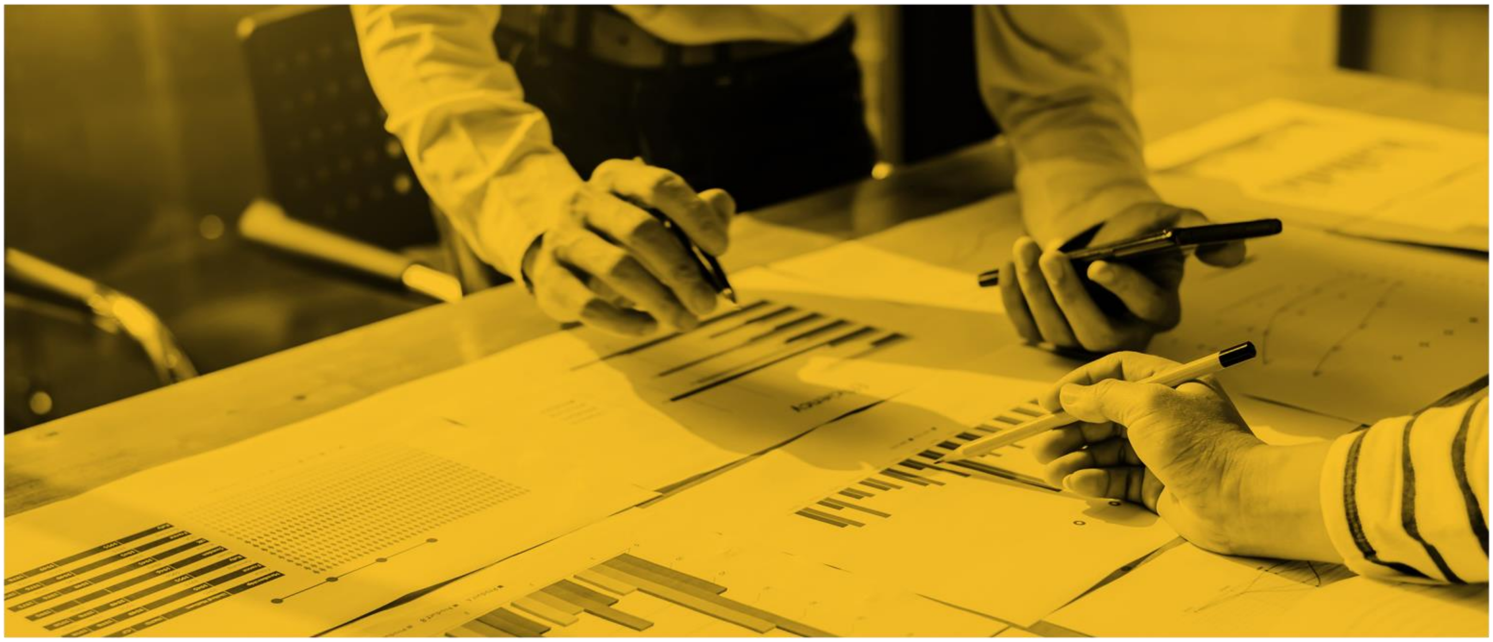

Annual Financial Report

Independent School District No. 256

Red Wing, Minnesota

For the year ended June 30, 2022

Lighting the path forward

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Red Wing, Minnesota
Annual Financial Report
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INTRODUCTORY SECTION

INDEPENDENT SCHOOL DISTRICT NO. 256
RED WING, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2022

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Independent School District No. 256
Red Wing, Minnesota
School District Officials
For the Year Ended June 30, 2022

Board of Education

Name	Term on Board Expires	Position
Anna Ostendorf	12/31/2024	Chairman
Arlen Diercks	12/31/2022	Vice-Chairman
Jim Bryant	12/31/2022	Treasurer
Jennifer Tift	12/31/2024	Clerk
Pam Roe	12/31/2024	Director
Holly Tauer	12/31/2022	Director
Nicky Buck	12/31/2024	Director

Administration

Frank Norton		Superintendent
Jackie Paradis		Business Manager from School Management Services

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FINANCIAL SECTION

INDEPENDENT SCHOOL DISTRICT NO. 256
RED WING, 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. 256
Red Wing, 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. 256, Red Wing, 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.

Management's Responsibility 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 7 to the financial statements, the District adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 87, Lease, 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 Schedule of Changes in the District's Net OPEB (Asset) Liability and Related Ratios starting on page 80 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 School's basic financial statements. The accompanying combining and individual fund financial statements and schedules and 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 November 30, 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
November 30, 2022

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Management's Discussion and Analysis

As management of the Independent School District No. 256, Red Wing, 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 $5,156,984 (*net position*). Of this amount, a deficit of $18,553,006 (*unrestricted net position*) exists.

- The District's total net position increased by $1,612,318 compared to the prior year's increase of $1,673,706. This change is mainly due to revenues increasing 0.2 percent and expenses increasing 0.3 percent. A majority of this change relates to GASB 68 pension expense.

- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of $12,590,152, an increase of $2,763,179 in comparison with the prior year. The main reason for the increase is due to increased property taxes and federal grants and contributions. Unassigned fund balance represents amounts that are available for spending at the District's discretion. Of the total fund balance, $5,717,126 is *available for spending* at the District's discretion (*unassigned fund balance*).

