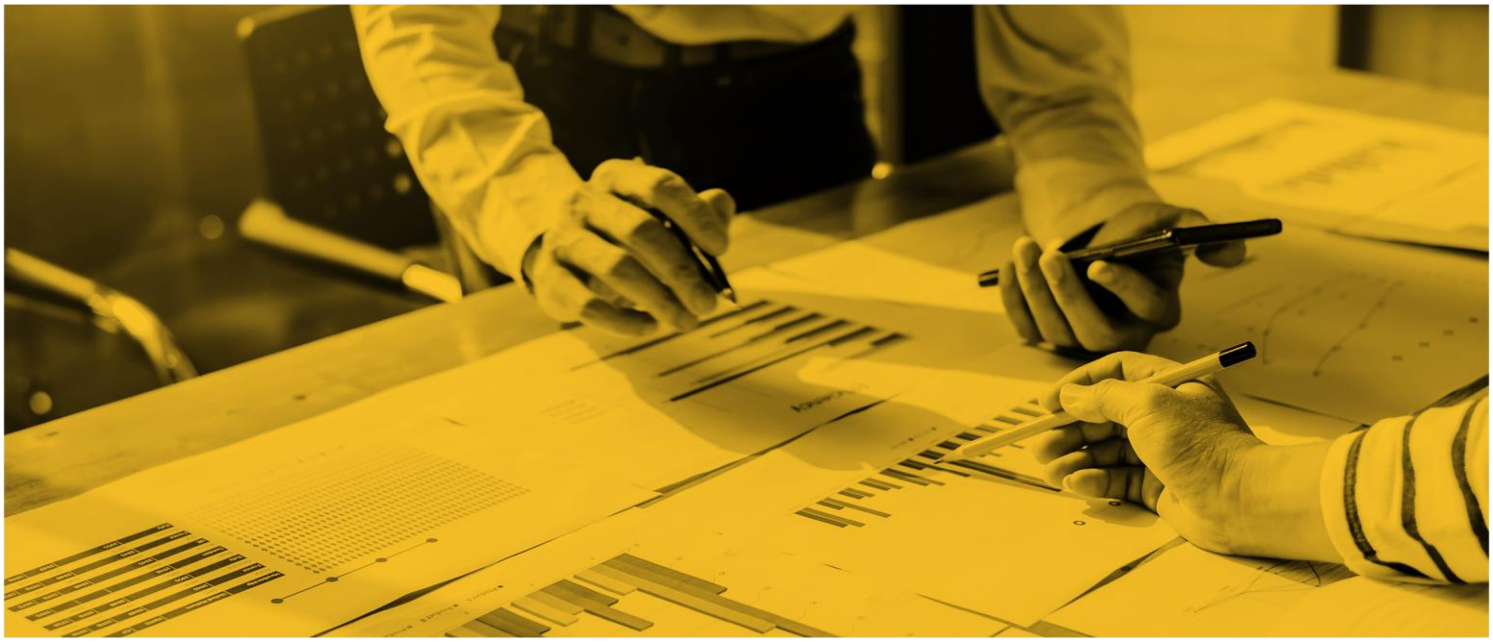

Annual Financial Report

Independent School District No. 2143

Waterville, Minnesota

For the year ended June 30, 2022

Abdo
Lighting the path forward

Edina Office
5201 Eden Avenue, Ste 250
Edina, MN 55436
P 952.835.9090

Mankato Office
100 Warren Street, Ste 600
Mankato, MN 56001
P 507.625.2727

Scottsdale Office
14500 N Northsight Blvd, Ste 233
Scottsdale, AZ 85260
P 480.864.5579

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Independent School District No. 2143
Waterville, Minnesota
Annual Financial Report
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For the Year Ended June 30, 2022

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Waterville, Minnesota
Annual Financial Report
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For the Year Ended June 30, 2022

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INTRODUCTORY SECTION

INDEPENDENT SCHOOL DISTRICT NO. 2143
WATERVILLE, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2022

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Independent School District No. 2143
Waterville, Minnesota
School District Officials
For the Year Ended June 30, 2022

BOARD OF EDUCATION

Name	Term on Board Expires	Position
Gary Michael	January 2023	Chairman
June Rezac	January 2023	Vice-Chairman
Travis Bowman	January 2023	Treasurer
Jay Schneider	January 2025	Clerk
Jeff Stangler	January 2025	Member
Jon Velishek	January 2025	Member
Jon Bakken	January 2023	Member

ADMINISTRATION

Ryan Jensen	Superintendent
Margaret Jewison	Business Manager

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FINANCIAL SECTION

INDEPENDENT SCHOOL DISTRICT NO. 2143
WATERVILLE, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

Members of the School Board
Independent School District No. 2143
Waterville, Minnesota

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 2143, Waterville, Minnesota, (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Change in Accounting Principle

As described in Note 8 to the financial statements, the District adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 87, Leases, for the year ended June 30, 2022. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 and the Schedules of Employer's Share of the Net Pension Liability, the Schedules of Employer's Contributions and the Changes in the District's OPEB Liability and Related Ratios starting on page 72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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Mankato, Minnesota
December 22, 2022

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Management’s Discussion and Analysis

As management of the Independent School District No. 2143, Waterville, Minnesota (the District), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2022.

Financial Highlights

- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by $3,477,601 (*net position deficit*). Of this amount, a deficit of $7,606,512 (*unrestricted net position*) now exists due to the recognition of long-term pension liabilities and other postemployment benefits liability in accordance with GASB Statements No. 68 and No. 75.

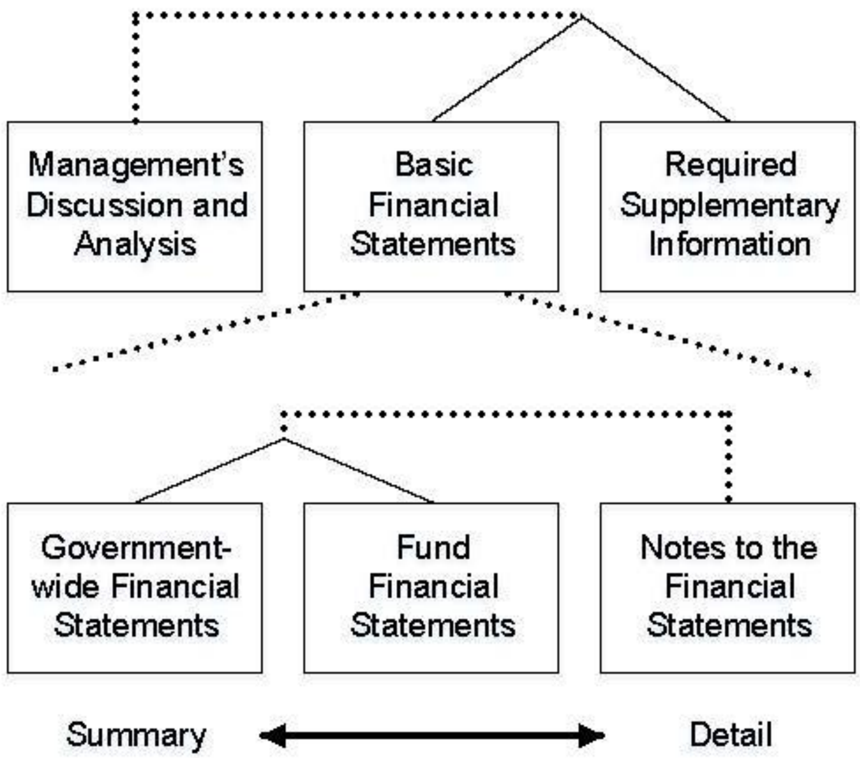
- The District’s total net position increased by $793,358, compared to the prior year’s increase of $1,216,908. The increase is due to the General fund having a positive difference in budget to actual of $231,382.

- As of the close of the current fiscal year, the District’s governmental funds reported combined ending fund balances of $4,566,565, a decrease of $2,102,571 in comparison with the prior year. This is mainly due to the ongoing construction for the school building project. Within the General fund, the District plans to continue to use the available fund balance to maintain the integrity of District programs as long as it remains above the minimum fund balance as established in the District’s board policy. Unassigned fund balance represents amounts that are available for spending at the District’s discretion. Of the total fund balance, $2,326,088 is *available for spending* at the District’s discretion (*unassigned fund balance*).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) District-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplemental information in addition to the basic financial statements themselves. The following chart shows how the various parts of this annual report are arranged and related to one another:

Organization of Independent School District No. 2143
Annual Financial Report



The following chart 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:

Major Features of the District-wide and Fund Financial Statements

		Fund Financial Statements	
	District-wide Statements	**Governmental Funds**	**Fiduciary Funds**
Scope	Entire District (except fiduciary funds)	The activities of the District that are not fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	• Statement of net position • Statement of activities	• Balance sheet • Statement of revenues, expenditures, and changes in fund balance	• Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual 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 short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Financial Statements. The *District-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To assess the District's overall health, you need to consider additional non-financial indicators such as changes in the District's property tax base and condition of school buildings and other facilities.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

In the district-wide financial statements, the District activities are shown in one category titled "governmental activities":

- *Governmental activities*: The District's basic services are reported here, including regular and special education, transportation, administration, food services, and community education. Property taxes and State aids finance most of these activities.

The District-wide financial statements can be found starting on page 28 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the District-wide financial statements. However, unlike the District-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the District-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the District-wide financial statements. By doing so, readers may better understand the long-term impact by the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Debt Service and Building Construction funds, which are considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its General fund. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found starting on page 32 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of student scholarships within the District. Fiduciary funds are *not* reflected in the District-wide financial statements because the resources of those funds are not available to support the District's own programs. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those whom the assets belong. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found starting on page 37 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements. The notes to the financial statements can be found starting on page 39 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Independent School District No. 2143's share of net pension liabilities (assets) for defined benefits plans, schedules of contributions, and progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found starting on page 72 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund financial statements, schedules and table can be found starting on page 82 of this report.

District-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $3,477,601 at the close of the most recent fiscal year.

A portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. These funds are to be used for the construction of school facilities. Another large portion of the District's net position reflects amounts restricted for specific purposes. These restrictions consist of $699,051 for State-mandated reserves, $62,751 for operating capital purchases, $90,401 for community service and $189,209 for food service. The remaining deficit of $7,606,512 is unrestricted net position due to the recognition of long-term pension liabilities and other postemployment benefits liability in accordance with GASB Statements No. 68 and No. 75.

Independent School District No. 2143's Net Position

	Governmental Activities		Increase (Decrease)	
	2022	2021	Amount	Percent
Current and Other Assets	$ 9,886,309	$ 13,172,165	$ (3,285,856)	(24.9) %
Capital Assets	19,570,030	17,524,100	2,045,930	11.7
Total Assets	29,456,339	30,696,265	(1,239,926)	(4.0)
Deferred Outflows of Resources	2,446,501	3,100,584	(654,083)	(21.1)
Long-term Liabilities Outstanding	21,930,091	24,980,808	(3,050,717)	(12.2)
Other Liabilities	2,648,882	3,978,735	(1,329,853)	(33.4)
Total Liabilities	24,578,973	28,959,543	(4,380,570)	(15.1)
Deferred Inflows of Resources	10,801,468	9,031,007	1,770,461	19.6
Net Position				
Net investment in capital assets	3,087,499	2,830,262	257,237	9.1
Restricted	1,041,412	596,587	444,825	74.6
Unrestricted	(7,606,512)	(7,620,550)	14,038	0.2
Total Net Position	$ (3,477,601)	$ (4,193,701)	$ 716,100	17.1 %

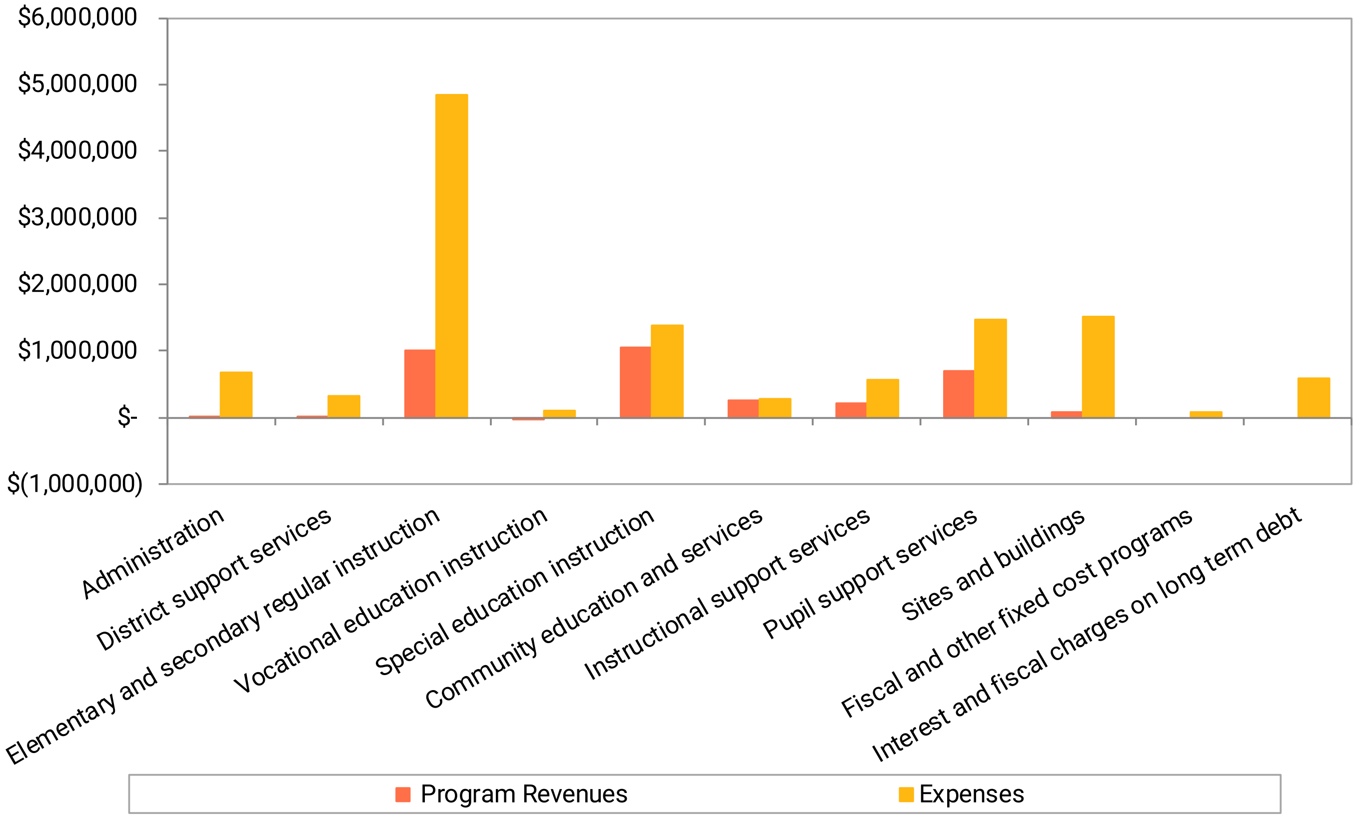
The balance of unrestricted net position is a deficit due to recognition of long-term pension liabilities and other postemployment benefits liability in accordance with GASB Statements No. 68 and No. 75.

