Independent School District No. 14
Fridley, Minnesota

Basic Financial Statements

June 30, 2022

Independent School District No. 14
Table of Contents

Independent School District No. 14
Table of Contents

Independent School District No. 14
Board of Education and Administration
June 30, 2022

Board of Education	Position	Term Expires
Ross Meisner	Chair	January 1, 2026
Avonna Starck	Vice Chair	January 1, 2026
Nikki Auna	Treasurer	January 1, 2026
Jason Karnopp	Clerk	January 1, 2024
Abdisalam Adam	Director	January 1, 2024
Donna Prewedo	Director	January 1, 2024

Ex Officio Member	
Dr. Kim Hiel	Superintendent
John Toop	Interim Director of Finance and Operations

Independent Auditor's Report

To the School Board
Independent School District No. 14
Fridley, Minnesota

Report on the Audit of the Financial Statements

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 14, Fridley, Minnesota, as of and for the year ended June 30, 2022, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 14, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter – Implementation of GASB 87

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

Responsibilities of Management for the Financial Statements

The management of Independent School District No. 14 is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2022, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Bergan KDV Ltd.

Minneapolis, Minnesota
November 8, 2022

Independent School District No. 14
Management's Discussion and Analysis

This section of Independent School District No. 14 (the "District") annual financial report presents its Management's Discussion and Analysis (MD&A) of the District's financial performance during the fiscal year ending June 30, 2022. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Key Points of Interest

- The District's Governmental Funds Balance Sheet reflects an Unassigned General Fund balance of $3,108,755. This is a decrease from the prior year of $10,923.

- The total General Fund balance of $7,221,166 is a decrease of $2,370,360 from the prior year.

- The government-wide Statement of Activities shows an increase in net position of $3,522,229.

- The net position value on the government-wide Statement of Net Position is a deficit of $17,937,260. Net position value is similar to the Balance Sheet's Equity for Private Sector businesses.

- Total government wide long-term liabilities, excluding OPEB and pension liabilities, are $49,158,786 and are comprised of $45,342,713 in General Obligation (G.O.) Bonds, $2,401,781 in financed purchases, $711,393 in lease liabilities and $702,899 of severance and compensated absences payable.

- The District's investment in capital assets, net of depreciation, is $51,521,467. The increase from the prior year of $2,296,777 is due to several significant boiler and water projects undertaken during the year. The investment in capital assets exceeds the total of G.O. bonds plus the financed purchases and leases (the debt related to investment in capital assets) by $4,370,145.

Overview of the Financial Statements

This annual report consists of two parts: MD&A (this section) and the basic financial statements. The basic financial statements include two kinds of statements that present different views of the District:

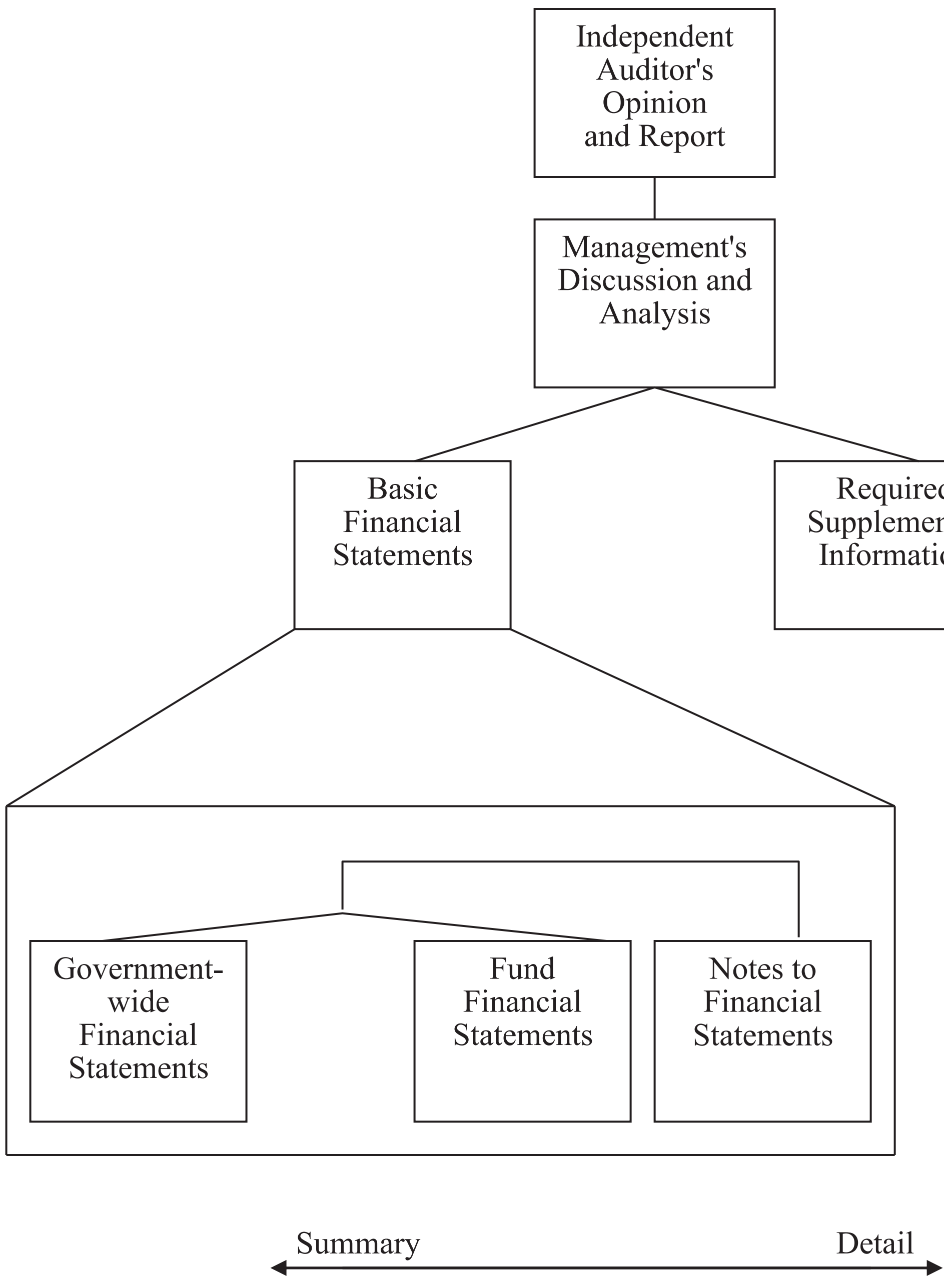
The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements. The governmental fund statements tell how basic services such as regular and special education are financed in the short term as well as what remains for future spending. Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements.

Figure A-1 on the next page shows how the various parts of this annual report are arranged and related to one another.

Overview of the Financial Statements (Continued)

Figure A-1
Organization of Independent School District No. 14 Annual Financial Report



Overview of the Financial Statements (Continued)

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2
Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not fiduciary, such as special education and building maintenance	Activities of the District operates similar to private business - Internal Service Fund
Required Financial Statements	- Statement of Net Position - Statement of Activiteis	- Balance Sheet - Statement of Revenues, Expenditures, and Changes in Fund Balances	- Statement of Net Position - Statement of Revenues, Expenses and Changes in Fund Net Position - Statement of Cash Flows
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accural accounting and current financial focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities both financial and capital, and short-term and long-term
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when good or services have been received and related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid

Overview of the Financial Statements (Continued)

Government-Wide Statements

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

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

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

Fund Financial Statements

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

The District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that indicates whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs and obligations.

Financial Analysis of the District as A Whole

The Statement of Net Position identifies current assets and liabilities from noncurrent assets and long-term debt, respectively. The ratio of these current assets of $36.3 million to current liabilities of $9.9 million is 3.7. A "current ratio" greater than 1.0 indicates that sufficient assets are available that can be converted to cash to meet District obligations payable over the next 12-month period.

The Statement of Net Position includes noncurrent assets not reported on the governmental funds balance sheet. These noncurrent assets include the total acquisition cost of the District's capital assets less accumulated depreciation. During the year, the District acquired $6,566,770 of additional capital assets. The majority of this increase is comprised of work in progress related to HVAC system building automation, boiler replacements, water system upgrades and parking lot improvements. The remaining capital asset additions consist of purchases associated with the District's Long-Term Facilities Maintenance program and equipment and vehicle replacements. Depreciation expense for the year equaled $4,159,227. The increase in new investment in capital equipment exceeded the current year depreciation expense, resulting in an increase in the net capital asset total to $51,521,467 compared to $49,224,690 for the prior year.

Financial Analysis of the District as A Whole (Continued)
Related to the noncurrent assets are the general obligation bonds. On November 12, 2020, the district issued $4,475,000 General Obligation (G.O.) School Building Refunding Bonds, Series 2020A. These bonds refunded the G.O. School Building Refunding Bonds issued in 2012 which refunded the G.O. School Building Bonds issued in 2004. On November 8, 2018, the District issued $2,450,000 G.O. Taxable OPEB Refunding Bonds, Series 2018A. These bonds refunded the OPEB bond issued in 2009 to fund the Districts' obligation for retiree insurance benefits. On February 15, 2017, the District issued $1,960,000 G.O. Tax Abatement Bonds, Series 2017A. The proceeds funded parking lot construction projects throughout the District. The District issued $25,890,000 G.O. School Building bonds, Series 2016A in February of 2016. The voters of the District authorized the school building issue in November of 2015. Over the course of three years, the proceeds funded safety and security upgrades, deferred maintenance, building renovations, technology improvements, and building additions. The remaining liability on these bonds, net of unamortized premiums, as of June 30, 2022, is $45.3 million. The capital asset additions and the amortization of the general obligation bonds resulted in an increase of $4,765,663 in the net investment in capital assets total compared to the prior year.

Additional long-term debt for severance pay (employee separation pay based on unused sick time) is $0.4 million, which is owed to employees who have retired prior to June 30.

The District reported an OPEB liability of $3,032,585, an increase of $66,670 from the prior year.

Due to changes, primarily in actuarial assumptions used by the State of Minnesota's public pensions, the District reported a total net pension liability of $17.9 million, a decrease of $10.8 million from the previous year.

Overall, the District's net position increased $3,522,229 during the year from current year operations and total net position decreased to a deficit of $17.9 million.

Financial Analysis of the District as A Whole (Continued)

Figure A-3
Condensed Statement of Net Position (in Thousands of Dollars)

	2022	2021	Percent Change
Current and OPEB assets	$ 36,319	$ 40,141	(9.5%)
Capital assets	51,522	49,225	4.7%
Total assets	87,841	89,366	(1.7%)
Deferred outflows of resources	12,626	14,570	(13.3%)
Current liabilities	9,869	10,290	(4.1%)
Long-term liabilities	65,653	79,791	(17.7%)
Total liabilities	75,522	90,081	(16.2%)
Deferred inflows of resources	42,881	35,315	21.4%
Net investment in capital assets	4,370	(396)	1,203.5%
Restricted for debt service	396	300	(32.0%)
Restricted for capital projects	4	-	
Restricted for other purposes	3,513	5,115	(31.3%)
Unrestricted net position	(26,220)	(26,479)	(1.0%)
Total net position	$ (17,937)	$ (21,460)	16.4%

Financial Analysis of the District as A Whole (Continued)

Figure A-4
Changes in Net Position from Operating Results (in Thousands of Dollars)

	2022	2021	Percent Change
Revenues			
Program revenues			
Charges for services	$ 1,690.5	$ 865.2	95.4%
Operating grants and contributions	21,447.8	21,084.5	1.7%
Capital grants and contributions	1,662.7	722.7	130.1%
General revenues			
Property taxes	12,280.9	12,275.4	0.0%
State formula aid	20,077.0	20,649.6	(2.8%)
Other	(84.5)	60.6	(239.4%)
Total revenues	57,074.4	55,658.0	2.5%
Expenses			
Administration and district support	4,146.6	4,231.7	(2.0%)
Instruction, pupil support, student food, and transportation services	37,709.1	37,509.2	0.5%
Sites and buildings	3,765.2	3,353.9	12.3%
Community services	2,615.3	2,354.2	11.1%
Interest and fiscal charges on long-term debt	1,362.1	885.2	53.9%
Fiscal and other fixed cost programs	240.0	204.7	17.2%
Unallocated depreciation (buildings)	3,713.9	3,508.3	5.9%
Total expenses	53,552.2	52,047.2	2.9%
Increase (decrease) in net position	$ 3,522.2	$ 3,610.8	(2.5%)

The Statement of Activities is government-wide and, like the Statement of Net Position, the first year it was prepared was 2003. Figure A-4 illustrates that an increase in net position of $3,522,229 is attributable to activity during the year.