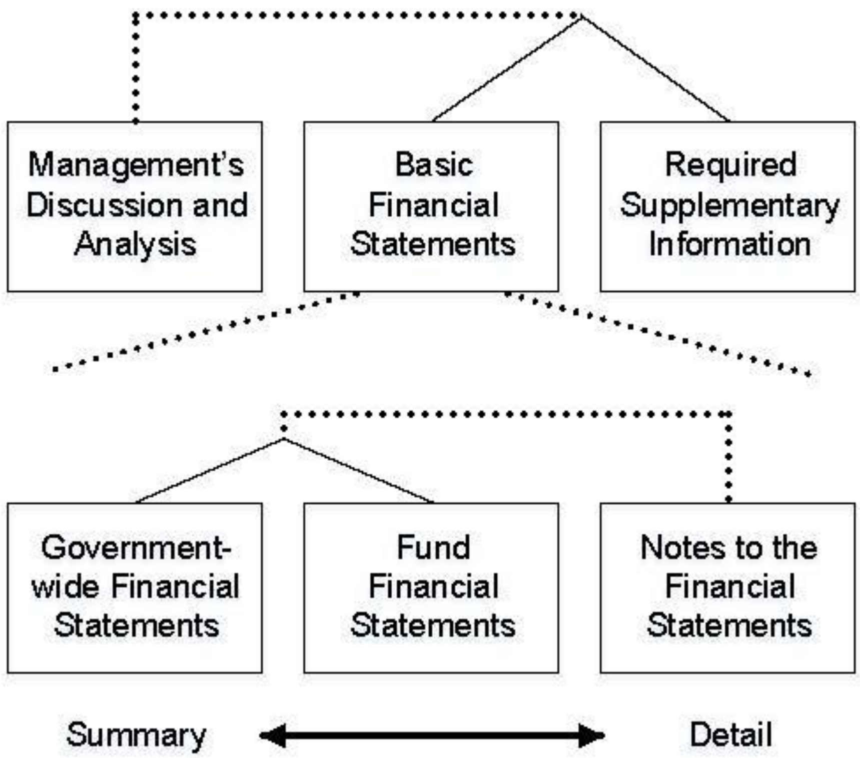
- At the end of the current fiscal year, unassigned fund balance for the General fund was $5,717,126 or 15.2 percent of total General fund expenditures. At the close of 2021 the District had an unassigned balance of $5,353,553.

- The District's total debt increased by $536,354 or 2.7 percent during the current fiscal year. This increase relates to scheduled debt payments on the District's outstanding bond and capital leases, offset by additional bond proceeds of $1,705,000 during the year.

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. 256
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 being 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 fund and Debt Service fund, both of which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these no major 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. The District is the trustee, or fiduciary, for assets that belong to others, such as the Environmental Learning Center and the other postemployment benefit trust fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

The basic fiduciary fund financial statements can be found starting on page 40 of this report.

Internal Service Funds. Proprietary funds are used to account for services in with the District charges a fee. Proprietary funds are reported in the same way as the District-wide statements. The District's proprietary funds are internal service funds which charge the District's activities for the operation of the District's medical clinic and repairing or replacing student chromebooks.

The basic proprietary 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 43 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 District'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 80 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 and schedules and table can be found starting on page 90 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 exceeded assets and deferred outflows of resources by $5,156,984 at the close of the most recent fiscal year.

The largest 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. The total of the net investment in capital assets totals $7,392,727. Another large portion of the District's net position reflects amounts restricted for specific purposes. These restrictions consist of $2,841,634 for educational purposes, $648,129 for food service, $1,759,710 for capital and $753,822 for debt service. The remaining deficit of $18,553,006 is mainly due to the recognition of long-term pension liabilities in accordance with GASB Statement No. 68.

Independent School District No. 256's Net Position

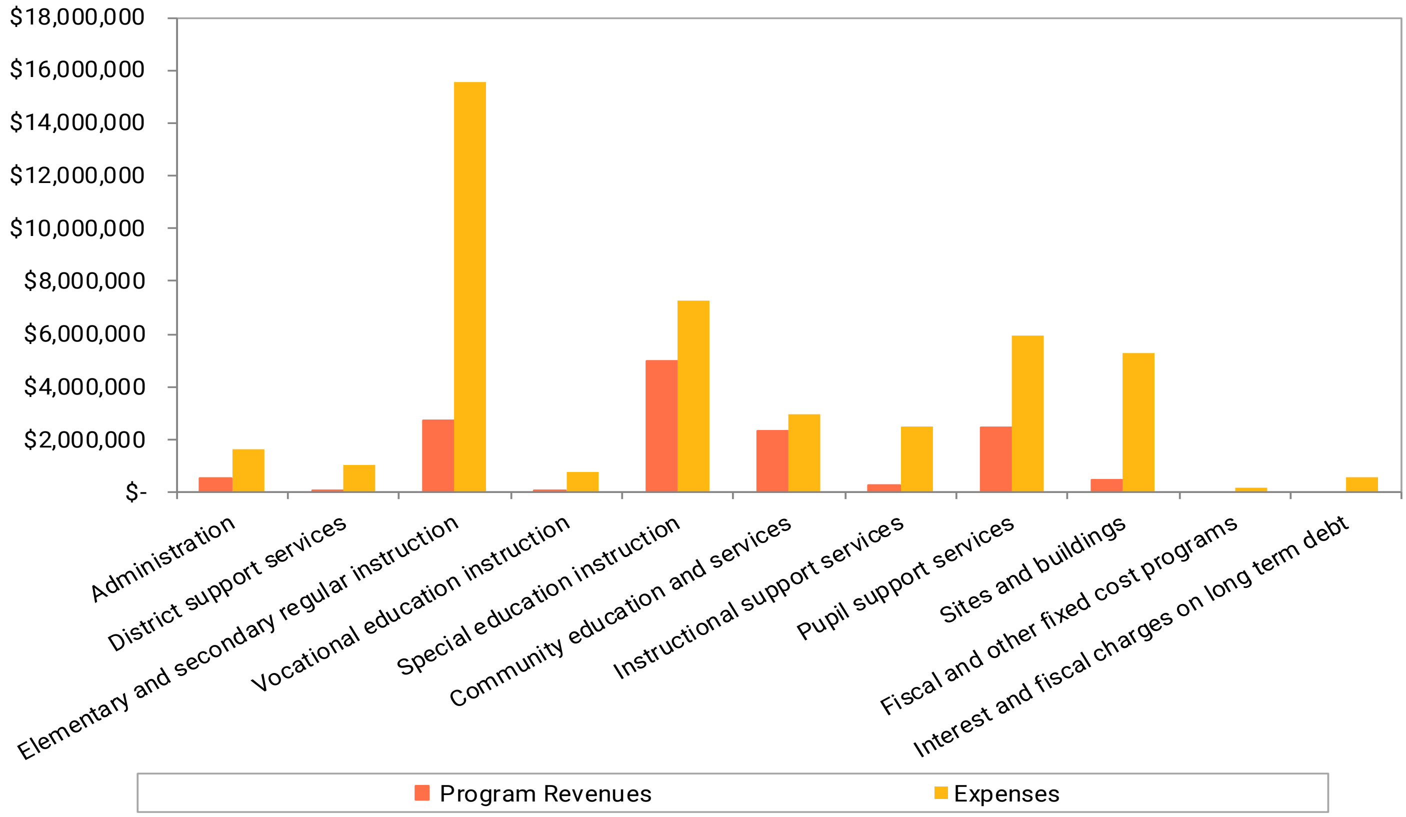
	Governmental Activities		Increase (Decrease)	
	2022	2021	Amount	Percent
Current and Other Assets	$ 31,318,181	$ 28,723,209	$ 2,594,972	9.0 %
Capital Assets	28,381,302	30,180,201	(1,798,899)	(6.0)
Total Assets	59,699,483	58,903,410	796,073	1.4
Deferred Outflows of Resources	8,921,848	9,243,153	(321,305)	(3.5)
Long-term Liabilities Outstanding	36,070,810	43,678,372	(7,607,562)	(17.4)
Other Liabilities	4,561,137	4,099,483	461,654	11.3
Total Liabilities	40,631,947	47,777,855	(7,145,908)	(15.0)
Deferred Inflows of Resources	33,146,368	27,138,010	6,008,358	22.1
Net Position				
Net investment in capital assets	7,392,727	9,989,616	(2,596,889)	(26.0)
Restricted	6,003,295	3,683,858	2,319,437	63.0
Unrestricted	(18,553,006)	(20,442,776)	1,889,770	(9.2)
Total Net Position	$ (5,156,984)	$ (6,769,302)	$ 1,612,318	(23.8) %