Governmental Activities. Governmental activities increased the District's net position by $793,358. Key elements of this increase are as follows:

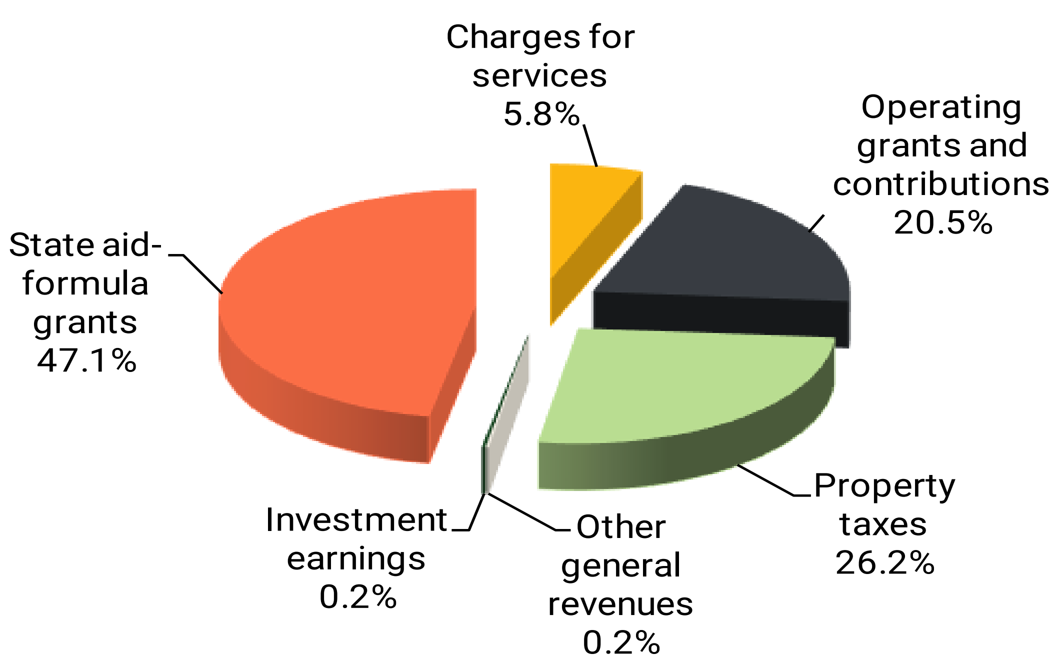
Independent School District No. 2143's Changes in Net Position

	Governmental Activities		Increase (Decrease)	
	2022	2021	Amounts	Percent
Revenues				
Program revenues				
Charges for services	$ 727,908	$ 526,557	$ 201,351	38.2 %
Operating grants and contributions	2,587,739	2,940,314	(352,575)	(12.0)
General revenues				
Property taxes	3,310,786	3,167,298	143,488	4.5
State aid-formula grants and other contributions	5,954,446	5,856,149	98,297	1.7
Other general revenues	25,571	53,712	(28,141)	(52.4)
Investment earnings	23,248	102,873	(79,625)	(77.4)
Gain on sale of assets	-	-	-	100.0
Total Revenues	12,629,698	12,646,903	(17,205)	(0.1)
Expenses				
Administration	675,626	623,062	52,564	8.4
District support services	315,415	304,311	11,104	3.6
Elementary and secondary regular instruction	4,845,527	4,515,975	329,552	7.3
Vocational education instruction	104,902	96,576	8,326	8.6
Special education instruction	1,373,816	1,513,472	(139,656)	(9.2)
Community education and services	289,973	286,778	3,195	1.1
Instructional support services	572,162	689,234	(117,072)	(17.0)
Pupil support services	1,475,309	1,316,872	158,437	12.0
Sites and buildings	1,511,741	1,394,270	117,471	8.4
Fiscal and other fixed cost programs	85,692	80,028	5,664	7.1
Interest and fiscal charges on long-term debt	586,177	609,417	(23,240)	(3.8)
Total Expenses	11,836,340	11,429,995	406,345	3.6
Change in Net Position	793,358	1,216,908	(423,550)	(34.8)
Net Position, July 1	(4,193,701)	(5,410,609)	1,216,908	22.5
Prior Period Restatement (Note 7)	(77,258)	-	(77,258)	100.0
Net Position, June 30	$ (3,477,601)	$ (4,193,701)	$ 716,100	17.1 %

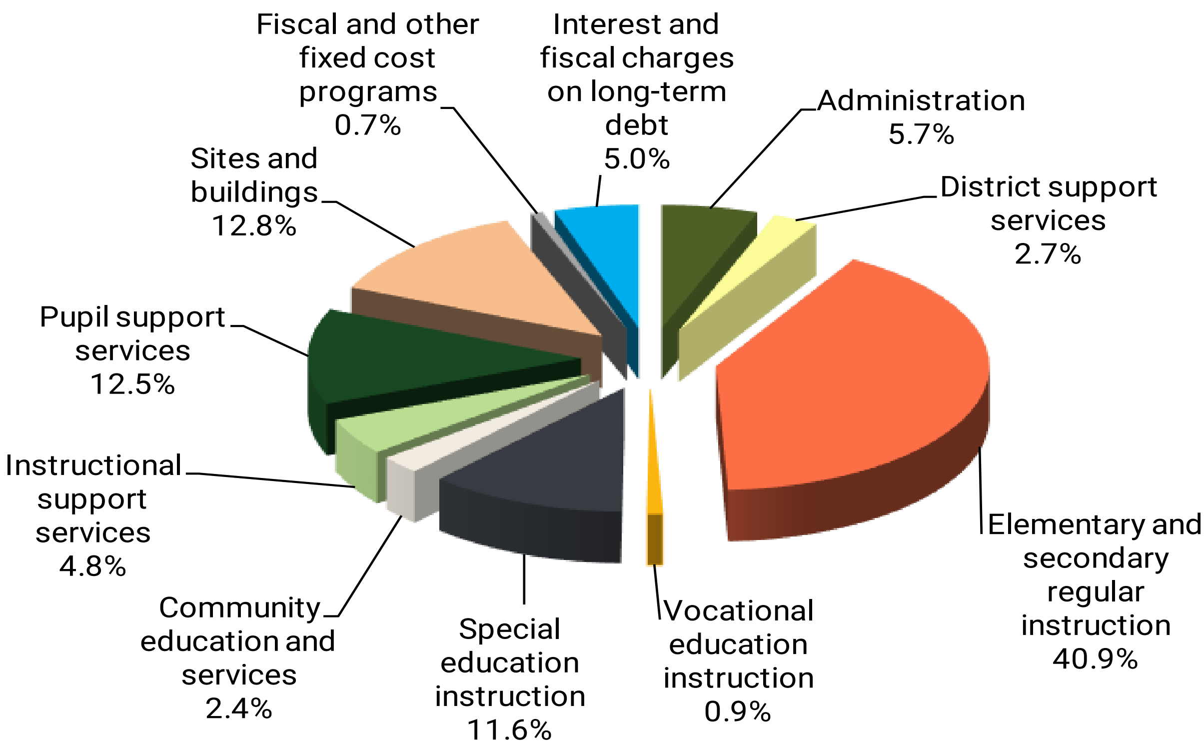
Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



Expenses by Program - Governmental Activities



Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of $4,566,565, a decrease of $2,102,571 in comparison with the prior year. Unassigned fund balance represents amounts that are available for spending at the District's discretion. Unassigned fund balance at the close of 2022 had a balance of $2,326,088, compared to a balance of $2,564,849 in the prior year.

The General fund is the chief operating fund of the District. At the end of the current year, unassigned fund balance of the General fund had a balance of $2,328,718, while total fund balance reached $3,230,731. As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 22.6 percent of total General fund expenditures, while total fund balance represents 31.4 percent of that same amount.

The fund balance of the District's General fund increased by $42,728 during the current fiscal year. This increase in the General fund was due to expenditures coming in $9,788 under budget while revenues came in $215,594 over budget. The District had budgeted a decrease in fund balance of $188,654 in comparison to the actual increase of $42,728 resulting in a positive variance of $231,382.

The fund balance of the District's Debt Service fund increased by $63,190 during the current fiscal year. This increase was due property tax and state grant revenues exceeding scheduled debt payments.

The Building Construction fund balance decreased by $2,380,711 during the current fiscal year. This decrease was due to ongoing construction for the school building project.

General Fund Budgetary Highlights

Actual revenues in the General fund exceeded the final budget by $215,594. The primary cause of this positive variance is receiving more local property tax levies and other local and county revenue than expected.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2022, amounts to $19,570,030 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements and machinery and equipment. The total increase in the District's investment in capital assets for the current fiscal year was 11.7 percent mainly due to building construction in progress of $2,397,080. The total depreciation expense for the year was $393,224. The following is a schedule of capital assets as of June 30, 2022:

Independent School District No. 2143's Capital Assets
(Net of Depreciation)

	Governmental Activities		
	2022	2021	Increase (Decrease)
Land	$ 31,400	$ 31,400	$ -
Construction in Progress	7,949,302	5,552,222	2,397,080
Buildings	10,962,980	11,210,874	(247,894)
Equipment	604,932	705,734	(100,802)
Land Improvements	21,416	23,870	(2,454)
Total	$ 19,570,030	$ 17,524,100	$ 2,045,930

Additional information on the District's capital assets can be found in Note 3C on page 50 of this report.

Long-term Debt. At the end of the current fiscal year, the District had total long-term debt outstanding of $16,609,128. This is related to general obligation bonds and lease payables.

Independent School District No. 2143's Outstanding Debt

	Governmental Activities		
	2022	2021	Increase (Decrease)
General Obligation Bonds	$ 16,585,000	$ 17,205,000	$ (620,000)
Lease Payable	24,128	29,737	(5,609)
Total Debt Outstanding	$ 16,609,128	$ 17,234,737	$ (625,609)

The District's total debt decreased by $625,609 during the current fiscal year due to scheduled debt payments.

Additional information on the District's long-term debt can be found in Note 3E on page 51 of this report.

Factors Bearing on the District's Future

The District had seen a stabilization of enrollment prior to the COVID-19 pandemic, which has a significant impact on the future financial position as funding is driven by enrollment. The District will focus on utilizing COVID-19 Grants to maintain the integrity of the programs provided to students, while placing the District at a positive financial position when enrollment normalizes.

In November of 2015, voters renewed the existing operating referendum at $677 per pupil unit, with the remaining renewal of $300 authorized by the School Board. Taxpayers authorized an additional $450. The operating levy applies to tax levies from 2016-2025. The District must closely monitor expenditures to ensure they will stay in line with revenues.

In November of 2018, voters approved a building referendum of $19,300,000. General Obligation School Building Bonds were sold in January of 2019 and the majority of the construction was completed through the summer and fall of 2022. In October of 2022 an additional $800,000 General Obligation School Building Bonds were sold under the same voter authorization. The WEM School Board is prioritizing the projects to be completed with these additional funds during summer 2023.

The District will strive to maintain its long-standing commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility.

Requests for Information

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 Business Office, Independent School District No. 2143, 500 East Paquin Street Waterville, Minnesota 56906.

DISTRICT-WIDE FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 2143
WATERVILLE, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2022

Independent School District No. 2143
Waterville, Minnesota
Statement of Net Position
June 30, 2022

	Governmental Activities
Assets	
Cash and temporary investments	$ 6,728,962
Receivables	
Taxes	1,730,727
Accounts	20,408
Intergovernmental	1,068,704
Lease	283,962
Inventories	27,335
Prepaid items	26,211
Capital assets not being depreciated/amortized	7,980,702
Capital assets net of accumulated depreciation/amortization	11,589,328
Total Assets	29,456,339
Deferred Outflows of Resources	
Deferred pension resources	2,306,200
Deferred other postemployment benefit resources	140,301
Total Deferred Outflows of Resources	2,446,501
Liabilities	
Salaries and wages payable	435,377
Accounts and other payables	462,385
Accrued interest payable	255,760
Due to other school districts	127,280
Accrued expenses	609,835
Unearned revenue	15,309
Noncurrent liabilities	
Due within one year	
Long-term liabilities	742,936
Due in more than one year	
Long-term liabilities	16,645,534
Net pension liability	3,977,285
Other postemployment benefits liability	1,307,272
Total Liabilities	24,578,973
Deferred Inflows of Resources	
Property taxes levied for subsequent year	3,375,646
Deferred pension resources	6,777,506
Deferred other postemployment benefit resources	369,105
Leases	279,211
Total Deferred Inflows of Resources	10,801,468
Net Position	
Net investment in capital assets	3,087,499
Restricted for	
Operating capital purposes	62,751
State-mandated reserves	699,051
Community service	90,401
Food service	189,209
Unrestricted	(7,606,512)
Total Net Position	$ (3,477,601)

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2143
Waterville, Minnesota
Statement of Activities
For the Year Ended June 30, 2022

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Administration	$ 675,626	$ -	$ 8,265	$ -	$ (667,361)
District support services	315,415	-	2,824	-	(312,591)
Elementary and secondary regular instruction	4,845,527	238,235	763,195	-	(3,844,097)
Vocational education instruction	104,902	-	(40)	-	(104,942)
Special education instruction	1,373,816	140,867	904,997	-	(327,952)
Community education and services	289,973	188,165	66,526	-	(35,282)
Instructional support services	572,162	12,500	191,144	-	(368,518)
Pupil support services	1,475,309	56,514	649,595	-	(769,200)
Sites and buildings	1,511,741	91,627	1,233	-	(1,418,881)
Fiscal and other fixed cost programs	85,692	-	-	-	(85,692)
Interest and fiscal charges on long term debt	586,177	-	-	-	(586,177)
Total Governmental Activities	$ 11,836,340	$ 727,908	$ 2,587,739	$ -	(8,520,693)
General Revenues					
Taxes					
Property taxes, levied for general purposes					2,172,094
Property taxes, levied for community service					61,575
Property taxes, levied for debt service					1,077,117
State aid-formula grants and other contributions					5,954,446
Other general revenues					25,571
Investment earnings					23,248
Total General Revenues					9,314,051
Change in Net Position					793,358
Net Position, July 1					(4,193,701)
Prior Period Restatement (Note 7)					(77,258)
Net Position, June 30					$ (3,477,601)

The notes to the financial statements are an integral part of this statement.