The pie chart in Figure A-5 shows the sources of District revenues. Program revenues include operating grants and contributions which totals 37.5% of total revenue. Operating grants and contributions consist mostly of state and federal funding of special education and other state and federal categorical spending. Charges for services, comprised of mostly special education tuition billings, food service and community center receipts make up 2.9% of revenue. Capital Grants consisting of state aid for operating capital and federal grants used for air quality improvements is 2.9% of revenue.

General revenues include the state aid formula which accounts for 35.2% of the District's total funding. Property taxes make up 21.5% of the total funding.

Financial Analysis of the District as A Whole (Continued)
Revenues for the year increased by $1,416,400 or 2.5%. Capital grants and contributions increased 130.1% as a result of federal grants received to combat the effect of the COVID-19 pandemic throughout the District. Charges for services increased 95.4% as operations began returning to pre-pandemic activities, specifically within the community education and food service programs. Other general revenues decreased $145,100, or 239.4% as a result of a significant decline in investment interest rates and corresponding market value adjustments.

Expenses for the year were $1,505,000, or 2.9%, higher than the previous year. The largest factor in the increase in expenses was the increase in interest and fiscal charges on long term debt due to the increase in the recognition of long-term traditionally non-capital leases. Community education expenses increased $261,100, or 11.1%, as a result of increased program offerings leading to higher staffing and operations costs. Sites and buildings expenses increased $411,300, or 12.3%, with an increase in building projects and improvements.

The pie chart illustrated in Figure A-6 on the following page indicates the costs of the District's programs and services. The District's expenses predominantly related to instructing students and pupil support (including food service and student transportation) accounted for 70.4% of the government-wide expenditures, which is a slightly lower percentage of government-wide expenditures than in prior years. Sites and buildings were 7.0%, administration and district support services accounted for 7.8%, community services expenditures were 4.9% and less than 1% was spent on fiscal and other fixed programs. Interest expense on the District's outstanding long-term debt was 2.6% and 6.9% of expense was attributable to unallocated depreciation (buildings).

Financial Analysis of the District as A Whole (Continued)

Figure A-5
Sources of Revenue for Fiscal Year 2022

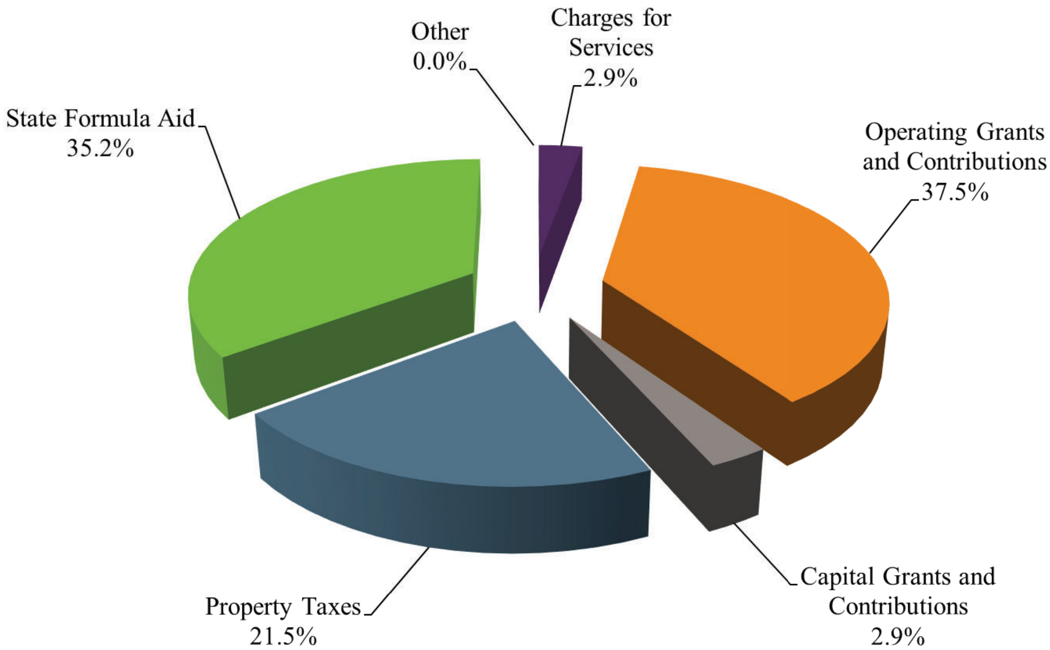
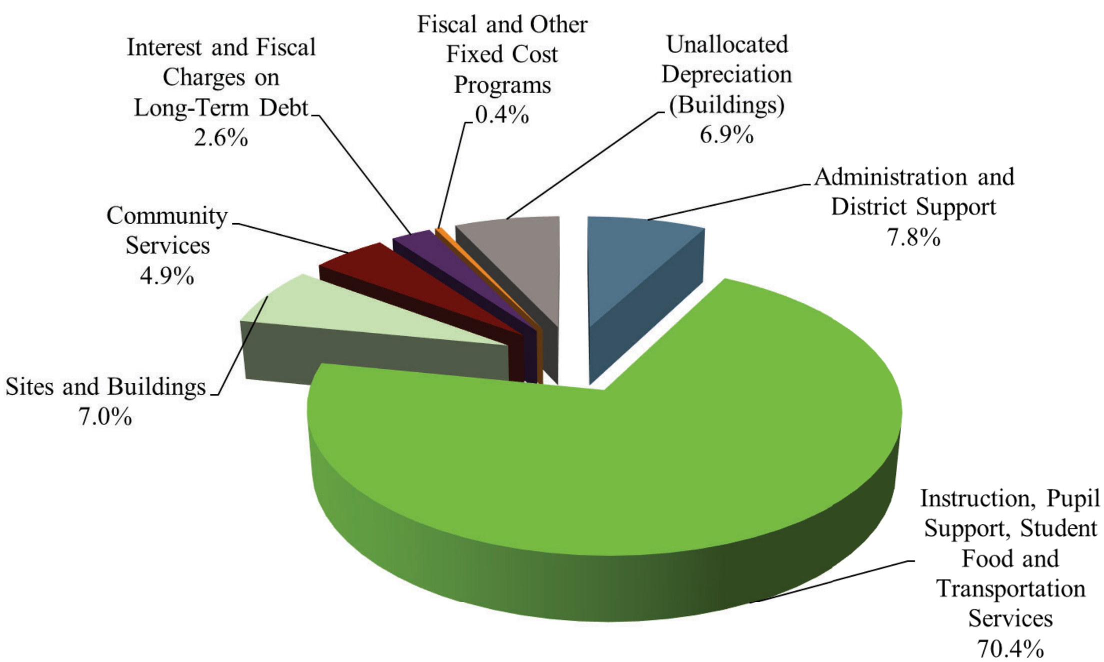


Figure A-6
Expenses for Fiscal Year 2022



Financial Analysis of the District as A Whole (Continued)
Figure A-7 presents the cost of the major District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for the specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

Figure A-7
Net Cost of Activities (in thousands of dollars)

	Total Cost of Services			Net Cost of Services		
	2022	2021	Percent Change	2022	2021	Percent Change
Administration/district support	$ 4,147	$ 4,232	(2.0%)	$ 4,126	$ 4,212	(2.0%)
Regular instruction	18,897	18,256	3.5%	10,474	9,979	5.0%
Vocational instruction	484	531	(8.9%)	471	492	(4.3%)
Special instruction	8,389	9,004	(6.8%)	812	1,298	(37.4%)
Instructional support	2,857	3,992	(28.4%)	1,822	2,392	(23.8%)
Pupil support services	5,186	4,154	24.8%	3,343	2,921	14.4%
Sites and buildings	3,765	3,354	12.3%	2,053	2,540	(19.2%)
Fiscal and other fixed programs	240	205	17.1%	240	205	17.1%
Food service	1,896	1,572	20.6%	(428)	(38)	1,026.3%
Community services	2,615	2,354	11.1%	762	981	(22.3%)
Unallocated depreciation	3,714	3,508	5.9%	3,714	3,508	5.9%
Interest on long-term debt	1,362	885	53.9%	1,362	885	53.9%
Total	$ 53,552	$ 52,047	2.9%	$ 28,751	$ 29,375	(2.1%)

The cost of all District activities this year was $53.6 million.

- Users of the District's programs financed some of the costs ($1.7 million).
- The federal and state governments subsidized certain programs with operating and capital grants and contributions ($21.4 million).
- District and state taxpayers financed most of the District's activity, $20.1 million from unrestricted state aid and $12.3 million from property taxes.
- Investment and other income decreased significantly from the previous year and remains insignificant in comparison to other revenue sources.

Financial Analysis of the District's Funds
As the District completed the year, its governmental funds reported a combined fund balance of $8,949,380. This is a decrease of $3,696,201 from last year. This decrease largely resides in the general fund with increased spending resulting from returning to pre-pandemic services as well as planned increased in wages under various contract settlements.

Financial Analysis of the District's Funds (Continued)
The General Fund unassigned fund balance at June 30, 2022 decreased $10,923 to a balance of $3,108,755. The assigned fund balance at June 30, 2022, was $1,276,042. The assigned fund balance consists of funds for students, separation and retirement benefits and funds for curriculum adoption. The Assigned fund balance declined due to a planned use of previously assigned funds related to capital projects and retention compensation. The restricted fund balance declined from the prior year due to a planned spend down on both operating capital and long-term facilities maintenance ten-year plan funds.

The Capital Projects Fund restricted fund balance at June 30, 2022 decreased $1,425,952 as a result of a planned spend down of fund balance for the completion of HVAC and boiler projects.

The Other Nonmajor Funds deficit unassigned fund balance of $515,697 is due to the costs incurred by community education programs to start up programs and resume operations that had been impacted by pandemic restrictions.

General Fund Budgetary Points of Interest
General Fund revenues of $46,648,512 were within 0.7% of budget overall. The District over budgeted revenues from state sources by $1,285,997, with student enrollment ultimately coming in lower than anticipated. Federal revenues were over budget $1,543,096 as the District budgeted conservatively and utilized unexpected federal funds that became available during the year.

General Fund expenditures of $48,902,728 were over budget, with actual expenditures varying from budgeted expenditures by $1,372,208. In total, the variance was 2.3%; however, there were variances within several functions of the District. The largest difference was in sites and buildings current and capital expenditures, which exceeded budget at net $957,884 as a result of several building projects that were funded using assigned fund balance and therefore not budgeted as current expenditures in the final budget. Pupil support services current expenditures were also over budget $ 536,976 as transportation costs increased due to the resumption of in person learning and rising fuel costs during the year. District support service expenditures were also over budget $409,678 due to high unemployment costs that had been on hold during the pandemic as well as increased cooperative expenditures. Special education expenditures were under budget by $597,196 as the District experienced staffing issues, leaving budgeted positions vacant while also experiencing lower than expected benefit costs.

The expenditure budget was amended $2,301,801to a final budget of $47,530,520. This adjustment was made to reflect additional costs resulting from labor contract settlements as well as additional funding for sites and building projects identified as crucial during the year.

Capital Asset and Debt Administration

Capital Assets

Figure A-8 illustrates a comparison of capital assets between this year and last year. During the year, the District acquired a net $6,566,770 of capital assets, including $740,778 in leased buildings and equipment added as a result of implementing GASB 87. The work in progress category increased as a result of new projects started, including boiler replacement projects at multiple sites and loading dock improvements and tennis court reconstruction projects at the High School. The buildings category increased with the completion of HVAC upgrades and domestic water improvements at various sites as well as restroom renovations at the High School and Middle School.

Depreciation expense for the year was $4,159,227 which remains consistent with the prior years' depreciation expense.

Figure A-8
Capital Assets

	2022	2021	Percent Change
Land	$ 657,500	$ 657,500	- %
Work in progress	1,777,277	1,244,584	42.8%
Improvements	4,755,074	4,284,206	11.0%
Buildings	93,759,484	89,865,730	4.3%
Equipment	4,048,323	3,531,350	14.6%
Leased Buildings	718,809	-	100.0%
Leased Equipment	163,615	-	100.0%
Total before depreciation	105,880,082	99,583,370	6.3%
Accumulated depreciation	(54,358,615)	(50,358,680)	7.9%
Capital assets (net of accumulated depreciation)	$ 51,521,467	$ 49,224,690	4.7%

Long-Term Debt

At year-end, the District had $49,158,786 in total long-term debt as shown in Figure A-9. More detailed information about the District's long-term liabilities is presented in the notes to financial statements.