Governmental Activities. Governmental activities increased the District's net position by $1,612,318. Key elements of this increase are as follows:

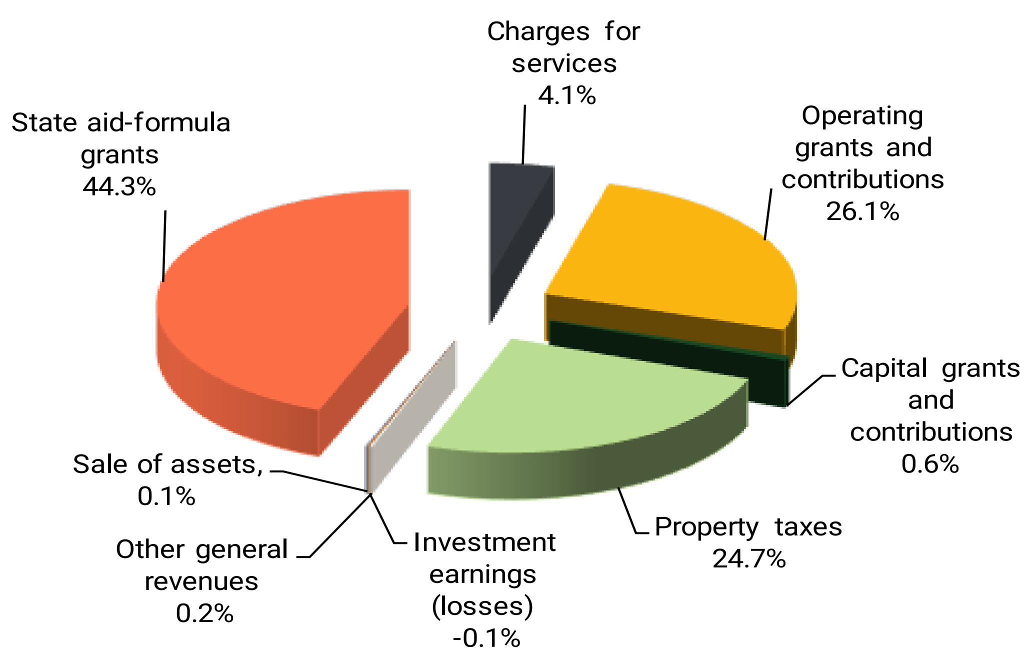
Independent School District No. 256's Changes in Net Position

	Governmental Activities		Increase (Decrease)	
	2022	2021	Amounts	Percent
Revenues				
Program revenues				
Charges for services	$ 1,837,898	$ 1,386,237	$ 451,661	32.6 %
Operating grants and contributions	11,811,345	9,728,466	2,082,879	21.4
Capital grants and contributions	249,374	276,093	(26,719)	(9.7)
General revenues				
Property taxes	11,200,035	11,818,528	(618,493)	(5.2)
State aid-formula grants and other contributions	20,098,180	21,841,050	(1,742,870)	(8.0)
Other general revenues	83,749	52,811	30,938	58.6
Investment earnings (losses)	(42,618)	74,280	(116,898)	(157.4)
Gain on sale of assets	25,000	3,783	21,217	560.9
Total Revenues	45,262,963	45,181,248	81,715	0.2
Expenses				
Administration	1,610,990	1,459,176	151,814	10.4
District support services	1,040,089	1,042,783	(2,694)	(0.3)
Elementary and secondary regular instruction	15,547,680	16,683,559	(1,135,879)	(6.8)
Vocational education instruction	787,740	861,985	(74,245)	(8.6)
Special education instruction	7,247,929	7,366,957	(119,028)	(1.6)
Community education and services	2,967,748	2,322,959	644,789	27.8
Instructional support services	2,479,199	2,519,677	(40,478)	(1.6)
Pupil support services	5,948,212	5,488,964	459,248	8.4
Sites and buildings	5,248,185	5,031,441	216,744	4.3
Fiscal and other fixed cost programs	177,447	170,761	6,686	3.9
Interest and fiscal charges on long-term debt	595,426	559,280	36,146	6.5
Total Expenses	43,650,645	43,507,542	143,103	0.3
Change in Net Position	1,612,318	1,673,706	(61,388)	(3.7)
Net Position, July 1	(6,769,302)	(8,443,008)	1,673,706	(19.8)
Net Position, June 30	$ (5,156,984)	$ (6,769,302)	$ 1,612,318	(23.8) %