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FUND FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 2143
WATERVILLE, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2022

Independent School District No. 2143

Waterville, Minnesota
Balance Sheet
Governmental Funds
June 30, 2022

	General	Debt Service	Building Construction	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and temporary investments	$ 4,428,536	$ 797,158	$ 1,183,127	$ 320,141	$ 6,728,962
Receivables					
Taxes					
Current	933,277	753,880	-	28,869	1,716,026
Delinquent	14,701	-	-	-	14,701
Accounts	19,163	-	-	1,245	20,408
Intergovernmental	1,039,735	24,189	-	4,780	1,068,704
Lease receivable	283,962	-	-	-	283,962
Inventories	-	-	-	27,335	27,335
Prepaid items	26,211	-	-	-	26,211
Total Assets	$ 6,745,585	$ 1,575,227	$ 1,183,127	$ 382,370	$ 9,886,309
Liabilities					
Salaries and wages payable	$ 420,078	$ -	$ -	$ 15,299	$ 435,377
Accounts and other payables	136,064	-	314,186	12,135	462,385
Due to other school districts	127,280	-	-	-	127,280
Accrued expenses	609,835	-	-	-	609,835
Unearned revenue	-	-	-	15,309	15,309
Total Liabilities	1,293,257	-	314,186	42,743	1,650,186
Deferred Inflows of Resources					
Property taxes levied for subsequent year	1,927,685	1,385,314	-	62,647	3,375,646
Unavailable revenue - delinquent property taxes	14,701	-	-	-	14,701
Deferred lease resources	279,211	-	-	-	279,211
Total Deferred Inflows of Resources	2,221,597	1,385,314	-	62,647	3,669,558
Fund Balances					
Nonspendable	26,211	-	-	27,335	53,546
Restricted	761,802	189,913	868,941	252,275	2,072,931
Assigned	114,000	-	-	-	114,000
Unassigned	2,328,718	-	-	(2,630)	2,326,088
Total Fund Balances	3,230,731	189,913	868,941	276,980	4,566,565
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 6,745,585	$ 1,575,227	$ 1,183,127	$ 382,370	$ 9,886,309

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2143
Waterville, Minnesota
Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Funds
June 30, 2022

Amounts reported for governmental activities in the statement of net position are different because	
Total Fund Balances - Governmental Funds	$ 4,566,565
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	19,570,030
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.	
Bonds payable	(16,585,000)
Lease payable	(24,128)
Bond premiums, net of accumulated amortization	(742,344)
Compensated absences payable	(36,998)
Net pension liability	(3,977,285)
Other postemployment benefits liability	(1,307,272)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes receivable	14,701
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	2,306,200
Deferred inflows of pension resources	(6,777,506)
Governmental funds do not report long-term amounts related other postemployment benefits.	
Deferred outflows of other postemployment benefit resources	140,301
Deferred inflows of other postemployment benefit resources	(369,105)
Governmental funds do not report a liability for accrued interest until due and payable.	(255,760)
Total Net Position - Governmental Activities	$ (3,477,601)

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2143
Waterville, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2022

	General	Debt Service	Building Construction	Other Governmental Funds	Total
Revenues					
Local property tax levies	$ 2,180,365	$ 1,079,927	$ -	$ 62,890	$ 3,323,182
Other local and county revenue	511,394	-	-	190,231	701,625
Interest earned on investments	6,563	-	16,369	316	23,248
Revenue from state sources	7,007,556	241,886	-	67,963	7,317,405
Revenue from federal sources	607,560	-	-	605,992	1,213,552
Sales and other conversion of assets	7,754	-	-	55,966	63,720
Total Revenues	10,321,192	1,321,813	16,369	983,358	12,642,732
Expenditures					
Current					
Administration	708,469	-	-	-	708,469
District support services	316,849	-	-	-	316,849
Elementary and secondary regular instruction	4,830,612	-	-	-	4,830,612
Vocational education instruction	104,291	-	-	-	104,291
Special education instruction	1,395,593	-	-	-	1,395,593
Community education and services	-	-	-	295,425	295,425
Instructional support services	537,618	-	-	-	537,618
Pupil support services	856,440	-	-	505,718	1,362,158
Sites and buildings	1,246,105	-	-	-	1,246,105
Fiscal and other fixed cost programs	85,692	-	-	-	85,692
Capital outlay	195,632	-	2,397,080	9,993	2,602,705
Debt service					
Principal	5,609	620,000	-	-	625,609
Interest and other charges	1,554	638,623	-	-	640,177
Total Expenditures	10,284,464	1,258,623	2,397,080	811,136	14,751,303
Excess (Deficiency) of Revenues Over (Under) Expenditures	36,728	63,190	(2,380,711)	172,222	(2,108,571)
Other Financing Sources (Uses)					
Sale of assets	6,000	-	-	-	6,000
Net Change in Fund Balances	42,728	63,190	(2,380,711)	172,222	(2,102,571)
Fund Balances, July 1	3,188,003	126,723	3,326,910	104,758	6,746,394
Prior Period Restatement (Note 7)	-	-	(77,258)	-	(77,258)
Fund Balances, June 30	$ 3,230,731	$ 189,913	$ 868,941	$ 276,980	$ 4,566,565

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2143
Waterville, Minnesota
Reconciliation of the Statement of
Revenues, Expenditures and Changes in Fund Balances
to Statement of Activities
Governmental Funds
For the Year Ended June 30, 2022

Amounts reported for governmental activities in the statement of activities are different because

Total Net Change in Fund Balances - Governmental Funds	$ (2,102,571)
Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlay	2,465,824
Depreciation/amortization expense	(393,224)
The net effect of various miscellaneous transactions involving cpaital assets (i.e., sales, trade-ins, and donations) is to decrease net position.	
Book value of capital asset disposals	(26,670)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.	
Principal repayments	620,000
Retirement of lease payable	5,609
Amoritization of premium	43,667
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however interest expense is recognized as the interest accrues, regardless of when it is due.	10,333
Long-term pension activity is not reported in governmental funds.	
Pension expense	662,019
Direct aid contributions	(638)
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	(12,396)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Severance costs	1,749
Other postemployment benefits costs	(480,344)
Change in Net Position - Governmental Activities	$ 793,358

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2143

Waterville, Minnesota

Statement of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual

General Fund

For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Local property tax levies	$ 2,098,099	$ 2,098,099	$ 2,180,365	$ 82,266
Other local and county revenue	348,162	352,162	511,394	159,232
Interest earned on investments	45,000	45,000	6,563	(38,437)
Revenue from state sources	6,806,770	7,011,728	7,007,556	(4,172)
Revenue from federal sources	376,329	568,809	607,560	38,751
Sales and other conversion of assets	5,300	29,800	7,754	(22,046)
Total Revenues	9,679,660	10,105,598	10,321,192	215,594
Expenditures				
Current				
Administration	666,700	722,774	708,469	14,305
District support services	312,771	318,446	316,849	1,597
Elementary and secondary regular instruction	4,717,567	4,957,350	4,830,612	126,738
Vocational education instruction	91,944	93,112	104,291	(11,179)
Special education instruction	1,619,699	1,641,866	1,395,593	246,273
Instructional support services	374,920	190,173	537,618	(347,445)
Pupil support services	787,595	797,104	856,440	(59,336)
Sites and buildings	1,398,100	1,358,644	1,246,105	112,539
Fiscal and other fixed cost programs	57,112	57,112	85,692	(28,580)
Capital outlay				
District support services	500	500	1,428	(928)
Elementary and secondary regular instruction	30,325	29,825	81,401	(51,576)
Special education instruction	10,962	10,962	2,434	8,528
Instructional support services	41,039	41,039	37,681	3,358
Pupil support services	32,000	61,175	24,175	37,000
Sites and buildings	7,500	7,500	48,513	(41,013)
Debt service				
Principal	5,490	5,490	5,609	(119)
Interest and other charges	1,180	1,180	1,554	(374)
Total Expenditures	10,155,404	10,294,252	10,284,464	9,788
Excess (Deficiency) of Revenues Over (Under) Expenditures	(475,744)	(188,654)	36,728	225,382
Other Financing Sources (Uses)				
Sale of assets	-	-	6,000	6,000
Net Change in Fund Balances	(475,744)	(188,654)	42,728	231,382
Fund Balances, July 1	3,188,003	3,188,003	3,188,003	-
Fund Balances, June 30	$ 2,712,259	$ 2,999,349	$ 3,230,731	$ 231,382

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2143
Waterville, Minnesota
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2022

	Custodial Fund Scholarships
Assets	
Cash and temporary investments	$ 34,737
Net Position	
Held in trust for scholarships	$ 34,737

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2143
Waterville, Minnesota
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2022

	Custodial Fund Scholarships
Additions	
Gifts and donations	$ 9,420
Deductions	
Other expenditures	11,007
Change in Net Position	(1,587)
Net Position, July 1	36,324
Net Position, June 30	$ 34,737

The notes to the financial statements are an integral part of this statement.

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

Independent School District No. 2143, (the District) was incorporated under the laws of the State of Minnesota, (the State). The District operates under a School Board form of government for the purpose of providing educational services to individuals within the area. The District is governed by an elected School Board of seven members. The District has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The District has no component units that meet the GASB criteria.

B. District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) 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*.

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

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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 fiscal years. Federal revenue is recorded in the year in which the related expenditure was made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Note 1: Summary of Significant Accounting Policies (Continued)

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue. On the modified accrual basis, receivables that will not be collected within the available period have been reported as unavailable revenue.

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

Description of Funds

The various District funds have been established by the State of Minnesota Department of Education. Each fund is accounted for as an independent entity. Descriptions of the funds included in this report are as follows:

Major Governmental Funds

The *General fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *Debt Service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Building Construction fund* accounts for all resources used for the acquisition and/or construction of major capital facilities.

Non-major Governmental Funds

The *Food Service special revenue fund* is used to account for food service revenue and expenditures.

The *Community Service special revenue fund* accounts for services provided to residents in the areas of recreation, civic activities, non-public pupils, adult or early childhood programs, or other similar services.

Note 1: Summary of Significant Accounting Policies (Continued)

Fiduciary Funds

Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. The District's scholarship custodial fund accounts for activities held to be used by various third parties devoted to awarding student scholarships. All resources of the fund, including any earnings on invested resources, may be used to support the activities.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

The District may also invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.

2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency and all of the investments have a final maturity of thirteen months or less.

3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.

4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.

5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.

6. Bankers acceptances of Unites States banks eligible for purchase by the Federal Reserve System.

7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.

8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

9. Guaranteed investment contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

Note 1: Summary of Significant Accounting Policies (Continued)

The Minnesota School District Liquid Asset Fund (MSDLAF) investment pool operates in accordance with appropriate Minnesota laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. The MSDLAF is an external investment pool not registered with the Securities and Exchange Commission (SEC); however, it follows the same regulatory rules of the SEC under rule §2a7. Financial statements of the MSDLAF fund can be obtained by contacting PFM Asset Management, LLC at P.O. Box 11760, Harrisburg, PA 17108-11760.

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. The District's recurring fair value measurements are listed in detail on page 49 and are valued at amortized costs.

Property Taxes

The School Board annually adopts a tax levy and certifies it to the County in December for collection the following year. The County is responsible for collecting all property taxes for the District. These taxes attach an enforceable lien on taxable property within the District on January 1 and are payable by the property owners in May and October of each year. The taxes are collected by the County Treasurer and tax settlements are made to the District three or four times throughout the year.

Statutory funding formulas determine the majority of the District revenue in the General and special revenue funds. This revenue is divided between property taxes and State aids by the legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift." The remaining portion of taxes collectible in 2022 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

Taxes payable on qualifying property, as defined by Minnesota statutes, are partially reduced by a market value credit aid. The credits are paid to the District by the State in lieu of taxes levied against the property.

Current property taxes receivable is the uncollected portion of the taxes levied in 2021 and collectible in 2022. This levy is offset with a deferred inflow of resources, property taxes levied for subsequent year. Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year end in the fund financial statements.

Accounts Receivable

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. No allowance for uncollectible accounts has been recorded. The only receivable not expected to be collected within one year are delinquent property taxes receivable.

Inventories and Prepaid Items

Food Service fund inventories include items purchased by the District and commodities donated by the U.S. Department of Agriculture (USDA). Commodities are valued using a standard price list furnished by the USDA and purchased inventory is valued at the lower of cost or market on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both district-wide and fund financial statements.

Note 1: Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets include property, plant and equipment. Capital assets are defined by the District as assets with an initial, individual cost of more than $1,000 (amount not rounded). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	20 - 50
Land Improvements	20 - 50
Equipment and Machinery	5 - 15

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualifies for reporting in this category. Accordingly, the items, deferred pension resources and deferred OPEB resources, are reported only in the statement of net position. The pension resources results from actuarial calculations and current year pension contributions made subsequent to the measurement date. The OPEB resources are current year OPEB contributions made subsequent to the measurement date.

Unearned Revenue

Unearned revenues are those in which resources are received by the District before it has a legal claim to them. The District has reported unearned revenues for school lunch balances for students in the Food Service fund.

Compensated Absences

The District has employee union contracts with several different employee groups. Employee benefits under the contracts vary, but generally include provisions for both sick and vacation leave. The District accounts for the employee benefits as follows:

Vacation Pay - The District compensates administrative and support staff employees for vacation benefits at various rates based on their respective agreements. The expenditures for vacation pay is recognized when payment is made.

Sick Pay - Substantially all District employees are entitled to sick leave at various rates based on length of service to the District. The expenditure for sick leave is recognized when payment is made. Teachers electing to retire on June 30, who have at least 20 years of service and are at least 55 years of age shall be eligible to have 25% of their unused sick leave (not to exceed 20 days) paid out at June 30 with the proper notification to the District in advance.

At June 30, 2022, compensated absences totaling $36,998 are recorded in the financial statements.

