhoe, Minnesota's basic financial statements. The accompanying combining and individual fund statements and Uniform Financial Accounting and Reporting Standards Compliance Table are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2022, on our consideration of the Independent School District No. 403's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Independent School District No. 403's internal control over financial reporting and compliance.

Meulebroeck, Taubert Co., PLLP
Certified Public Accountants
Pipestone, Minnesota

September 13, 2022

Independent School District No. 403
Ivanhoe, Minnesota

## MANAGEMENT'S DISCUSSION AND ANALYSIS
## FISCAL YEAR ENDED JUNE 30, 2022

This section of the Independent School District No. 403's annual financial report presents management's discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2022. Please read it in conjunction with the other components of the District's annual financial report.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 --*Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments* issued in June 1999. Certain comparative information between the current year (2022) and the prior year (2021) is required to be presented in MD&A.

### Financial Highlights

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

- Net position increased by $79,644, or 3.6% over June 30, 2021 due primarily to the GASB 68 adjustment for PERA and TRA pension.
- Total governmental revenues decreased by $4,899 or .2% in comparison to fiscal year 2021, while expenditures increased by $78,661 or 2.9% in comparison to fiscal year 2021.
- Fund Balance decreased by $110,675 over June 30, 2021.

### Overview of the Financial Statements

The financial section of the annual report consists of four parts -- Independent Auditor's Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include District-wide financial statements and fund financial statements and the notes to the financial statements.

District-Wide Statements

The District-wide statements (statement of net assets 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 assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's net position and how they have changed. Net position -- the difference between the District's assets and liabilities -- is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. You also need to consider other nonfinancial factors, however, such as changes in the District's property tax base, pupil enrollment, and the condition of school facilities.

Fund Financial Statements

The fund financial statements include more detailed information about a District's individual funds. The District maintains the following funds:

Governmental Funds - The District's services are included in this type of fund, which generally focuses on 1) how cash and other financial assets that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds 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 activities. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information (reconciliation schedules) immediately following the governmental funds statements that explain the relationship (or differences) between these two types of financial statement presentations.

**Financial Analysis of the District As A Whole/Financial Analysis of the District's Funds (District-Wide Statements)**

As noted, net position may serve over time as a useful indicator of a government's financial position. In the case of the Independent School District No. 403, liabilities exceeded assets by $2,163,366 at the close of the most recent fiscal year. This was an increase of $79,644 or 3.6% from the previous year total of $2,243,010.

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

**Table 1**
**Statement of Net Position**
**As of June 30, 2022**

| | 2022 | 2021 |
|---|---|---|
| **Assets** | | |
| Current and other assets | 1,768,893 | 1,839,930 |
| Capital assets, net of depreciation | 4,622,896 | 5,148,101 |
| **Total Assets** | 6,391,789 | 6,988,031 |
| **Deferred Outflows of Resources** | | |
| Related to Pensions | 235,898 | 304,427 |
| **Total Assets and Deferred Outflows of Resources** | 6,627,687 | 7,292,458 |
| **Liabilities** | | |
| Current and other liabilities | 765,554 | 696,465 |
| Long-term liabilities | 6,322,008 | 7,183,776 |
| **Total Liabilities** | 7,087,562 | 7,880,241 |
| **Deferred Inflows of Resources** | | |
| Property Taxes Levied for Subsequent Year | 991,786 | 996,038 |
| Related to Pensions | 711,705 | 659,189 |
| **Total Deferred Inflows of Resources** | 1,703,491 | 1,655,227 |
| **Net Position** | | |
| Invested in capital assets, net of related debt | (1,891,038) | (1,959,038) |
| Restricted | 385,245 | 447,954 |
| Unrestricted | (657,573) | (731,926) |
| **Net Position** | (2,163,366) | (2,243,010) |
| **Total Liabilities and Net Position** | 6,627,687 | 7,292,458 |

Independent School District No. 403
Ivanhoe, Minnesota

The District's financial position is the product of numerous factors. Therefore, it is important to view the net position balance as a starting point to evaluate future years' results, rather than to just focus on the current balance.

Table 2 presents a condensed version of the change in net assets of the District.

**Table 2**
**Change in Net Position**
**For the year ended June 30, 2022**

| | 2022 | 2021 |
|---|---|---|
| **Revenues** | | |
| Program Revenues | | |
| Charges for Services | 27,526 | 24,146 |
| Operating Grants and Contributions | 260,317 | 277,491 |
| General Revenues | | |
| Property Taxes | 734,405 | 728,907 |
| Unrestricted Federal and State Aid | 1,476,778 | 1,517,377 |
| Other | 100,893 | 59,112 |
| **Total revenues** | 2,599,026 | 2,607,033 |
| **Expenses** | | |
| District and School Administration | 35,559 | 34,545 |
| District Support Services | 121,209 | 124,807 |
| Regular Instruction | 683,462 | 858,087 |
| Exceptional Instruction | 157,083 | 162,801 |
| Instructional Support Services | 52,042 | 51,384 |
| Pupil Support Services | 283,798 | 193,778 |
| Site, Buildings, and Equipment | 773,956 | 753,987 |
| Fiscal and Other Fixed Cost Programs | 20,947 | 18,788 |
| Food Service | 94,568 | 71,437 |
| Community Service | 126,586 | 101,188 |
| Interest and Fiscal Charges on Long-term Liabilities | 171,065 | 180,145 |
| **Total expenses** | 2,520,275 | 2,550,947 |
| **Change in Net Position** | 79,644 | 56,086 |
| Beginning net position, | (2,243,010) | (2,299,096) |
| Ending net position | (2,163,366) | (2,243,010) |

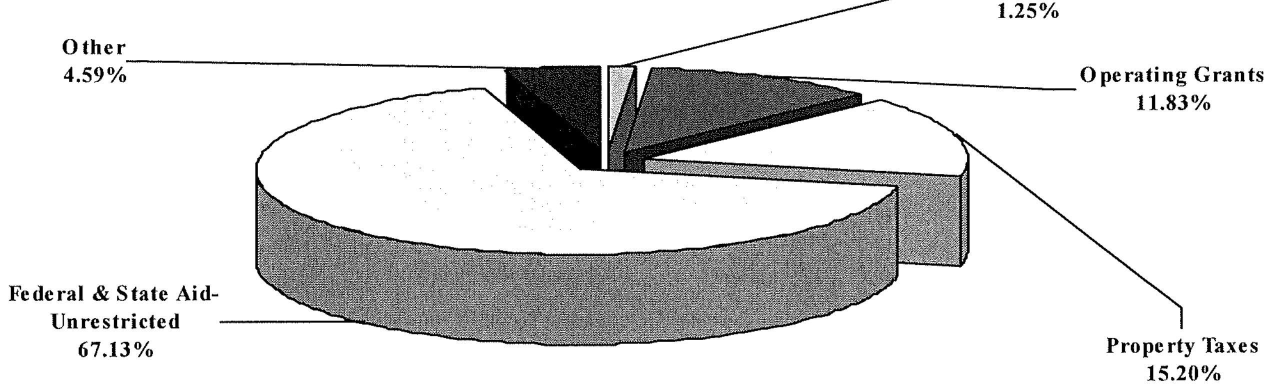
The district's total revenue consisted of program revenues of $287,843, property taxes of $734,405, federal and state aid not restricted to specific purposes of $1,476,778, and other revenues of $100,893.

The cost of all governmental activities this year was $2,520,275.

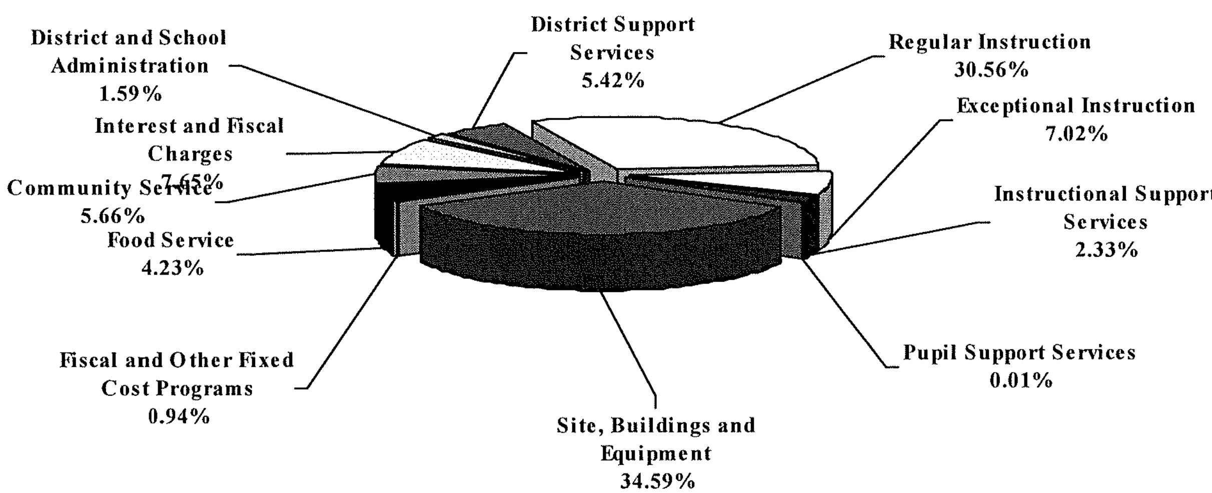
- The users of the district programs paid for $27,526 or 1.1% of the total costs.
- Operating grants and contributions consisting of federal and state aids restricted for specific purposes and donations totaled $260,317 or 10.33% of total costs.
- The state government subsidized certain programs with aid not restricted for specific purposes. This totaled $1,476,778 or 58.60% of total costs.

Figure A and Figure B show further analysis of these revenue sources and expenditure functions.

## Figure A - Sources of Revenues for Fiscal Year 2022




## Figure B - Expenses for Fiscal Year 2022



## Financial Analysis of the District's Funds (Fund Financial Statements)

### Fund Balance

The financial performance of the district as a whole is reflected in its governmental funds as well. As the district completed the year, the governmental funds reported a combined fund balance of $621,236 which is a decrease of $110,675 over the prior year fund balance of $731,911. The General Fund had a decrease of $79,218. The Food Service Fund had a decrease of $5,729. The Community Service Fund had a decrease of $28,576. The Debt Service Fund had an increase of $2,848.

### Revenues and Expenditures/Expenses

Revenues of the district's governmental funds totaled $2,604,436 while total expenditures were $2,715,111. A summary of the revenues and expenditures reported on the governmental financial statements is as follows:

| | Revenue | Expenditures | Other Financing Sources (Uses) | Fund Balance Increase (Decrease) |
|---|---|---|---|---|
| General Fund | 1,673,674 | 1,752,892 | | (79,218) |
| Food Service Fund | 88,839 | 94,568 | | (5,729) |
| Community Service Fund | 98,010 | 126,586 | | (28,576) |
| Debt Service Fund | 743,913 | 741,065 | | 2,848 |
| Total | 2,604,436 | 2,715,111 | -0- | (110,675) |

### General Fund Budgetary Analysis

The District is required to adopt an operating budget prior to the beginning of its fiscal year, referred to as the original budget. During the year, the District might amend that budget for known changes in circumstances such as legislative funding. During fiscal year 2022, the District revised the budget. The district's revised budget anticipated that expenditures would exceed revenues and other financing sources (uses) by $132,165. The actual results for the year showed expenditures exceeding revenues by $79,218.

- Actual general fund revenues were over budget by $102,107 primarily due to differences in state aids.
- Actual general fund expenditures were over budget by $49,160 primarily due to under budgeting expenditures for salaries, benefits.

## Capital Assets

During fiscal year 2022, a snapper mower and smart board mobile cart were purchased.

Table 3 shows the District's capital assets, together with changes from the previous year. The table also shows the total depreciation expense for fiscal year ending June 30, 2022.

**Table 3**
**Capital Assets**

| | 2022 | 2021 | Increase (Decrease) |
|---|---|---|---|
| Land | 9,694 | 9,694 | |
| Land Improvements | 10,089,280 | 10,089,080 | |
| Buildings and Improvements | 1,165,086 | 1,177,886 | (12,800) |
| Equipment | 307,721 | 303,249 | 4,472 |
| Less: Accumulated Depreciation | (6,948,685) | (6,431,808) | (516,877) |
| Total | 4,622,896 | 5,148,101 | (525,205) |
| Depreciation Expense | 532,458 | 532,968 | (510) |

## Long-Term Liabilities

In fiscal year 2022, the District had General Obligation Judgment Bonds of 2014 with an outstanding balance of $465,000 and General Obligation Refunding School Building Bonds of 2016 with an outstanding balance of $5,990,000. The District has an outstanding Capital Lease obligation of $58,934 for building heating equipment. Pension benefits payable decreased by $247,881. Pension benefits payable totaled $421,961 at June 30, 2022. More detailed information about the district’s long-term liabilities is presented in Note 7.