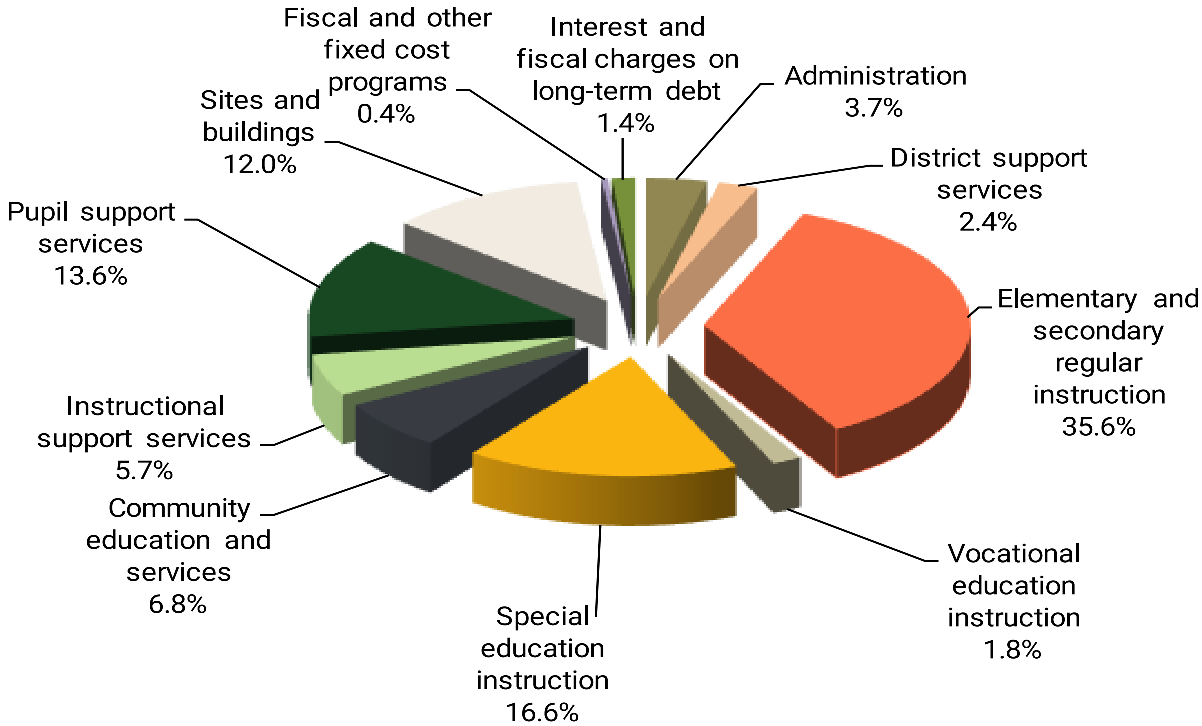
Expenses and Program Revenues - Governmental Activities



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 $12,590,152, an increase of $2,763,179 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 $5,717,126, compared to a balance of $5,353,553 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 $5,717,126, while total fund balance reached $8,495,909. 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 15.2 percent of total General fund expenditures, while total fund balance represents 22.6 percent of that same amount.

The fund balance of the District's General fund increased by $777,056 during the current fiscal year. The increase in fund balance was the result of an increase of property tax levies.

The Debt Service fund has a total fund balance of $961,426, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year was $28,865. This increase is due to property taxes and State aids being greater than the regularly scheduled payment of principal and interest.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget in February of 2022. The revised budget showed an addition of $214,692 to the District's Unassigned General Fund Balance.

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 $28,381,302 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements and machinery and equipment. The total decrease in the District's investment in capital assets for the current fiscal year was 6.7 percent. The total depreciation expense for the year was $2,556,239. The following is a schedule of capital assets as of June 30, 2022:

Independent School District No. 256's Capital Assets
(Net of Depreciation)

	Governmental Activities		
	2022	2021	Increase (Decrease)
Land	$ 1,771,785	$ 1,771,785	$ -
Buildings	22,588,469	24,658,514	(2,070,045)
Equipment	2,794,761	2,688,013	106,748
Land Improvements	997,943	1,061,889	(63,946)
Leased Assets	228,344	245,907	(17,563)
Total	$ 28,381,302	$ 30,426,108	$ (2,044,806)

Additional information on the District's capital assets can be found in Note 3C on page 57 of this report.

Long-term Debt. At the end of the current fiscal year, the District had total general obligation bonds outstanding of $20,155,000. Most of this amount is to finance capital projects relating to school buildings.

Independent School District No. 256's Outstanding Debt

	Governmental Activities		
	2022	2021	Increase (Decrease)
General Obligation Bonds	$ 20,155,000	$ 19,530,000	$ 625,000
Financed Purchased Arrangement	93,077	181,723	(88,646)
Lease Payable	210,300	245,907	(35,607)
Total	$ 20,458,377	$ 19,957,630	$ 536,354

The District's total debt increased by $536,354 2.7 percent during the current fiscal year.

Additional information on the District's long-term debt can be found in Note 3F on page 59 of this report.

Factors Bearing on the District's Future

The District is dependent on the State of Minnesota for a significant portion of its revenue. The State Legislature increased the basic funding formula for the 21-22 school year. The COVID-19 pandemic has also had an impact on how the district conducts its business and is expected to contribute to further declining enrollment. The final impact of the increased expenditures and enrollment decline due to the COVID-19 pandemic is not known at this time. The District will strive to maintain quality educational programming while addressing the challenges of declining enrollment. The District will carry on 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. 256, 2451 Eagle Ridge Drive, Red Wing, Minnesota 55066.