Note 1: Summary of Significant Accounting Policies (Continued)

Postemployment Benefits Other than Pensions

Under Minnesota statute 471.61, subdivision 2b, public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in a group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees are able to add dependent coverage during open enrollment period or qualifying life event prior to retirement. All premiums are funded on a pay-as-you-go basis. The liability was determined, in accordance with GASB Statement No. 75, at July 1, 2021. The General fund is typically used to liquidate governmental other postemployment benefits payable.

Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight line method. Bond issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognized 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 from the actual debt proceeds received, are reported as debt service expenditures.

Pensions

Teachers Retirement Association (TRA)

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Teachers Retirement Association (TRA) and additions to/deductions from TRA's fiduciary net position have been determined on the same basis as they are reported by TRA.

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. The General fund is typically used to liquidate the governmental net pension liability. Additional information can be found in Note 4.

Public Employees Retirement Association (PERA)

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 additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The General fund is typically used to liquidate the governmental net pension liability.

Note 1: Summary of Significant Accounting Policies (Continued)

The total pension expense for the General Employee Plan (GERP) and TRA is as follows:

	GERP	TRA	Total Pension Expense
Pension Expense	$ 48,224	$ (246,022)	$ (197,798)

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has three types of items, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, one of the items, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: delinquent property taxes, property taxes levied for subsequent year and leases. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other items are the deferred pension and deferred other post-employment benefit resources reported in the statement of net position of the government-wide statements. These items result from the difference between expected and actual experience, the net difference between projected and actual investments earnings on pension and OPEB plan investments, changes in assumptions and changes in proportion and differences between entity contributions and proportionate share of contributions.

Fund Balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

Restricted - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the School Board (the Board), which is the District's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board modifies or rescinds the commitment by resolution.

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the Board itself or by an official to which the governing body delegates the authority. The Board has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the Board or the Budget Committee.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

The District considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of fund balance when expenditures are made.

Note 1: Summary of Significant Accounting Policies (Continued)

The District has formally adopted a fund balance policy for the General fund. The District's policy is to maintain a minimum unassigned General fund balance of 45-60 days of operating expenditures.

Net Position

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

a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.

b. Restricted net position - Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

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.

Note 2: Stewardship, Compliance and Accountability

Budgetary Information

Budgets are prepared for District governmental funds on the same basis and using the same accounting practices that are used in accounting and preparing financial statements for the funds.

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

1. Prior to July 1, the budget is prepared by the Superintendent to be adopted by the School Board.

2. The approved budget is published in summary form in the District's legal newspaper by November 30 of each year.

3. Budgets for General, Debt Service, Building Construction, Food Service and Community Service funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

4. Budgeted amounts are as originally adopted, or as amended.

5. Budget appropriations lapse at year end.

6. The legal level of budgetary control is the department level.

7. The District does not use encumbrance accounting.

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the District's deposits may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the School Board, the District maintains deposits at those depository banks which are members of the Federal Reserve System.

Minnesota statutes require that all District deposits be protected by insurance, surety bond or collateral. The fair value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds, with the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the District.

At year end, the District's carrying amount of deposits was $1,351,474 and the bank balance was $1,621,914. Of the bank balance, $449,015 was covered by federal depository insurance and the remaining amount was covered by bonds or collateral held by the District's agent in the District's name.

Note 3: Detailed Notes on All Funds (Continued)

Investment Policy

The funds of the District shall be deposited or invested in accordance with Minnesota statutes, chapter 118A and any other applicable law or written administrative procedures. The primary criteria for the investment of the funds of the District, in priority order are as follows:

1. Safety and Security. Safety of principal is the first priority. The investments of the District shall be undertaken in a manner that seeks to ensure the preservation of the capital in the overall investment portfolio.

2. Liquidity. The funds shall be invested to assure that funds are available to meet immediate payment requirements, including payroll, accounts payable and debt service.

3. Return and Yield. The investments shall be managed in a manner to attain a market rate of return through various economic and budgetary cycles, while preserving and protecting the capital in the investment portfolio and taking into account constraints on risk and cash flow requirements.

Limitations on instruments, diversification and maturity scheduling shall depend on whether the funds being invested are considered short-term or long-term funds. All funds shall normally be considered short-term except those reserved for building construction projects or specific future projects and any unreserved funds used to provide financial-related managerial flexibility for future fiscal years. The District shall diversify its investments to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities. Within these parameters, portfolio maturities shall be staggered to avoid undue concentration of assets and a specific maturity sector. The maturities selected shall provide for stability of income and reasonable liquidity.

All investment securities purchased by the District shall be held in third-party safekeeping by an institution designated as custodial agent. The custodial agent may be any Federal Reserve Bank, any bank authorized under the laws of the United States or any state to exercise corporate trust powers, a primary reporting dealer in United States Government securities to the Federal Reserve Bank of New York, or a securities broker-dealer defined in Minnesota statutes 118A.06. The institution or dealer shall issue a safekeeping receipt to the District listing the specific instrument, the name of the issuer, the name in which the security is held, the rate, the maturity, serial numbers and other distinguishing marks, and other pertinent information.

Deposit-type securities shall be collateralized as required by Minnesota statute 118A.03 for any amount exceeding FDIC, SAIF, BIF, FCUA, or other federal deposit coverage.

Repurchase agreements shall be secured by the physical delivery or transfer against payment of the collateral securities to a third party or custodial agent for safekeeping. The school district may accept a safekeeping receipt instead of requiring physical delivery or third-party safekeeping of collateral on overnight repurchase agreements of less than $1,000,000.

Note 3: Detailed Notes on All Funds (Continued)

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

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Balance
Pooled Investments at Amortized Costs			
Minnesota School District Liquid Asset Fund (MSDLAF)	AAAm	less than 6 months	$ 1,796,242
Minnesota School District MAX Fund (MSDMAX)	AAAm	less than 6 months	3,615,983
Total investments			$ 5,412,225

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.
(2) Interest rate risk is disclosed using the segmented time distribution method.

The Minnesota School District Liquid Asset Fund (MSDLAF) is a trust organized and existing under the laws of the State of Minnesota and the Minnesota Joint Powers Act, as amended. The trust was established for the purpose of allowing Minnesota school districts to pool their investment funds to obtain a competitive investment yield, while maintaining liquidity and preserving capital. The credit rating for the MSDLAF is AAAm. The weighted average days to maturity are not greater than six months. The District's investment in the MSDLAF is equal to the value of pool shares.

A reconciliation of cash and temporary investments as shown on the statement of net position for the District follows:

Deposits	$ 1,351,474
Investments	5,412,225
Total	6,763,699
Less Fiduciary Fund Cash and Temporary Investments	(34,737)
Cash and Temporary Investments	$ 6,728,962

B. Property Taxes

Current property taxes receivable is recorded for taxes levied in 2021 and payable in 2022. A portion of the current property taxes receivable is recognized as revenue in the fiscal year ended June 30, 2022 in accordance with Minnesota statutes and the remaining balance is recorded as a deferred inflow of resources for subsequent years' operations.

Delinquent property taxes receivable represents uncollected taxes from the previous six years' property tax levies.

Note 3: Detailed Notes on All Funds (Continued)

Taxes receivable is comprised of the following components:

	General	Debt Service	Nonmajor Governmental	Total
Current Taxes	$ 933,277	$ 753,880	$ 28,869	$ 1,716,026
Delinquent Taxes	14,701	-	-	14,701
Total Taxes Receivable	$ 947,978	$ 753,880	$ 28,869	$ 1,730,727
Property Taxes Levied for Subsequent Year	$ 1,927,685	$ 1,385,314	$ 62,647	$ 3,375,646

C. Capital Assets

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

	Balance July 1, 2021 as Restated	Additions	Deletions	Balance June 30, 2022
Governmental Activities				
Capital Assets not Being Depreciated/Amortized				
Land	$ 31,400	$ -	$ -	$ 31,400
Construction in progress	5,552,222	2,397,080	-	7,949,302
Total Capital Assets not Being Depreciated/Amortized	5,583,622	2,397,080	-	7,980,702
Capital Assets Being Depreciated/Amortized				
Land improvements	304,084	-	-	304,084
Buildings	16,092,001	-	-	16,092,001
Equipment	2,147,952	68,744	(223,975)	1,992,721
Leased Equipment (Intangible Right to Use Asset)	31,090	-	-	31,090
Total Capital Assets Being Depreciated/Amortized	18,575,127	68,744	(223,975)	18,419,896
Less Accumulated Depreciation/Amortization				
Land improvements	(280,214)	(2,454)	-	(282,668)
Buildings	(4,881,127)	(247,894)	-	(5,129,021)
Equipment	(1,470,199)	(136,658)	197,305	(1,409,552)
Leased Equipment (Intangible Right to Use Asset)	(3,109)	(6,218)	-	(9,327)
Total Accumulated Depreciation/Amortization	(6,634,649)	(393,224)	197,305	(6,830,568)
Total Capital Assets Being Depreciated/Amortizated, Net	11,940,478	(324,480)	(26,670)	11,589,328
Governmental Activities Capital Assets, Net	$ 17,524,100	$ 2,072,600	$ (26,670)	$ 19,570,030

Note 3: Detailed Notes on All Funds (Continued)

Depreciation/amortization expense was charged to governmental activities as follows:

District Support Services	$ 1,423
Elementary and Secondary Regular Instruction	16,650
Vocational Education Instruction	1,251
Community Education	143
Instructional Support Services	7,182
Pupil Support Services	97,867
Sites, Buildings and Equipment	266,908
Special Education Instruction	1,800
Total Depreciation/Amortization Expense	$ 393,224

D. Construction Commitments

The District has an active construction project as of June 30, 2022. At year end, the District's commitment with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
School Building Project	$ 18,485,317	$ 811,942

E. Long-term Debt

General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities.
General obligation bonds have been issued for governmental activities.

General obligation bonds are direct obligations and pledge the full faith and credit of the District. General obligation bonds currently outstanding are as follows:

					Principal Outstanding	
Description	Original Issue	Interest Rate	Issue Date	Final Maturity	Due Within One Year	Total
G.O. School Building Bonds, Series 2019A	$ 18,500,000	3.00 - 5.00 %	02/01/19	02/01/39	$ 700,000	$ 16,585,000

Note 3: Detailed Notes on All Funds (Continued)

The annual requirements to amortize all bonds outstanding at June 30, 2022 are as follows:

Year Ending June 30,	Principal Payments	Interest Payments	Total
2023	$ 700,000	$ 613,823	$ 1,313,823
2024	725,000	585,823	1,310,823
2025	755,000	556,823	1,311,823
2026	795,000	519,073	1,314,073
2027	830,000	479,323	1,309,323
2028 - 2032	4,735,000	1,826,163	6,561,163
2033 - 2037	5,550,000	1,009,331	6,559,331
2038 - 2039	2,495,000	133,042	2,628,042
Total	$ 16,585,000	$ 5,723,401	$ 22,308,401

Lease Payable

Copiers were leased for the District beginning on March 17, 2021 for a term of five years at fixed interest rate of 1.10%. The lease agreement is summarized as follows:

Description	Total Lease Liability	Interest Rate	Issue Date	Payment Terms	Payment Amount	Balance at Year End
Copiers	$ 31,090	1.100 %	03/17/21	5 Years	$ 597 Monthly	$ 24,128

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	$ 5,938	$ 1,225	$ 7,163
2024	6,287	876	7,163
2025	6,656	508	7,164
2026	5,247	125	5,372
Total	$ 24,128	$ 2,734	$ 26,862

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2022 was as follows:

	Beginning Balance As Restated	Additions	Deductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds Payable					
General obligation bonds	$ 17,205,000	$ -	$ (620,000)	$ 16,585,000	$ 700,000
Bond premiums	786,011	-	(43,667)	742,344	-
Total bonds payable	17,991,011	-	(663,667)	17,327,344	700,000
Other Liabilities					
Lease payable	29,737	-	(5,609)	24,128	5,938
Compensated absences payable	38,747	43,055	(44,804)	36,998	36,998
Total Long-term Liabilities	$ 18,059,495	$ 43,055	$ (714,080)	$ 17,388,470	$ 742,936

Note 3: Detailed Notes on All Funds (Continued)

F. Components of Fund Balance

At June 30, 2022, portions of the District's fund balance are not available for appropriation due to legal restrictions (Restricted) and policy and/or intent (Assigned). The following is a summary of the components of fund balance:

	General	Debt Service	Building Construction	Nonmajor Governmental	Total	Reconciling Items	UFARS Balance
Nonspendable For							
Inventories	$ -	$ -	$ -	$ 27,335	$ 27,335	$ -	$ 27,335
Prepaid items	26,211	-	-	-	26,211	-	26,211
Total Nonspendable	$ 26,211	$ -	$ -	$ 27,335	$ 53,546	$ -	$ 53,546
Restricted for							
Student activities	$ 128,780	$ -	$ -	$ -	$ 128,780	$ -	$ 128,780
Staff development	53,477	-	-	-	53,477	-	53,477
Operating capital	62,751	-	-	-	62,751	-	62,751
Learning and development	22,524	-	-	-	22,524	-	22,524
Gifted and talented	6,464	-	-	-	6,464	-	6,464
Basic skills	9,280	-	-	-	9,280	-	9,280
Safe schools	41,714	-	-	-	41,714	-	41,714
Long-term facilities maintenance	199,220	-	-	-	199,220	-	199,220
Medical assistance	237,592	-	-	-	237,592	-	237,592
Community education	-	-	-	47,979	47,979	-	47,979
Early childhood and family education	-	-	-	41,506	41,506	-	41,506
School readiness	-	-	-	916	916	-	916
Food service	-	-	-	161,874	161,874	-	161,874
Community service	-	-	-	-	-	(2,630)	(2,630)
Building construction	-	-	868,941	-	868,941	-	868,941
Debt service	-	189,913	-	-	189,913	-	189,913
Total Restricted	$ 761,802	$ 189,913	$ 868,941	$ 252,275	$ 2,072,931	$ (2,630)	$ 2,070,301
Assigned for							
Separation/retirement benefits	$ 114,000	$ -	$ -	$ -	$ 114,000	$ -	$ 114,000
Unassigned	$ 2,328,718	$ -	$ -	$ (2,630)	$ 2,326,088	$ 2,630	$ 2,328,718

Restricted for Student Activities - This amount represents available resources for various student activities.

Restricted for Staff Development - This amount represents available resources for staff development. Revenues are derived from state aids and expenditures are for staff development at each site.

Restricted for Operating Capital - This amount represents available resources dedicated for capital expenditure building projects, equipment purchases, vehicles and computer hardware and software. Revenues are derived from tax levies and State aids and expenditures are for repair and restoration of existing facilities and construction of new facilities, purchase of equipment, computers, software, textbooks and library books.