## Factors Bearing on the District's Future

With the exception of voter-approved excess operating referendum, the District is dependent on the State of Minnesota for the vast majority of its funding. Recent experience shows that legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation.

## Contacting the District's Management

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Independent School District No. 403 at 421 N. Rebecca St., Ivanhoe, Minnesota 56136.

## STATEMENT OF NET POSITION
## JUNE 30, 2022

| | 2022 | 2021 |
|---|---|---|
| **Assets** | | |
| Cash and Investments | 1,101,755 | 1,085,499 |
| Receivables: | | |
| Property Taxes | 576,258 | 586,783 |
| Governmental Units | 42,542 | 136,962 |
| Other | 40,947 | 25,111 |
| Inventory | 4,035 | 5,453 |
| Prepaid Items | 3,356 | 122 |
| Capital Assets: | | |
| Non-Depreciable | 9,694 | 9,694 |
| Depreciable - net of accumulated depreciation | 4,613,202 | 5,138,407 |
| **Total Assets** | 6,391,789 | 6,988,031 |
| **Deferred Outflows of Resources** | | |
| Related to Pensions | 235,898 | 304,427 |
| **Total Assets and Deferred Outflows of Resources** | 6,627,687 | 7,292,458 |
| **Liabilities** | | |
| Accounts Payable | 19,067 | 15,588 |
| Salaries Payable | 51,619 | 54,646 |
| Due to Other Governmental Units | 49,769 | 4,085 |
| Payroll Deductions | 31,212 | 28,941 |
| Long-term Liabilities: | | |
| Portion Due Within One Year | 613,887 | 593,205 |
| Portion Due in More Than One Year | 5,900,047 | 6,513,934 |
| Pension Benefit Payable | 421,961 | 669,842 |
| **Total Liabilities** | 7,087,562 | 7,880,241 |
| **Deferred Inflows of Resources** | | |
| Property Taxes Levied for Subsequent Year | 991,786 | 996,038 |
| Related to Pensions | 711,705 | 659,189 |
| **Total Deferred Inflows of Resources** | 1,703,491 | 1,655,227 |
| **Net Position** | | |
| Invested in Capital Assets, Net of Related Debt | (1,891,038) | (1,959,038) |
| Restricted for: | | |
| General Fund State Mandated Purposes | 72,692 | 103,944 |
| Food Service | 17,294 | 23,023 |
| Community Service | 46,985 | 75,561 |
| Debt Service | 248,274 | 245,426 |
| Unrestricted | (657,573) | (731,926) |
| **Total Net Position** | (2,163,366) | (2,243,010) |
| **Total Liabilities, Deferred Inflows of Resources and Net Position** | 6,627,687 | 7,292,458 |

See accompanying notes to the financial statements.

Independent School District No. 403
Ivanhoe, Minnesota

Exhibit B

## STATEMENT OF ACTIVITIES
## FOR THE YEAR ENDED JUNE 30, 2022

| Functions | Expenses | Program Revenues: Charges For Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Position: Total Government Activities 2022 | Net (Expense) Revenue and Changes in Net Position: Total Government Activities 2021 |
|---|---|---|---|---|---|---|
| Governmental Activities | | | | | | |
| District and School Administration | 35,559 | | | | (35,559) | (34,545) |
| District Support Services | 121,209 | | | | (121,209) | (124,807) |
| Regular Instruction | 683,462 | | 94,817 | | (588,645) | (740,494) |
| Exceptional Instruction | 157,083 | | 61,467 | | (95,616) | (102,820) |
| Instructional Support Services | 52,042 | | | | (52,042) | (51,384) |
| Pupil Support Services | 283,798 | | | | (283,798) | (193,778) |
| Site, Buildings and Equipment | 773,956 | | | | (773,956) | (753,987) |
| Fiscal and Other Fixed Cost Program | 20,947 | | | | (20,947) | (18,788) |
| Food Service | 94,568 | 2,630 | 86,190 | | (5,748) | 14,392 |
| Community Service | 126,586 | 24,896 | 17,843 | | (83,847) | (62,954) |
| Interest and Fiscal Charges on Long-term Liabilities | 171,065 | | | | (171,065) | (180,145) |
| Total | 2,520,275 | 27,526 | 260,317 | -0- | (2,232,432) | (2,249,310) |

| | 2022 | 2021 |
|---|---|---|
| **General Revenues** | | |
| Property Taxes Levied for: | | |
| General Purposes | 266,882 | 299,388 |
| Community Service | 22,743 | 21,398 |
| Debt Service | 444,780 | 408,121 |
| Federal and State Aid Not Restricted to Specific Purposes | 1,476,778 | 1,517,377 |
| Earnings on Investments | 1,304 | 573 |
| Miscellaneous | 99,589 | 58,539 |
| Total General Revenues | 2,312,076 | 2,305,396 |
| Change in Net Position | 79,644 | 56,086 |
| Net Position - Beginning | (2,243,010) | (2,299,096) |
| Net Position - Ending | (2,163,366) | (2,243,010) |

See accompanying notes to the financial statements.

# BALANCE SHEET
## GOVERNMENTAL FUNDS
## JUNE 30, 2022

| | Major Funds | | | | Total Governmental Funds | |
|---|---|---|---|---|---|---|
| **Assets** | **General** | **Food Service** | **Community Service** | **Debt Service** | **2022** | **2021** |
| Cash and Investments | 555,263 | 13,288 | 71,166 | 462,038 | 1,101,755 | 1,085,499 |
| Current Property Taxes Receivable | 98,707 | | 7,350 | 465,997 | 572,054 | 578,062 |
| Delinquent Property Taxes Receivable | 2,605 | | 71 | 1,528 | 4,204 | 8,721 |
| Accounts Receivable | 31,210 | | 200 | | 31,410 | 2,691 |
| Due From Department of Education | 10,904 | | 1,784 | 29,854 | 42,542 | 136,962 |
| Due From Other Minnesota School Districts | 4,998 | | | | 4,998 | 15,114 |
| Due From Federal Government | | 4,539 | | | 4,539 | 7,306 |
| Inventory | | 4,035 | | | 4,035 | 5,453 |
| Prepaid Items | 3,356 | | | | 3,356 | 122 |
| Total Assets | 707,043 | 21,862 | 80,571 | 959,417 | 1,768,893 | 1,839,930 |
| **Liabilities, Deferred Inflows of Resources and Fund Balances** | | | | | | |
| Liabilities | | | | | | |
| Accounts Payable | 18,150 | | 917 | | 19,067 | 15,588 |
| Salaries Payable | 34,062 | 4,568 | 12,989 | | 51,619 | 54,646 |
| Due to Department of Education | 16,986 | | | | 16,986 | |
| Due to Other Governmental Units | 20 | | | | 20 | 21 |
| Due to Other Minnesota School Districts | 32,763 | | | | 32,763 | 4,064 |
| Payroll Deductions | 31,212 | | | | 31,212 | 28,941 |
| Total Liabilities | 133,193 | 4,568 | 13,906 | -0- | 151,667 | 103,260 |
| Deferred Inflows of Resources | | | | | | |
| Unearned Revenue-Delinquent Taxes | 2,605 | | 71 | 1,528 | 4,204 | 8,721 |
| Property Taxes Levied for Subsequent Years | 262,562 | | 19,609 | 709,615 | 991,786 | 996,038 |
| Total Deferred Inflows of Resources | 265,167 | -0- | 19,680 | 711,143 | 995,990 | 1,004,759 |
| Fund Balance | | | | | | |
| Fund Balance-Nonspendable | 3,356 | 4,035 | | | 7,391 | 5,575 |
| Fund Balance-Restricted | 69,336 | 13,259 | 46,985 | 248,274 | 377,854 | 442,379 |
| Fund Balance-Unassigned | 235,991 | | | | 235,991 | 283,957 |
| Total Fund Balance | 308,683 | 17,294 | 46,985 | 248,274 | 621,236 | 731,911 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | 707,043 | 21,862 | 80,571 | 959,417 | 1,768,893 | 1,839,930 |

See accompanying notes to the financial statements.

## RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2022

| | 2022 | | 2021 | |
|---|---|---|---|---|
| Total Governmental Fund Balances | | 621,236 | | 731,911 |
| Amounts reported in Governmental Activities in The Statement of Net Position is Different Because: | | | | |
| Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds | | | | |
| Cost of Capital Assets | 11,571,581 | | 11,579,909 | |
| Less: Accumulated Depreciation | (6,948,685) | 4,622,896 | (6,431,808) | 5,148,101 |
| Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue. | | 4,204 | | 8,721 |
| Deferred outflows and invlows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds. | | | | |
| Deferred Outflows of Resources related to Pensions | 235,898 | | 304,427 | |
| Deferred Inflows of Resources related to Pensions | (711,705) | (475,807) | (659,189) | (354,762) |
| Long-term liabilities that pertain to governmental funds are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term are reported in the statement of assets. Balances at year-end are: | | | | |
| Capital Lease | (58,934) | | (82,139) | |
| Bonds Payable | (6,455,000) | | (7,025,000) | |
| Pension Benefits Payable | (421,961) | (6,935,895) | (669,842) | (7,776,981) |
| Net Position of Governmental Activities | | (2,163,366) | | (2,243,010) |

See accompanying notes to the financial statements.

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
## GOVERNMENTAL FUNDS
## FOR THE YEAR ENDED JUNE 30, 2022

| | Major Funds | | | | Total Governmental Funds | |
|---|---|---|---|---|---|---|
| **Revenues** | General | Food Service | Community Service | Debt Service | 2022 | 2021 |
| Local Property Tax Levies | 271,399 | | 22,743 | 444,780 | 738,922 | 731,209 |
| Other Local and County Revenues | 67,357 | 19 | 57,424 | 597 | 125,397 | 77,454 |
| Revenue from State Sources | 1,227,904 | 3,232 | 17,843 | 298,536 | 1,547,515 | 1,618,283 |
| Revenue from Federal Sources | 106,622 | 82,958 | | | 189,580 | 176,585 |
| Other | 392 | 2,630 | | | 3,022 | 5,804 |
| Total Revenues | 1,673,674 | 88,839 | 98,010 | 743,913 | 2,604,436 | 2,609,335 |
| **Expenditures** | | | | | | |
| District and School Administration | 35,559 | | | | 35,559 | 34,545 |
| District Support Services | 121,209 | | | | 121,209 | 124,807 |
| Regular Instruction | 806,569 | | | | 806,569 | 890,210 |
| Exceptional Instruction | 157,083 | | | | 157,083 | 162,801 |
| Community Education and Services | | | 126,586 | | 126,586 | 101,053 |
| Instructional Support Services | 52,042 | | | | 52,042 | 51,384 |
| Pupil Support Services | 283,798 | 94,568 | | | 378,366 | 265,215 |
| Site, Buildings and Equipment | 275,685 | | | | 275,685 | 247,502 |
| Fiscal and Other Fixed Cost Programs | 20,947 | | | 741,065 | 762,012 | 758,933 |
| Total Expenditures | 1,752,892 | 94,568 | 126,586 | 741,065 | 2,715,111 | 2,636,450 |
| Excess Revenues (Expenditures) Before Other Fincancing Sources (Uses) | (79,218) | (5,729) | (28,576) | 2,848 | (110,675) | (27,115) |
| **Other Financing Sources (Uses)** | | | | | | |
| Transfer In | | | | | | 125,843 |
| Transfer Out | | | | | | (125,843) |
| Total Other Financing Sources (Uses) | -0- | -0- | -0- | -0- | -0- | -0- |
| Net Change in Fund Balance | (79,218) | (5,729) | (28,576) | 2,848 | (110,675) | (27,115) |
| Fund Balance-Beginning | 387,901 | 23,023 | 75,561 | 245,426 | 731,911 | 759,026 |
| Fund Balance-Ending | 308,683 | 17,294 | 46,985 | 248,274 | 621,236 | 731,911 |

See accompanying notes to the financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2022**

| | 2022 | | 2021 | |
|---|---|---|---|---|
| Net Change in Governmental Fund Balances | | (110,675) | | (27,115) |
| Amounts reported for the governmental activities in the statement of activities are different because: | | | | |
| Governmental funds report capital outlays as expenditures, however, in the statement of activities, assets with an initial, individual cost of more than $2,000.00 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period | | | | |
| Capital Outlay | 14,079 | | | |
| Disposal of Assets | (6,826) | | | |
| Depreciation Expense | (532,458) | (525,205) | (532,968) | (532,968) |
| Governmental funds report long-term debt proceeds as financing sources, while repayment of long-term debt principal is reported as an expenditure. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activiites and repayment of principal reduces the liability. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activiites, however, interest expense is recognized as it accrues. The net effect of these differences is as follows: | | | | |
| Capital Lease Payments | 23,205 | | 22,543 | |
| Bond Payments | 570,000 | 593,205 | 560,000 | 582,543 |
| Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for current period's expenditures, are therefore deferred in the funds. | | (4,517) | | (2,302) |
| In the statement of activities, severance and retirement benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). | | (121,045) | | 138,801 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | | | | |
| Change in Pension Benefits | | 247,881 | | (102,873) |
| Change in Net Position of Governmental Activities | | 79,644 | | 56,086 |

See accompanying notes to the financial statements.