DISTRICT-WIDE FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 256
RED WING, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2022

Independent School District No. 256
Red Wing, Minnesota
Statement of Net Position
June 30, 2022

	Governmental Activities
Assets	
Cash and temporary investments	$ 16,222,092
Receivables	
Taxes	5,259,527
Accounts and interest	117,865
Due from other school districts	239,619
Due from fiduciary fund	175,383
Intergovernmental	4,441,749
Inventories	46,855
Prepaid items	463,660
Lease receivable	618,190
Other postemployment benefits asset	3,733,241
Capital assets not being depreciated/amortized	1,771,785
Capital assets net of accumulated depreciation/amortization	26,609,517
Total Assets	59,699,483
Deferred Outflows of Resources	
Deferred pension resources	8,071,450
Deferred other post employment benefit resources	850,398
Total Deferred Outflows of Resources	8,921,848
Liabilities	
Salaries and wages payable	1,282,242
Accounts and other payables	512,621
Accrued interest payable	218,831
Due to other school districts	1,066,643
Due to other governments	100,766
Accrued expenses	1,117,518
Unearned revenue	262,516
Noncurrent liabilities	
Due within one year	
Long-term liabilities	1,266,226
Due in more than one year	
Long-term liabilities	20,982,481
Net pension liablity	13,822,103
Total Liabilities	40,631,947
Deferred Inflows of Resources	
Property taxes levied for subsequent year	10,029,885
Deferred pension resources	21,335,437
Deferred other post employment benefit resources	1,174,720
Deferred lease revenue	606,326
Total Deferred Inflows of Resources	33,146,368
Net Position	
Net investment in capital assets	7,392,727
Restricted for	
Educational purposes	2,841,634
Food service	648,129
Debt service	753,822
Building Construction	1,759,710
Unrestricted	(18,553,006)
Total Net Position	$ (5,156,984)

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

Independent School District No. 256
Red Wing, Minnesota
Statement of Activities
For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities					
Administration	$ 1,610,990	$ 3,279	$ 526,841	$ -	$ (1,080,870)
District support services	1,040,089	(797)	84,707	-	(956,179)
Elementary and secondary regular instruction	15,547,680	312,193	2,394,692	-	(12,840,795)
Vocational education instruction	787,740	1,224	51,443	-	(735,073)
Special education instruction	7,247,929	110,144	4,868,169	-	(2,269,616)
Community education and services	2,967,748	1,168,556	1,173,147	-	(626,045)
Instructional support services	2,479,199	-	293,644	-	(2,185,555)
Pupil support services	5,948,212	138,671	2,318,850	-	(3,490,691)
Sites and buildings	5,248,185	104,628	99,852	249,374	(4,794,331)
Fiscal and other fixed cost programs	177,447	-	-	-	(177,447)
Interest and fiscal charges on long term debt	595,426	-	-	-	(595,426)
Total Governmental Activities	$ 43,650,645	$ 1,837,898	$ 11,811,345	$ 249,374	(29,752,028)

General revenues	
Taxes	
Property taxes, levied for general purposes	9,067,786
Property taxes, levied for community service	555,352
Property taxes, levied for debt service	1,576,897
State aid-formula grants and other contributions	20,098,180
Other general revenues	83,749
Investment earnings (losses)	(42,618)
Gain on sale of assets	25,000
Total General Revenues	31,364,346
Change in Net Position	1,612,318
Net Position, July 1	(6,769,302)
Net Position, June 30	$ (5,156,984)

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

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FUND FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 256
RED WING, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2022

Independent School District No. 256

Red Wing, Minnesota
Balance Sheet
Governmental Funds
June 30, 2022

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and temporary investments	$ 11,063,952	$ 1,722,110	$ 3,398,928	$ 16,184,990
Receivables				
Taxes				
Current	4,239,804	779,170	186,284	5,205,258
Delinquent	41,156	11,227	1,886	54,269
Accounts and interest	26,080	-	91,785	117,865
Due from other school districts	197,935	-	41,684	239,619
Intergovernmental	4,142,937	7,082	268,590	4,418,609
Due from other funds	63,842	-	-	63,842
Due from fiduciary fund	175,383	-	-	175,383
Inventories	-	-	46,855	46,855
Lease receivable	618,190	-	-	618,190
Prepaid items	458,360	-	5,300	463,660
Total Assets	$ 21,027,639	$ 2,519,589	$ 4,041,312	$ 27,588,540
Liabilities				
Salaries and wages payable	$ 1,108,061	$ -	$ 174,181	$ 1,282,242
Accounts and other payables	377,031	-	101,192	478,223
Due to other school districts	1,050,015	-	16,628	1,066,643
Due to other governments	89,382	-	11,384	100,766
Accrued expenses	1,117,518	-	-	1,117,518
Unearned revenue	42,622	-	219,894	262,516
Total Liabilities	3,784,629	-	523,279	4,307,908
Deferred Inflows of Resources				
Property taxes levied for subsequent year	8,099,619	1,546,936	383,330	10,029,885
Unavailable revenue - delinquent property taxes	41,156	11,227	1,886	54,269
Lease revenue	606,326	-	-	606,326
Total Deferred Inflows of Resources	8,747,101	1,558,163	385,216	10,690,480
Fund Balances				
Nonspendable	458,360	-	52,155	510,515
Restricted	2,114,770	961,426	3,080,662	6,156,858
Assigned	205,653	-	-	205,653
Unassigned	5,717,126	-	-	5,717,126
Total Fund Balances	8,495,909	961,426	3,132,817	12,590,152
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 21,027,639	$ 2,519,589	$ 4,041,312	$ 27,588,540

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

Independent School District No. 256

Red Wing, 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	$ 12,590,152
Capital assets, net of accumulated deprecation, used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	28,295,791
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	(20,155,000)
Severance payable	(1,252,566)
Unamortized premiums	(537,764)
Financed purchase arrangement	(93,077)
Lease payable	(210,300)
Other postemployment benefits asset	3,733,241
Net pension liability	(13,822,103)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes receivable	54,269
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	8,071,450
Deferred inflows of pension resources	(21,335,437)
Governmental funds do not report long-term amounts related to other post employment benefits.	
Deferred outflows of other post employment benefit resources	850,398
Deferred inflows of other post employment benefit resources	(1,174,720)
Governmental funds do not report a liability for accrued interest until due and payable.	(218,831)
Internal Service used to charge the cost of student tech repair plans to departments. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	47,513
Total Net Position - Governmental Activities	$ (5,156,984)