Restricted for Learning and Development - This amount represents accumulated resources available to provide for learning and development programming in accordance with funding made available for that purpose.

Note 3: Detailed Notes on All Funds (Continued)

Restricted for Gifted and Talented - This amount represents accumulated resources made available through a portion of the District's general education aid for gifted and talented programs.

Restricted for Basic Skills Programs - This amount represents accumulated resources available to provide for basic skills programming in accordance with funding made available for that purpose.

Restricted for Safe Schools - This amount represents resources restricted for crime prevention and making schools safe for students and staff.

Restricted for Long-Term Facilities Maintenance - This amount represents available resources for larger maintenance projects. Revenues are derived from State aids and expenditures are for maintenance.

Restricted for Medical Assistance - This amount represents available resources for medical assistance expenditures. Revenues are derived from State or Federal aids.

Restricted for Community Education - This amount represents available resources for community education classes. Revenues are derived from local tax levies and State aids and expenditures are for salaries, benefits and supplies.

Restricted for Early Childhood Family Education (ECFE) - This amount represents available resources for ECFE classes. Revenues are derived from local tax levies and State aids and expenditures are for salaries, benefits and supplies.

Restricted for School Readiness - This amount represents available resources to provide for services for school readiness programs. Revenues are derived from State aids, fees and grants and expenditures are for salaries, benefits and supplies.

Restricted for Food Service - This amount represents available resources available for Food Service. Revenues are derived from state, federal, local and county sources along with sales and other conversion of assets and expenditures are primarily for salaries, benefits, supplies and materials.

Restricted for Community Service - This amount represents available resources available for community services. Revenues are derived from tax levies and local and county sources and expenditures are primarily for salaries, benefits, purchased services, supplies and materials.

Restricted for Building Construction - This amount represents available resources dedicated exclusively for building construction projects. Revenues are derived from the issuance of bonds and expenditures are for building construction costs.

Restricted for Debt Service - This amount represents available resources dedicated exclusively for debt service payments. Revenues are derived from tax levies and expenditures are for principal, interest and paying agent fees.

Assigned for Separation/Retirement Benefits - This amount represents resources segregated from the unassigned fund balance for retirement benefits, including severance, pensions, other post-employment benefits and termination benefits.

Unassigned amounts represent resources available to meet current and future years' expenditures.

Note 4: Defined Benefit Pension Plans - Statewide

Substantially all employees of the District are required by State Law to belong to pension plans administered by Teachers Retirement Association (TRA) or Public Employees Retirement Association (PERA), all of which are administered on a statewide basis.

Disclosures relating to these plans follow:

A. Teachers Retirement Association (TRA)

1. Plan Description

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

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

2. Benefits Provided

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

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

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

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

With these provisions:

1. Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.

2. Three percent per year early retirement reduction factors for all years under normal retirement age.

3. Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

or

Tier II: For years of service prior to July 1, 2006, a level formula of 1.7 percent per year for coordinated members and 2.7 percent per year for basic members. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for Coordinated members and 2.7 percent per year 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 or 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 also eligible for a refund of their employee contributions plus interest.

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

3. Contribution Rates

Per Minnesota statutes, chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year were:

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

The District's contributions to TRA for the years ending June 30, 2022, 2021 and 2020 were $346,886, $351,488 and $331,088, respectively. The District's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

The following is a reconciliation of employer contributions in TRA's fiscal year 2021 Annual Comprehensive Financial Report "Statement of Changes in Fiduciary Net Position" to the employer contributions used in Schedule of Employer and Non-Employer Pension Allocations.

Employer contributions reported in TRA'S Annual Comprehensive Financial Report	
Financial Report Statement of Changes in Fiduciary Net Position	$ 448,829,000
Add employer contributions not related to future contribution efforts	379,000
Deduct TRA'S contributions not included in allocation	(538,000)
Total employer contributions	448,670,000
Total non-employer contributions	37,840,000
Total contributions reported in schedule ofemployer and non-employer pension allocations	$ 486,510,000

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.

4. Actuarial Assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement.

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

Note 4: Defined Benefit Pension Plans - Statewide (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	35.50 %	5.10 %
International Equity	17.50	5.30
Private Markets	25.00	5.90
Fixed Income	20.00	0.75
Unallocated Cash	2.00	-
Total	100.00 %	

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2021 is 6.00 years. The "Difference Between Expected and Actual Experience", "Changes of Assumptions" and "Changes in Proportion" use the amortization period of 6.00 years in the schedule presented. The amortization period for "Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments" is 5.00 years as required by GASB 68.

Changes in actuarial assumptions since the 2020 valuation:

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

5. *Discount Rate*

The discount rate used to measure the total pension liability was 7.50 percent. The discount rate used to measure the TPL at the prior measurement date was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2021 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

6. *Net Pension Liability*

At June 30, 2022, Independent School District No. 2143 (the District) reported a liability of $3,063,409 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The District proportionate share was 0.0700 percent at the end of the measurement period and 0.0719 percent for the beginning of the year.

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

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	$ 3,063,409
State's Proportionate Share of Net Pension Liability Associated with the District	258,352

For the year ended June 30, 2022, the District recognized negative pension expense of $243,129. It also recognized $2,893 as an increase to pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 87,074	$ 92,339
Changes in Actuarial Assumptions	1,159,619	3,019,861
Net Difference Between Projected and Actual Earnings on Plan Investments	-	2,561,851
Changes in Proportion	30,148	204,938
Contributions to TRA Subsequent to the Measurement Date	346,886	-
Total	$ 1,623,727	$ 5,878,989

Deferred outflows of resources totaling $346,886 related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

2023	$ (2,288,359)
2024	(1,474,874)
2025	(277,685)
2026	(359,662)
2027	(381,768)
Thereafter	180,200

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

7. Pension Liability Sensitivity

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

District Proportionate Share of NPL		
1 Percent Decrease (6.00%)	Current (7.00%)	1 Percent Increase (8.00%)
$ 6,188,236	$ 3,063,409	$ 500,802

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.

8. Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at www.MinnesotaTRA.org, 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.

B. Public Employees Retirement Association (PERA)

1. Plan Description

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

General Employees Retirement Plan

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

2. *Benefits Provided*

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

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

General Employee 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 accrual rate for Coordinated members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for average salary 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 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

3. Contributions

Minnesota statutes chapter 353 sets 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 6.50 percent of their annual covered salary in fiscal year 2022 and the District was required to contribute 7.5 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the years ending June 30, 2022, 2021 and 2020 were $117,334, $113,596 and $104,824, respectively. The District's contributions were equal to the contractually required contributions for each year as set by state statute.

4. Pension Costs

General Employees Fund Pension Costs

At June 30, 2022, the District reported a liability of $913,876 or its proportionate share of the General Employee 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 $27,967. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021 relative to the total employer contributions received from all of PERA's participating employers. The District's proportion was 0.0214 percent which was an increase of 0.0018 percent from its proportion measured as of June 30, 2020.

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

For the year ended June 30, 2022, the District recognized pension expense of $45,968 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional $2,256 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.

At June 30, 2022, the District reported its proportionate share of General Employees Plan's 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	$ 5,589	$ 27,694
Changes in Actuarial Assumptions	557,994	19,025
Net Difference Between Projected and Actual Earnings on Plan Investments	-	799,066
Changes in Proportion	1,556	52,732
Contributions to PERA Subsequent to the Measurement Date	117,334	-
Total	$ 682,473	$ 898,517

The $117,334 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:

2023	$ (65,794)
2024	(41,992)
2025	(9,726)
2026	(215,866)

5. Actuarial 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 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

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

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 29 years of service and 6.0 percent 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 4: Defined Benefit Pension Plans - Statewide (Continued)

Actuarial assumptions used in the June 30, 2021 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employee Plan was completed in 2019. The assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2022:

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	33.50 %	5.10 %
Alternative Assets (Private Markets)	25.00	5.90
Bonds (Fixed Income)	25.00	0.75
International Equity	16.50	5.30
Total	100.00 %	

6. Discount Rate

The discount rate used to measure the total pension liability in 2022 was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

7. Pension Liability Sensitivity

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

	District Proportionate Share of NPL		
	1 Percent Decrease (5.50%)	Current (6.50%)	1 Percent Increase (7.50%)
General Employees Funds	$ 1,863,840	$ 913,876	$ 134,372

8. Pension Plan Fiduciary Net Position

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

Note 5: Postemployment Benefits Other Than Pensions

A. Plan Description

The District operates a single-employer retiree benefit plan ("the Plan") that provides health, life and dental insurance to eligible employees and their families through the District's health insurance plan. The full cost of the benefits is covered by the plan. Benefit and eligibility provisions are established through negotiations between the District and various unions representing District employees and are renegotiated each two-year bargaining period. The Plan does not issue a publicly available report.

At June 30, 2022, the following employees were covered by the benefit terms:

Active Plan Members	91
Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	24
Total Plan Members	115

B. Funding Policy

The District has historically funded these liabilities on a pay-as-you-go basis. Contribution requirements are negotiated between the District and union representatives on a per contract basis. At the present time, no retiree benefits are provided except the allowance to continue health insurance that is mandated by Minnesota Law. The District does not contribute any of the cost of current-year premiums for eligible retired plan members or their spouses. For the year ended June 30, 2022, the District's average contribution rate was 2.0 percent of covered-employee payroll. For fiscal year 2022, the District directly contributed $106,192 to the Plan, while implicit contributions totaled $19,170.

Note 5: Postemployment Benefits Other Than Pensions (Continued)

C. Actuarial Methods and Assumptions

The District's total OPEB liability of $1,307,272 was measured as of July 1, 2021 and OPEB liability was determined by an actuarial valuation as of July 1, 2021. Roll forward procedures were used to roll forward the total OPEB liability to the measurement date and the Plan's fiscal year end.

The total OPEB liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	2.10%
20-Year Municipal Bond Yield	2.10%
Inflation Rate	2.00%
Salary Increases	Service graded table
Medical Trend Rate	6.50% as of July 1, 2021 grading to 5.00% then 4.00%

The discount rate used to measure the total OPEB liability was 2.10 percent. Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-Year Municipal Bond Yield.

Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale.

The actuarial assumptions used in the July 1, 2021 valuation were based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information as well as for consistency with the other economic assumptions.

D. Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Balances at June 30, 2021	$ 1,098,491
Changes for the Year:	
Service cost	71,987
Interest	26,111
Assumption changes	(44,642)
Plan changes	572,456
Differences between expected and actual experience	(251,124)
Benefit payments	(166,007)
Net Changes	208,781
Balances at June 30, 2022	$ 1,307,272

Note 5: Postemployment Benefits Other Than Pensions (Continued)

Since the prior measurement date, the following assumptions changed:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality tables (General, Teachers) with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality tables (General, Teachers) with MP-2020 Generational Improvement Scale.
- The salary increase rates for non-teachers were updated to reflect the latest experience study.
- The withdrawal rates were updated to reflect the latest experience study.
- The retiree plan participation percentage was changed from 100% to 50% for Teachers and Clerical employees who are eligible for a post-employment medical subsidy.
- The inflation rate was changed from 2.50% to 2.00%.
- The discount rate was changed from 2.40% to 2.10%.

Since the prior measurement date, the following plan changes occurred:

- Clerical employees are required to have 20 years of service in order to be eligible for post-employment medical subsidies.
- The Teachers' post-employment medical subsidy was changed as follows:
    - All Teachers who attained "Rule of 90" with 20 years of service will be eligible for the post-employment medical subsidy. Previously, only Teachers hired prior to July 1, 1989, who attained "Rule of 90" with 20 years of service were assumed to be eligible.
    - The $6,000 per year subsidy, payable toward District medical insurance or to a VEBA for 7 years, was extended through June 30, 2024. Since this benefit continues to be extended in each contract, we have assumed all future retired Teachers who meet the eligibility requirement will receive it (instead of $2,000 per year, payable for 6 years), even if the retire after June 30, 2024.

E. Sensitivity of the Total OPEB Liability

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 a discount rate that is one percentage point lower (1.10 percent) or one percentage-point higher (3.10 percent) than the current discount rate:

1 Percent Decrease (1.10%)	Current (2.10%)	1 Percent Increase (3.10%)
$ 1,384,643	$ 1,307,272	$ 1,232,791

Note 5: Postemployment Benefits Other Than Pensions (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 a Healthcare Cost Trend Rates that is one percentage point lower (5.50 percent decreasing to 4.00 percent then 3.00 percent) or one percentage-point higher (7.50 percent decreasing to 6.00 percent then 5.00 percent) than the current Healthcare Cost Trend Rate:

1 Percent Decrease (5.50% decreasing to 4.00% then 3.00%)	Healthcare Cost Trend Rates (6.50% decreasing to 5.00% then 4.00%)	1 Percent Increase (7.50% decreasing to 6.00% then 5.00%)
$ 1,264,056	$ 1,307,272	$ 1,358,062

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

For the year ended June 30, 2022, the District recognized OPEB expense of $480,344. 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
Investment (Gain)/Loss	$ -	$ 252,183
Changes in Actuarial Assumptions	14,939	116,922
Contributions Subsequent to the Measurement Date	125,362	-
Total	$ 140,301	$ 369,105

Deferred outflows of resources totaling $125,362 related to the OPEB resulting from the District's contributions to the plan subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2023	$ (64,848)
2024	(64,848)
2025	(63,891)
2026	(29,128)
2027	(32,863)
Thereafter	(98,588)

Note 6: Other Information

A. 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; injuries to employees; and natural disasters for which the District carries insurance. Settled claims have not exceeded this coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The District's management is not aware of any incurred but not reported claims.

The Southcentral Services Cooperative Gross Self-Insured Health Insurance Plan was formed under a joint powers agreement. This is a public entity risk pool that is currently operating as common risk management and insurance program for member districts. The District pays an annual premium to this plan for its health and insurance coverage. These premiums are used to purchase reinsurance through commercial companies. The administrators to the plan believe assessment to participating districts for future losses sustained is extremely remote. The District's non-teacher employees are eligible for the plan.

The District continues to carry commercial insurance for all other risk of loss. There has been no significant reduction in insurance coverage from the previous year in any of the District's policies. In addition, there have been no settlements in excess of the District's insurance coverage in any of the prior three years.