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
## BUDGET AND ACTUAL
## GENERAL FUND
## FOR THE YEAR ENDED JUNE 30, 2022

| | Budgeted Amounts | | Actual | Variance With |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| **Revenues** | | | | |
| Local Property Tax Levies | 283,428 | 272,273 | 271,399 | (874) |
| Other Local and County Revenues | 22,374 | 43,007 | 67,357 | 24,350 |
| Revenue from State Sources | 1,258,222 | 1,197,983 | 1,227,904 | 29,921 |
| Revenue from Federal Sources | 41,093 | 57,904 | 106,622 | 48,718 |
| Other | 600 | 400 | 392 | (8) |
| Total Revenues | 1,605,717 | 1,571,567 | 1,673,674 | 102,107 |
| **Expenditures** | | | | |
| District and School Administration | 108,135 | 35,827 | 35,559 | 268 |
| District Support Services | 84,899 | 111,756 | 121,209 | (9,453) |
| Regular Instruction | 799,238 | 829,169 | 806,569 | 22,600 |
| Exceptional Instruction | 172,088 | 186,347 | 157,083 | 29,264 |
| Instructional Support Services | 33,863 | 28,764 | 52,042 | (23,278) |
| Pupil Support Services | 196,834 | 241,121 | 283,798 | (42,677) |
| Site, Building and Equipment | 193,234 | 247,963 | 275,685 | (27,722) |
| Fiscal and Other Fixed Cost Programs | 22,785 | 22,785 | 20,947 | 1,838 |
| Total Expenditures | 1,611,076 | 1,703,732 | 1,752,892 | (49,160) |
| Excess Revenues (Expenditures) | (5,359) | (132,165) | (79,218) | 52,947 |
| Fund Balance-Beginning | | | 387,901 | |
| Fund Balance-Ending | | | 308,683 | |

See accompanying notes to the financial statements.

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
## BUDGET AND ACTUAL
## MAJOR FOOD SERVICE FUND
## FOR THE YEAR ENDED JUNE 30, 2022

| | Budgeted Amounts | | Actual | Variance With |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| **Revenues** | | | | |
| Total Local and County Revenues | | | 19 | 19 |
| Revenue from State Sources | 4,350 | 1,681 | 3,232 | 1,551 |
| Revenue from Federal Sources | 28,567 | 61,899 | 82,958 | 21,059 |
| Other | 33,984 | 3,420 | 2,630 | (790) |
| Total Revenues | 66,901 | 67,000 | 88,839 | 21,839 |
| **Expenditures** | | | | |
| Pupil Support Services | 66,901 | 85,677 | 94,568 | (8,891) |
| Total Expenditures | 66,901 | 85,677 | 94,568 | (8,891) |
| Excess Revenues (Expenditures) | -0- | (18,677) | (5,729) | 12,948 |
| Fund Balance-Beginning | | | 23,023 | |
| Fund Balance-Ending | | | 17,294 | |

See accompanying notes to the financial statements.

# STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
## BUDGET AND ACTUAL
## MAJOR COMMUNITY SERVICE FUND
## FOR THE YEAR ENDED JUNE 30, 2022

| | Budgeted Amounts | | Actual | Variance With |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| **Revenues** | | | | |
| Local Property Tax Levies | 27,631 | 22,637 | 22,743 | 106 |
| Other Local and County Revenues | 23,990 | 33,345 | 57,424 | 24,079 |
| Revenue from State Sources | 19,417 | 18,159 | 17,843 | (316) |
| Total Revenues | 71,038 | 74,141 | 98,010 | 23,869 |
| **Expenditures** | | | | |
| Community Education and Services | 106,596 | 107,661 | 126,586 | (18,925) |
| Total Expenditures | 106,596 | 107,661 | 126,586 | (18,925) |
| Excess Revenues (Expenditures) | (35,558) | (33,520) | (28,576) | 4,944 |
| Fund Balance-Beginning | | | 75,561 | |
| Fund Balance-Ending | | | 46,985 | |

See accompanying notes to the financial statements.

# STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
## BUDGET AND ACTUAL
## MAJOR DEBT SERVICE FUND
## FOR THE YEAR ENDED JUNE 30, 2022

| | Budgeted Amounts | | Actual | Variance With |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| **Revenues** | | | | |
| Local Property Tax Levies | 443,993 | 441,418 | 444,780 | 3,362 |
| Other Local and County Revenues | | 250 | 597 | 347 |
| Revenue from State Sources | 264,200 | 308,965 | 298,536 | (10,429) |
| Total Revenues | 708,193 | 750,633 | 743,913 | (6,720) |
| **Expenditures** | | | | |
| Fiscal and Other Fixed Cost Programs | 648,673 | 741,065 | 741,065 | |
| Total Expenditures | 648,673 | 741,065 | 741,065 | -0- |
| Net Change in Fund Balance | 59,520 | 9,568 | 2,848 | (6,720) |
| Fund Balance-Beginning | | | 245,426 | |
| Fund Balance-Ending | | | 248,274 | |

See accompanying notes to the financial statements.

# STATEMENT OF FIDUCIARY ASSETS
## EXPENDABLE TRUST FUND
## JUNE 30, 2022

| | 2022 | 2021 |
|---|---|---|
| **Assets** | | |
| Cash and Investments | 3,328 | 3,327 |
| **Total Assets** | 3,328 | 3,327 |
| **Net Position** | | |
| Reserved for Scholarships | 3,328 | 3,327 |
| **Total Net Position** | 3,328 | 3,327 |

See accompanying notes to the financial statements.

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
## EXPENDABLE TRUST FUND
## FOR THE YEAR ENDED JUNE 30, 2022

| | 2022 | 2021 |
|---|---|---|
| **Additions** | | |
| Interest Income | 1 | 3 |
| Total Additions | 1 | 3 |
| **Deductions** | | |
| Scholarships | | 200 |
| Change in Net Position | 1 | (197) |
| Net Position - Beginning of Year | 3,327 | 3,524 |
| Net Position - End of Year | 3,328 | 3,327 |

See accompanying notes to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS
## JUNE 30, 2022

## Note 1 Summary of Significant Accounting Policies

### A. Basis of Presentation

The financial statements of Independent School District No. 403 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) 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. Financial Reporting Entity

Independent School District 403, Ivanhoe, was formed and operates pursuant to applicable Minnesota laws and statutes. The Ivanhoe District operates under an elected six-member Board of Education form of government. The Board has control over all activities related to the public-school education in the Ivanhoe District.

As required by generally accepted accounting principles, these financial statements present the District and its component units, entities for which the government is considered to be financially accountable.

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 include 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. Basic Financial Statement Presentation

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

**NOTES TO THE FINANCIAL STATEMENTS**
**JUNE 30, 2022**

**Note 1 Summary of Significant Accounting Policies - continued**

**C. Basic Financial Statement Presentation- continued**

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

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

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

Proprietary funds are used to report business-type activities carried on by a school district. No activities of the District were determined to be of this nature, so no proprietary funds are present in the financial statements.

**D. Basis of Accounting and Measurement Focus**

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

**NOTES TO THE FINANCIAL STATEMENTS**
**JUNE 30, 2022**

**Note 1 Summary of Significant Accounting Policies - continued**

**D. Basis of Accounting and Measurement Focus - continued**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measureable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes are considered to be available if collected within 60 days of fiscal year-end. Federal revenue is recorded in the year in which the related expenditure is made. State revenue is recognized in the year to which it applies according to Minnesota Statutes and U.S. generally accepted accounting principles. Other miscellaneous revenues (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measureable and available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

All major revenues are susceptible to accrual. Property tax revenues for all funds, which are payable by property owners on a calendar-year basis, are recognized as revenues in the fiscal years for which they apply according to Minnesota Statutes. Federal revenues are recorded in the year in which the related expenditure is made. If the amounts of Minnesota or federal revenues cannot be reasonably estimated or realization is not assured, they are not recorded as revenue in the current year.

The District reports unavailable revenue on its balance sheet. Unavailable revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unavailable revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurring qualified expenditures. In subsequent periods, when both revenue recognition criteria are met or when the District has a legal claim to the resources, the liability for unavailable revenue is removed and revenue is recognized.

Fiduciary funds are accounted for on a flow economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the period for which they are incurred and become measurable.

**Description of Funds**

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

**NOTES TO THE FINANCIAL STATEMENTS**
**JUNE 30, 2022**

**Note 1 Summary of Significant Accounting Policies - continued**

**D. Basis of Accounting and Measurement Focus - continued**

**Governmental Funds**

**General Fund**

The General Fund includes all financial transactions relating to the administration, instruction, maintenance, transportation, and capital expenditures of the District which are not accounted for in other funds.

**Special Revenue Funds**

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted for expenditures for specified purposes. These funds include the Food Service and Community Service funds.

The Food Service fund is used to account for food service revenues and expenditures.

The Community Service 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.

**Debt Service Fund**

Debt Service Funds account for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs.

**Fiduciary Funds**

**Expendable Trust Fund**

The Expendable Trust Fund is used to account for the activity associated with the payment of an annual scholarship.

**E. Budgets and Budgetary Accounting**

The budgeted amounts included in the statement of revenues and expenditures were accounted for and presented on the same basis and using the same accounting practices as are used to account and prepare financial reports for the funds. Budgets presented in this report for comparison to actual amounts are presented in accordance with generally accepted accounting principles. The budgets are prepared by the school personnel and approved by the school board. Encumbrances are not considered in the budget process nor in the regular district accounting.

Once a budget is approved, it can be amended by school personnel with approval by the school board. Amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law. Individual amendments were not material in relation to the original appropriations. All budget appropriations lapse at year-end.

# NOTES TO THE FINANCIAL STATEMENTS
## JUNE 30, 2022

**Note 1 Summary of Significant Accounting Policies - continued**

**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.

Short-term, highly liquid debt instruments (including commercial paper, bankers' acceptances, and U.S. Treasury and agency obligations) purchased with a remaining maturity of one year or less are reported at amortized cost. Other investments are reported at fair value.

The school District uses the average cash balance method of allocating investment income to the various funds.

**G. Accounts Receivable**

Represents amounts receivable from individuals, firms, and corporations for goods and services furnished by the District. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary.

**H. Inventories**

Inventories consist of expendable supplies held for consumption and are stated at moving, weighted average cost. Inventory of the General Fund is recorded as expenditure when items are issued from central stores. Accordingly, inventory items on hand at the school are not included in inventory. Inventory of the Food Service Fund is recorded as expenditure when items are used. United States Department of Agriculture (USDA) commodities received are recorded at cost determined using the USDA standard price list and are included in the Food Service Fund inventory when received. Revenue is recognized and the expenditure is recorded when commodities are used.

**I. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments. Prepaid items are reported using the consumption method and recorded as expenditure at the time of consumption.

**J. Property Tax Recognition**

The levy certification is made in December of each year. The tax levy is collectible as of January 2nd of the following year and the taxes are due to the county treasurer in May and October of each year. The taxes levied during the fall of the year are recognized in the subsequent fiscal year for the school district.

## NOTES TO THE FINANCIAL STATEMENTS
## JUNE 30, 2022

**Note 1 Summary of Significant Accounting Policies - continued**

**J. Property Tax Recognition - continued**

Current taxes receivable includes the amount of Homestead Market Value Credit Aid and Disparity Reduction Aid to be received after July 1, 2022, and will be recognized as revenue during the fiscal year ending June 30, 2023. The delinquent taxes receivable are reserved as 100% uncollectible except for the amount received during the first sixty days of the subsequent fiscal year.