Figure A-9
Outstanding Long-Term Debt and Separation and Severance Payable

	2022	2021	Percent Change
General Obligation Bonds, Financed Purchases and Leas	$ 48,455,887	$ 51,496,001	(5.9%)
Separation and Severance and Vacation Payable	702,899	802,043	(12.4%)
Total	$ 49,158,786	$ 52,298,044	(6.0%)

Capital Asset and Debt Administration (Continued)
The decrease in General Obligation Bonds, Financed Purchases and Leases is primarily related to the principal repayment on current outstanding debt. In 2020, the District issued $4,475,000 in G.O. Building Refunding Bonds, Series 2020A, which refunded the G.O. Building Refunding Bonds, Series 2012A. In 2018, the District issued $2,450,000 General Obligation Taxable OPEB Refunding Bonds, Series 2018A. These bonds refund the OPEB bond issued in 2009 to fund the districts obligation for retiree insurance benefits. In 2017, the District issued $1,960,000 G.O. Abatement Bonds, Series 2017A for parking lot improvements throughout the District. The District issued $25,890,000 G.O. School Building bonds, Series 2016A in the February of 2016. The voters of the District authorized the bond issue in November of 2015.

Factor's Bearing on the District's Future
At the time these financial statements were prepared and audited, the District was aware of a number of existing circumstances that could significantly affect its financial health in the future:

- The Minnesota legislature determines education funding for each biennium. Future increases are uncertain at the time of issuance.

- The District's student enrollment decreased to 2,769 students in FY 2021-22. This is a decrease of 64 students or 2.3 percent from FY 2020-21. Enrollment continues to fluctuate over time, with the District projected a decline in 2021-22. The District continues to focus on retaining residents and attracting open enrolled students going forward as the majority of school funding is tied to student enrollment.

- The District has a potential liability of several million dollars in post-retirement benefits (health insurance) to be paid to current and future retirees of the District. Because the District expects new retirements over the course of the next few years, payments for these benefits will continue for several years to come. Funding for these expenses will come from an OPEB trust established in 2010. The unfunded portion of this liability is reported in the District statements beginning with the fiscal year ended June 30, 2009, as required by GASB 43 and 45, and subsequently GASB 75.

- The single largest expenses for the District are staff salaries. All of the District bargaining groups have contracts in place through June 30, 2023.

- Historically, Fridley has had a relatively high number of open-enrolled and non-resident students. While our District is able to receive state aid for these students, it would put the District in a difficult financial position if these students chose not to attend our schools in future years.

Contacting the District's Financial Management
This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Business Manager, Independent School District 14, 6000 West Moore Lake Drive, Fridley, Minnesota 55432.

(THIS PAGE LEFT BLANK INTENTIONALLY)

BASIC FINANCIAL STATEMENTS

Independent School District No. 14
Statement of Net Position
June 30, 2022

	Governmental Activities
Assets	
Cash and investments	$ 20,371,910
Current property taxes receivable	8,834,474
Delinquent property taxes receivable	102,645
Accounts receivable, net of allowance	59,442
Interest receivable	49,559
Due from Department of Education	4,397,455
Due from Federal Government through Department of Education	1,738,800
Due from other Minnesota school districts	51,553
Due from other governmental units	160,528
Inventory	21,196
Prepaid items	531,504
Capital assets not being depreciated	
Land	657,500
Construction in progress	1,777,277
Capital assets net of accumulated depreciation	
Buildings	43,840,636
Land improvements	3,008,010
Furniture and equipment	1,539,035
Leased buildings	550,124
Leased equipment	148,885
Total assets	87,840,533
Deferred Outflows of Resources	
Deferred charges on refunding	274,565
Deferred outflows of resources related to OPEB	407,476
Deferred outflows of resources related to pensions	11,944,026
Total deferred outflows of resources	12,626,067
Total assets and deferred outflows of resources	$ 100,466,600
Liabilities	
Accounts and contracts payable	$ 763,262
Salaries and benefits payable	2,204,608
Incurred but not reported claims	325,509
Interest payable	723,466
Due to other Minnesota school districts	128,411
Due to other governmental units	30,491
Unearned revenue	1,263,280
Bond principal payable (net unamortized premium)	
Payable within one year	3,140,000
Payable after one year	42,202,713
Financed purchases	
Payable within one year	596,195
Payable after one year	1,805,586
Lease liability	
Payable within one year	198,867
Payable after one year	512,526
Vacation payable	
Payable within one year	401,003
Severance payable	
Payable within one year	94,444
Payable after one year	207,452
Net OPEB Liability	3,032,585
Net pension liability	17,892,064
Total liabilities	75,522,462
Deferred Inflows of Resources	
Property taxes levied for subsequent year's expenditures	12,102,834
Deferred inflows of resources related to OPEB	593,372
Deferred inflows of resources related to pensions	30,185,192
Total deferred inflows of resources	42,881,398
Net Position	
Net investment in capital assets	4,370,145
Restricted for	
Debt service	395,968
Capital projects	3,969
Other purposes	3,512,970
Unrestricted	(26,220,312)
Total net position	(17,937,260)
Total liabilities, deferred inflows of resources, and net position	$ 100,466,600

Independent School District No. 14
Statement of Activities
Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position: Governmental Activities
Governmental activities					
Administration	$ 1,804,437	$ -	$ -	$ -	$ (1,804,437)
District support services	2,342,241	-	20,293	-	(2,321,948)
Elementary and secondary regular instruction	18,897,187	116,003	8,306,586	-	(10,474,598)
Vocational education instruction	483,897	-	13,158	-	(470,739)
Special education instruction	8,388,952	578,578	6,998,333	-	(812,041)
Instructional support services	2,857,445	-	1,035,803	-	(1,821,642)
Pupil support services	5,185,944	-	1,842,617	-	(3,343,327)
Sites and buildings	3,765,177	-	49,464	1,662,728	(2,052,985)
Fiscal and other fixed cost programs	240,019	-	-	-	(240,019)
Food service	1,895,543	46,175	2,277,567	-	428,199
Community education and services	2,615,342	949,696	903,969	-	(761,677)
Unallocated depreciation	3,713,933	-	-	-	(3,713,933)
Interest and fiscal charges on long-term debt	1,362,089	-	-	-	(1,362,089)
Total governmental activities	$ 53,552,206	$ 1,690,452	$ 21,447,790	$ 1,662,728	(28,751,236)
General revenues					
Taxes					
Property taxes, levied for general purposes					7,578,049
Property taxes, levied for community service					421,112
Property taxes, levied for debt service					4,281,772
State aid-formula grants					20,077,016
Investment income					(84,484)
Total general revenues					32,273,465
Change in net position					3,522,229
Net position - beginning					(21,459,489)
Net position - ending					$ (17,937,260)

See notes to basic financial statements.

Independent School District No. 14
Balance Sheet - Governmental Funds
June 30, 2021

	General	Debt Service	Capital Projects
Assets			
Cash and investments	$ 5,063,498	$ 2,049,130	$ 56,865
Current property taxes receivable	5,548,783	2,646,676	-
Delinquent property taxes receivable	61,979	32,603	-
Accounts receivable, net of allowance	27,834	-	-
Interest receivable	917	-	-
Due from Department of Education	4,308,303	53,065	-
Due from Federal Government through Department of Education	1,628,938	-	-
Due from other Minnesota school districts	38,649	-	-
Due from other governmental units	134,566	-	-
Due from other funds	488,935	-	-
Inventory	-	-	-
Prepaid items	523,972	-	-
Total assets	$ 17,826,374	$ 4,781,474	$ 56,865
Liabilities			
Accounts and contracts payable	$ 632,294	$ -	$ 52,896
Salaries and benefits payable	2,108,416	-	-
Due to other Minnesota school districts	128,411	-	-
Due to other governmental units	26,568	-	-
Due to other funds	-	-	-
Unearned revenue	-	-	-
Severance payable	301,896	-	-
Total liabilities	3,197,585	-	52,896
Deferred Inflows of Resources			
Unavailable revenue - delinquent property taxes	51,738	27,104	-
Property taxes levied for subsequent year's expenditures	7,355,884	3,823,743	-
Total deferred inflows of resources	7,407,622	3,850,847	-
Fund Balances			
Nonspendable	523,972	-	-
Restricted	2,312,398	930,627	3,969
Assigned	1,276,042	-	-
Unassigned	3,108,755	-	-
Total fund balances	7,221,167	930,627	3,969
Total liabilities, deferred inflows of resources, and fund balances	$ 17,826,374	$ 4,781,474	$ 56,865

Other Nonmajor Funds	Total Governmental Funds
$ 1,226,207	$ 8,395,700
639,015	8,834,474
8,063	102,645
15,041	42,875
-	917
36,087	4,397,455
109,862	1,738,800
12,904	51,553
25,962	160,528
-	488,935
21,196	21,196
7,532	531,504
$ 2,101,869	$ 24,766,582
$ 26,501	$ 711,691
96,192	2,204,608
-	128,411
3,923	30,491
148,387	148,387
103,399	103,399
-	301,896
378,402	3,628,883
6,643	85,485
923,207	12,102,834
929,850	12,188,319
28,728	552,700
1,280,586	4,527,580
-	1,276,042
(515,697)	2,593,058
793,617	8,949,380
$ 2,101,869	$ 24,766,582

Independent School District No. 14
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2022

Total fund balances - governmental funds	$ 8,949,380
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore, are not reported as assets	
Cost of capital assets	105,880,082
Less accumulated depreciation/ amortization	(54,358,615)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Bond principal payable	(42,025,000)
Lease payable	(711,393)
Financed purchase payable	(2,401,781)
Compensated absences payable	(401,003)
Net discounts/premiums	(3,317,713)
Deferred refundings	274,565
Net OPEB liability	(3,032,585)
Net pension liability	(17,892,064)
Deferred outflows of resources and deferred inflows of resources are created as a result of differences between actual and expected contributions and earnings on plan investments as well as changes in proportion and are not recognized in the governmental funds.	
Deferred outflows of resources related to pensions	11,944,026
Deferred inflows of resources related to pensions	(30,185,192)
Deferred outflows of resources related to OPEB	407,476
Deferred inflows of resources related to OPEB	(593,372)
Delinquent property taxes receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	85,485
The Internal Service Fund is used by management to charge the cost of the retiree benefit plan. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position.	6,193,029
The Post Employment Benefits Revocable Trust Internal Service Fund is used to charge the benefits to the fund that incurs the cost. This amount represents assets available to fund the liabilities.	3,970,881
Governmental funds do not report a liability for accrued interest on bonds and financed purchases until due and payable.	(723,466)
Total net position - governmental activities	$ (17,937,260)

Independent School District No. 14
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2022

	General	Debt Service	Capital Projects	Other Nonmajor Funds	Total Governmental Funds
Revenues					
Local property taxes	$ 7,579,755	$ 3,746,082	$ -	$ 960,960	$ 12,286,797
Other local and county revenues	1,151,735	10,663	-	1,096,220	2,258,618
Revenue from state sources	35,102,954	530,191	-	705,334	36,338,479
Revenue from federal sources	2,806,497	-	-	2,331,210	5,137,707
Sales and other conversion of assets	7,571	-	-	46,175	53,746
Total revenues	46,648,512	4,286,936	-	5,139,899	56,075,347
Expenditures					
Current					
Administration	1,895,255	-	-	-	1,895,255
District support services	2,401,525	-	-	-	2,401,525
Elementary and secondary regular instruction	19,553,035	-	-	-	19,553,035
Vocational education instruction	502,231	-	-	-	502,231
Special education instruction	8,793,616	-	-	-	8,793,616
Instructional support services	2,832,436	-	-	-	2,832,436
Pupil support services	5,253,969	-	-	-	5,253,969
Sites and buildings	4,686,828	-	-	-	4,686,828
Fiscal and other fixed cost programs	240,019	-	-	-	240,019
Food service	-	-	-	1,952,717	1,952,717
Community education and services	-	-	-	2,604,342	2,604,342
Capital outlay					
District support services	62,701	-	-	-	62,701
Elementary and secondary regular instruction	81,929	-	-	-	81,929
Instructional support services	654,391	-	-	-	654,391
Sites and buildings	951,711	-	2,116,946	-	3,068,657
Food service	-	-	-	5,624	5,624
Community education and services	-	-	-	35,968	35,968
Debt service					
Principal	897,356	2,465,000	-	548,379	3,910,735
Interest and fiscal charges	95,726	1,815,201	-	53,735	1,964,662
Total expenditures	48,902,728	4,280,201	2,116,946	5,200,765	60,500,640
Excess of revenues over (under) expenditures	(2,254,216)	6,735	(2,116,946)	(60,866)	(4,425,293)
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	4,876	-	-	2,425	7,301
Proceeds from financed purchases	580,145	-	-	-	580,145
Lease proceeds	126,171	-	-	15,475	141,646
Transfers in	-	-	690,994	136,342	827,336
Transfers out	(827,336)	-	-	-	(827,336)
Total other financing sources (uses)	(116,144)	-	690,994	154,242	729,092
Net change in fund balances	(2,370,360)	6,735	(1,425,952)	93,376	(3,696,201)
Fund Balances					
Beginning of year	9,591,527	923,892	1,429,921	700,241	12,645,581
End of year	$ 7,221,167	$ 930,627	$ 3,969	$ 793,617	$ 8,949,380