B. Commitments and Contingencies

Federal and State Receivables

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

Note 7: Prior Period Adjustment

During fiscal year 2021 interest receivable amounts in the Building Construction fund were not reversed resulting in a restatement of beginning balances, the following schedule reconciles the previously reported June 30, 2021 balances to the July 1, 2021 financial statement balances impacting the District's Governmental Activities and Building Construction fund:

Fund	Net Position June 30, 2021 as Previously Reported	Prior Period Adjustment	Net Position July 1, 2021 as Restated
Governmental Activities	$ (4,193,701)	$ (77,258)	$ (4,270,959)
Governmental Funds			
Building Construction fund	$ 3,326,910	$ (77,258)	$ 3,249,652

Note 8: Change in Accounting Principle

For fiscal year 2022, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. GASB Statement No. 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the District's 2022 financial statements. The District's recognition of the beginning balances related to the lease liability and the intangible right to use lease asset were equal balances and had no effect on the beginning net position of the Governmental Activities.

Note 9: Subsequent Event

On October 19, 2022, the District issued General Obligation School Building Bonds, Series 2022A in the amount of $800,000 for building improvements. The stated interest rate on the bond is 4.0 percent and will mature on February 1, 2028.

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 2143
WATERVILLE, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2022

Independent School District No. 2143
Waterville, Minnesota
Required Supplementary Information
For the Year Ended June 30, 2022

Schedule of Employer's Share of TRA Net Pension Liability

Fiscal Year Ending	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	Total (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/21	0.0700 %	$ 3,063,409	$ 258,352	$ 3,321,761	$ 4,323,345	70.9 %	86.6 %
06/30/20	0.0719	5,312,068	445,021	5,757,089	4,180,408	127.1	75.5
06/30/19	0.0731	4,659,409	412,504	5,071,913	4,327,183	107.7	78.2
06/30/18	0.0719	4,517,463	424,532	4,941,995	3,798,893	118.9	78.1
06/30/17	0.0785	15,670,024	1,514,976	17,185,000	4,225,227	370.9	51.6
06/30/16	0.0804	19,177,318	1,925,554	21,102,872	4,352,387	440.6	44.9
06/30/15	0.0840	5,196,231	637,344	5,833,575	4,289,760	121.1	76.8
06/30/14	0.0919	4,234,685	298,010	4,532,695	4,169,560	101.6	81.1

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Schedule of Employer's TRA Contributions

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
06/30/22	$ 346,886	$ 346,886	$ -	$ 4,159,306	8.34 %
06/30/21	351,488	351,488	-	4,323,345	8.13
06/30/20	331,088	331,088	-	4,180,408	7.92
06/30/19	333,626	333,626	-	4,327,183	7.71
06/30/18	284,917	284,917	-	3,798,893	7.50
06/30/17	316,892	316,892	-	4,225,227	7.50
06/30/16	326,429	326,429	-	4,352,387	7.50
06/30/15	322,253	322,253	-	4,295,696	7.50

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Notes to the Required Supplementary Information – TRA

Changes in Actuarial Assumptions

2021 - The investment return assumption was changed from 7.50 percent to 7.00 percent

2020 - Assumed termination rates were changed to more closely reflect actual experience. The pre-retirement mortality assumption was changed to 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 - No changes noted.

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The cost of living adjustment was not assumed to increase to 2.5 percent but remain at 2.0 percent for all future years. The investment return assumption was changed from 8.25 percent to 8.00 percent.

2014 - The cost of living adjustment was assumed to increase from 2.0 percent annually to 2.5 percent annually on July 1, 2034.

Notes to the Required Supplementary Information – TRA (Continued)

Changes in Plan Provisions

2021 - No changes noted.

2020 - No changes noted.

2019 - No changes noted.

2018 - The 2018 Omnibus Pension Bill contained a number of changes:

- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.

- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.

- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.

- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.

- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.

- The employer contribution rate is increased each July 1 over the next 6 years, (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017 - No changes noted.

2016 - No changes noted.

2015 - On June 30, 2015, the Duluth Teachers Retirement Fund Association was merged into TRA. This also resulted in a state-provided contribution stream of $14.377 million until the System becomes fully funded.

2014 - The increase in the post-retirement benefit adjustment (COLA) will be made once the plan is 90% funded (on a market value basis) in two consecutive years, rather than just one year.

Independent School District No. 2143
Waterville, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2022

Schedule of Employer's Share of PERA Net Pension Liability

Fiscal Year Ending	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	Total (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/21	0.0214 %	$ 913,876	$ 27,967	$ 941,843	$ 1,514,614	60.3 %	87.0 %
06/30/20	0.0196	1,175,110	36,228	1,211,338	1,397,655	84.1	79.0
06/30/19	0.0213	1,177,629	36,665	1,214,294	1,502,363	78.4	80.2
06/30/18	0.0212	1,176,089	38,586	1,214,675	1,418,920	82.9	79.5
06/30/17	0.0233	1,487,457	18,692	1,506,149	1,493,787	99.6	75.9
06/30/16	0.0230	1,867,486	24,390	1,891,876	1,415,533	131.9	68.9
06/30/15	0.0254	1,316,360	-	1,316,360	1,474,414	89.3	78.2
06/30/14	0.0256	1,202,560	-	1,202,560	1,346,110	89.3	78.7

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Schedule of Employer's PERA Contributions

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
06/30/22	$ 117,334	$ 117,334	$ -	$ 1,564,458	7.50 %
06/30/21	113,596	113,596	-	1,514,614	7.50
06/30/20	104,824	104,824	-	1,397,655	7.50
06/30/19	112,677	112,677	-	1,502,363	7.50
06/30/18	106,419	106,419	-	1,418,920	7.50
06/30/17	112,034	112,034	-	1,493,787	7.50
06/30/16	106,165	106,165	-	1,415,533	7.50
06/30/15	110,113	110,113	-	1,468,173	7.50

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Notes to the Required Supplementary Information - PERA

Changes in Actuarial Assumptions

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

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

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

Notes to the Required Supplementary Information – PERA (Continued)

Changes in Plan Provisions

2021 - There were no changes in plan provisions since the previous valuation.

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

2019 - The employer supplemental contribution was changed prospectively, decreasing from $31.0 million to $21.0 million per year. The state's special funding contribution was changed prospectively, requiring $16.0 million due per year through 2031.

2018 - The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Contribution stabilizer provisions were repealed. Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

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

2016 - No changes noted.

2015 - 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.

Independent School District No. 2143
Waterville, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2022

Schedule of Changes in the District's Total OPEB Liability and Related Ratios

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	$ 71,987	$ 51,484	$ 45,083	$ 62,775	61,457
Interest	26,111	34,894	49,840	53,193	57,913
Changes in assumptions	(44,642)	22,409	(150,653)	(5,740)	-
Plan changes	572,456	-	14,039	-	-
Differences between expected and actual experience	(251,124)	-	(57,925)	-	-
Changes in benefit terms	-	-	-	15,869	-
Benefit payments	(166,007)	(167,555)	(242,022)	(255,717)	(263,238)
Net Change in Total OPEB Liability	208,781	(58,768)	(341,638)	(129,620)	(143,868)
Total OPEB Liability - Beginning	1,098,491	1,157,259	1,498,897	1,628,517	1,772,385
Total OPEB Liability - Ending	$ 1,307,272	$ 1,098,491	$ 1,157,259	$ 1,498,897	$ 1,628,517
Covered - Employee Payroll	$ 4,441,678	$ 4,595,148	$ 4,292,693	$ 4,421,474	4,292,693
District's Total OPEB Liability As a Percentage of Covered Employee Payroll	29.43 %	23.91 %	26.96 %	33.90 %	37.94 %

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available

Notes to the Changes in the District's Total OPEB Liability and Related Ratios

<u>Changes in Benefits</u>

2022 - Clerical employees are required to have 20 years of service in order to be eligible for post-employment medical subsidies. The Teachers' post-employment medical subsidy was changed as follows: All Teachers who attained "Rule of 90" with 20 years of service will be eligible for the post-employment medical subsidy. Previously, only Teachers hired prior to July 1, 1989, who attained "Rule of 90" with 20 years of service were assumed to be eligible. The $6,000 per year subsidy, payable toward District medical insurance or to a VEBA for 7 years, was extended through June 30, 2024. Since this benefit continues to be extended in each contract, we have assumed all future retired Teachers who meet the eligibility requirement will receive it (instead of $2,000 per year, payable for 6 years), even if the retire after June 30, 2024.

2021 - No changes noted.

2020 - The subsidy for the superintendent was changed from $7,100 per year towards medical coverage for 11 years to $7,810 per year towards medical coverage for 10 years. The subsidy for eligible teachers was extended to cover retirement through June 30,2022.

2019 - The subsidy for eligible teachers retiring before June 30, 2021 was changed to be paid over eight years instead of seven years and the subsidy for the individual principal was changed from $6,000 per year to $8,000 per year.

2018 - The teacher's subsidized post-retirement benefit was changed to $6,000 per year toward medical coverage for seven years if retiring before the 2020-2021 school year.

Notes to the Changes in the District's Total OPEB Liability and Related Ratios (Continued)

Changes in Assumptions

2022 - The health care trend rates were changed to better anticipate short term and long term medical increases. The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality tables (General, Teachers) with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality tables (General, Teachers) with MP-2020 Generational Improvement Scale. The salary increase rates for non-teachers were updated to reflect the latest experience study. The withdrawal rates were updated to reflect the latest experience study. The retiree plan participation percentage was changed from 100% to 50% for Teachers and Clerical employees who are eligible for a post-employment medical subsidy. The inflation rate was changed from 2.50% to 2.00%. The discount rate was changed from 2.40% to 2.10%.

2021 - The discount rate was changed from 3.10% to 2.40%.

2020 - The health care trend rates, mortality tables, election rates, and salary increase rates were updated along with the discount rate changing from 3.50% to 3.10%.

2019 - The discount rate was changed from 3.40% to 3.50%

2018 - The health care trend rates were changed to better anticipate short term and long term medical increases. The mortality table was updated from RP-2017 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale. The prior valuation assumed an implicit rate subsidy for dental insurance valued to age 85. Based on plan experience, the implicit rate liability is not significant for dental insurance and has not been included in this valuation. The discount rate was changed from 3.50% to 3.40%

Changes in Method

2022 - No changes noted.

2021 - No changes noted.

2020 - No changes noted.

2019 - No changes noted.

2018 - The actuarial cost method was changed from projected unit credit entry age as prescribed by GASB 75.

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COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS, SCHEDULES AND TABLE

INDEPENDENT SCHOOL DISTRICT NO. 2143
WATERVILLE, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2022

Independent School District No. 2143
Waterville, Minnesota
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2022
(With Comparative Totals for June 30, 2021)

	Special Revenue		Totals	
	Food Service	Community Service	2022	2021
Assets				
Cash and temporary investments	$ 190,263	$ 129,878	$ 320,141	$ 99,576
Receivables				
Taxes				
Current	-	28,869	28,869	28,899
Delinquent	-	-	-	1,315
Accounts and interest	-	1,245	1,245	256
Intergovernmental	-	4,780	4,780	68,916
Inventories	27,335	-	27,335	24,608
Total Assets	$ 217,598	$ 164,772	$ 382,370	$ 223,570
Liabilities				
Salaries and wages payable	$ 5,596	$ 9,703	$ 15,299	$ 15,848
Accounts and other payables	8,784	3,351	12,135	15,035
Unearned revenue	14,009	1,300	15,309	21,906
Total Liabilities	28,389	14,354	42,743	52,789
Deferred Inflows of Resources				
Property taxes levied for subsequent year	-	62,647	62,647	64,708
Unavailable revenue - delinquent property taxes	-	-	-	1,315
Total Deferred Inflows of Resources	-	62,647	62,647	66,023
Fund Balances				
Nonspendable for				
Inventories	27,335	-	27,335	24,608
Restricted for				
Community education	-	47,979	47,979	31,694
Early childhood family education	-	41,506	41,506	26,108
School readiness	-	916	916	14,942
Community service	-	-	-	694
Food service	161,874	-	161,874	6,712
Unassigned	-	(2,630)	(2,630)	-
Total Fund Balances	189,209	87,771	276,980	104,758
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 217,598	$ 164,772	$ 382,370	$ 223,570

Independent School District No. 2143
Waterville, Minnesota
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2022
(With Comparative Totals for the Year Ended June 30, 2021)

	Special Revenue		Totals	
	Food Service	Community Service	2022	2021
Revenues				
Local property tax levies	$ -	$ 62,890	$ 62,890	$ 61,789
Other local and county revenue	-	190,231	190,231	150,731
Interest earned on investments	100	216	316	82
Revenue from state sources	19,930	48,033	67,963	54,015
Revenue from federal sources	587,611	18,381	605,992	475,240
Sales and other conversion of assets	55,966	-	55,966	19,921
Total Revenues	663,607	319,751	983,358	761,778
Expenditures				
Current				
Community education and services	-	295,425	295,425	288,023
Pupil support services	505,718	-	505,718	457,486
Capital outlay	-	9,993	9,993	-
Total Expenditures	505,718	305,418	811,136	745,509
Excess (Deficiency) of Revenues Over (Under) Expenditures	157,889	14,333	172,222	16,269
Other Financing Uses				
Transfers out	-	-	-	(50,304)
Net Change in Fund Balances	157,889	14,333	172,222	(34,035)
Fund Balances, July 1	31,320	73,438	104,758	138,793
Fund Balances, June 30	$ 189,209	$ 87,771	$ 276,980	$ 104,758

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Independent School District No. 2143
Waterville, Minnesota
General Fund
Comparative Balance Sheets
June 30, 2022 and 2021

	2022	2021
Assets		
Cash and temporary investments	$ 4,428,536	$ 4,015,466
Receivables		
Taxes		
Current	933,277	966,007
Delinquent	14,701	22,972
Accounts	19,163	31,833
Due from other school districts	-	15,362
Intergovernmental	1,039,735	1,147,857
Lease receivable	283,962	-
Prepaid items	26,211	18,640
Total Assets	$ 6,745,585	$ 6,218,137
Liabilities		
Salaries and wages payable	$ 420,078	$ 367,705
Accounts and other payables	136,064	99,324
Due to other school districts	127,280	98,717
Due to other governments	-	106
Accrued expenses	609,835	480,928
Total Liabilities	1,293,257	1,046,780
Deferred Inflows of Resources		
Property taxes levied for subsequent year	1,927,685	1,960,382
Unavailable revenue - delinquent property taxes	14,701	22,972
Unavailable revenue - lease receivable	279,211	-
Total Deferred Inflows of Resources	2,221,597	1,983,354
Fund Balances		
Nonspendable for		
Prepaid items	26,211	18,640
Restricted for		
Student activities	128,780	95,786
Staff development	53,477	55,819
Operating capital	62,751	73,963
Learning and development	22,524	19,619
Gifted and talented	6,464	6,709
Basic skills	9,280	27,605
Safe schools	41,714	32,015
Long-term facilities maintenance	199,220	112,395
Medical assistance	237,592	66,603
Assigned		
Separation/retirement benefits	114,000	114,000
Unassigned	2,328,718	2,564,849
Total Fund Balances	3,230,731	3,188,003
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 6,745,585	$ 6,218,137