**K. Capital Assets**

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded at their estimated fair market value at the date of donation. The District defines capital assets as those with an initial, individual cost of $2,000 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.

Capital assets are recorded in the district-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are 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 improvements, and 5 to 20 years for equipment and vehicles. Land is not depreciated.

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

**L. Long-Term Obligations**

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs, if material, are also reported as deferred charges and amortized over the term of the related debt.

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

**NOTES TO THE FINANCIAL STATEMENTS**
**JUNE 30, 2022**

**Note 1 Summary of Significant Accounting Policies - continued**

**M. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. The District has only one item that qualifies for reporting in this category, "Related to Pensions".

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only two types, Property Taxes Levied for Subsequent Years and Related to Pensions, which arise only under a modified accrual basis of accounting, that qualify for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

**N. Fund Equity**

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The following are the five fund balance categories used by the District:

Non-Spendable Fund Balance
Fund balance amounts that are not in a spendable form or are legally or contractually required to be maintained intact.

Restricted Fund Balance
Fund balance amounts that can be spent only for specific purposes imposed by laws or regulations, external resource providers, constitutional provisions or enabling legislation.

Committed Fund Balance
Fund balance amounts that can be used only for the specific purpose determined by a formal action of the government's highest level of decision-making authority.

The District's highest level of decision-making authority is the district school board. In order to establish, modify or rescind a committed fund balance amount, the school board would need to approve the action at a school board meeting.

# NOTES TO THE FINANCIAL STATEMENTS
## JUNE 30, 2022

**Note 1 Summary of Significant Accounting Policies - continued**

**N. Fund Equity- continued**

Assigned Fund Balance

Fund balance amounts that are intended to be used by the government for a specific purpose, but do not meet the criteria to be classified as restricted or committed.

The District school board has delegated the authority to assign fund balance amounts to the business manager and/or superintendent. Assigned amounts or changes to assigned amounts are presented to the school board for review.

Unassigned Fund Balance

Fund balance amounts that are available for any purpose. These amounts represent the remaining fund balance in the General Fund that has not been classified as non-spendable, restricted, committed or assigned. Also, for funds other than the general fund, unassigned fund balance is used to report a deficit fund balance.

The school district will strive to maintain a fund balance of between 25% and 34% of total operating expenditures to fund balance. The fund balance shall be defined as the sum of the restricted, committed, assigned and unassigned fund balances in the General Fund, Food Service Fund and the Community Service Fund. Total operating expenditures will include the expenditures in the funds noted above.

If resources from more than one fund balance classification could be spent, the school district established the following order for resource use: non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance. Journal entries at the end of the fiscal year may be used to accomplish this.

**O. Net Position**

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

**P. Pensions**

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

# NOTES TO THE FINANCIAL STATEMENTS
## JUNE 30, 2022

**Note 1 Summary of Significant Accounting Policies - continued**

**Q. Certain Comparative Data and Reclassifications**

Certain comparative total data for the prior year have been presented in the District-wide and fund financial statements in order to provide an understanding of the changes in the financial position and operations. Such comparative total data does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

**R. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**S. Subsequent Events**

Subsequent events have been evaluated through December 2, 2022, which is the date the financial statements were available to be issued.

**Note 2 Deposits and Investments**

**A. Deposits**

Minnesota Stat. 118A.02 and 118A.04 authorize the District to designate a depository for public funds and to invest in certificates of deposit. Minnesota Stat. 118A.03 requires that all District deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by insurance or 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 standby 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.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2022, none of the District's bank balance of $350,520 was exposed to custodial credit risk.

**NOTES TO THE FINANCIAL STATEMENTS**
**JUNE 30, 2022**

**Note 2 Cash and Investments - continued**

**B. Investments**

Minnesota Stat. 118A.04 and 118A.05 generally authorize the following types of investments as available to the District:

(1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minnesota Stat. 118A.04, subd. 6;

(2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;

(3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;

(4) bankers' acceptances of United States banks;

(5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and

(6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

The District's investments are potentially subject to various risks including the following:

Custodial Credit Risk
The risk that in the event of a failure of the counter party to an investment transaction, a district will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

Credit Risk
The risk that an issuer or other counter party to an investment will not fulfill its obligations to the holder of the investment.

Concentration of Credit Risk
The risk of loss that may be caused by the District's investment in a single issuer.

Interest Rate Risk
The risk that changes in the market interest rates will adversely affect the fair value of an investment.

The District has no internal policies that limit deposits on investment choices or address these potential risks beyond the statutory limitations described above.

# NOTES TO THE FINANCIAL STATEMENTS
## JUNE 30, 2022

**Note 2 Cash and Investments - continued**

**B. Investments - continued**

| | Credit Risk: Credit Rating | Credit Risk: Rating Agency | Concentration Risk Over 5% of Portfolio | Interest Rate Risk Maturity Date | Carrying Value |
|---|---|---|---|---|---|
| Investment Pools: | | | | | |
| Minnesota School District Liquid Asset Fund Plus | | | | | |
| Liquid Class | AAAm | S & P | 20% | N/A | 55,647 |
| MAX Class | AAAm | S & P | 80% | N/A | 706,113 |
| Total Investments | | | | | 761,760 |
| Nonnegotiable Certificates of Deposit | | | | | 2,513 |
| Cash on Hand | | | | | 1,950 |
| Deposits | | | | | 338,860 |
| Total Cash and Investments | | | | | 1,105,083 |

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

| | |
|---|---|
| Cash and temporary investments – statement of net position | 1,101,755 |
| Cash and temporary investments – statement of fiduciary net position | 3,328 |
| | 1,105,083 |

The Minnesota School District Liquid Asset Fund is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The fair value of the position in the pool is the same as the value of the pool shares.

The Minnesota School District Liquid Asset Fund issues a publicly available financial report. That report may be obtained on the Internet at www.msdlaf.org.

**Note 3 Due From Department of Education**

Amounts due from the Department of Education are aids and reimbursements receivable for the fiscal years as follows:

| | June 30 | |
|---|---|---|
| **General Fund** | **2022** | **2021** |
| General Education Aid | | 96,522 |
| Other State Credits | 3,459 | 3,820 |
| Special Education | 7,445 | 7,157 |
| Total General Fund | 10,904 | 107,499 |

**NOTES TO THE FINANCIAL STATEMENTS**
**JUNE 30, 2022**

**Note 3 Due From Department of Education - continued**

| | | |
|---|---|---|
| **Special Revenue Funds** | | |
| **Community Service Fund** | | |
| Early Childhood and Family Education | 1,246 | 1,312 |
| Other State Credits | 538 | 617 |
| Total Special Revenue Funds | 1,784 | 1,929 |
| | | |
| **Debt Service Fund** | | |
| Other State Credits | 29,854 | 27,534 |
| Total All Funds | 42,542 | 136,962 |

**Note 4 Capital Assets**

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

| | Balance 07/01/21 | Additions | Retirements | Balance 06/30/22 |
|---|---|---|---|---|
| Capital assets not depreciated | | | | |
| Land | 9,694 | | | 9,694 |
| Capital assets depreciated | | | | |
| Land Improvements | 10,089,080 | | | 10,089,080 |
| Buildings | 1,177,886 | | (12,800) | 1,165,086 |
| Equipment | 303,249 | 14,079 | (9,607) | 307,721 |
| Total capital assets depreciated | 11,570,215 | 14,079 | (32,407) | 11,561,887 |
| Less accumulated depreciation for | | | | |
| Land Improvements | (5,296,769) | (504,454) | | (5,801,223) |
| Buildings | (927,978) | (14,532) | 5,974 | (936,536) |
| Equipment | (207,061) | (13,472) | 9,607 | (210,926) |
| Total Accumulated Depreciation | (6,431,808) | (532,458) | 15,581 | (6,948,685) |
| | | | | |
| Total capital assets depreciated – Net | 5,138,407 | (518,379) | (6,826) | 4,613,202 |
| Net Capital Assets | 5,148,101 | (518,379) | (6,826) | 4,622,896 |

Depreciation expense of $532,458 for the year ended June 30, 2022 was charged to the following governmental functions:

| | |
|---|---|
| Regular Instruction | 3,729 |
| Sites, Buildings, and Equipment | 528,729 |
| Total | 532,458 |

# NOTES TO THE FINANCIAL STATEMENTS
## JUNE 30, 2022

**Note 5 Due To Other Minnesota School Districts**

The amounts due to other Minnesota School Districts are as follows:

| | June 30 | |
|---|---|---|
| **General Fund** | **2022** | **2021** |
| Independent School District No. 2190 | 1,537 | |
| Independent School District No. 414 | 17,541 | |
| SW/WC Service Coop – Reimbursements | 13,685 | 4,064 |
| Total General Fund | 32,763 | 4,064 |
| Total All Funds | 32,763 | 4,064 |

**Note 6 Due To The Department of Education**

The amounts due to The Department of Education are as follows:

| | June 30 | |
|---|---|---|
| **General Fund** | **2022** | **2021** |
| Department of Education | 16,986 | |
| Total General Fund | 16,986 | |
| Total All Funds | 16,986 | |

**Note 7 Long-Term Liabilities**

**A. Bonds Payable**

Bonds payable at June 30, 2022 are comprised of the following items:

| | Balance June 30, 2022 |
|---|---|
| General Obligation Judgment Bonds, Series 2014, Due in annual installments of $115,000 to $160,000 through February 1, 2025, Interest at 2.00% to 3.45% | 465,000 |
| General Obligation School Building Refunding Bonds Series 2016A, due in annual installments of $210,000 to $580,000 through February 1, 2034, Interest at 2.00% to 3.00%. | 5,990,000 |
| Total Bonds Payable | 6,455,000 |

The annual requirements to amortize the bonds payable outstanding as of June 30, 2022, including interest payments, are listed below.

| Year Ended June 30 | Principal | Interest | Total |
|---|---|---|---|
| 2023 | 590,000 | 152,388 | 742,388 |
| 2024 | 600,000 | 138,863 | 738,863 |
| 2025 | 615,000 | 124,848 | 739,848 |
| 2026 | 465,000 | 110,228 | 575,228 |
| 2027 | 480,000 | 100,928 | 580,928 |
| 2028-2032 | 2,570,000 | 353,995 | 2,923,995 |
| 2033-2034 | 1,135,000 | 51,450 | 1,186,450 |
| Total | 6,455,000 | 1,032,700 | 7,487,700 |

## NOTES TO THE FINANCIAL STATEMENTS
## JUNE 30, 2022

**Note 7 Long-Term Liabilities – continued**

**B. Capital Lease**

Assets under capital lease totaled $58,934 at June 30, 2022. The following is a schedule of future minimum lease payments under capital lease, together with the net present value of the minimum lease payments as of June 30, 2022.

| Year Ended June 30 | Principal | Interest | Total |
|---|---|---|---|
| 2023 | 23,887 | 1,393 | 25,280 |
| 2024 | 24,589 | 691 | 25,280 |
| 2025 | 10,458 | 78 | 10,536 |
| Total | 58,934 | 2,162 | 61,096 |

**C. Changes in Long-Term Liabilities**

The following is a schedule of the changes in Long-Term Liabilities:

| | Balance 7/1/21 | Additions | Retirements | Balance 6/30/22 | Due Within One Year |
|---|---|---|---|---|---|
| Bonds Payable | 7,025,000 | | 570,000 | 6,455,000 | 590,000 |
| Capital Lease | 82,139 | -0- | 23,205 | 58,934 | 23,887 |
| Total | 7,107,139 | -0- | 593,205 | 6,513,934 | 613,887 |

## NOTES TO THE FINANCIAL STATEMENTS
## JUNE 30, 2022

**Note 8 Fund Balances**

Non-Spendable Fund Balance

The District has the following non-spendable fund balances as of June 30, 2022:

| | |
|---|---|
| **General Fund** | |
| Prepaid Items | 3,356 |
| | |
| **Special Revenue Funds** | |
| **Food Service** | |
| Inventory | 4,035 |
| Total Special Revenue Funds | 4,035 |
| Total All Funds | 7,391 |

Restricted Fund Balance

The District has various restricted fund balances that are based on state requirements to track certain program funding, to provide funding for long-term debt requirements, or for other requirements. The District has the following restricted fund balances as of June 30, 2022:

| | |
|---|---|
| **General Fund** | |
| Student Activities | 23,833 |
| Deferred Maintenance | 32,222 |
| Gifted & Talented | 49 |
| Medical Assistance | 2,535 |
| Operating Capital | 3,661 |
| Safe Schools | 7,036 |
| Total General Fund | 69,336 |
| | |
| **Special Revenue Funds** | |
| **Food Service** | |
| Restricted | 13,259 |
| Total Food Service | 13,259 |
| | |
| **Community Services** | |
| Community Education | 2,198 |
| E.C.F.E | 22,092 |
| School Readiness | 17,763 |
| Restricted | 4,932 |
| Total Community Services | 46,985 |
| Total Special Revenue Funds | 60,244 |
| | |
| **Debt Service** | |
| Restricted | 248,274 |
| Total Debt Service Fund | 248,274 |
| Total All Funds | 377,854 |

# NOTES TO THE FINANCIAL STATEMENTS
## JUNE 30, 2022

**Note 8 Fund Balances – continued**

Committed Fund Balance

Fund balance amounts that can be used only for the specific purpose determined by a formal action of the government's highest level of decision-making authority.