Independent School District No. 14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities - Governmental Funds
Year Ended June 30, 2022

Net change in fund balances - total governmental funds	$ (3,696,201)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation/ amortization expense.	
Capital outlays	4,703,892
Depreciation/ amortization expense	(4,159,227)
Loss on disposal of capital assets	(110,766)
Donated Assets	1,122,100
Compensated absences and severance are recognized as they are paid in the governmental funds but are recognized as the expense is incurred in the Statement of Activities.	50,865
Net post employment benefit obligations are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	86,220
Governmental Funds recognize pension contributions as expenditures at the time of payments in the funds whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.	1,750,443
Principal payments on long-term debt are recognized as expenditures in the governmental funds but have no effect on net position in the Statement of Activities.	3,982,468
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however intrest expense is recognized as the interest accrues, regardless of when it is due.	105,945
Governmental funds report the effect of bond discounts, premiums and deferred refundings when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	443,987
Proceeds from the sale of bonds and issuance of financed purchases and leases are recognized as other financing sources in the governmental funds increasing fund balance but have no effect on net position in the Statement of Activities.	
Financed purchases	(580,145)
Lease payable	(141,646)
The Post Employment Benefits Revocable Trust Internal Service Fund is used to charge the benefits to the fund that incurs the cost. This amount represents the change in assets available to fund the liabilities.	(451,857)
The Internal Service Fund is used by management to charge the costs of the retiree health insurance plan. The net gain is reported within the governmental activities in the Statement of Activities.	422,015
Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	(5,864)
Change in net position - governmental activities	$ 3,522,229

Independent School District No. 14
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Local property taxes	$ 7,674,176	$ 7,674,176	$ 7,579,755	$ (94,421)
Other local and county revenues	1,028,034	1,007,278	1,151,735	144,457
Revenue from state sources	35,580,456	36,388,951	35,102,954	(1,285,997)
Revenue from federal sources	1,263,401	1,263,401	2,806,497	1,543,096
Sales and other conversion of assets	500	4,456	7,571	3,115
Total revenues	45,546,567	46,338,262	46,648,512	310,250
Expenditures				
Current				
Administration	2,017,969	1,935,516	1,895,255	(40,261)
District support services	2,178,321	1,991,847	2,401,525	409,678
Elementary and secondary regular instruction	17,242,470	19,724,868	19,553,035	(171,833)
Vocational education instruction	551,003	551,003	502,231	(48,772)
Special education instruction	9,762,122	9,390,812	8,793,616	(597,196)
Instructional support services	2,559,042	2,992,854	2,832,436	(160,418)
Pupil support services	5,167,980	4,716,993	5,253,969	536,976
Sites and buildings	3,533,641	3,131,755	4,686,828	1,555,073
Fiscal and other fixed cost programs	212,754	212,754	240,019	27,265
Capital outlay				
District support services	14,510	52,910	62,701	9,791
Elementary and secondary regular instruction	43,673	35,098	81,929	46,831
Special education instruction	46,832	46,832	-	(46,832)
Instructional support services	354,535	354,535	654,391	299,856
Sites and buildings	700,024	1,548,900	951,711	(597,189)
Debt service				
Principal	767,066	767,066	897,356	130,290
Interest and fiscal charges	76,777	76,777	95,726	18,949
Total expenditures	45,228,719	47,530,520	48,902,728	1,372,208
Excess of revenues over (under) expenditures	317,848	(1,192,258)	(2,254,216)	(1,061,958)
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	4,876	4,876
Proceeds from leases	-	-	126,171	126,171
Proceeds from financed purchases	322,535	322,535	580,145	257,610
Transfers out	(690,994)	(690,994)	(827,336)	(136,342)
Total other financing sources (uses)	(368,459)	(368,459)	(116,144)	252,315
Net change in fund balances	$ (50,611)	$ (1,560,717)	(2,370,360)	$ (809,643)
Fund Balance				
Beginning of year			9,591,527	
End of year			$ 7,221,167	

See notes to basic financial statements.

Independent School District No. 14
Statement of Net Position - Proprietary Funds
June 30, 2022

	Total Internal Service Funds
Assets	
Cash and cash equivalents	$ 7,728,393
Investments	4,247,817
Accounts receivable	16,567
Interest receivable	48,642
Total assets	$ 12,041,419
Liabilities	
Accounts payable	$ 51,571
Incurred but not reported claims	325,509
Due to other funds	340,548
Unearned revenue	1,159,881
Total liabilities	1,877,509
Net Position	
Unrestricted	10,163,910
Total liabilities and net position	$ 12,041,419

Independent School District No. 14
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
Year Ended June 30, 2022

	Total Internal Service Funds
Operating Revenues	
Charges for services	$ 6,336,541
Operating Expense	
Insurance	5,667,065
Administrative	586,060
Total operating expenses	6,253,125
Operating income	83,416
Nonoperating Revenues	
Investment income	(113,258)
Change in net position	(29,842)
Net Position	
Beginning of year	10,193,752
End of year	$ 10,163,910

Independent School District No. 14
Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2022

	Total Internal Service Funds
Cash Flows - Operating Activities	
Receipts from district contribution	$ 202,546
Receipts from employees	6,110,777
Payments to vendors	(6,205,968)
Net cash flows - operating activities	107,355
Cash Flows - Non-Capital Financing Activities	
Due to other funds	340,548
Net cash flows - investing activities	340,548
Cash Flows - Investing Activities	
Net sale/(purchase) of investments	212,745
Interest received	(109,392)
Net cash flows - investing activities	103,353
Net change in cash and cash equivalents	551,256
Cash and Cash Equivalents	
Beginning of year	7,177,137
End of year	$ 7,728,393
Reconciliation of Operating Income to Net Cash Flows - Operating Activities	
Operating income	$ 83,416
Adjustments to reconcile operating income to net cash flows - operating activities	
Change in assets and liabilities	
Accounts receivable	1,076
Unearned revenue	(24,294)
Accounts payable	47,157
Net cash flows - operating activities	$ 107,355

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

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

B. Basic Financial Statement Information

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statement Information (Continued)

The District applies restricted resources first when an expense is incurred for a purpose for which both restricted and unrestricted net position is available. Depreciation and amortization expense that can be specifically identified by function is included in the direct expenses of that function. Depreciation and amortization expense relating to assets that serve multiple functions is presented as unallocated depreciation/ amortization in the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. The effect of interfund activity has been removed from these statements.

Separate fund financial statements are provided for governmental funds and the proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus and Basis of Accounting

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

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

2. **Recording of Expenditures**
   Expenditures are generally recorded when a liability is incurred. The exceptions to this general rule are that interest and principal expenditures in the Debt Service Fund, compensated absences and claims and judgments are recognized when payment is due.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Internal Service Fund are employee and District contributions. Operating expenses for proprietary funds include claims paid and administrative expenses. All revenues and expenses not meeting this definition are reposted as nonoperating revenues and expenses.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

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

Description of Funds:

Major Funds:

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

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

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

Nonmajor Funds:

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

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

Post Employment Benefits Debt Service Fund – This fund is used to account for levy proceeds and the payment of G.O. taxable OPEB Bonds principal, interest, and related costs.

Proprietary Funds:

Self Insurance Internal Service Fund – This fund is used to account for operations of the District's self – insured insurance plans. Premiums collected from employees are collected from other governmental funds and insurance claims are paid by this fund.

Post Employment Benefits Revocable Trust Internal Service Fund – This fund is used to account for the accumulation of resources to fund post employment benefits.

D. Deposits and Investments

Cash and investments includes balances from all funds (except a portion of the Post Employment Benefits Revocable Trust Internal Service Fund) that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deposits and Investments (Continued)

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

Cash and investments at June 30, 2022, were comprised of deposits, certificates of deposit, government securities and shares in the Minnesota Trust (MNTrust) Securities. MNTrust securities are valued at amortized cost, which approximates fair value.

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

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

In accordance with GASB Statement No. 79, the various MNTrust securities are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from MNTrust. The MN Full Flex investment does not have a fixed maturity and allows for withdrawals on a weekly basis. Rate on a MN Full Flex adjusts weekly with the market with interest paid monthly.

E. Property Tax Receivable

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

F. Property Taxes Levied for Subsequent Year's Expenditures

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

Capital assets are defined by the District as assets with an initial individual cost of more than $5,000. Such assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at its acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets lives are not capitalized.

Capital assets are depreciated or amortized using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration. Useful lives vary from 20 to 50 years for land improvements and buildings and 5 to 15 years for equipment.

Capital assets not being depreciated or amortized include land and construction in progress. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has three items that qualify for reporting in this category. A deferred charge on refunding, deferred outflows of resources related to pensions, and deferred outflows of resources related to OPEB are reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pensions and OPEB are recorded for various estimate differences that will be amortized and recognized over future years.

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

L. Long-Term Obligations

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Compensated Absences

1. **Vacation**
Teachers are eligible for vacation of 2 days per year which can be accumulated to 7 days. Other employees qualify for vacation ranging from 5 to 45 days per year which are generally accumulated at year-end and payable during the ensuing year. Vacation is accrued for these employees in the Statement of Net Position since it is deemed to be payable at year-end.

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

N. Severance Payable

The District maintains severance payment plans for certain employee groups. Each employee group plan contains requirements for lump sum payments based on employment date, years of service and/or minimum age requirements. Benefits are calculated based on various formulas converting accrued sick leave into a lump sum payment. No employee can receive payments exceeding one year's salary. For employees retiring on or before June 30, 2022, who are entitled to receive payments, an accrual is made in the governmental fund incurring the liability.

The amount of severance payment that is based on convertible sick leave is recorded as a liability in the government-wide financial statements as it is earned and when it becomes probable that it will vest at some point in the future.

O. Pensions

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Postemployment Benefits Other Than Pensions (OPEB)

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

Q. Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and injuries to employees for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in the District's insurance coverage during the year ended June 30, 2022.

R. Fund Equity

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

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

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

- Assigned Fund Balances – The School Board by majority vote may assign fund balances to be used for specific purposes. The board also delegated power to assign fund balances to the Superintendent and Director of Finance.

- Minimum Fund Balance Policy – The School Board shall strive to maintain a fund balance of between 7% and 10% of total unrestricted expenditures. The fund balance shall be defined as the sum of the undesignated/unreserved fund balance. It shall not include funds reserved for operating capital, health and safety, basic skills, or any other new reserve created by the School Board, state, or federal guidelines.

S. Net Position

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Use of Estimates

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

U. Budgetary Information

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

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

Custodial Credit Risk – Deposits: This is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. *Minnesota Statutes* requires all deposits be protected by federal depository insurance, corporate surety bonds, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds. The District's policy states funds may not be invested in an institution that does not agree to provide the required collateral as noted.

As of June 30, 2022, the District's bank balance was not exposed to custodial credit risk because it was insured and properly collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits (Continued)

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

Pooled		
Cash	$	(581,043)
Certificates of deposit		1,498,700
Total pooled deposits	$	917,657
Non-pooled		
OPEB Revocable Trust Fund		
Certificates of deposit	$	349,600
Total non-pooled deposits	$	349,600

B. Investments

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

Investment	Maturities	Fair Value	Percent of Total	Type	Credit Rating
Pooled					
MNTrust investment shares	6/30/22	$ 4,144,739	27.34%	MMA	AAAm
MNTrust Full Flex	6/30/22	11,015,502	72.66%	SDA	AAAm
Total pooled		$ 15,160,241	100.00%		

Investment	Maturities	Fair Value	Percent of Total	Type	Credit Rating
OPEB Revocable Trust Fund non-pooled					
MNTRUST Investment Shares	6/30/22	$ 45,795	1.16%	MMA	AAAm
Kane SD #304-UNREF	1/1/23	679,137	17.22%	SEC	Aa2
Desert Sands USD-REF	8/1/23	227,852	5.78%	SEC	Aa2
NYC-D2-TXBL	12/1/23	999,700	25.35%	SEC	Aa2
Schenectady Co	12/15/23	225,720	5.72%	SEC	Aa1
Oklahoma City TXBL	3/1/24	202,430	5.13%	SEC	Aaa
US Treasury	10/15/24	663,769	16.83%	SEC	Aaa
US Treasury	11/30/24	428,686	10.87%	SEC	Aaa
US Treasury	11/30/25	251,464	6.38%	SEC	Aaa
US Treasury	11/30/25	219,459	5.56%	SEC	Aaa
Total OPEB Revocable Trust Fund non-pooled investments		$ 3,944,012	100.00%		

MNTrust is an external investment pool not registered with the SEC and invests according to *Minnesota Statutes.* The fair value position in the pool is the same as the value of the pooled shares.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. *Minnesota Statutes* 118A.04 and 118A.05 limit investments to the top two ratings issued by nationally recognized statistical rating organizations. The District's investment policy limits its investments to those allowed by state statutes. Additionally, investment in commercial paper is limited to those rated in the highest classifications by at least two of the four nationally recognized rating services.