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

Independent School District No. 256

Red Wing, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2022

	General	Debt Service	Other Governmental Funds	Total
Revenues				
Local property tax levies	$ 8,963,280	$ 1,582,169	$ 555,578	$ 11,101,027
Other local and county revenue	1,212,726	-	2,116,643	3,329,369
Interest earned on investments (losses)	(43,292)	-	674	(42,618)
Revenue from state sources	25,477,574	70,831	401,275	25,949,680
Revenue from federal sources	2,608,190	-	2,178,233	4,786,423
Student activities	105,913	-	-	105,913
Sales and other conversion of assets	37	-	-	37
Total Revenues	38,324,428	1,653,000	5,252,403	45,229,831
Expenditures				
Current				
Administration	1,689,007	-	-	1,689,007
District support services	973,195	-	-	973,195
Elementary and secondary regular instruction	13,992,004	-	-	13,992,004
Vocational education instruction	835,495	-	-	835,495
Special education instruction	7,536,020	-	-	7,536,020
Community education and services	-	-	2,810,680	2,810,680
Instructional support services	2,405,420	-	-	2,405,420
Pupil support services	4,093,532	-	2,040,375	6,133,907
Sites and buildings	4,325,086	-	-	4,325,086
Student activities	902,257	-	-	902,257
Fiscal and other fixed cost programs	177,447	-	-	177,447
Capital outlay	525,131	-	64,289	589,420
Debt service				
Principal	124,253	1,080,000	-	1,204,253
Interest and other charges	12,487	576,264	-	588,751
Bond issuance costs	-	-	64,469	64,469
Total Expenditures	37,591,334	1,656,264	4,979,813	44,227,411
Excess (Deficiency) of Revenues Over (Under) Expenditures	733,094	(3,264)	272,590	1,002,420
Other Financing Sources (Uses)				
Sale of assets	25,000	-	-	25,000
Bonds issued	-	32,129	1,672,871	1,705,000
Premium on bonds issued	-	-	11,797	11,797
Insurance recovery	18,962	-	-	18,962
Total Other Financing Sources (Uses)	43,962	32,129	1,684,668	1,760,759
Net Change In Fund Balances	777,056	28,865	1,957,258	2,763,179
Fund Balances, July 1	7,718,853	932,561	1,175,559	9,826,973
Fund Balances, June 30	$ 8,495,909	$ 961,426	$ 3,132,817	$ 12,590,152

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

Independent School District No. 256
Red Wing, 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	$ 2,763,179
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	519,984
Depreciation/amortization expense	(2,556,239)
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.	
Issuance of long-term debt	(1,705,000)
Principal repayments	1,080,000
Retirement of lease payable	35,607
Financed purchase arrangement payments	88,646
Amortization of bond premiums, net of premium on bonds issued	28,759
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.	17,238
Long-term pension activity is not reported in governmental funds.	
Pension expense	1,137,106
Direct aid contributions	(1,866)
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.	(8,964)
Internal Service used to charge the cost of postemployment benefits for employees and the cost of student tech repair plans to departments. The net revenue of certain activities of internal service funds is reported with governmental activities.	23,287
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.	
Other postemployment benefits costs	190,581
Change in Net Position - Governmental Activities	$ 1,612,318

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

Independent School District No. 256

Red Wing, 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	$ 8,909,199	$ 8,955,372	$ 8,963,280	$ 7,908
Other local and county revenue	1,216,448	1,693,343	1,212,726	(480,617)
Interest earned on investments (losses)	50,000	50,000	(43,292)	(93,292)
Revenue from state sources	25,171,181	25,172,791	25,477,574	304,783
Revenue from federal sources	947,133	2,806,830	2,608,190	(198,640)
Student activities	92,840	73,686	105,913	32,227
Sales and other conversion of assets	2,316	1,784	37	(1,747)
Total Revenues	36,389,117	38,753,806	38,324,428	(429,378)
Expenditures				
Current				
Administration	1,422,971	1,592,937	1,689,007	(96,070)
District support services	939,576	1,045,791	973,195	72,596
Elementary and secondary regular instruction	12,499,457	14,236,203	13,992,004	244,199
Vocational education instruction	1,104,892	898,737	835,495	63,242
Special education instruction	7,916,856	7,502,369	7,536,020	(33,651)
Instructional support services	2,098,110	2,644,092	2,405,420	238,672
Pupil support services	3,952,805	4,123,324	4,093,532	29,792
Sites and buildings	4,702,224	4,810,933	4,325,086	485,847
Student Activities	1,040,476	1,045,223	902,257	142,966
Fiscal and other fixed cost programs	162,529	177,392	177,447	(55)
Capital outlay				
Administration	18,403	14,792	4,614	10,178
District support services	54,922	25,028	22,096	2,932
Elementary and secondary regular instruction	103,275	71,896	62,807	9,089
Special education instruction	5,000	5,000	7,524	(2,524)
Instructional support services	296,364	401,597	351,700	49,897
Sites and buildings	91,200	18,642	71,421	(52,779)
Student Activities	3,000	3,000	4,969	(1,969)
Debt service				
Principal	114,540	-	124,253	(124,253)
Interest and other charges	-	-	12,487	(12,487)
Total Expenditures	36,526,600	38,616,956	37,591,334	1,025,622
Excess (Deficiency) of Revenues Over (Under) Expenditures	(137,483)	136,850	733,094	596,244
Other Financing Sources (Uses)				
Sale of assets	3,783	-	25,000	25,000
Insurance recovery	-	4,729	18,962	14,233
Total Other Financing Sources (Uses)	3,783	4,729	43,962	39,233
Net Change In Fund Balances	(133,700)	141,579	777,056	635,477
Fund Balances, July 1	7,718,853	7,718,853	7,718,853	-
Fund Balances, June 30	$ 7,585,153	$ 7,860,432	$ 8,495,909	$ 635,477