The District's highest level of decision-making authority is the district school board. In order to establish, modify or rescind a committed fund balance amount, the school board would need to approve the action at a school board meeting.

The District has no committed fund balances as of June 30, 2022.

Assigned Fund Balance

Fund balance amounts that are intended to be used by the government for a specific purpose, but do not meet the criteria to be classified as restricted or committed.

The District school board has delegated the authority to assign fund balance amounts to the district finance director and superintendent. Assigned amounts or changes to assigned amounts are presented to the school board for review.

The District has no assigned fund balances as of June 30, 2022.

Unassigned Fund Balance

Fund balance amounts that are available for any purpose. These amounts represent the remaining fund balance in the General Fund that has not been classified as non-spendable, restricted, committed or assigned. Also, for funds other than the general fund, unassigned fund balance is used to report a deficit fund balance.

The District has the following unassigned fund balances as of June 30, 2022:

| | |
|---|---|
| **General Fund** | |
| General Fund | 235,991 |
| Total All Funds | 235,991 |

Stabilization Amounts

Amounts formally set aside by the governmental unit for use in emergency situations such as revenue shortages or budgetary imbalances.

The District has no stabilization amounts as of June 30, 2022.

## Note 9 Defined Benefit Pension Plans

### A. Public Employees Retirement Association (PERA)

#### 1. Plan Description

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

**General Employees Retirement Plan (GERF)**

All full-time and certain part-time employees of the District other than teachers are covered by the General Employees Retirement Fund (GERF). GERF members belong to either the Coordinated Plan. Coordinated Plan members are covered by Social Security.

#### 2. Benefits Provided

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

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 1.2% of average salary for each of the first ten years of service and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by SSA, with a minimum increase of at least 1 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. 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 July1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

**NOTES TO THE FINANCIAL STATEMENTS**
**JUNE 30, 2022**

**Note 9 Defined Benefit Pension Plans - continued**

**A. Public Employees Retirement Association (PERA)-continued**

**3. Contributions**

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

**GERF Contributions**

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2022; the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the GERF for the year ended June 30, 2022, were $12,260. The District's contributions were equal to the required contributions for each year as set by state statute.

**4. Pension Costs**

At June 30, 2022, the District reported a liability of $102,491 for its proportionate share of the GERF's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled $301. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020, through June 30, 2021 relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0024% at the end of the measurement period and 0.0023% for the beginning of the period.

| | |
|---|---|
| District's proportionate share of the net pension liability | $102,491 |
| State of Minnesota's proportionate share of the net pension Liability associated with the District | $ 301 |
| Total | $102,792 |

For the year ended June 30, 2022, the District recognized pension expense of ($11,551) for its proportionate share of GERF's pension expense. In addition, the District recognized an additional $255 as grant revenue for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

**NOTES TO THE FINANCIAL STATEMENTS**
**JUNE 30, 2022**

**Note 9 Defined Benefit Pension Plans - continued**

**A. Public Employees Retirement Association (PERA)-continued**

**4. Pension Costs - continued**

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

| | Deferred Outflows Of Resources | Deferred Inflows Of Resources |
|---|---|---|
| Differences between expected and actual economic experience | $602 | $3,122 |
| Changes in actuarial assumptions | $62,579 | $2,173 |
| Net collective difference between projected and actual investment earnings | | $89,445 |
| Changes in proportion | $4,498 | $4,161 |
| Contributions paid to PERA subsequent to the measurement date | $12,260 | |
| Total | $79,940 | $98,901 |

$12,260 reported as deferred outflows of resources related to pensions resulting from District contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

| Year ended June 30: | Pension Expense Amount |
|---|---|
| 2022 | ($7,413) |
| 2023 | ($154) |
| 2024 | $556 |
| 2025 | ($24,210) |

**NOTES TO THE FINANCIAL STATEMENTS**
**JUNE 30, 2022**

**Note 9 Defined Benefit Pension Plans - continued**

**A. Public Employees Retirement Association (PERA) - continued**

**5. Long-Term Expected Return of Investment**

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Domestic Equity | 33.5% | 5.10% |
| International Equity | 16.5% | 5.30% |
| Fixed Income | 25.0% | 0.75% |
| Private Markets | 25.0% | 5.90% |
| Total | 100% | |

**6. Actuarial Methods and Assumptions**

The total pension liability in the June 30, 2021, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5% was deemed to be within that range of reasonableness for financial reporting purposes. Inflation is assumed to by 2.25% for the General Employees Plan. Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan.

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**
**JUNE 30, 2022**

**Note 9 Defined Benefit Pension Plans - continued**

**A. Public Employees Retirement Association (PERA) - continued**

**6. Actuarial Methods and Assumptions - continued**

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

General Employees Fund
Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

**7. Discount Rate**

The discount rate used to measure the total pension liability in 2021 was 6.5 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 General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**8. Pension Liability Sensitivity**

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

| Sensitivity of Net Pension Liability at Current Single Discount Rate | | |
|---|---|---|
| | | |
| | General Employees Fund | |
| 1% Lower | 5.50% | $209,029 |
| Current Discount Rate | 6.50% | $102,491 |
| 1% Higher | 7.50% | $ 15,070 |

**9. Pension Plan Fiduciary Net Position**

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

# NOTES TO THE FINANCIAL STATEMENTS
## JUNE 30, 2022

**Note 9 Defined Benefit Pension Plans - continued**

**B. Teachers Retirement Association**

**1. Plan Description**

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

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

**2. Benefits Provided**

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS
## JUNE 30, 2022

**Note 9 Defined Benefit Pension Plans - continued**

**B. Teachers Retirement Association - continued**

**2. Benefits Provided - continued**

With these provisions:

(a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
(b) 3 percent per year early retirement reduction factors 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).

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

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

Six different types of annuities are available to members upon retirement. The No Refund Life Plan (A-1) 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 which have survivorship features. Vested members may also leave their contributions in the TRA Fund upon termination of service in order to qualify for a deferred annuity at retirement age. Any member terminating service is eligible for a refund of their employee contributions plus interest.

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

# NOTES TO THE FINANCIAL STATEMENTS
## JUNE 30, 2022

**Note 9 Defined Benefit Pension Plans - continued**

**B. Teachers Retirement Association - continued**

**3. Contribution Rate**

Per Minnesota Statute, Chapter 354 sets the contribution rates for employers and employees. Contribution rates can only be modified by the state legislature. Rates for each fiscal year ended June 30, 2020, June 30, 2021, and June 30, 2022 were:

| | June 30, 2020 | | June 30, 2021 | | June 30, 2022 | |
|---|---|---|---|---|---|---|
| | Employee | Employer | Employee | Employer | Employee | Employer |
| Basic | 11.00% | 11.92% | 11.00% | 12.13% | 11.00% | 12.34% |
| Coordinated | 7.50% | 7.92% | 7.50% | 8.13% | 7.50% | 8.34% |

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

| | |
|---|---|
| Employer contributions reported in TRA's CAFR Statement of Changes in Fiduciary Net Position | $448,829 |
| Add employer contributions not related to future contribution efforts | 379 |
| Deduct TRA's contributions not included in allocations | (538) |
| Total employer contributions | $448,670 |
| Total non-employer contributions | 37,840 |
| Total contributions reported in *Schedule of Employer and Non-Employer Allocations* | $486,510 |

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

**4. Actuarial Assumptions**

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

# NOTES TO THE FINANCIAL STATEMENTS
## JUNE 30, 2022

**Note 9 Defined Benefit Pension Plans - continued**

**B. Teachers Retirement Association - continued**

**4. Actuarial Assumptions – continued**

| **Key Methods and Assumptions Used in Valuation of Total Pension Liability** | |
|---|---|
| **Actuarial Information** | |
| Valuation Date | July 1, 2021 |
| Measurement Date | June 30, 2021 |
| Experience Study | June 5, 2019 (demographic assumptions)<br>November 6, 2017 (economic assumptions) |
| Actuarial Cost Method | Entry Age Normal |
| Actuarial Assumptions: | |
| Investment Rate of Return | 7.00% |
| Price Inflation | 2.50% |
| Wage growth rate | 2.85% before July 1, 2028 and<br>3.25% after June 30, 2028 |
| Projected Salary Increase | 2.85% to 8.85% before July 1, 2028 and<br>3.25% to 9.25% after June 30, 2028 |
| Cost of living adjustment | 1.0% for January 2020 through January 2023, then increasing by 0.1% each year up to 1.5% annually. |
| **Mortality Assumptions** | |
| Pre-Retirement | RP-2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP-2015 scale. |
| Post-Retirement | RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale. |
| Post-Disability | RP-2014 disabled retiree mortality table, without adjustment. |

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

**Note 9 Defined Benefit Pension Plans - continued**

**B. Teachers Retirement Association - continued**

**4. Actuarial Assumptions – continued**

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

| **Asset Class** | **Target Allocation** | **Long-Term Expected Real Rate of Return (Geometric Mean)** |
|---|---|---|
| Domestic Equity | 35.5% | 5.10% |
| International Equity | 17.5% | 5.30% |
| Private Markets | 25.0% | 5.90% |
| Fixed Income | 20.0% | 0.75% |
| Unallocated Cash | 2.0% | 0.00% |
| **Total** | **100%** | |

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2022 is 6 years. The "*Difference between expected and actual experience*", "*Changes of Assumptions*", and "*Changes in Proportion*" use the amortization period of 6 years in the schedule presented. The amortization period for "*Net difference between projected and actual investment earnings on pension plan investments*" is over a period of 5 years as required by GASB 68.

**Changes in actuarial assumptions since the 2020 valuation:**

- For GASB Valuation:
  - The investment return assumption was changed from 7.50% to 7.00%.

**5. Discount Rate**

The discount rate used to measure the total pension liability was 7.00 percent. The discount rate used to measure the TPL 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 (SEIR).

# NOTES TO THE FINANCIAL STATEMENTS
## JUNE 30, 2022

**Note 9 Defined Benefit Pension Plans - continued**

**B. Teachers Retirement Association - continued**

**6. Net Pension Liability**

On June 30, 2022, the District reported a liability of $319,470 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. District proportionate share was 0.0073% at the end of the measurement period and 0.0072% for the beginning of the year.

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

| | |
|---|---|
| District's proportionate share of net pension liability | $319,470 |
| State's proportionate share of the net pension Liability associated with the District | $26,890 |

For the year ended June 30, 2022, the District recognized pension expense of ($114,729). It also recognized $301 as an increase to pension expense for the support provided by direct aid.

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual economic experience | $7,112 | $8,056 |
| Net difference between projected and actual earnings on plan inv. | | $300,703 |
| Change in assumptions | $97,558 | $216,493 |
| Changes in proportion | $15,754 | $87,552 |
| Contributions paid to TRA subsequent to measurement date | $35,534 | |
| **Total** | $155,958 | $612,804 |

**NOTES TO THE FINANCIAL STATEMENTS**
**JUNE 30, 2022**

**Note 9 Defined Benefit Pension Plans - continued**

**B. Teachers Retirement Association – continued**

**6. Net Pension Liability – continued**

Deferred outflows of resources and (deferred inflows of resources) will be recognized in the pension expense as follows:

| | |
|---|---|
| 2022 | ($268,093) |
| 2023 | ($179,851) |
| 2024 | ($29,970) |
| 2025 | ($34,286) |
| 2026 | $19,820 |

**7. Pension Liability Sensitivity**

The following presents the net pension liability of TRA calculated using the discount rate of 7.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate

| District's proportionate share of NPL | | |
|---|---|---|
| 1 percent decrease (6.00%) | Current (7.00%) | 1 percent increase (8.00%) |
| $645,345 | $319,470 | $52,227 |

The Ivanhoe – ISD #403's proportion of the net pension liability was based on the employer contributions to TRA in relation to TRA's total employer contributions including direct aid contributions from the State of Minnesota, City of Minneapolis and Minneapolis School District.