Interest Rate Risk: This is the risk that market values of securities in a portfolio would decrease due to changes in market interest rates. The District's investment policy states investment maturities shall be scheduled to coincide with projected District cash flow needs.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. The District's investment policy places no limit on the amount the District may invest in any one issuer, though it does state the District will limit investments to avoid over concentration in securities from a specific issuer or business sector. As of June 30, 2022, the District was exposed to concentration of credit risk as more than 5% of its total investments were invested in individual investments as indicated by the table on the previous pages.

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

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

- $3,898,217 of investments are significant other observable inputs (Level 2 inputs)

C. Deposits and Investments

Summary of cash, deposits, and investments as of June 30, 2022:

Petty cash	$ 400
Deposits (Note 3.A.)	
Pooled	917,657
Non-pooled	349,600
Investments (Note 3.B.)	
Pooled	15,160,241
Non-pooled	3,944,012
Total deposits and investments	$ 20,371,910

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Deposits and Investments (Continued)

Cash, deposits, and investments are presented in the June 30, 2022 financial statements as follows:

Statement of Net Position	
Cash and investments	$ 20,371,910

NOTE 3 – INTERFUND ACTIVITY

A. Transfers

	Transfers In		
	Capital Project Fund	Other Nonmajor Funds	Total
Transfers out			
General Fund	$ 690,994	$ 136,342	$ 827,336

These transfers were performed to distribute levy dollars dedicated to specific funds in accordance with bond documents and levy.

A. Interfund Receivable/Payable

An interfund receivable/payable was established between the Post Employment Benefits Revocable Trust Fund, Community Service Fund, and the General Fund to account for cash deficits in the Community Service and Post Employment Benefits Revocable Trust Funds. There is a $488,935 interfund receivable for the General fund and a ($148,387) and a ($340,548) Interfund Payable for the Community Service Fund and Post Employment Benefits Revocable Trust Fund

Independent School District No. 14
Notes to Basic Financial Statements

NOTE 4 – CAPITAL ASSETS

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

	Beginning Balance	Adjustments	Increases	Decreases	Ending Balance
Governmental activities					
Capital assets not being depreciated					
Land	$ 657,500	$ -	$ -	$ -	$ 657,500
Construction in progress	1,244,584	-	3,486,852	2,954,159	1,777,277
Total capital assets not being depreciated	1,902,084	-	3,486,852	2,954,159	2,434,777
Other capital assets					
Buildings	89,865,730	-	3,893,754	-	93,759,484
Land improvements	4,284,206	-	470,868	-	4,755,074
Furniture and equipment	3,531,350	-	787,031	270,058	4,048,323
Leased buildings	-	718,809	-	-	718,809
Leased equipment	-	21,969	141,646	-	163,615
Total other capital assets at historical cost	97,681,286	740,778	5,293,299	270,058	103,445,305
Less accumulated depreciation for					
Buildings	46,412,026	-	3,506,822	-	49,918,848
Land improvements	1,549,583	-	197,481	-	1,747,064
Furniture and equipment	2,397,071	-	271,509	159,292	2,509,288
Less accumulated amortization for					-
Leased buildings	-	-	168,685	-	168,685
Leased equipment	-	-	14,730	-	14,730
Total accumulated depreciation and amortization	50,358,680	-	4,159,227	159,292	54,358,615
Total other capital assets, net	47,322,606	740,778	1,134,072	110,766	49,086,690
Governmental activities, capital assets, net	$ 49,224,690	$ 740,778	$ 4,620,924	$ 3,064,925	$ 51,521,467

See Note 11 for discussion regarding the adjustment.

Depreciation/ amortization expense of $4,159,227 for the year ended June 30, 2022, was charged to the following governmental functions:

District support services	$ 7,948
Regular instruction	99,765
Vocational Instruction	597
Special education instruction	8,351
Instructional support services	161,229
Food service	31,898
Community education and services	135,506
Unallocated	3,713,933
Total depreciation/ amortization expense	$ 4,159,227

NOTE 5 – LONG-TERM DEBT

A. Components of Long-Term Liabilities

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

	Interest Rate	Maturity Date	Original Issue	Balance	Due Within One Year
G.O. bonds					
G.O. School Building Bonds Series 2016A	3.00%-5.00%	02/01/35	$ 25,890,000	$ 25,075,000	$ 205,000
G.O. Alternative Facilities Bonds Series 2016B	4.00%-5.00%	02/01/28	16,740,000	11,070,000	1,340,000
G.O. Abatement Bonds Series 2017A	3.00%	02/01/27	1,960,000	1,145,000	215,000
G.O. Taxable OPEB Refunding Bonds Series 2018A	2.95%-3.40%	02/01/24	2,450,000	1,030,000	505,000
G.O. School Building Refunding Bonds Series 2020A	5.00%	11/12/20	4,475,000	3,705,000	875,000
Unamortized bond discounts and premiums, net				3,317,713	-
Total G.O. bonds (net of unamortized premium)				45,342,713	3,140,000
Financed purchases					
Energy loan financed purchase	4.15%	07/31/22	3,142,381	71,353	71,353
Elementary additions agreement	2.75%	02/01/28	3,400,000	1,521,839	236,641
Technology agreement	4.00%	02/24/23	82,748	1,667	1,667
Technology agreement	4.69%	08/31/22	102,850	11,160	11,160
Technology agreement	4.65%	08/31/22	34,080	3,204	3,204
Technology agreement	4.70%	08/31/22	117,475	11,184	11,184
Technology agreement	3.65%	08/31/23	92,270	30,647	20,901
Technology agreement	3.56%	02/28/24	175,745	58,103	39,890
Technology agreement	2.98%	04/22/21	410,880	246,386	79,730
Technology agreement	3.00%	06/09/21	308,400	234,116	67,269
Technology agreement	3.00%	06/09/21	14,135	10,730	3,083
Technology agreement	3.02%	06/24/21	129,110	103,844	22,084
Technology agreement	2.96%	07/23/21	128,500	97,548	28,029
Total financed purchases				2,401,781	596,195
Lease liabilities					
Building lease	3.00%	05/31/27	567,047	480,507	90,160
Building lease	3.00%	07/31/23	151,761	81,068	74,726
Copier lease	3.00%	10/27/26	42,987	37,621	8,253
Copier lease	3.00%	05/21/27	98,658	97,132	18,614
Copier lease	3.00%	07/21/24	21,970	15,065	7,114
Total lease liabilities				711,393	198,867
Vacation payable				401,003	401,003
Severance payable				301,896	94,444
Total all long-term liabilities				$ 49,158,786	$ 4,430,509

NOTE 5 – LONG-TERM DEBT (CONTINUED)

A. Components of Long-Term Liabilities (Continued)

The long-term bond, financed purchases and lease liabilities listed above were issued to finance the acquisition and construction, or improvements of capital facilities, or to refinance (refund) previous bond issues. Long-term liabilities other than bonds are typically liquidated through the General Fund.

B. Minimum Principal and Interest Payments for Long-Term Liabilities

Year Ending,	G.O. Bonds			Financed Purchases		
June 30,	Principal	Interest	Total	Principal	Interest	Total
2023	$ 3,140,000	$ 1,679,665	$ 4,819,665	$ 596,195	$ 67,026	$ 663,221
2024	3,280,000	1,535,550	4,815,550	477,347	49,486	526,833
2025	3,455,000	1,384,350	4,839,350	462,301	35,551	497,852
2026	3,620,000	1,216,200	4,836,200	319,347	22,266	341,613
2027	3,870,000	1,039,900	4,909,900	275,324	13,265	288,589
2028-2032	15,145,000	3,036,950	18,181,950	271,267	5,608	276,875
2033-2035	9,515,000	576,450	10,091,450	-	-	-
Total	$42,025,000	$10,469,065	$52,494,065	$ 2,401,781	$ 193,202	$ 2,594,983

Year Ending,	Lease Liability		
June 30,	Principal	Interest	Total
2023	$ 198,867	$ 18,625	$ 217,492
2024	135,268	13,439	148,707
2025	126,926	9,575	136,501
2026	131,170	8,423	139,593
2027	119,162	1,768	120,930
Total	$ 711,393	$ 51,830	$ 763,223

C. Changes in Long-Term Liabilities

	Beginning Balance	Adjustment	Additions	Reductions	Ending Balance
Long-term liabilities					
G.O. Bonds	$ 44,985,000	$ -	$ -	$ 2,960,000	$ 42,025,000
Unamortized discount and premium, net	3,837,928	-	-	520,215	3,317,713
Financed purchases	2,673,073	-	580,145	851,437	2,401,781
Lease liability	-	740,778	141,646	171,031	711,393
Vacation payable	451,868	-	584,058	634,923	401,003
Severance benefits payable	350,175	-	-	48,279	301,896
Total long-term liabilities	$ 52,298,044	$ 740,778	$ 1,305,849	$ 5,185,885	$ 49,158,786

See Note 11 for discussion regarding the adjustment.

NOTE 5 – LONG-TERM DEBT (CONTINUED)

D. Financed Purchases

On August 3, 2017, the District entered into a purchase agreement for technology. The capital obligation totaled $82,748. The agreement includes annual principal and interest payments ranging from $1,722 to $17,443.

On May 16, 2018, the District entered into a purchase agreement for technology. The capital obligation totaled $102,850. The agreement includes annual principal and interest payments ranging from $11,649 to $24,949.

On May 16, 2018, the District entered into a purchase agreement for technology. The capital obligation totaled $34,080. The agreement includes annual principal and interest payments ranging from $3,344 to $8,383.

On June 11, 2018, the District entered into a purchase agreement for technology. The capital obligation totaled $117,475. The agreement includes annual principal and interest payments ranging from $11,675 to $22,863.

On August 1, 2019, the District entered into a purchase agreement for technology. The capital obligation totaled $92,270. The agreement includes annual principal and interest payments ranging from $10,108 to $22,038.

On February 28, 2020, the District entered into a purchase agreement for technology. The capital obligation totaled $175,745. The agreement includes annual principal and interest payments ranging from $18,872 to $41,995.

On April 22, 2021, the District entered into a purchase agreement for technology. The capital obligation totaled $410,880. The agreement includes annual principal and interest payments of $87,070.

On June 9, 2021, the District entered into a purchase agreement for technology. The capital obligation totaled $308,400. The agreement includes annual principal and interest payments ranging from $26,988 to $74,284.

On June 9, 2021, the District entered into a purchase agreement for technology. The capital obligation totaled $14,135. The agreement includes annual principal and interest payments ranging from $1,237 to $3,405.

On June 24, 2021, the District entered into a purchase agreement for technology. The capital obligation totaled $129,110. The agreement includes annual principal and interest payments ranging from $11,713 to $25,267.

On July 23, 2021, the District entered into a purchase agreement for technology. The capital obligation totaled $128,500. The agreement includes annual principal and interest payments ranging from $11,245 to $30,952.

NOTE 5 – LONG-TERM DEBT (CONTINUED)

E. Lease Liabilities

On June 1, 2017, the District entered into a lease for building space. The capital obligation totaled $567,047. The agreement includes annual principal and interest payments ranging from $93,764 to $107,280.

On August 1, 2018, the District entered into a lease agreement for building space. The capital obligation totaled $151,761. The agreement includes annual principal and interest payments ranging from $74,282 to $82,496.

On August 6, 2019, the District entered into a lease agreement for copiers. The capital obligation totaled $34,638. The agreement includes monthly principal and interest payments totaling $622.

On October 28, 2021, the District entered into a lease agreement for copiers. The capital obligation totaled $42,987. The agreement includes monthly principal and interest payments totaling $772.