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

Independent School District No. 256

Red Wing, Minnesota
Internal Service Funds
Statement of Net Position
June 30, 2022

	22 Medical Clinic	23 Student Tech Repair Plan	Total
Assets			
Current Assets			
Cash and temporary investments	$ -	$ 37,102	$ 37,102
Intergovernmental	23,140	-	23,140
Total Current Assets	23,140	37,102	60,242
Noncurrent Assets			
Capital assets			
Buildings	171,022	-	171,022
Less accumulated depreciation	(85,511)	-	(85,511)
Total Capital Assets	85,511	-	85,511
Total Assets	$ 108,651	$ 37,102	$ 145,753
Liabilities			
Accounts payable	$ 33,698	$ 700	$ 34,398
Due to other funds	63,842	-	63,842
Total Liabilities	97,540	700	98,240
Net Position			
Net investment in capital assets	85,511	-	85,511
Unrestricted	(74,400)	36,402	(37,998)
Total Net Position	11,111	36,402	47,513
Total Liabilities and Net Position	$ 108,651	$ 37,102	$ 145,753

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

Independent School District No. 256
Red Wing, Minnesota
Internal Service Funds
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2022

	22 Medical Clinic	**23** Student Tech Repair Plan	Total
Operating Revenues			
Charges for services	$ 418,000	$ -	$ 418,000
Other local and county revenue	-	17,134	17,134
	418,000	17,134	435,134
Operating Expenses			
General administration fees	312,760	-	312,760
Supplies and materials	82,531	4,958	87,489
Interest on leases	3,047	-	3,047
Depreciation	8,551	-	8,551
Total Operating Expenses	406,889	4,958	411,847
Operating Income (Loss)	11,111	12,176	23,287
Net Position, July 1	-	24,226	24,226
Net Position, June 30	$ 11,111	$ 36,402	$ 47,513

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

Independent School District No. 256
Red Wing, Minnesota
Internal Service Funds
Statement of Cash Flows
For the Year Ended June 30, 2022

	22 Medical Clinic	23 Student Tech Repair Plan	Total
Cash Flows from Operating Activities			
Receipts from customers and users	$ 413,232	$ 17,134	$ 430,366
Payments to suppliers and vendors	(396,092)	(4,258)	(400,350)
Net Cash Provided (Used) by Operating Activities	17,140	12,876	30,016
Cash Flows from Noncapital Financing Activties			
Due to other funds	(17,140)	-	(17,140)
Net Increase (Decrease) in Cash and Cash Equivalents	-	12,876	12,876
Cash and Cash Equivalents, July 1	-	24,226	24,226
Cash and Cash Equivalents, June 30	$ -	$ 37,102	$ 37,102
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	$ 11,111	$ 12,176	$ 23,287
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	8,551	-	8,551
(Increase) decrease in assets			
Due from other governments	(4,768)	-	(4,768)
Prepaid items	300	-	300
Increase (decrease) in liabilities			
Accounts payable	1,946	700	2,646
Net Cash Provided (Used) by Operating Activities	$ 17,140	$ 12,876	$ 30,016

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

Independent School District No. 256
Red Wing, Minnesota
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2022

	Custodial	Other Postemployment Benefit Trust
Assets		
Cash and temporary investments	$ -	$ 8,366,512
Receivables		
Accounts	253,991	-
Interest	-	37,884
Total Assets	$ 253,991	$ 8,404,396
Liabilities		
Salaries and wages payable	$ 1,555	$ -
Accounts payable	7,851	-
Due to primary government	175,383	-
Total Liabilities	184,789	-
Net Position		
Restricted		
Environmental Learning Center	69,202	-
Held in trust for other postemployment benefits	-	8,404,396
Total Net Position	69,202	8,404,396
Total Liabilities and Net Position	$ 253,991	$ 8,404,396

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

Independent School District No. 256
Red Wing, Minnesota
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2022

	Custodial	Other Postemployment Benefit Trust
Revenues		
Other local and county revenue	$ 443,797	$ -
Interest earned on investments (losses)	-	(884,996)
Total Revenues	443,797	(884,996)
Deductions		
Salaries	222,518	-
Employee benefits	95,994	855,075
Purchased services	47,733	-
Supplies and materials	52,733	-
Other expenditures	32,381	57,413
Investment expenses	-	105,975
Total Deductions	451,359	1,018,463
Change in Net Position	(7,562)	(1,903,459)
Net Position, July 1	76,764	10,307,855
Net Position, June 30	$ 69,202	$ 8,404,396

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

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Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

Independent School District No. 256, (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.

Note 1: Summary of Significant Accounting Policies (Continued)

General capital asset acquisitions are reported as expenditures in governmental funds. 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.

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.

The *Building Construction capital projects fund* accounts for the resources related to general obligation alternative and capital facility bonds issued for the addition/renovations of District building and property.

Note 1: Summary of Significant Accounting Policies (Continued)

Additionally, the District reports the following proprietary fund types:

Internal service fund accounts for the financing of services, provided by two funds to other funds of the District on a cost reimbursement basis. The School District's internal service funds and its purposes are as follows:

The *Medical Clinic fund* accounts for the activities related to the employee medical clinic setup by the District.

The *Student Tech Repair fund* accounts for the activities related to the repairing or replacing student chromebooks at a significant savings to the student or their family setup by the District.

Fiduciary Funds

The *other postemployment benefit trust fund* accounts for resources held by the District in trust for the payment of other postemployment benefits.

The *custodial fund* accounts for cash and other assets held by the District as the agent for others. This fund accounts for funds held for Environmental Learning Center (ELC).

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.

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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 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.

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.

Note 1: Summary of Significant Accounting Policies (Continued)

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.