**8. Pension Plan Fiduciary Net Position**

Detailed information about the plan's fiduciary net position is available in a separately-issued TRA financial report. That report may be accessed at the TRA Web site www.tra.state.mn.us. Alternatively, a copy of the report may be obtained by writing or calling TRA:

Teachers Retirement Association
60 Empire Drive, Suite 400
St Paul MN 55103-4000
(651) 296-2409
(800) 657-3669

# NOTES TO THE FINANCIAL STATEMENTS
## JUNE 30, 2022

**Note 10 Vacation and Sick Leave**

Full-time year around employees receive vacation based on their years of service. In the event of termination an employee who has completed at least six months of service is reimbursed for any unused accumulated vacation. Maximum vacation accrual is 30 days at the end of any fiscal year. Vacation pay is charged to operations when taken by the employees of the district.

Full-time year-round employees accrue 14 sick days per year and school year employees accrue 11 sick days per year. All employees may accumulate up to 8 times their respective yearly allowance. Sick days do not vest under the District's policy, and accordingly, employees can be paid sick leave only for qualifying absences. Since the employee's accumulating rights to receive compensation for future absences are contingent upon the absences being caused by qualifying events and such amounts cannot be reasonably estimated, a liability for unused sick leave is not recorded in the financial statements.

Full-time and school year employees are granted personal days which are subject to approval by the superintendent and charged to sick leave. Teachers earn 2 personal days per year and are allowed to accrue up to 5 days. Any contingent liability for unused personal days is not recognized in the financial statements.

**Note 11 Risk Management**

The District is exposed to various risk of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and dental; and natural disasters. Risks of loss associated with workers' compensation claims are insured through participation in the Minnesota School Boards Association Insurance Trust. All other risks of loss are insured by the purchase of commercial insurance. There were no significant reductions in insurance coverage from the previous year.

The Minnesota School Boards Association Insurance Trust is a public entity risk pool currently operated as a common risk management and insurance program for member school districts. The district pays an annual premium based on its annual payroll and an experience modification factor for workers' compensation coverage.

**Note 12 Excess Expenditures over Budget Appropriations**

The following fund had excess expenditures over budget appropriations:

| | |
|---|---|
| General Fund | 49,160 |
| Food Service Fund | 8,891 |
| Community Service Fund | 18,925 |

Program needs will be monitored in the future to alleviate expenditure excesses in the General, Food Service, and Community Service Funds.

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# REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD & A

Independent School District No. 403
Ivanhoe, Minnesota

## REQUIRED SUPPLEMENTARY INFORMATION
## SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
## DEFINED BENEFIT PENSION PLANS
## JUNE 30, 2022

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

| Actuarial Valuation Date | Employer's Proportion of the Net Pension Liability (Asset) | Employer's Proportionate Share of the Net Pension Liability (Asset) (a) | State's Proportionate Share of the Net Pension Liability Associated with the District (if Applicable) (a) | Total (a) + (b) | Employer's Covered-Employee Payroll (c) | Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll [(a+b)/c] | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|---|---|---|---|---|---|---|---|
| Pensions | | | | | | | |
| PERA | | | | | | | |
| June 30, 2014 | 0.0036% | 169,110 | | | 199,151 | 84.9% | 78.7% |
| June 30, 2015 | 0.0030% | 155,476 | | | 184,654 | 84.2% | 78.2% |
| June 30, 2016 | 0.0027% | 219,227 | | | 170,094 | 128.9% | 68.9% |
| June 30, 2017 | 0.0024% | 153,214 | 1,912 | 155,126 | 153,480 | 101.1% | 75.9% |
| June 30, 2018 | 0.0026% | 144,237 | 1,109 | 145,346 | 172,800 | 84.1% | 79.5% |
| June 30, 2019 | 0.0023% | 127,162 | 287 | 127,449 | 160,307 | 79.5% | 80.2% |
| June 30, 2020 | 0.0023% | 137,896 | 375 | 138,271 | 163,827 | 84.4% | 79.0% |
| June 30, 2021 | 0.0024% | 102,491 | 301 | 102,792 | 172,253 | 59.7% | 87.0% |
| TRA | | | | | | | |
| June 30, 2014 | 0.0165% | 760,308 | | | 753,049 | 101.0% | 81.5% |
| June 30, 2015 | 0.0101% | 624,785 | | | 502,632 | 124.3% | 76.8% |
| June 30, 2016 | 0.0087% | 2,075,158 | | | 452,027 | 459.1% | 44.9% |
| June 30, 2017 | 0.0073% | 1,616,907 | 156,600 | 1,773,507 | 435,076 | 407.6% | 51.6% |
| June 30, 2018 | 0.0081% | 458,508 | 43,155 | 501,663 | 435,076 | 115.3% | 58.3% |
| June 30, 2019 | 0.0073% | 439,807 | 38,867 | 478,674 | 383,418 | 124.8% | 78.1% |
| June 30, 2020 | 0.0072% | 531,946 | 44,559 | 576,505 | 407,321 | 141.5% | 75.5% |
| June 30, 2021 | 0.0073% | 319,470 | 26,890 | 346,360 | 437,073 | 79.2% | 86.6% |

See Note 9, Defined Benefit Pension Plans, for more information

The District implemented GASB Statement No. 68 for fiscal year ended June 30, 2015.
Information for prior years is not available. Additional years will be reported as they become available.

Independent School District No. 403
Ivanhoe, Minnesota

## REQUIRED SUPPLEMENTARY INFORMATION
## SCHEDULE OF DISTRICT'S CONTRIBUTIONS
## DEFINED BENEFIT PENSION PLANS
## JUNE 30, 2022

SCHEDULE OF EMPLOYER CONTRIBUTIONS

| Year Ended June 30, | Statutorily Required Contribution (a) | Contributions in Relation to the Statutorily Required Contribution (b) | Contribution Deficiency (Excess) (a - b) | Covered-Employee Payroll (d) | Contributions as a Percentage of Covered-Employee Payroll (b/d) |
|---|---|---|---|---|---|
| Pensions | | | | | |
| PERA | | | | | |
| 2015 | 13,584 | 13,584 | -0- | 181,120 | 7.5% |
| 2016 | 12,828 | 13,023 | (195) | 173,640 | 7.5% |
| 2017 | 12,397 | 12,524 | (127) | 166,987 | 7.5% |
| 2018 | 11,511 | 11,868 | (357) | 158,240 | 7.5% |
| 2019 | 12,960 | 12,960 | -0- | 172,800 | 7.5% |
| 2020 | 12,023 | 12,023 | -0- | 160,307 | 7.5% |
| 2021 | 12,287 | 12,287 | -0- | 163,827 | 7.5% |
| 2022 | 12,919 | 12,919 | -0- | 172,253 | 7.5% |
| TRA | | | | | |
| 2015 | 52,713 | 52,713 | -0- | 702,840 | 7.5% |
| 2016 | 38,499 | 35,514 | 2,985 | 473,520 | 7.5% |
| 2017 | 33,902 | 33,902 | -0- | 452,027 | 7.5% |
| 2018 | 32,631 | 32,631 | -0- | 435,076 | 7.5% |
| 2019 | 30,342 | 30,342 | -0- | 394,052 | 7.7% |
| 2020 | 30,290 | 30,290 | -0- | 383,418 | 7.9% |
| 2021 | 32,993 | 32,993 | -0- | 407,321 | 8.1% |
| 2022 | 35,534 | 35,534 | -0- | 437,073 | 8.1% |

See Note 9, Defined Benefit Pension Plans, for more information

The District implemented GASB Statement No. 68 for fiscal year ended June 30, 2015.
Information for prior years is not available. Additional years will be reported as they become available.

# NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
## JUNE 30, 2022

### General Employees Fund

**2021 Changes**
Changes in Actuarial Assumptions
- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions
- There were no changes in plan provisions since the previous valuation.

**2020 Changes**
Changes in Actuarial Assumptions
- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

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

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
## JUNE 30, 2022

**General Employees Fund** - continued

**2019 Changes**
Changes in Actuarial Assumptions
- The morality projection scale was changed from MP-2017 to MP-2018.

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.

**2018 Changes**
Changes in Actuarial Assumptions
- The morality 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.

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 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement 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.

**2017 Changes**
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 non-vested deferred members. The revised CSA load are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

Changes in Plan Provisions

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
## JUNE 30, 2022

**General Employees Fund** - continued
**2017 Changes**- continued
Changes in Actuarial Assumptions-continued

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

**2016 Changes:**
Changes in Actuarial Assumptions

- The assumed postretirement 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 changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study 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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2015 Changes:**
Changes in Actuarial Assumptions

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

Changes in Plan Provisions:

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

**TRA Retirement Funds**

**2021 Changes**
Changes in Actuarial Assumptions

- For GASB valuation:
    - The investment return assumption was changed from 7.5% to 7.0%.

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
## JUNE 30, 2022

**TRA Retirement Funds** – continued

**2020 Changes**

Changes in Actuarial Assumptions

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

**2019 Changes**

Changes in Actuarial Assumptions

- None

**2018 Changes**

Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 8.0%.
- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 6 years, (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A**
**JUNE 30, 2022**

**TRA Retirement Funds** – continued
**2017 Changes**
Changes in Actuarial Assumptions

- The discount rate was increased to 5.12% from 4.66%.
- The cost of living adjustment (COLA) was assumed to increase from 2.0 percent annually to 2.5 percent annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5 percent, but remain at 2.0 percent for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4 percent to 0.0 percent, the vested inactive load increased from 4.0 percent to 7.0% and the non-vested inactive load increased from 4.0 percent to 9.0 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 ten years followed by 3.25 percent thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

**2016 Changes**
Changes in Actuarial Assumptions

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

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
## JUNE 30, 2022

**TRA Retirement Funds** – continued
**2016 Changes**-continued
Changes in Actuarial Assumptions-continued

- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

**2015 Changes**
Changes of Benefit Terms

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

Changes in Actuarial Assumptions

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

# GENERAL FUND
# BALANCE SHEET
# JUNE 30, 2022

| | 2022 | 2021 |
|---|---|---|
| **Assets** | | |
| Cash and Investments | 555,263 | 507,124 |
| Current Property Taxes Receivable | 98,707 | 108,748 |
| Delinquent Property Taxes Receivable | 2,605 | 7,804 |
| Accounts Receivable | 31,210 | 2,448 |
| Due From Department of Education | 10,904 | 107,499 |
| Due From Federal Government | 4,998 | 15,114 |
| Prepaid Expense | 3,356 | 122 |
| Total Assets | 707,043 | 748,859 |
| **Liabilities, Deferred Inflows of Resources and Fund Balances** | | |
| Liabilities | | |
| Salaries Payable | 34,062 | 39,261 |
| Accounts Payable | 18,150 | 14,832 |
| Due to Department of Education | 16,986 | |
| Due to Other Governmental Units | 20 | 21 |
| Due to Other Minnesota School Districts | 32,763 | 4,064 |
| Payroll Deductions | 31,212 | 28,941 |
| Total Liabilities | 133,193 | 87,119 |
| Deferred Inflows of Resources | | |
| Unearned Revenue-Delinquent Taxes | 2,605 | 7,804 |
| Property Taxes Levied for Subsequent Years | 262,562 | 266,035 |
| Total Deferred Inflows of Resources | 265,167 | 273,839 |
| Fund Equity | | |
| Fund Balance-Nonspendable | 3,356 | 122 |
| Fund Balance-Restricted | 69,336 | 103,822 |
| Fund Balance-Unassigned | 235,991 | 283,957 |
| Total Fund Equity | 308,683 | 387,901 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | 707,043 | 748,859 |