On May 11, 2022, the District entered into a lease agreement for copiers. The capital obligation totaled $98,658. The agreement includes monthly principal and interest payments totaling $1,773.

NOTE 6 – FUND BALANCES

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

NOTE 6 – FUND BALANCES (CONTINUED)

Fund Equity

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

	General Fund	Debt Service	Capital Projects	Other Nonmajor Funds	Total
Nonspendable for					
Inventories	$ -	$ -	$ -	$ 21,196	$ 21,196
Prepaid items	523,972	-	-	7,532	531,504
Total nonspendable	523,972	-	-	28,728	552,700
Restricted/reserved for					
Student Activities	86,689	-	-	-	86,689
Safe Schools	231,367	-	-	-	231,367
Operating Capital	216,128	-	-	-	216,128
Medical Assistance	1,526,898	-	-	-	1,526,898
Long Term Facilities Maintenance	145,458	-	-	-	145,458
Area Learning Center	40,908	-	-	-	40,908
ECFE	-	-	-	25,985	25,985
School Readiness	-	-	-	73,382	73,382
Capital Projects Levy	64,950	-	3,969	-	68,919
Debt Service	-	930,627	-	111,677	1,042,304
Food Service	-	-	-	980,944	980,944
Community Service	-	-	-	88,598	88,598
Total Restricted/reserved	2,312,398	930,627	3,969	1,280,586	4,527,580
Assigned for					
Students	175,453	-	-	-	175,453
Separation/Retirement Benefits	350,589	-	-	-	350,589
Curriculum adoption	750,000	-	-	-	750,000
Total assigned	1,276,042	-	-	-	1,276,042
Unassigned for					
Community Education	-	-	-	(515,697)	(515,697)
Unassigned	3,108,755	-	-	-	3,108,755
Total unassigned	3,108,755	-	-	(515,697)	2,593,058
Total fund balance	$ 7,221,167	$ 930,627	$ 3,969	$ 793,617	$ 8,949,380

*Negative restricted/reserved fund balances have been reclassified to unassigned for the basic financial statements in accordance with GASB Statement No. 54.

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

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

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

NOTE 6 – FUND BALANCES (CONTINUED)

Fund Equity (Continued)

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

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

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

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

Restricted/Reserved for School Readiness – This balance represents the resources available to provide for services for school readiness programs. Related to Finance Code 344, School Readiness *Minnesota Statutes* 124D.16.

Restricted/Reserved for Capital Projects Levy – This balance represents available resources from the capital projects levy to be used for building construction and other projects under *Minnesota Statues* 126C.10, subd. 14. All interest income attributable to the capital projects levy must be credited to this account.

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

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

Restricted for Community Service – This balance represents the positive fund balance of the Community Service Fund not set aside in other restrictions.

Assigned for Students – This balance represents resources set aside for each building based on fundraising done by students and donations for various programs.

Assigned for Separation/Retirement Benefits – This balance represents resources set aside for future separation and retirement obligations.

Assigned for curriculum adoption – This balance represents resources set aside for curriculum adoption.

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

NOTE 6 – FUND BALANCES (CONTINUED)

Fund Equity (Continued)
Net position restricted for other purposes is comprised of the positive General Fund and total Special Revenue Funds restricted balances.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

The District participates in various pension plans, total pension expense for the year ended June 30, 2022, was $520,879. The components of pension expense are noted in the following plan summaries.

The General Fund, Food Service Fund, and Community Service Funds typically liquidate the liability related to pensions.

Teachers' Retirement Association

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

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

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

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

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

Tier 1 Benefits

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

With these provisions:

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

Tier II Benefits

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

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

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

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

Tier II Benefits (Continued)

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

C. Contribution Rate

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

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

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

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

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

C. Contribution Rate (Continued)

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

C. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information	
Valuation date	July 1, 2021
Measurement date	June 30, 2021
Experience study	June 5, 2019 (demographic assumptions) November 6, 2017 (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	7.00%
Price inflation	2.50%
Projected salary increase	2.85% to 8.85% before July 1, 2028 and 3.25 to 9.25 thereafter.
Cost of living adjustment	1.0% for January 2020 through January 2023, then increasing by 0.1% each year up to 1.5% annually.
Mortality Assumptions	
Pre-retirement	RP 2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP 2015 scale.
Post-retirement	years and female rates set back three years, with further adjustments of the rates. Generational projections uses the MP 2015 scale.
Post-disability	RP 2014 disabled retiree mortality table, without adjustment.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

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

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

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

Changes in actuarial assumptions since the 2020 valuation:

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

E. Discount Rate

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

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

F. Net Pension Liability

On June 30, 2022, the District reported a liability of $14,078,554 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 1899, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. District proportionate share was 0.3217% at the end of the measurement period and 0.3163% 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	$ 14,078,554
State's proportionate share of the net pension liability associated with the District	1,187,260

For the year ended June 30, 2022, the District recognized pension expense of $613,502. Included in this amount, the District recognized $(13,294) as pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 374,910	$ 403,851
Net difference between projected and actual earnings on plan investments	-	11,850,537
Changes in assumptions	5,159,020	13,391,697
Changes in proportion	1,768,386	895,641
District's contributions subsequent to measurement date	1,732,775	-
Total	$ 9,035,091	$ 26,541,726

The $1,732,775 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 1899.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)

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

Year Ended June 30,	Pension Expense Amount
2023	$ (8,963,204)
2024	(7,244,978)
2025	(1,902,780)
2026	(2,188,699)
2027	1,060,251
Total	$ (19,239,410)

G. Pension Liability Sensitivity

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

District proportionate share of NPL		
1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
$ 28,439,364	$ 14,078,554	$ 2,301,545

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

H. Pension Plan Fiduciary Net Position

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

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association

A. Plan Description

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

General Employees Retirement Plan

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

B. Benefits Provided

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

General Employees Plan Benefits

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

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

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2022 and the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2022, were $542,437. The District's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At June 30, 2022, the District reported a liability of $3,813,510 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled $116,549. The net pension liability was measured as of June 30, 1899, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 1899, through June 30, 1899, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0893% at the end of the measurement period and 0.0890% for the beginning of the period.

District's proportionate share of net pension liability	$ 3,813,510
State's proportionate share of the net pension liability associated with the District	116,549
Total	$ 3,930,059

For the year ended June 30, 2022, the District recognized pension expense of $(92,623) for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized $9,404 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 24,557	$ 116,660
Changes in actuarial assumptions	2,328,450	85,455
Difference between projected and actual investments earnings	-	3,308,641
Change in proportion	13,491	132,710
Contributions paid to PERA subsequent to the measurement date	542,437	-
Total	$ 2,908,935	$ 3,643,466

The $542,437 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2023	$ (234,227)
2024	(116,284)
2025	(25,642)
2026	(900,815)
Total	$ (1,276,968)

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Long-Term Expected Return on Investment

General Employees Fund Pension Costs (Continued)

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

F. Actuarial Methods and Assumptions

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

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

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

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

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Actuarial Methods and Assumptions (Continued)

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

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

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the previous valuation.

G. Discount Rate

The discount rate used to measure the total pension liability in 2021 was 6.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate 5.5%	Current Discount Rate 6.5%	1% Increase in Discount Rate 7.5%
District's proportionate share of the PERA net pension liability	$ 7,777,614	$ 3,813,510	$ 560,721

I. Pension Plan Fiduciary Net Position

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

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

The District's defined benefit OPEB plan provides a single-employer defined benefit health care plan to eligible retirees. The plan offers medical coverage. It is the District's policy to periodically review its medical coverage, and to obtain requests for proposals in order to provide the most favorable benefits and premiums for District employees and retirees.

B. Benefits Paid

The District provides post employment retirement benefits to pay health and life insurance premiums for certain retired District personnel. Benefits are paid on behalf of retired administrative personnel to Medicare eligibility and other qualified staff to Medicare eligibility at which time benefits cease. The General Fund, Food Service Fund and Community Service Fund typically liquidate the Liability related to OPEB.

C. Members

As of June 30, 2022, the following were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	19
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	439
Total	458

D. Contributions

Retirees contribute to the health care plan at the same rate as District employees. This results in the retirees receiving an implicit rate subsidy. The required contributions are based on projected pay-as-you-go financing requirements. For the year 2022, the District contributed $341,644 to the plan.

E. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total OPEB Liability	
Discount Rate	2.10%
Expected Return	n/a
Inflation	2.50%
Healthcare cost trend increases	6.50% in 2020, grading to 5.00% over 6 years and then to 4.00% over next 48 years
Mortality Assumption	Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables with MP-2019 Generational Improvement Scale

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

E. Actuarial Assumptions (Continued)

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

Assumption Changes

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

F. Total OPEB Liability

The District's total OPEB liability of $3,032,585 was measured as of July 1, 2021 and was determined by an actuarial valuation as of that date.

Changes in the total OPEB liability are as follows:

	Total OPEB Liability
Balances at July 1, 2021	$ 2,965,915
Changes for the year	
Service cost	325,631
Interest	74,564
Changes in assumptions	38,143
Benefit payments	(371,668)
Net changes	66,670
Balances at July 1, 2022	$ 3,032,585

Changes of assumptions and other inputs reflect a change in the discount rate from 2.40% in 2021 to 2.10% in 2022.

G. OPEB Liability Sensitivity

The following presents the District's total OPEB liability calculated using the discount rate of 2.10% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

	1% Decrease in Discount Rate (1.10%)	Current Discount Rate (2.10%)	1% Increase in Discount Rate (3.10%)
Total OPEB liability (asset)	$ 3,205,375	$ 3,032,585	$ 2,865,125

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

G. OPEB Liability Sensitivity (Continued)

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

	1% decrease (5.25% decreasing to 4.0%)	Current (6.25% decreasing to 5.0%)	1% increase (7.25 decreasing to 6.0%)
Total OPEB liability (asset)	$ 2,720,090	$ 3,032,585	$ 3,411,422

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

For the year ended June 30, 2022, the District recognized OPEB expense of $250,236. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability Gains	$ -	$ 555,449
Changes of assumptions	65,832	37,923
Contributions made subsequent to the measurement date	341,644	-
Total	$ 407,476	$ 593,372

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

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

$341,644 reported as a deferred outflow of resources related to OPEB resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. The remaining balances will be recognized in future years as follows:

Year Ended June 30,	Total
2023	$ (149,959)
2024	(149,959)
2025	(149,959)
2026	(37,658)
2027	(45,454)
Thereafter	5,449
Total	$ (527,540)

NOTE 9 – RISK MANAGEMENT SELF INSURANCE

On July 1, 2006, the District began to self-insure for dental insurance. Under this program, the fund provides up to a maximum of $ 2,000 of benefit per covered person per calendar year. The General, Food Service, and Community Service Funds of the District participate in the program and make payments to the dental insurance plan recorded in the General Fund. Based on the requirements of GASB Statement No. 10, a liability is reported if information prior to the issuance of the basic financial statements indicates that it is probable that a liability has been incurred at the date of the basic financial statements and the amount of the loss can be reasonably estimated.

Payments are made based on actuarial estimates of the amounts needed to pay claims. The Self-Insured Dental Benefits Internal Service Fund includes a reserve of $344,060 for catastrophe losses. The total claims liability reported in the Fund at June 30, 2022, is $5,326 and include amounts for known claims. These estimates are determined based on the probability that a loss has occurred and the amount of the loss can be reasonably estimated.

On July 1, 2015, the District began to self-insure for health insurance. A stop-loss policy was purchased that limits the District's loss to $125,000 of claims per person at which point the reinsurance coverage is available. The District also has aggregate stop-loss coverage in place which limits the District's liability to 115% of the current year's total expected annual claims at which point the reinsurance coverage is available.

NOTE 9 – RISK MANAGEMENT SELF INSURANCE (CONTINUED)

The General, Food Service, and Community Service Funds of the District participate in the program and make payments to the Self-Insured Medical Benefits Internal Service Fund. Based on the requirements of GASB Statement No. 10, a liability is reported if information prior to the issuance of the basic financial statements indicates that it is probable that a liability has been incurred at the date of the basic financial statements and the amount of the loss can be reasonably estimated. Participants in the program make premium payments to the fund based on the insurance premium. The Self-Insured Medical Benefits Internal Service Fund includes a reserve of $5,848,969 for catastrophe losses. The total claims liability reported in the Fund at June 30, 2022, is $371,754 and include amounts for known claims and for estimated incurred but not reported claims. These estimates are determined based on the probability that a loss has occurred and the amount of the loss can be reasonably estimated.