Independent School District No. 2143
Waterville, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2022
(With Comparative Actual Amounts for the Year Ended June 30, 2021)

	2022				2021
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Local property tax levies	$ 2,098,099	$ 2,098,099	$ 2,180,365	$ 82,266	$ 2,028,385
Other local and county revenue	348,162	352,162	511,394	159,232	434,534
Interest earned on investments	45,000	45,000	6,563	(38,437)	43,836
Revenue from state sources	6,806,770	7,011,728	7,007,556	(4,172)	7,203,822
Revenue from federal sources	376,329	568,809	607,560	38,751	745,872
Sales and other conversion of assets	5,300	29,800	7,754	(22,046)	9,483
Total Revenues	9,679,660	10,105,598	10,321,192	215,594	10,465,932
Expenditures					
Current					
Administration					
Salaries	453,492	462,523	531,015	(68,492)	448,875
Employee benefits	174,916	215,170	157,105	58,065	160,516
Purchased services	22,015	28,804	18,128	10,676	3,068
Supplies and materials	6,025	6,025	706	5,319	944
Other expenditures	10,252	10,252	1,515	8,737	2,646
Total administration	666,700	722,774	708,469	14,305	616,049
District support services					
Salaries	114,761	120,017	111,434	8,583	118,068
Employee benefits	46,396	46,815	41,745	5,070	46,728
Purchased services	129,669	129,669	139,336	(9,667)	128,089
Supplies and materials	6,675	6,675	2,028	4,647	2,600
Other expenditures	15,270	15,270	22,306	(7,036)	15,208
Total district support services	312,771	318,446	316,849	1,597	310,693
Elementary and secondary regular instruction					
Salaries	2,869,367	3,080,448	3,019,787	60,661	2,812,389
Employee benefits	1,433,399	1,459,590	1,386,426	73,164	1,293,812
Purchased services	176,605	175,605	209,370	(33,765)	94,168
Supplies and materials	225,102	228,613	204,115	24,498	173,624
Other expenditures	13,094	13,094	10,914	2,180	17,264
Total elementary and secondary regular instruction	4,717,567	4,957,350	4,830,612	126,738	4,391,257
Vocational education instruction					
Salaries	58,663	59,006	57,437	1,569	58,711
Employee benefits	26,185	27,010	25,404	1,606	24,967
Purchased services	1,422	1,422	12	1,410	36
Supplies and materials	5,674	5,674	21,438	(15,764)	2,545
Total vocational education instruction	91,944	93,112	104,291	(11,179)	86,259
Special education instruction					
Salaries	982,704	929,940	873,588	56,352	977,921
Employee benefits	363,836	456,410	313,149	143,261	354,234
Purchased services	257,714	240,360	200,304	40,056	172,977
Supplies and materials	14,835	14,548	8,552	5,996	5,667
Other expenditures	610	608	-	608	225
Total special education instruction	1,619,699	1,641,866	1,395,593	246,273	1,511,024

Independent School District No. 2143
Waterville, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
For the Year Ended June 30, 2022
(With Comparative Actual Amounts for the Year Ended June 30, 2021)

	2022				2021
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Expenditures (Continued)					
Current (continued)					
Instructional support services					
Salaries	$ 203,118	$ 263,801	$ 324,909	$ (61,108)	$ 303,778
Employee benefits	84,979	110,555	101,281	9,274	92,907
Purchased services	51,530	(232,595)	57,588	(290,183)	53,652
Supplies and materials	31,688	44,807	53,840	(9,033)	100,253
Other expenditures	3,605	3,605	-	3,605	15,358
Total instructional support services	374,920	190,173	537,618	(347,445)	565,948
Pupil support services					
Salaries	507,301	514,857	542,922	(28,065)	494,662
Employee benefits	155,772	157,487	150,678	6,809	144,484
Purchased services	43,108	42,536	5,593	36,943	43,015
Supplies and materials	81,414	82,224	157,247	(75,023)	113,163
Total pupil support services	787,595	797,104	856,440	(59,336)	795,324
Sites and buildings					
Salaries	317,450	297,672	317,739	(20,067)	284,803
Employee benefits	157,399	140,721	145,936	(5,215)	116,583
Purchased services	775,089	772,089	572,566	199,523	638,218
Supplies and materials	148,032	148,032	209,864	(61,832)	203,583
Other expenditures	130	130	-	130	-
Total sites and buildings	1,398,100	1,358,644	1,246,105	112,539	1,243,187
Fiscal and other fixed cost programs					
Purchased services	57,112	57,112	85,692	(28,580)	80,028
Total current	10,026,408	10,136,581	10,081,669	54,912	9,599,769
Capital outlay					
District support services	500	500	1,428	(928)	-
Elementary and secondary regular instruction	30,325	29,825	81,401	(51,576)	22,642
Special education instruction	10,962	10,962	2,434	8,528	-
Instructional support services	41,039	41,039	37,681	3,358	141,040
Pupil support services	32,000	61,175	24,175	37,000	152,485
Sites and buildings	7,500	7,500	48,513	(41,013)	7,688
Total capital outlay	122,326	151,001	195,632	(44,631)	323,855
Debt service					
Principal	5,490	5,490	5,609	(119)	5,708
Interest and other charges	1,180	1,180	1,554	(374)	530
Total debt service	6,670	6,670	7,163	(493)	6,238
Total Expenditures	10,155,404	10,294,252	10,284,464	9,788	9,929,862
Excess (Deficiency) of Revenues Over (Under) Expenditures	(475,744)	(188,654)	36,728	225,382	536,070
Other Financing Sources (Uses)					
Sale of assets	-	-	6,000	6,000	-
Capital leases issued	-	-	-	-	31,090
Transfers in	-	-	-	-	50,304
Total Other Financing Sources (Uses)	-	-	6,000	6,000	81,394
Net Change in Fund Balances	(475,744)	(188,654)	42,728	231,382	617,464
Fund Balances, July 1	3,188,003	3,188,003	3,188,003	-	2,570,539
Fund Balances, June 30	$ 2,712,259	$ 2,999,349	$ 3,230,731	$ 231,382	$ 3,188,003

Independent School District No. 2143
Waterville, Minnesota
Food Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2022
(With Comparative Actual Amounts for the Year Ended June 30, 2021)

	2022				2021
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Interest earned on investments	$ -	$ -	$ 100	$ 100	$ -
Revenue from state sources	1,326	1,326	19,930	18,604	649
Revenue from federal sources	498,280	498,280	587,611	89,331	438,415
Sales and other conversion of assets	8,275	8,275	55,966	47,691	19,921
Total Revenues	507,881	507,881	663,607	155,726	458,985
Expenditures					
Current					
Pupil support services					
Salaries	165,255	178,030	177,818	212	162,020
Employee benefits	110,438	112,669	88,316	24,353	94,891
Purchased services	1,866	1,866	42	1,824	690
Supplies and materials	212,740	212,740	237,902	(25,162)	197,995
Other expenditures	1,082	1,082	1,640	(558)	1,890
Total Expenditures	491,381	506,387	505,718	669	457,486
Net Change in Fund Balances	16,500	1,494	157,889	156,395	1,499
Fund Balances, July 1	31,320	31,320	31,320	-	29,821
Fund Balances, June 30	$ 47,820	$ 32,814	$ 189,209	$ 156,395	$ 31,320

Independent School District No. 2143
Waterville, Minnesota
Community Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2022
(With Comparative Actual Amounts for the Year Ended June 30, 2021)

	2022				2021
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Local property tax levies	$ 64,574	$ 60,033	$ 62,890	$ 2,857	$ 61,789
Other local and county revenue	166,420	137,430	190,231	52,801	150,731
Interest earned on investments	1,000	45	216	171	82
Revenue from state sources	58,528	49,836	48,033	(1,803)	53,366
Revenue from Federal sources	-	18,150	18,381	231	36,825
Total Revenues	290,522	265,494	319,751	54,257	302,793
Expenditures					
Current					
Community education and services					
Salaries	192,126	209,229	190,468	18,761	199,803
Employee benefits	57,884	59,798	64,521	(4,723)	68,414
Purchased services	35,277	35,277	28,397	6,880	10,048
Supplies and materials	21,441	18,441	11,363	7,078	9,114
Other expenditures	834	834	676	158	644
Total community education and services	307,562	323,579	295,425	28,154	288,023
Capital outlay					
Community education and services	3,427	3,427	9,993	(6,566)	-
Total Expenditures	310,989	327,006	305,418	21,588	288,023
Excess (Deficiency) of Revenues Over (Under) Expenditures	(20,467)	(61,512)	14,333	75,845	14,770
Other Financing Sources (Uses)					
Transfers out	-	-	-	-	(50,304)
Net Change in Fund Balances	(20,467)	(61,512)	14,333	75,845	(35,534)
Fund Balances, July 1	73,438	73,438	73,438	-	108,972
Fund Balances, June 30	$ 52,971	$ 11,926	$ 87,771	$ 75,845	$ 73,438

Independent School District No. 2143
Waterville, Minnesota
Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2022
(With Comparative Actual Amounts for the Year Ended June 30, 2021)

	2022				2021
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Local property tax levies	$ 1,100,903	$ 1,100,903	$ 1,079,927	$ (20,976)	$ 1,086,322
Revenue from state sources	220,651	220,651	241,886	21,235	239,194
Total Revenues	1,321,554	1,321,554	1,321,813	259	1,325,516
Expenditures					
Current					
Debt service					
Principal	1,325,754	1,325,754	620,000	705,754	600,000
Interest and other charges	-	-	638,623	(638,623)	663,098
Total Expenditures	1,325,754	1,325,754	1,258,623	67,131	1,263,098
Net Change in Fund Balances	(4,200)	(4,200)	63,190	67,390	62,418
Fund Balances, July 1	126,723	126,723	126,723	-	64,305
Fund Balances, June 30	$ 122,523	$ 122,523	$ 189,913	$ 67,390	$ 126,723

Independent School District No. 2143
Waterville, Minnesota
Building Construction Fund
Scheudle of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2022
(With Comparative Actual Amounts for the Year Ended June 30, 2021)

	2022				2021
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Interest earned on investments	$ 34,000	$ 13,400	$ 16,369	$ 2,969	$ 58,955
Expenditures					
Capital outlay					
Sites and buildings	5,103,238	3,340,310	2,397,080	943,230	10,491,284
Net Change in Fund Balances	(5,069,238)	(3,326,910)	(2,380,711)	946,199	(10,432,329)
Fund Balances, July 1	3,326,910	3,326,910	3,326,910	-	13,759,239
Prior Period Adjustment	-	-	(77,258)	77,258	-
Fund Balances, June 30	$ (1,742,328)	$ -	$ 868,941	$ 946,199	$ 3,326,910

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Independent School District No. 2143
Waterville, Minnesota
Schedules of Tax Capacity, Tax Levy and Tax Rates
For the Years Ended June 30, 2022 and 2021

	2022	2021
Tax Capacity		
Agricultural	$ 3,527,627	$ 3,439,604
Nonagricultural	7,685,765	7,052,641
Total	$11,213,392	$10,492,245
Tax Levy		
General	$ 2,050,035	$ 2,069,368
Community Service	62,513	64,527
Debt Service	1,381,169	1,321,603
Total	$ 3,493,717	$ 3,455,498
Tax Capacity Rates		
General	4.670	5.000
Community Service	0.557	0.615
Debt Service	12.317	12.596
Total	17.544	18.211

Fiscal Compliance

Fiscal Compliance Report - 6/30/2022
District: WATERVILLE-ELYSIAN-MORRI (2143-1)

	Audit	UFARS	Audit - UFARS
01 GENERAL FUND			
Total Revenue	$10,321,172	$10,321,169	$3
Total Expenditures	$10,284,444	$10,284,443	$1
Non Spendable:			
4.60 Non Spendable Fund Balance	$26,211	$26,211	$0
Restricted / Reserved:			
4.01 Student Activities	$128,779	$128,779	$0
4.02 Scholarships	$0	$0	$0
4.03 Staff Development	$53,477	$53,477	$0
4.07 Capital Projects Levy	$0	$0	$0
4.08 Cooperative Revenue	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.14 Operating Debt	$0	$0	$0
4.16 Levy Reduction	$0	$0	$0
4.17 Taconite Building Maint	$0	$0	$0
4.24 Operating Capital	$62,751	$62,751	$0
4.26 $25 Taconite	$0	$0	$0
4.27 Disabled Accessibility	$0	$0	$0
4.28 Learning & Development	$22,525	$22,525	$0
4.34 Area Learning Center	$0	$0	$0
4.35 Contracted Alt. Programs	$0	$0	$0
4.36 State Approved Alt. Program	$0	$0	$0
4.38 Gifted & Talented	$6,465	$6,465	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.41 Basic Skills Programs	$9,281	$9,281	$0
4.48 Achievement and Integration	$0	$0	$0
4.49 Safe School Crime - Crime Levy	$41,714	$41,714	$0
4.51 QZAB Payments	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.53 Unfunded Sev & Retiremt Levy	$0	$0	$0
4.59 Basic Skills Extended Time	$0	$0	$0
4.67 LTFM	$199,222	$199,222	$0
4.72 Medical Assistance	$237,591	$237,591	$0
4.73 PPP Loan	$0	$0	$0
4.74 EIDL Loan	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
4.75 Title VII Impact Aid	$0	$0	$0
4.76 Payments in Lieu of Taxes	$0	$0	$0
Committed:			
4.18 Committed for Separation	$0	$0	$0
4.61 Committed Fund Balance	$0	$0	$0
Assigned:			
4.62 Assigned Fund Balance	$114,000	$114,000	$0
Unassigned:			
4.22 Unassigned Fund Balance	$2,328,713	$2,328,713	$0
02 FOOD SERVICES			
Total Revenue	$662,455	$662,455	$0
Total Expenditures	$505,718	$505,719	($1)
Non Spendable:			
4.60 Non Spendable Fund Balance	$27,335	$27,335	$0
Restricted / Reserved:			