## GENERAL FUND
## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
## FOR THE YEAR ENDED JUNE 30, 2022

| | Year Ended June 30 | | | |
|---|---|---|---|---|
| | 2022 | | | 2021 |
| **Revenues** | **Budget** | **Actual** | **Variance With Final Budget** | **Actual** |
| Local Property Tax Levy | | | | |
| Local Tax Levy | 272,273 | 271,399 | (874) | 301,690 |
| | 272,273 | 271,399 | (874) | 301,690 |
| Other Local and County Revenues | | | | |
| County Apportionment | 10,700 | 34,089 | 23,389 | 10,701 |
| Gifts | 53 | 53 | | 4,418 |
| Interest Income | 250 | 587 | 337 | 257 |
| Rent of Facilities | | | | 1,791 |
| Other Revenues | 32,004 | 32,628 | 624 | 17,522 |
| Total Other Local and County Revenues | 43,007 | 67,357 | 24,350 | 34,689 |
| Revenue From State Sources | | | | |
| Disparity Reduction Aid | 755 | 989 | 234 | 1,305 |
| Endowment Fund Apportionment | 5,855 | 5,806 | (49) | 6,058 |
| General Education Aid | 1,126,758 | 1,149,439 | 22,681 | 1,244,288 |
| Market Value Credit | 2,695 | 1,199 | (1,496) | 3,219 |
| Other State Aids | 9,728 | 9,004 | (724) | 8,296 |
| Special Education | 52,192 | 61,467 | 9,275 | 59,981 |
| Total Revenue From State Sources | 1,197,983 | 1,227,904 | 29,921 | 1,323,147 |
| Revenue From Federal Sources | | | | |
| Federal Aid Programs | 57,904 | 106,622 | 48,718 | 96,390 |
| Sales and Other Conversion of Assets | | | | |
| Sale of Materials | 400 | 392 | (8) | 428 |
| Total Sales and Other Conversion of Assets | 400 | 392 | (8) | 428 |
| Total Revenues | 1,571,567 | 1,673,674 | 102,107 | 1,756,344 |

## GENERAL FUND
## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
## FOR THE YEAR ENDED JUNE 30, 2022

| | Year Ended June 30 | | | |
|---|---|---|---|---|
| | 2022 | | | 2021 |
| **Expenditures** | **Budget** | **Actual** | **Variance With Final Budget** | **Actual** |
| District and School Administration | | | | |
| Dues and Memberships | 4,150 | 4,139 | 11 | 4,093 |
| Fixed Charges and Employee Benefits | 4,159 | 4,123 | 36 | 3,955 |
| Professional Services | 1,500 | 1,384 | 116 | 1,422 |
| Salaries | 26,018 | 25,913 | 105 | 25,075 |
| Total District and School Administration | 35,827 | 35,559 | 268 | 34,545 |
| | | | | |
| District Support | | | | |
| Dues and Memberships | 40 | 40 | | 40 |
| Equipment Leased | 7,300 | 7,598 | (298) | 658 |
| Fixed Charges and Employee Benefits | 9,291 | 8,387 | 904 | 15,361 |
| Professional Services | 44,734 | 47,840 | (3,106) | 42,573 |
| Salaries | 33,476 | 41,441 | (7,965) | 55,126 |
| Other | 110 | 109 | 1 | |
| Supplies | 16,805 | 15,794 | 1,011 | 11,049 |
| Total District Support Services | 111,756 | 121,209 | (9,453) | 124,807 |
| | | | | |
| Regular Instruction | | | | |
| Elementary School | | | | |
| Fixed Charges and Employee Benefits | 97,398 | 101,980 | (4,582) | 99,264 |
| Professional Services | 1,800 | | 1,800 | 1,136 |
| Rent | | | | 6,673 |
| Repairs and Maintenance | 910 | 495 | 415 | 1,136 |
| Salaries | 388,064 | 368,209 | 19,855 | 363,328 |
| Supplies | 20,402 | 20,140 | 262 | 13,735 |
| Travel and Transportation | 10,578 | 10,107 | 471 | 4,017 |
| Total Elementary | 519,152 | 500,931 | 18,221 | 489,289 |

**GENERAL FUND**
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**
**FOR THE YEAR ENDED JUNE 30, 2022**

| | Year Ended June 30 | | | |
|---|---|---|---|---|
| | 2022 | | | 2021 |
| **Expenditures - continued** | **Budget** | **Actual** | **Variance With Final Budget** | **Actual** |
| Regular Instruction - continued | | | | |
| Secondary School | | | | |
| Fixed Charges and Employee Benefits | 3,809 | | 3,809 | |
| Instructional Supplies | 1,000 | 732 | 268 | 2,964 |
| Equipment | | | | 320 |
| Salaries | 2,000 | | 2,000 | |
| Travel and Transportation | 500 | 993 | (493) | 920 |
| Tuition to Other Minnesota School Districts | 302,708 | 303,913 | (1,205) | 396,717 |
| Total Secondary | 310,017 | 305,638 | 4,379 | 400,921 |
| Total Regular Instruction | 829,169 | 806,569 | 22,600 | 890,210 |
| | | | | |
| Exceptional Instruction | | | | |
| Fixed Charges and Employee Benefits | 37,465 | 32,936 | 4,529 | 29,588 |
| Instructional Supplies | | 278 | (278) | |
| Professional Services | | 275 | (275) | 275 |
| Salaries | 69,747 | 72,869 | (3,122) | 77,256 |
| Travel and Transportation | 2,657 | 3,281 | (624) | 2,771 |
| Tuition to Other Minnesota School Districts | 76,478 | 47,444 | 29,034 | 52,911 |
| Total Exceptional Instruction | 186,347 | 157,083 | 29,264 | 162,801 |
| | | | | |
| Instructional Support Services | | | | |
| Fixed Charges and Employee Benefits | 2,147 | 3,284 | (1,137) | 303 |
| Instructional Supplies | 250 | 4,345 | (4,095) | 240 |
| Dues | 1,000 | 619 | 381 | 2,215 |
| Professional Services | 11,162 | 16,445 | (5,283) | 21,288 |
| Salaries | 13,255 | 27,089 | (13,834) | 2,198 |
| Supplies | 450 | | 450 | 25,020 |
| Travel and Transportation | 500 | 260 | 240 | 120 |
| Total Instructional Support | 28,764 | 52,042 | (23,278) | 51,384 |

**GENERAL FUND**
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**
**FOR THE YEAR ENDED JUNE 30, 2022**

| | Year Ended June 30 | | | |
|---|---|---|---|---|
| | 2022 | | | 2021 |
| **Expenditures - continued** | **Budget** | **Actual** | **Variance With Final Budget** | **Actual** |
| Pupil Support | | | | |
| Fixed Charges and Employee Benefits | 11,618 | 8,900 | 2,718 | 12,367 |
| Fuel | 15,000 | 18,484 | (3,484) | 12,658 |
| Professional Services | 550 | 664 | (114) | 8,069 |
| Pupil Transportation | 201,000 | 194,788 | 6,212 | 145,498 |
| Salaries | 13,337 | 18,609 | (5,272) | 9,983 |
| Supplies | 200 | 32,066 | (31,866) | 564 |
| Property Insurance | 1,820 | 1,815 | 5 | 1,705 |
| Transportation Chargebacks | (70,000) | (88,605) | 18,605 | (54,741) |
| Travel and Transportation | 67,596 | 97,077 | (29,481) | 57,675 |
| Total Pupil Support | 241,121 | 283,798 | (42,677) | 193,778 |
| Site, Building and Equipment | | | | |
| Equipment | | | | 895 |
| Fixed Charges and Employee Benefits | 2,049 | 2,248 | (199) | 4,142 |
| Fuel | 60,000 | 49,065 | 10,935 | 28,302 |
| Other | 55 | | 55 | 55 |
| Professional Services | 37,480 | 50,594 | (13,114) | 41,812 |
| Repair and Maintenance Service | 14,395 | 37,543 | (23,148) | 23,910 |
| Salaries | 14,859 | 16,107 | (1,248) | 20,359 |
| Supplies | 17,900 | 19,895 | (1,995) | 27,461 |
| Building Construction | | 2,775 | (2,775) | |
| Lease Interest | 2,220 | 2,075 | 145 | 2,738 |
| Lease Principal | 23,205 | 23,205 | | 22,543 |
| Utilities | 75,800 | 72,178 | 3,622 | 75,285 |
| Total Site, Building and Equipment | 247,963 | 275,685 | (27,722) | 247,502 |
| Fixed Cost Programs | | | | |
| Property Insurance | 22,785 | 20,947 | 1,838 | 18,788 |
| Total Fixed Cost Programs | 22,785 | 20,947 | 1,838 | 18,788 |
| Total Expenditures | 1,703,732 | 1,752,892 | (49,160) | 1,723,815 |
| Excess Revenues (Expenditures) Before Other Fincancing Sources (Uses) | (132,165) | (79,218) | 52,947 | 32,529 |
| **Other Financing Sources (Uses)** | | | | |
| Transfer In | | | | 24,418 |
| Transfer Out | | | | (44,418) |
| Total Other Financing Sources (Uses) | -0- | -0- | -0- | (20,000) |
| Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | (132,165) | (79,218) | 52,947 | 12,529 |
| Fund Balance-July 1 | | 387,901 | | 375,372 |
| Fund Balance-June 30 | | 308,683 | | 387,901 |

 

## ALL SPECIAL REVENUE FUNDS
## COMBINING BALANCE SHEET
## JUNE 30, 2022

| | Food Service | Community Service | Total (Memo Only) 2022 | 2021 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and Investments | 13,288 | 71,166 | 84,454 | 112,834 |
| Current Property Taxes Receivable | | 7,350 | 7,350 | 8,770 |
| Delinquent Property Taxes Receivable | | 71 | 71 | 228 |
| Accounts Receivable | | 200 | 4,739 | 243 |
| Due from Department of Education | | 1,784 | 1,784 | 1,929 |
| Due From Federal Government | 4,539 | | 4,539 | 7,306 |
| Inventory | 4,035 | | 4,035 | 5,453 |
| Total Assets | 21,862 | 80,571 | 106,972 | 136,763 |
| **Liabilities, Deferred Inflows of Resources and Fund Balances** | | | | |
| Liabilities | | | | |
| Accounts Payable | | 917 | 917 | 756 |
| Salaries Payable | 4,568 | 12,989 | 17,557 | 15,385 |
| Total Liabilities | 4,568 | 13,906 | 18,474 | 16,141 |
| Deferred Inflows of Resources | | | | |
| Unearned Revenue - Delinquent Taxes | | 71 | 71 | 228 |
| Property Taxes Levied for Subsequent Years | | 19,609 | 19,609 | 21,810 |
| Total Deferred Inflows of Resources | -0- | 19,680 | 19,680 | 22,038 |
| Fund Equity | | | | |
| Fund Balance-Nonspendable | 4,035 | | 4,035 | 5,453 |
| Fund Balance-Restricted | 13,259 | 46,985 | 60,244 | 93,131 |
| Total Fund Equity | 17,294 | 46,985 | 64,279 | 98,584 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | 21,862 | 80,571 | 102,433 | 136,763 |

## SPECIAL REVENUE FUNDS
## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
## FOR THE YEAR ENDED JUNE 30, 2022

| | Food Service | Community Service | Total (Memo Only) 2022 | Total (Memo Only) 2021 |
|---|---|---|---|---|
| **Revenues** | | | | |
| Local Property Tax Levy | | 22,743 | 22,743 | 21,398 |
| Other Local and County Revenues | 19 | 57,424 | 57,443 | 42,499 |
| Revenue from State Sources | 3,232 | | 3,232 | 258 |
| Revenue from Federal Sources | 82,958 | 17,843 | 100,801 | 99,659 |
| Other | 2,630 | | 2,630 | 5,376 |
| Total Revenues | 88,839 | 98,010 | 186,849 | 169,190 |
| **Expenditures** | | | | |
| Community Education and Services | | 126,586 | 126,586 | 101,053 |
| Pupil Support Services | 94,568 | | 94,568 | 71,437 |
| Total Expenditures | 94,568 | 126,586 | 221,154 | 172,490 |
| Excess Revenues (Expenditures) Before Other Financing Sources (Uses) | (5,729) | (28,576) | (34,305) | (3,300) |
| **Other Financing Sources (Uses)** | | | | |
| Transfers Out | | | | (81,425) |
| Transfers In | | | | 101,425 |
| Total Other Financing Sources (Uses) | -0- | -0- | -0- | 20,000 |
| Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | (5,729) | (28,576) | (34,305) | 16,700 |
| Fund Balance-July 1 | 23,023 | 75,561 | 98,584 | 81,884 |
| Fund Balance-June 30 | 17,294 | 46,985 | 64,279 | 98,584 |