Changes in the Fund's claims liability amounts for the past three years were as follows:

	Balance, Beginning of Year	Claims, Expense and Estimates	Claims Payments	Balance, End of Year
2019-2020	$ 261,861	$ 5,314,371	$ (5,284,351)	$ 291,881
2020-2021	291,881	5,117,456	(5,079,414)	329,923
2021-2022	329,923	5,714,653	(5,667,496)	377,080

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. Construction Commitments

The District has in process various multi-year construction and repair projects which were not completed in the current fiscal year. As of June 30, 2022, outstanding commitments for these multi-year projects total approximately $2,109,557.

NOTE 11 – CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2022, the District implemented GASB Statement No. 87, Leases. This resulted in the District recognizing a leased asset and corresponding lease liability of $740,778 as of July 1, 2021. GASB Statement No. 87, Leases, requires leases that were in effect prior to implementation year be recognized as if they were issues as of July 1, 2021. Due to this, there is no effect on the beginning net position of the District.

NOTE 13 – GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED

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

(THIS PAGE LEFT BLANK INTENTIONALLY)

REQUIRED SUPPLEMENTARY INFORMATION

Independent School District No. 14
Schedule of Changes in Total OPEB Liability
and Related Ratios

	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Total OPEB Liability					
Service cost	$ 268,733	$ 261,627	$ 285,365	$ 304,076	$ 325,631
Interest	117,244	120,305	105,136	96,599	74,564
Differenced between expected and actual experience	-	(790,649)	-	(303,240)	-
Changes of assumptions	-	4,521	54,604	(53,093)	38,143
Plan changes	-	159,928	-	284,835	-
Benefit payments	(303,571)	(273,818)	(354,893)	(347,921)	(371,668)
Net change in total OPEB liability	82,406	(518,086)	90,212	(18,744)	66,670
Beginning of year	3,330,127	3,412,533	2,894,447	2,894,447	2,875,703
End of year	$ 3,412,533	$ 2,894,447	$ 2,984,659	$ 2,875,703	$ 2,942,373
Covered payroll	$ 21,815,879	$ 22,997,695	$ 23,687,626	$ 24,057,473	$ 24,779,197
Total OPEB liability as a percentage of covered-employee payroll	15.64%	12.59%	12.60%	11.95%	11.87%

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

Independendent School District No. 14
Schedule of District's and Non-Employer Proportionate Share
of Net Pension Liability
Last Ten Years General Employees Retirement Fund

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.1101%	$ 5,171,946	$ -	$ 5,171,946	$ 5,778,869	89.5%	78.7%
2015	0.0986%	5,109,964	-	5,109,964	5,696,880	89.7%	76.8%
2016	0.0953%	7,737,887	101,013	7,838,900	5,910,760	130.9%	68.9%
2017	0.0955%	6,096,657	76,662	6,173,319	6,152,440	99.1%	75.9%
2018	0.0940%	5,214,735	171,082	5,385,817	6,317,693	82.5%	79.5%
2019	0.0936%	5,174,934	160,993	5,335,927	6,627,653	78.1%	80.2%
2020	0.0890%	5,335,957	164,642	5,500,599	6,349,147	84.0%	79.1%
2021	0.0893%	3,813,510	116,549	3,930,059	6,432,507	59.3%	87.0%

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

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

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.3144%	$ 14,487,326	$ 1,019,111	$ 15,506,437	$ 14,351,614	100.9%	81.5%
2015	0.3011%	18,626,013	2,284,436	20,910,449	15,281,867	121.9%	76.8%
2016	0.3130%	74,657,968	7,493,341	82,151,309	16,280,760	458.6%	44.9%
2017	0.3287%	65,614,483	6,343,192	71,957,675	17,693,453	370.8%	51.6%
2018	0.3409%	21,411,711	2,011,542	23,423,253	18,836,973	113.7%	78.1%
2019	0.3274%	20,868,545	1,846,938	22,715,483	18,586,874	112.3%	78.2%
2020	0.3163%	23,368,668	1,958,323	25,326,991	18,383,674	127.1%	75.5%
2021	0.3217%	14,078,554	1,187,260	15,265,814	19,250,221	73.1%	86.6%

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

Independent School District No. 14
Schedule of District Contributions
General Employees Retirement Fund
Last Ten Years

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	$ 418,968	$ 418,968	$ -	$ 5,778,869	7.25%
2015	427,266	427,266	-	5,696,880	7.50%
2016	443,307	443,307	-	5,910,760	7.50%
2017	461,433	461,433	-	6,152,440	7.50%
2018	473,827	473,827	-	6,317,693	7.50%
2019	497,074	497,074	-	6,627,653	7.50%
2020	476,186	476,186	-	6,349,147	7.50%
2021	482,438	482,438	-	6,432,507	7.50%
2022	542,437	542,437	-	7,232,493	7.50%

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

Schedule of District Contributions
TRA Retirement Fund
Last Ten Years

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	$ 1,004,613	$ 1,004,613	$ -	$ 14,351,614	7.0%
2015	1,146,140	1,146,140	-	15,281,867	7.5%
2016	1,221,057	1,221,057	-	16,280,760	7.5%
2017	1,327,009	1,327,009	-	17,693,453	7.5%
2018	1,412,773	1,412,773	-	18,836,973	7.5%
2019	1,433,048	1,433,048	-	18,586,874	7.7%
2020	1,455,987	1,455,987	-	18,383,674	7.9%
2021	1,565,043	1,565,043	-	19,250,221	8.1%
2022	1,732,775	1,732,775	-	20,776,679	8.3%

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

Independent School District No. 14
Notes to the Required Supplementary Information

TRA Retirement Fund

2021 Changes

Changes in Actuarial Assumptions

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

2020 Changes

Changes in Actuarial Assumptions

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

2019 Changes

Changes in Actuarial Assumptions

- None

2018 Changes

Changes in Actuarial Assumptions

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

TRA Retirement Fund (Continued)

2017 Changes
Changes in Actuarial Assumptions

- The discount rate was increased to 5.12% from 4.66%.
- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5% but remain at 2.0% for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 2.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for ten years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

2016 Changes
Changes in Actuarial Assumptions

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

2015 Changes
Changes of Benefit Terms

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

TRA Retirement Fund (Continued)

2015 Changes (Continued)

Changes in Actuarial Assumptions

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

Independent School District No. 14
Notes to the Required Supplementary Information

General Employees Fund

2021 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changes as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retires electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

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

2019 Changes

Changes in Actuarial Assumptions

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

General Employees Fund (Continued)

2019 Changes (Continued)
Changes in Plan Provisions

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

2018 Changes
Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2017 Changes
Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

General Employees Fund (Continued)

2016 Changes
Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes
Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

Independent School District No. 14
Notes to the Required Supplementary Information

Other Post Employment Benefits

2022 Changes
Plan Changes; None
Assumption Changes

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

2021 Changes
Plan Changes; None
Assumption Changes

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and contract group.
- The discount rate was changed from 3.10% to 2.40%.

(THIS PAGE LEFT BLANK INTENTIONALLY)

SUPPLEMENTARY INFORMATION

Independent School District No. 14
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2022

	Special Revenue		Debt Service	
	Food Service	Community Service	Post Employment Benefits Debt Service	Total Nonmajor Funds
Assets				
Cash and investments	$ 946,962	$ -	$ 279,245	$ 1,226,207
Current property taxes receivable	-	260,237	378,778	639,015
Delinquent property taxes receivable	-	3,465	4,598	8,063
Accounts receivable, net of allowance	-	15,041	-	15,041
Due from Department of Education	1,735	34,352	-	36,087
Due from other Minnesota school districts	-	12,904	-	12,904
Due from federal government through Department of Education	95,430	14,432	-	109,862
Due from other governmental units	251	25,711	-	25,962
Inventory	21,196	-	-	21,196
Prepaid items	329	7,203	-	7,532
Total assets	$ 1,065,903	$ 373,345	$ 662,621	$ 2,101,869
Liabilities				
Accounts payable	$ 3,435	$ 23,066	$ -	$ 26,501
Salaries and benefits payable	8,464	87,728	-	96,192
Due to other governmental units	-	3,923	-	3,923
Due to other funds	-	148,387	-	148,387
Unearned revenue	51,535	51,864	-	103,399
Total liabilities	63,434	314,968	-	378,402
Deferred Outflows of Resources				
Unavailable revenue - delinquent property taxes	-	2,935	3,708	6,643
Property taxes levied for subsequent year's expenditures	-	375,971	547,236	923,207
Total deferred inflows of resources	-	378,906	550,944	929,850
Fund Balances				
Nonspendable	21,525	7,203	-	28,728
Restricted	980,944	187,965	111,677	1,280,586
Unassigned	-	(515,697)	-	(515,697)
Total fund balances	1,002,469	(320,529)	111,677	793,617
Total liabilities, deferred inflows of resources, and fund balances	$ 1,065,903	$ 373,345	$ 662,621	$ 2,101,869

Independent School District No. 14
Combining Statement of Revenues, Expenditures, and Changes
and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2022

	Special Revenue		Debt Service	
	Food Service	Community Service	Post Employment Benefits Debt Service	Total Nonmajor Funds
Revenues				
Local property taxes	$ -	$ 421,199	$ 539,761	$ 960,960
Other local and county revenues	6,146	1,088,542	1,532	1,096,220
Revenue from state sources	55,630	649,704	-	705,334
Revenue from federal sources	2,215,791	115,419	-	2,331,210
Sales and other conversion of assets	46,175	-	-	46,175
Total revenues	2,323,742	2,274,864	541,293	5,139,899
Expenditures				
Current				
Food service	1,952,717	-	-	1,952,717
Community education and services	-	2,604,342	-	2,604,342
Capital outlay				
Food service	5,624	-	-	5,624
Community education and services	-	35,968	-	35,968
Debt service				
Principal	-	53,379	495,000	548,379
Interest and fiscal charges	-	2,905	50,830	53,735
Total expenditures	1,958,341	2,696,594	545,830	5,200,765
Excess of revenues over (under) expenditures	365,401	(421,730)	(4,537)	(60,866)
Other Financing Sources				
Proceeds from sale of capital assets	-	2,425	-	2,425
Proceeds from leases	-	15,475	-	15,475
Transfers in	-	136,342	-	136,342
Total other financing sources (uses)	-	154,242	-	154,242
Net change in fund balances	365,401	(267,488)	(4,537)	93,376
Fund Balances				
Beginning of year	637,068	(53,041)	116,214	700,241
End of year	$ 1,002,469	$ (320,529)	$ 111,677	$ 793,617

Independent School District No. 14
Combining Statement of Net Position - Internal Service Funds
June 30, 2022

	Self Insurance	OPEB Revocable Trust	Total Internal Service Funds
Assets			
Cash and cash equivalents	$ 7,728,393	$ -	$ 7,728,393
Investments	-	4,247,817	4,247,817
Accounts receivable	1,597	14,970	16,567
Interest receivable	-	48,642	48,642
Total assets	$ 7,729,990	$ 4,311,429	$ 12,041,419
Liabilities			
Accounts payable	$ 51,571	$ -	$ 51,571
Incurred but not reported claims	325,509	-	325,509
Due to other funds	-	340,548	340,548
Unearned revenue	1,159,881	-	1,159,881
Total liabilities	1,536,961	340,548	1,877,509
Net Position			
Unrestricted	6,193,029	3,970,881	10,163,910
Total liabilities and net position	$ 7,729,990	$ 4,311,429	$ 12,041,419

Independent School District No. 14
Combining Statement of Revenues, Expenses, and Changes
in Fund Net Position - Internal Service Funds
Year Ended June 30, 2022

	Self Insurance	OPEB Revocable Trust	Total Internal Service Funds
Operating Revenues			
Charges for services	$ 6,136,668	$ 199,873	$ 6,336,541
Operating Expense			
Insurance	5,128,593	538,472	5,667,065
Administrative	586,060	-	586,060
Total operating expenses	5,714,653	538,472	6,253,125
Operating income (loss)	422,015	(338,599)	83,416
Nonoperating Revenues			
Investment income	-	(113,258)	(113,258)
Change in net position	422,015	(451,857)	(29,842)
Net Position			
Beginning of year	5,771,014	4,422,738	10,193,752
End of year	$ 6,193,029	$ 3,970,881	$ 10,163,910

Independent School District No. 14
Combining Statement of Cash Flows - Internal Service Funds
Year Ended June 30, 2022