	Audit	UFARS	Audit - UFARS
06 BUILDING CONSTRUCTION			
Total Revenue	$16,369	$16,368	$1
Total Expenditures	$2,397,080	$2,397,080	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.07 Capital Projects Levy	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$868,940	$868,940	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0
07 DEBT SERVICE			
Total Revenue	$1,321,813	$1,321,812	$1
Total Expenditures	$1,258,623	$1,258,623	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.25 Bond Refundings	$0	$0	$0
4.33 Maximum Effort Loan Aid	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$189,913	$189,913	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0
08 TRUST			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Restricted / Reserved:			
4.01 Student Activities	$0	$0	$0
4.02 Scholarships	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0
18 CUSTODIAL			
Total Revenue	$9,420	$9,421	($1)
Total Expenditures	$11,007	$11,007	$0
Restricted / Reserved:			
4.01 Student Activities	$0	$0	$0
4.02 Scholarships	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.64 Restricted Fund Balance	$34,737	$34,737	$0
20 INTERNAL SERVICE			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0
25 OPEB REVOCABLE TRUST			
Total Revenue	$0	$0	$0

4.52 OPEB Liab Not In Trust	$0	$0	$0
4.74 EIDL Loan	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$160,721	$160,721	$0
Unassigned:			
4.63 Unassigned Fund Balancee	$0	$0	$0

04 COMMUNITY SERVICE

Total Revenue	$319,751	$319,751	$0
Total Expenditures	$305,418	$305,415	$3
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.26 $25 Taconite	$0	$0	$0
4.31 Community Education	$47,981	$47,981	$0
4.32 E.C.F.E	$41,506	$41,506	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.44 School Readiness	$916	$916	$0
4.47 Adult Basic Education	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.73 PPP Loan	$0	$0	$0
4.74 EIDL Loan	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	($2,630)	($2,630)	$0

Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

45 OPEB IRREVOCABLE TRUST

Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

47 OPEB DEBT SERVICE

Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted:			
4.25 Bond Refundings	$0	$0	$0
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

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OTHER REPORTS

INDEPENDENT SCHOOL DISTRICT NO. 2143
WATERVILLE, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT ON
MINNESOTA LEGAL COMPLIANCE

Members of the School Board
Independent School District No. 2143
Waterville, 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 the Independent School District No. 2143, Waterville, Minnesota, (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, and have issued our report thereon dated December 22, 2022.

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

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 Minnesota Legal Compliance Audit Guide for School District, except as described in the Schedule of Findings, Responses and Questioned Costs as items 2022-002 and 2022-003. However our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

The District's responses to the findings identified in our audit are described in the accompanying Findings, Responses and Questioned Costs. 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 them.

This report is intended solely for the information and use of those charged with governance and management of the District and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

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Mankato, Minnesota
December 22, 2022

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the School Board
Independent School District No. 2143
Waterville, 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 the Independent School District No. 2143, Waterville, Minnesota, (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 22, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings, Responses and Questioned Costs as item 2022-001 to be a material weakness.

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.

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 two instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards* or statutes set forth by the State of Minnesota.

Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying Findings, Responses and Questioned Costs. 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 them.

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.

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Mankato, Minnesota
December 22, 2022

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FEDERAL FINANCIAL AWARD PROGRAMS

INDEPENDENT SCHOOL DISTRICT NO. 2143
WATERVILLE, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2022

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Members of the School Board
Independent School District No. 2143
Waterville, Minnesota

Report on Compliance for Each major Federal Program

Opinion on Each Major Federal Program

We have audited the compliance of Independent School District No. 2143, Waterville, Minnesota with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses and Questioned Costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

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

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to 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 generally accepted auditing standards, *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 generally accepted auditing standards, *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 a 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.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above 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.

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Abdo
Mankato, Minnesota
December 22, 2022

Independent School District No. 2143
Waterville, Minnesota
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Federal Funding Source	Administering Department	Program Name	Federal Domestic Assistance Number	Pass-Through Entity Identifying Number	Federal Program Clusters	Total Federal Expenditures
U.S. Department of Health and Huma Services	Minnesota Department of Human Services	Child Care Development Block Grant	93.575	N/A	$ 18,381	
		Total CCFD Cluster				$ 18,381
U.S. Department of Agriculture	Minnesota Department of Education	School Breakfast Program	10.553	1000003850	$ 90,773	
U.S. Department of Agriculture	Minnesota Department of Education	National School Lunch Program	10.555	1000003850	431,701	
U.S. Department of Agriculture	Minnesota Department of Education	National School Lunch Program - Supply Chain Assist Funds	10.555C	N/A	17,581	
U.S. Department of Agriculture	Minnesota Department of Education	Summer Food Service Program for Children	10.559	1000003850	2,217	
U.S. Department of Agriculture	Minnesota Department of Education	National Lunch Program - Commodities - Noncash	10.555	N/A	45,339	
		Total Child Nutrition Cluster				587,611
U.S. Department of Education	SW/WC Service Cooperatives Flow through payments	Special Education Grants to States	84.027	N/A	137,273	
U.S. Department of Education	SW/WC Service Cooperatives Flow through payments	Special Education Preschool Grants	84.173	N/A	8,044	
		Total Special Education cluster				145,317
U.S. Department of Education	Minnesota Department of Education	Title I Grants to Local Educational Agencies	84.010	N/A		97,812
U.S. Department	Minnesota Department of Education	Special Educaiton - Grants for Infants and Families	84.181	N/A		2,001
U.S. Department of Education	Minnesota Department of Education	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	N/A		18,180
U.S. Department of Education	Minnesota Department of Education	Education Stabilization Fund Under The Coronavirus Aid, Relief,And Economic Security Act				
		Elementary and Secondary School Education Relief (ESSER)	84.425C	N/A		5,818
		Elementary and Secondary School Education Relief (ESSER) II	84.425D	N/A		248,824
		Elementary and Secondary School Education Relief (ESSER) III	84.425U	N/A		16,673
		Expanded Summer Learning	84.425D	N/A		18,861
		Expanded Summer Learning	84.425DC	N/A		2,400
U.S. Department of Treasury	Minnesota Department of Revenue	Pandemic Entrollment Loss	21.027C	N/A		37,195
U.S. Department of Health and Huma Services	Minnesota Department of Human Services	Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	N/A		14,479
		Total Expenditures of Federal Awards				$1,213,552

* This represents noncash assistance comprised of the value of commodities issued to the District for the year.

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Independent School District No. 2143, Waterville, Minnesota (the District). The District's reporting entity is defined in Note 1A to the District's financial statements. The information in this schedule is presented in accordance with the 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). All federal awards received directly from Federal agencies as well as Federal awards passed through other government agencies are included on the schedule.

Note 2: Summary of Significant Accounting Policies for Expenditures

Expenditures reported on this schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, Cost Principles for Non-Profit-Organizations, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Pass-Through Entity Identifying Numbers

Pass-through entity identifying numbers, if any, are presented where available.

Note 4: Subrecipients

No federal expenditures presented in this schedule were provided to subrecipients.

Note 5: Indirect Cost Rate

During the year ended June 30, 2022, the District did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

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Independent School District No. 2143
Waterville, Minnesota
Schedule of Findings, Responses and Questioned Costs
For the Year Ended June 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified?	Yes
Significant deficiencies identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	No

Identification of Major Programs/Clusters	**CFDA No.**
Child Nutrition Cluster	
School Breakfast Program	10.553
School Food Service Program for Children	10.559
National Lunch Program - Commodities - Noncash	10.555
National Lunch Program - Supply Chain Assist Funds	10.555C

Dollar threshold used to distinguish between Type A and Type B Programs	$ 750,000
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

Deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. Finding 2022-001 is reported as a material weakness

Section III - Major Federal Award Findings and Questioned Costs

There are no significant deficiencies, material weaknesses, or instances of noncompliance including questioned costs that are required to be reported in accordance with the Uniform Guidance.

Section IV - Schedule of Prior Year Audit Findings

There were prior year audit findings that are attached.

Other Issues

Corrective Action Plans are attached as required to be reported under the Federal Single Audit Act.

Finding	**Description**
2022-001	**Material Audit Adjustments**
Condition:	During our audit, adjustments material audit adjustments were needed to adjust retainage payable and interest receivable. The adjustments were individually material to the opinion units and were necessary to fairly state the District's financial statements.
Criteria:	The financial statements are the responsibility of the District's management. This indicates that it would be likely that a misstatement may occur and not be detected by the District's system of internal control.
Cause:	District staff has not prepared a year end trial balance reflecting all necessary accounting entries properly.
Effect:	It is likely that if a misstatement were to occur, it would not be detected by the District's system of internal control. The audit firm cannot serve as a compensating control over this deficiency.
Recommendation:	We recommend that the District management review each journal entry and their financial statements during closing procedures to ensure all adjustments are appropriate to fairly state the County's financial statements in accordance with generally accepted accounting principles.
Management Response:	There is no disagreement with this finding. The District will take action to avoid similar occurrences in the future.
2022-002	**Time Period for Payment**
Condition:	During our audit procures, it came to our attention that the District had not made several payments within the timeframe set forth by State statutes.
Criteria:	Minnesota statute §471.425 requires the District to pay bills within 35 days from receipt. If the invoice is not paid within 35 days, interest at 1.50 percent per month is to be added to the amount due.
Cause:	While testing disbursements, we noted that some invoices indicated that timely payments had not been made. Specifically, the District had not paid the original invoice within 35 days set forth in State statute.
Effect:	The District is out of compliance with Minnesota statute.
Recommendation:	We recommend that the District develop policies and procedures related to the accounts payable cycle. These policies and procedures should include payment terms that are outlined within State statutes. Implementing this recommendation will not result in any additional cost to the District.
Management Response	The District is aware of the situation and plans to implement procedures to ensure that timely payments are made from now on.

Finding	**Description**
2022-003	**Excess Cash in the Food Service Fund**
Condition:	Our legal compliance testing for limited net cash resources in the Food Service fund identified that net cash resources within the fund exceeds the allowable amount.
Criteria:	U.S. Department of Agriculture has established requirements for non-profit Food Service accounts that puts a "limitation" on Net Cash Resources, which is three months average food service expenditures during the year.
Cause:	The Food Service fund has a net cash resource balance of $190,263 which exceeds the allowable three months average expenditures of $166,887.
Effect:	The District's Food Service fund is not in compliance with the requirements for non-profit net cash resources required by the U.S. Department of Agriculture.
Recommendation:	We recommend that the District reviews the U.S. Department of Agriculture's list of allowable expenses to help reduce the excess funds, as well as notify the Department of Education with their plan to reduce these excess funds as required by the Department. Going forward, all activity within the fund and fees charged relating to the fund's services should be regularly reviewed to ensure the District's Food Service fund meets the requirements set by the U.S. Department of Agriculture.
Management Response:	The District has made improvements since last year and plans to continue to spend the cash resources on allowable expenses and will continue to monitor the activity within the fund to ensure it meets the requirement going forward.

Waterville-Elysian-Morristown Public School

I.S.D. #2143
District Office/Secondary/Elementary
500 East Paquin Street
Waterville, MN 56096

District-507-362-4432
(Fax 507-362-4561)
Secondary-507-362-4431
Elementary-507-362-4439
Community Service-507-362-4403

2022-001 Material Audit Adjustments

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 the Finding:**

   The Business Manager continues training dealing with UFARS financial/accounting practices.

3. **Official Responsible for ensuring Corrective Action Plan:**

   Ryan Jensen, Superintendent, is the official responsible for ensuring corrective action.

4. **Planned Completion Date for Corrective Action Plan:**

   The planned completion date is June 30, 2023.

5. **Plan to Monitor Completion of Corrective Action Plan:**

   The Business Manager will monitor this corrective action.

Ryan Jensen

Ryan Jensen
Superintendent

Waterville-Elysian-Morristown
Public School

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2022-002 Time Period for Payment

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 the Finding:**

   The District will take action to avoid similar occurrences in the future.

3. **Official Responsible for ensuring Corrective Action Plan:**

   Ryan Jensen, Superintendent, is the official responsible for ensuring corrective action.

4. **Planned Completion Date for Corrective Action Plan:**

   The planned completion date is June 30, 2023.

5. **Plan to Monitor Completion of Corrective Action Plan:**

   The Business Manager will monitor this corrective action.

Ryan Jensen

Ryan Jensen
Superintendent

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2022-003 Excess Cash in the Food Service Fund

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 the Finding:**

   The District will take action to avoid similar occurrences in the future.

3. **Official Responsible for ensuring Corrective Action Plan:**

   Ryan Jensen, Superintendent, is the official responsible for ensuring corrective action.

4. **Planned Completion Date for Corrective Action Plan:**

   The planned completion date is June 30, 2023.

5. **Plan to Monitor Completion of Corrective Action Plan:**

   The Business Manager will monitor this corrective action.

Ryan Jensen

Ryan Jensen
Superintendent

Finding	**Description**
2021-001	**Material Audit Adjustments**
Condition:	During our audit, adjustments were needed adjust capital assets.
Criteria:	The financial statements are the responsibility of the District's management.
Cause:	District staff has not prepared a year end trial balance reflecting all necessary accounting entries.
Effect:	It is likely that if a misstatement were to occur, it would not be detected by the District's system of internal control. The audit firm cannot serve as a compensating control over this deficiency.
Recommendation:	We recommend the business manager review each journal entry, obtain an understanding of why the entry was necessary, and modify current procedures to ensure that future corrections are not needed.
Management Response:	There is no disagreement with this finding. The District will take action to avoid similar occurrences in the future.

Updated Progress Since Prior Year:

No progress was made in the current year.

2021-002	**Unclaimed Checks Over Three Years Old**
Condition:	During our audit procedures, it came to our attention that the District had unclaimed checks outside of the three year period and unpaid compensation outside of the one year period.
Criteria:	Minnesota statutes §345.41 and §345.43 required that the District report property and pay or deliver to the State Commissioner of Commerce any unclaimed or uncashed checks or other intangible property held for more than three years.
Cause:	District staff did not properly account for the unclaimed checks over the three year period or one year period for unpaid compensation.
Effect:	The District is out of compliance with Minnesota statute.
Recommendation:	We recommend the business manager review monthly bank reconciliation for unclaimed checks beyond the three year period and unpaid compensation beyond the one year period. If items beyond three years exist (or one year for unpaid compensation), we commend the business manager take the corrective action to clean up these items.
Management Response:	There is no disagreement with this finding. The District will take action to avoid similar occurrences in the future.

Updated Progress Since Prior Year:

Finding was corrected in the current year.