## FOOD SERVICE FUND
## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
## FOR THE YEAR ENDED JUNE 30, 2022

| | Year Ended June 30 | | | |
|---|---|---|---|---|
| | 2022 | | | 2021 |
| **Revenues** | **Budget** | **Actual** | **Variance With Final Budget** | **Actual** |
| Other Local and County Revenues | | | | |
| Interest Income | | 19 | 19 | 6 |
| Total Local and County Revenues | -0- | 19 | 19 | 6 |
| Revenue From State Sources | | | | |
| Lunch Reimbursement | 1,437 | 1,685 | 248 | 61 |
| Summer Food Service Program | | 1,311 | 1,311 | |
| Other State Aid | 244 | 236 | (8) | 197 |
| Total Revenue from State Sources | 1,681 | 3,232 | 1,551 | 258 |
| Revenue From Federal Sources | | | | |
| Breakfast Reimbursement | 14,372 | 18,582 | 4,210 | 33 |
| Summer Food Service Program | 1,311 | | (1,311) | 75,384 |
| Commodities | 3,000 | 4,400 | 1,400 | 4,427 |
| Lunch Reimbursement | 43,216 | 59,976 | 16,760 | 351 |
| Total Revenue From Federal Sources | 61,899 | 82,958 | 21,059 | 80,195 |
| Sales and Other Conversion of Assets | | | | |
| Sale of Lunches | 3,420 | 2,630 | (790) | 5,376 |
| Total Revenues | 67,000 | 88,839 | 21,839 | 85,835 |
| **Expenditures** | | | | |
| Pupil Support Services | | | | |
| Commodities | 5,000 | 4,400 | 600 | 4,388 |
| Fixed Charges and Employee Benefits | 7,719 | 7,631 | 88 | 3,338 |
| Food | 32,500 | 42,768 | (10,268) | 24,831 |
| Milk | 11,500 | 13,131 | (1,631) | 10,999 |
| Other | 300 | 280 | 20 | 642 |
| Repairs and Maintenance | 2,700 | | 2,700 | 919 |
| Salaries | 24,458 | 24,076 | 382 | 23,708 |
| Supplies | 1,500 | 2,282 | (782) | 2,612 |
| Total Expenditures | 85,677 | 94,568 | (8,891) | 71,437 |
| Excess Revenues (Expenditures) | (18,677) | (5,729) | 12,948 | 14,398 |
| Fund Balance-July 1 | | 23,023 | | 8,625 |
| Fund Balance-June 30 | | 17,294 | | 23,023 |

## COMMUNITY SERVICE FUND
## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
## FOR THE YEAR ENDED JUNE 30, 2022

| | Year Ended June 30 | | | |
|---|---|---|---|---|
| | 2022 | | | 2021 |
| **Revenues** | **Budget** | **Actual** | **Variance With Final Budget** | **Actual** |
| Local Property Tax Levy | | | | |
| Local Tax Levy | 21,070 | 21,193 | 123 | 20,367 |
| Misc. Local Taxes | 1,567 | 1,550 | (17) | 1,031 |
| Total Local Property Tax Levies | 22,637 | 22,743 | 106 | 21,398 |
| Other Local and County Revenues | | | | |
| Fees from Patrons | 21,300 | 24,896 | 3,596 | 18,770 |
| Grant | 12,000 | 32,427 | 20,427 | 23,679 |
| Interest Income | 45 | 101 | 56 | 44 |
| Total Other Local and County Revenues | 33,345 | 57,424 | 24,079 | 42,493 |
| Revenue From State Sources | | | | |
| Disparity Aid | 162 | 162 | | 243 |
| Homestead/Agriculture Credit | 579 | 258 | (321) | 589 |
| Other State Aids | 17,418 | 17,423 | 5 | 18,632 |
| Total Revenue From State Sources | 18,159 | 17,843 | (316) | 19,464 |
| Total Revenues | 74,141 | 98,010 | 23,869 | 83,355 |
| **Expenditures** | | | | |
| Community Education and Services | | | | |
| Fixed Charges and Employee Benefits | 18,828 | 19,197 | (369) | 17,486 |
| Instructional Supplies | 800 | 1,243 | (443) | 318 |
| Other | 150 | 943 | (793) | |
| Rent | 6,300 | 6,300 | | 6,300 |
| Salaries | 75,633 | 74,934 | 699 | 68,445 |
| Supplies | 950 | 18,807 | (17,857) | 4,116 |
| Travel | 5,000 | 5,162 | (162) | 4,388 |
| Total Expenditures | 107,661 | 126,586 | (18,925) | 101,053 |
| Excess Revenues (Expenditures) Before Other Fincancing Sources (Uses) | (33,520) | (28,576) | 4,944 | (17,698) |
| **Other Financing Sources (Uses)** | | | | |
| Transfers Out | | | | (81,425) |
| Transfers In | | | | 101,425 |
| Total Other Financing Sources (Uses) | -0- | -0- | -0- | 20,000 |
| Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | (33,520) | (28,576) | 4,944 | 2,302 |
| Fund Balance-July 1 | | 75,561 | | 73,259 |
| Fund Balance-June 30 | | 46,985 | | 75,561 |

## DEBT SERVICE FUND
## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
## FOR THE YEAR ENDED JUNE 30, 2022

| | Year Ended June 30 | | | |
|---|---|---|---|---|
| | 2022 | | | 2021 |
| **Revenues** | **Budget** | **Actual** | **Variance With Final Budget** | **Actual** |
| Local Property Tax Levy | | | | |
| Local Tax Levy | 399,228 | 402,671 | 3,443 | 377,496 |
| Misc. Local Taxes | 42,190 | 42,109 | (81) | 30,625 |
| Total Local Property Tax Levy | 441,418 | 444,780 | 3,362 | 408,121 |
| Other Local and County Revenues | | | | |
| Interest Income | 250 | 597 | 347 | 266 |
| Total Other Local and County Revenues | 250 | 597 | 347 | 266 |
| Revenue From State Sources | | | | |
| Disparity Aid | 5,264 | 5,264 | | 5,112 |
| Homestead Credit | 284,906 | 284,906 | | 252,021 |
| Market Value Credit | 18,795 | 8,366 | (10,429) | 18,281 |
| Total Revenue From State Sources | 308,965 | 298,536 | (10,429) | 275,414 |
| Total Revenues | 750,633 | 743,913 | (6,720) | 683,801 |
| **Expenditures** | | | | |
| Bond Interest | 165,165 | 165,165 | | 177,345 |
| Bond Principal | 570,000 | 570,000 | | 560,000 |
| Other Bond Expenses | 5,900 | 5,900 | | 2,800 |
| Total Expenditures | 741,065 | 741,065 | -0- | 740,145 |
| Excess Revenues (Expenditures) | 9,568 | 2,848 | (6,720) | (56,344) |
| Fund Balance-July 1 | | 245,426 | | 301,770 |
| Fund Balance-June 30 | | 248,274 | | 245,426 |

## UNIFORM FINANCIAL ACCOUNTING & REPORTING STANDARDS COMPLIANCE TABLE FOR THE YEAR ENDED JUNE 30, 2022

| | Audit | UFARS | Audit - UFARS |
|---|---|---|---|
| **01 GENERAL FUND** | | | |
| Total Revenues | 1,673,674 | 1,673,674 | -0- |
| Total Expenditures | 1,752,892 | 1,752,895 | (3) |
| Non Spendable: | | | |
| 4.60 Non Spendable | 3,356 | 3,356 | -0- |
| Restricted: | | | |
| 4.01 Student Activities | 23,833 | 23,833 | -0- |
| 4.67 Deferred Maintenance | 32,222 | 32,222 | -0- |
| 4.67 Gifted & Talented | 49 | 49 | -0- |
| 4.72 Medical Assistance | 2,535 | 2,535 | -0- |
| 4.24 Operating Capital | 3,661 | 3,661 | -0- |
| 4.49 Safe Schools | 7,036 | 7,036 | -0- |
| Unassigned: | | | |
| 4.22 Unassigned | 235,991 | 235,989 | 2 |
| **02 FOOD SERVICE** | | | |
| Total Revenues | 88,839 | 88,839 | -0- |
| Total Expenditures | 94,568 | 94,567 | 1 |
| Non Spendable: | | | |
| 4.60 Non Spendable | 4,035 | 4,035 | -0- |
| Restricted: | | | |
| 4.64 Restricted Fund Balance | 13,259 | 13,259 | -0- |
| Unreserved: | | | |
| 4.63 Unassigned | -0- | -0- | -0- |
| **04 COMMUNITY SERVICE** | | | |
| Total Revenues | 98,010 | 98,010 | -0- |
| Total Expenditures | 126,586 | 126,588 | (2) |
| Restricted: | | | |
| 4.31 Community Education | 2,198 | 2,198 | -0- |
| 4.32 E.C.F.E. | 22,092 | 22,092 | -0- |
| 4.44 School Readiness | 17,763 | 17,763 | -0- |
| 4.64 Restricted Fund Balance | 4,932 | 4,932 | -0- |
| **07 DEBT SERVICE** | | | |
| Total Revenues | 743,913 | 743,912 | 1 |
| Total Expenditures | 741,065 | 741,065 | -0- |
| Restricted: | | | |
| 4.64 Restricted | 248,274 | 248,276 | (2) |
| **07 TRUST** | | | |
| Total Revenues | 1 | 1 | -0- |
| Total Expenditures | -0- | -0- | -0- |
| Unassigned: | | | |
| 4.22 Unassigned | 3,328 | 3,326 | 2 |

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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 Board of Education
Independent School District No. 403
Ivanhoe Public Schools
Ivanhoe, 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 and each major fund of the Independent School District No. 403, Ivanhoe Public Schools, Ivanhoe, Minnesota, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Independent School District No. 403's basic financial statements and have issued our report thereon dated September 13, 2022.

## Internal Control Financial Reporting

In planning and performing our audit, we considered the Independent School District No. 403's internal control over financial reporting to determine the auditing 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 Independent School District No. 403's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Independent School District No. 403's internal control over financial reporting.



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Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 over financial reporting such that there is a reasonable possibility that a material misstatement of the Independent School District No. 403'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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be material weaknesses (2022-I and 2022-II).

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Independent School District No. 403's financial statements are free of 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 determination of financial statement amounts. 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 that are required to be reported under *Government Auditing Standards*.

**Minnesota Legal Compliance**

The *Minnesota Legal Compliance Audit Guide for School Districts,* promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards for school districts. Our study included all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the Independent School District No. 403 failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for School Districts*. 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 Independent School District No. 403's noncompliance with the above referenced provisions.

**Independent School District No. 403's Response to Findings**

The Independent School District No. 403's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Independent School District No. 403's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this 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 entity's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

Meulebroeck, Taubert & Co., PLLP

Meulebroeck, Taubert & Co., PLLP
Certified Public Accountants
Pipestone, Minnesota

September 13, 2022

# SCHEDULE OF FINDINGS AND QUESTIONED COSTS
# FOR THE YEAR ENDED JUNE 30, 2022

## I. Financial Statement Audit-Internal Controls

Previously Reported Items Not Resolved

*2022-I* *Lack of Segregation of Duties*

Due to the limited number of office personnel within the accounting department, proper segregation of the accounting functions necessary to ensure adequate internal accounting control in the areas of bank reconciliation, receipts, disbursements, payroll, journal entries and budgets are not possible. Although this is not unusual in small office situations, management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an internal control point of view.

The District has implemented internal control procedures which utilize the existing staff to provide for segregation of duties in accounting functions whenever possible.

We recommend that the District's management be aware of the lack of segregation of the accounting functions and, if possible, implement oversight procedures to ensure that the internal control policies and procedures are being implemented by staff.

Corrective Action Plan (CAP)
Evaluation of disagreement with audit findings:
There is no disagreement with the audit findings.

Actions planned in response to the finding:
Because it is economically infeasible to hire additional staff to adequately provide for the proper segregation of duties, the district implemented internal control procedures that will address the areas of segregation the district is lacking, including bank reconciliation's, receipts, disbursements, payroll, journal entries, and budget. The procedures will utilize staff and board members to the extent possible.

Official responsible for Ensuring CAP:
The District's Superintendent in conjunction with the Board of Education is the official responsible for ensuring corrective action.

Planned completion date for CAP:
December 31, 2022

Plan to monitor completion of CAP:
The Superintendent and Board of Education will monitor the internal control system.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

**I. Financial Statement Audit-Internal Controls-continued**

Previously Reported Items Not Resolved-continued

*2022-II GAAP Financial Statements*

District personnel that lack the necessary expertise are responsible for financial statements required to be prepared in accordance with generally accepted accounting principles.

Corrective Action Plan (CAP):

Evaluation of disagreement with audit findings:
There is no disagreement with the audit findings.

Actions planned in response to the finding:
The District will continue to have the auditor prepare the financial statements; however, the district has established an internal control policy to document the annual review of the financial statements, disclosures and schedules.

Official Responsible for Ensuring CAP:
The District's Superintendent in conjunction with the Board of Education is the official responsible for ensuring corrective action.

Planned Completion Date for CAP:
December 31, 2022

Plan to Monitor Completion of CAP:
The Superintendent and Board of Education will monitor the internal control system to ensure it is functioning as the internal control policy states.