	Self Insurance	OPEB Revocable Trust	Total Internal Service Funds
Cash Flows - Operating Activities			
Receipts from district contribution	$ -	$ 202,546	$ 202,546
Receipts from employees	6,110,777	-	6,110,777
Payments to vendors	(5,667,496)	(538,472)	(6,205,968)
Net cash flows - operating activities	443,281	(335,926)	107,355
Financing Activities			
Due to other funds	-	340,548	340,548
Net cash flows - investing activities	-	340,548	340,548
Cash Flows - Investing Activities			
Net sale/(purchase) of investments	-	212,745	212,745
Interest received	-	(109,392)	(109,392)
Net cash flows - investing activities	-	103,353	103,353
Net change in cash and cash equivalents	443,281	107,975	551,256
Cash and Cash Equivalents			
Beginning of year	7,285,112	(107,975)	7,177,137
End of year	$ 7,728,393	$ -	$ 7,728,393
Reconciliation of Operating Income (Loss) to Net Cash Flows - Operating Activities			
Operating income (loss)	$ 422,015	$ (338,599)	$ 83,416
Adjustments to reconcile operating income (loss) to net cash flows - operating activities			
Accounts receivable	(1,597)	2,673	1,076
Unearned revenue	(24,294)	-	(24,294)
Accounts payable	47,157	-	47,157
Net cash flows - operating activities	$ 443,281	$ (335,926)	$ 107,355

Independent School District No. 14
Uniform Financial Accounting and Reporting Standards
Compliance Table
Year Ended June 30, 2022

	Audit	UFARS	Audit-UFARS
01 GENERAL FUND			
Total revenue	$ 46,648,512	$ 46,648,509	$ 3
Total expenditures	48,902,728	48,902,725	3
Nonspendable:			
4.60 Nonspendable fund balance	523,972	523,972	-
Restricted/reserved:			
4.01 Student Activities	86,689	86,689	-
4.02 Scholarships	-	-	-
4.07 Capital Projects Levy	64,950	64,950	-
4.08 Cooperative Programs	-	-	-
4.13 Alternative Facility Program	-	-	-
4.14 Operating Debt	-	-	-
4.16 Levy Reduction	-	-	-
4.17 Taconite Building Maintenance	-	-	-
4.24 Operating Capital	216,128	216,129	(1)
4.26 $25 Taconite	-	-	-
4.27 Disabled Accessibility	-	-	-
4.28 Learning and Development	-	-	-
4.34 Area Learning Center	40,908	40,908	-
4.35 Contracted Alternative Programs	-	-	-
4.36 State Approved Alternative Program	-	-	-
4.38 Gifted And Talented	-	-	-
4.41 Basic Skills Programs	-	-	-
4.45 Career Technical Programs	-	-	-
4.48 Achievement And Integration Revenue	-	-	-
4.49 Safe School Crime	231,367	231,367	-
4.51 QZAB Payments	-	-	-
4.52 Opeb Liabilities Not Held In Trust	-	-	-
4.53 Unfunded Severance And Retirement Levy	-	-	-
4.59 Basic Skills Extended Time	-	-	-
4.67 Long-term Facilities Maintenance	145,458	145,458	-
4.72 Medical Assistance	1,526,898	1,526,898	-
4.64 Restricted Fund Balance	-	-	-
4.75 Title VII - Impact Aid	-	-	-
4.76 Payments in Lieu of Taxes	-	-	-
Restricted:			
4.64 Restricted fund balance	-	-	-
Committed:			
4.18 Committed for separation	-	-	-
4.61 Committed	-	-	-
Assigned:			
4.62 Assigned fund balance	1,276,042	1,276,042	-
Unassigned:			
4.22 Unassigned fund balance	3,108,755	3,108,756	(1)
02 FOOD SERVICES FUND			
Total revenue	$ 2,323,742	$ 2,323,741	$ 1
Total expenditures	1,958,341	1,958,336	5
Nonspendable:			
460 Nonspendable fund balance	21,525	21,525	-
See notes to required supplementary information.			
452 OPEB Liabilities not Held in Trust	-	-	-
Restricted:			
464 Restricted fund balance	980,944	980,946	(2)
Unassigned:			
463 Unassigned fund balance	-	-	-
04 COMMUNITY SERVICE FUND			
Total revenue	$ 2,274,864	$ 2,274,862	$ 2
Total expenditures	2,696,594	2,696,594	-
Nonspendable:			
460 Nonspendable fund balance	7,203	7,203	-
Restricted/reserved:			
426 $25 taconite	-	-	-
431 Community Education	(515,697)	(515,697)	-
432 ECFE	25,985	25,985	-
444 School Readiness	73,382	73,382	-
447 Adult Basic Education	-	-	-
452 OPEB Liabilities not Held in Trust	-	-	-
Restricted:			
464 Restricted fund balance	88,598	88,598	-
Unassigned:			
463 Unassigned fund balance	-	-	-

	Audit	UFARS	Audit-UFARS
06 BUILDING CONSTRUCTION FUND			
Total revenue	$ -	$ -	$ -
Total expenditures	2,116,946	2,116,945	1
Nonspendable:			
4.60 Nonspendable fund balance	-	-	-
Restricted/reserved:			
4.07 Capital Projects Levy	3,970	3,970	-
4.13 Building Projects funded by COP	-	-	-
4.67 Long-term Facilities Maintenance	-	-	-
Restricted:			
4.64 Restricted fund balance	(1)	-	(1)
Unassigned:			
4.63 Unassigned fund balance	-	-	-
07 DEBT SERVICE FUND			
Total revenue	$ 4,286,936	$ 4,286,936	$ -
Total expenditures	4,280,201	4,280,201	-
Nonspendable:			
4.60 Nonspendable fund balance	-	-	-
Restricted/reserved:			
4.25 Bond refunding	-	-	-
4.33 Maximum effort loan aid			
4.51 QZAB payments	-	-	-
4.67 LTFM	-	-	-
Restricted:			
4.64 Restricted fund balance	930,627	930,627	-
Unassigned:			
4.63 Unassigned fund balance	-	-	-
08 TRUST FUND			
Total revenue	$ -	$ -	$ -
Total expenditures	-	-	-
Unassigned:			
4.01 Student Activities			
4.02 Scholarships			
4.22 Net position	-	-	-
18 CUSTODIAL			
Total revenue	-	-	-
Total expenditures	-	-	-
Restricted/Reserved:			
4.01 Student Activities	-	-	-
4.02 Scholarships	-	-	-
4.48 Achievement and Integration	-	-	-
4.64 Restricted	-	-	-
20 INTERNAL SERVICE FUND			
Total revenue	$ 6,136,668	$ 6,136,668	$ -
Total expenditures	5,714,653	5,714,653	-
Unassigned:			
4.22 Net position	6,193,029	6,193,030	(1)
25 OPEB REVOCABLE TRUST			
Total revenue	$ 86,615	$ 86,614	$ 1
Total expenditures	538,472	538,471	1
Unassigned:			
4.22 Net position	3,970,881	3,970,880	1
45 OPEB IRREVOCABLE TRUST			
	$ -	$ -	$ -
Total expenditures	-	-	-
Total revenue			
4.22 Net position	-	-	-
47 OPEB DEBT SERVICE			
Total revenue	$ 541,293	$ 541,293	$ -
Total expenditures	545,830	545,830	-
Nonspendable:			
4.60 Nonspendable fund balance	-	-	-
Restricted:			
4.25 Bond refundings	-	-	-
4.64 Restricted fund balance	111,677	111,677	-
Unassigned:			
4.63 Unassigned fund balance	-	-	-

Independent School District No. 14
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Agency/Pass Through Agency/Program Title	Federal Assistance Listing Number	Expenditures
U.S. Department of Agriculture		
Through Minnesota Department of Education		
Child Nutrition Cluster		
Commodities Programs	10.555	$ 140,932
School Breakfast	10.553	470,073
National School Lunch	10.555	1,338,655
COVID 19 - Summer Food Service	10.559	71,329
Total Child Nutrition Cluster		2,020,989
Child and Adult Care Food Program	10.558	144,170
Fresh Fruit and Vegetables	10.582	50,632
Total U.S. Department of Agriculture		2,215,791
U.S. Department of Treasury		
Through Minnesota Department of Education		
State Local Fiscal and Recovery Funds		
COVID 19 - American Rescue Plan Summer Academic Enrichment and Mental Health	21.027	79,954
COVID 19 - Summer Preschool Program	21.027	38,432
Total State Local Fiscal and Recovery Funds		118,386
Total U.S. Department of Treasury		118,386
U.S. Department of Education		
Through Minnesota Department of Education		
Title I, Part A	84.010	448,063
Title II, Part A - Improving Teacher Quality	84.367	80,057
Title III, Part A - English Language Acquisition	84.365	47,888
Title III, Part A - Immigrant Grant	84.365	33,822
Title IV, Part A, Student Support and Academic Enrichment	84.424	29,526
Special Education Cluster		
Special Education	84.027	475,786
IDEA, Part B Section 611 Mandatory Coordinated Early Intervening Services	84.027	123,267
Special Education - Preschool Grant	84.173	16,070
Total Special Education Cluster		615,123
Education Stabilization Fund		
COVID 19 - Elementary and Secondary School Education Relief (ESSER) Fund	84.425D	1,006,126
COVID 19 - Expanded Summer Learning (ESSER)	84.425C	44,175
COVID 19 - The Governor's Emergency Education Relief (GEER) Fund	84.425C	134,215
COVID 19 - American Rescue Plan - Homeless I	84.425W	11,216
COVID 19 - Summer School Age Care	84.425C	11,100
Total Education Stabilization Funds		1,206,832
Infants and Toddlers	84.181	10,007
Carl Perkins	84.048A	9,605
Through Northwest Suburban Integration District:		
Global Studies Magnet Grant	84.165A	99,434
Total U.S. Department of Education		2,580,357
U.S. Department of Health and Human Services		
Through Minnesota Department of Human Services		
COVID-19 Public Health Support Funds for Child Care	93.575	65,888
COVID-19 Minnesota COVID Testing	93.323	157,291
Total U.S. Department of Health and Human Services		223,179
Total federal expenditures		$ 5,137,713

Independent School District No. 14
Notes to the Schedule of Expenditures of Federal Awards

NOTE 1 – BASIS OF PRESENTATION

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

NOTE 2 – PASS-THROUGH GRANT NUMBERS

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

NOTE 3 – INVENTORY

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

NOTE 4 – INDIRECT COST RATE

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

(THIS PAGE LEFT BLANK INTENTIONALLY)

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

Independent Auditor's Report

To the School Board
Independent School District No. 14
Fridley, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 14, Fridley, Minnesota, as of and for the year ending June 30, 2022, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 8, 2022.

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

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

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

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

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

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

Bergan KDV Ltd.

Minneapolis, Minnesota
November 8, 2022

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

Independent Auditor's Report

To the School Board
Independent School District No. 14
Fridley, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

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

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

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

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

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

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

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

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

BerganKDV Ltd.

Minneapolis, Minnesota
November 8, 2022

Independent School District No. 14
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	Yes, Audit Finding 2022-001
Noncompliance material to basic financial statements noted?	No

Federal Awards

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

Identification of Major Programs

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

Independent School District No. 14
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance

SECTION II – BASIC FINANCIAL STATEMENT FINDINGS

Audit Finding 2022-001

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

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

- The Accounts Payable Clerk enters invoices into the system and prepares the checks.
- The Accounting Supervisor has access to all areas of the accounting system.
- The Accounting Supervisor and Payroll Specialist have overlapping duties within the payroll process

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

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

Cause:
There are a limited number of office employees.

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

Management's Response:

Independent School District No. 14
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance

CORRECTIVE ACTION PLAN (CAP):

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

2. Actions Planned in Response to Finding
   a. As a mitigating control, the Accounting Supervisor receives a system report of checks prior to the preparation of checks for review. In addition, the Accounting Supervisor reviews the edit to the check register to verify that the edit was not changed after review.
   b. The Accounting Supervisor has access to all areas of the accounting system. Segregation will be reviewed to determine whether access can feasibly be limited.
   c. Payroll responsibilities will be reviewed once the HRIS system is fully built out and functional.

3. Official Responsible for Ensuring CAP
   Craig Wieber, Director of Finance and Operations, is the official responsible for ensuring corrective action of the deficiency.

4. Planned Completion Date for CAP
   The planned completion date for the CAP is June 30, 2023.

5. Plan to Monitor Completion of CAP
   The School Board will be monitoring this CAP.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no federal award findings or questioned costs.

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There are no prior year federal award findings or questioned costs.

Minnesota Legal Compliance

Independent Auditor's Report

To the School Board
Independent School District No. 14
Fridley, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 14, Fridley, Minnesota, as of and for the year ended June 30, 2022, and the related notes to basic financial statements, and have issued our report thereon dated November 8, 2022.

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

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

BerganKDV Ltd.

Minneapolis, Minnesota
November 8, 2022