Net Other Postemployment Benefit Asset

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

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 $1,500 (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. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

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

Assets	Years
Buildings and Improvements	20 - 30
Land Improvements	20 - 30
Equipment	5 - 20

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 qualify for reporting in this category. Accordingly, the items, deferred pension resources and deferred other post-employment benefit resources, are reported only in the statement of net position. These items result from actuarial calculations and current year pension and OPEB contributions made subsequent to the measurement date.

Note 1: Summary of Significant Accounting Policies (Continued)

Compensated Absences

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

Vacation leave vests and may be carried forward for up to one year, depending on the contract. A liability is recorded for earned but unpaid vacation leave.

Substantially all District employees are entitled to sick leave at various rates for each month of full-time service. For certain employees, unused sick leave enters into the calculation of severance pay upon termination and is accounted for as follows:

Early Retirement Incentive Payment – Secretarial/Clerical Employees and Education Support Personnel – An early retirement incentive payment is available to employees who work at least 5 hours per day and have completed at least 10 years of continuous service with the District and are at least 55 years of age. An eligible employee upon retirement will receive a payment based on a set formula for every unused sick leave hour to a maximum of 1,050 unused sick leave hours. The formula starts at a payment of $10.00 per unused sick leave hour to $12.50 per unused sick leave hour to a maximum benefit amount of $12,075.

Early Retirement Incentive Payment – Food Service Employees – An early retirement incentive payment is available to food service employees who have completed at least 10 years of continuous service with the District and are at least 55 years of age. An eligible employee upon retirement will receive a payment based on a set formula for every unused sick leave hour to a maximum of 1,050 unused sick leave hours. The formula starts at a payment of $10.00 per unused sick leave hour to $12.50 per unused sick leave hour to a maximum benefit amount of $12,075.

Early Retirement Incentive Payment – Nonclassified Personnel – An early retirement incentive payment is available to employees, hired prior to July 1, 2001, who work at least 5 hours per day and have completed at least 10 years of continuous service with the District and are at least 55 years of age. An eligible employee upon retirement will receive a payment based on a set formula for every unused sick leave day to a maximum of 200 unused sick leave days. The formula starts at a payment of $65 per unused sick leave day to $80 per unused sick leave day to a maximum benefit of $14,500, less any District contributions to a matching deferred compensation program under M.S. 356.24.

Early Retirement Incentive Payment – District Coordinators and Directors – An early retirement incentive payment is available to full-time coordinators/directors, hired prior to July 1, 2001, who have completed at least 8 years of continuous service with the District and are at least 50 years of age. An eligible coordinator/director upon retirement shall receive an amount equal to the number of unused accumulated sick leave days multiplied by the employee's daily rate of pay, not to exceed 130 days, less any District contributions to a matching deferred compensation program under M.S. 356.24.

Early Retirement Incentive Payment – Principals – A severance payment is available to principals who have completed at least 7 years of continuous service with the District. An eligible principal upon retirement shall receive an amount equal to the number of unused accumulated sick leave days multiplied by a percentage of the employee's daily rate of pay, from 65% to 75%, not to exceed 100 days, less any District contribution to a matching deferred compensation program under M.S. 356.24.

Note 1: Summary of Significant Accounting Policies (Continued)

An early retirement incentive payment is also available to principals who have completed at least 7 years of continuous service with the District. An eligible principal upon retirement shall receive an amount equal to the number of unused accumulated sick leave days multiplied by a percentage of the employee's daily rate of pay, from 65% to 75%, not to exceed 100 days, less any District contributions to a matching deferred compensation program under M.S. 356.24

Early Retirement Incentive Payment – Teachers – An early retirement incentive payment is available to teachers who have completed at least 10 years of teaching service with the District and who are at least 55 years of age. An eligible employee upon retirement will receive a payment based on a set formula for every unused sick leave day to a maximum of 120 unused sick leave days. The formula starts at a payment of $85 per unused sick leave day to $160 per unused sick leave day to a maximum benefit amount of $14,550.

Early Retirement Incentive Payment – Program Supervisors – An early retirement incentive payment is available to program supervisors, hired prior to July 1, 2001, who have completed at least 10 years of continuous service with the District and are at least 55 years of age. An eligible employee upon retirement will receive a payment based on a formula for every unused sick leave day to a maximum of 120 unused sick leave days. The formula starts at a payment of $85 per unused sick leave day to $160 per unused sick leave day to a maximum benefit of $14,550, less any District contribution to a matching deferred compensation program under M.S. 356.24.

Early Retirement Incentive Payment – Custodial Employees – An early retirement incentive payment is available to custodial employees who have completed at least 10 years of continuous service with the District and who are at least 55 years of age. An eligible custodial employee upon retirement will receive a payment based on a set formula for every unused sick leave day to maximum of 200 unused sick leave days. The formula starts at a payment of $65 per unused sick leave day to $80 per unused sick leave day to a maximum benefit of $14,500.

Early Retirement Incentive Payment – Superintendent – A severance payment is available to the superintendent upon completion of at least 8 years of continuous service with the District. The superintendent upon retirement shall receive an amount equal to the number of unused accumulated sick leave days multiplied by the superintendent's daily rate of pay, not to exceed 40 days.

An early retirement incentive payment is available to the superintendent upon completed of at least 8 years of continuous service with the District. The superintendent upon retirement shall receive an amount equal to the number of unused accumulated sick leave days multiplied by the superintendent's daily rate of pay, not to exceed 130 days.

At June 30, 2022, compensated absences payable totaling $1,252,566 is recorded in the financial statements.

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. The recognition of bond premiums and discounts are amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. 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.

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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

	GERP	TRA	Total Pension Expense
Pension Expense	$ (7,358)	$ 283,957	$ 276,599

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 lease revenues. 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.

Note 1: Summary of Significant Accounting Policies (Continued)

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.

The District has formally adopted a fund balance policy, which identifies an unrestricted General Fund balance, including committed, assigned and unassigned, of at least 5 percent of the prior fiscal year's General Fund expenditures and no greater than 20 percent of the prior fiscal year's General Fund 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

A. 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. Budgets for General, Special Revenue and Debt Service funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

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

4. Budget appropriations lapse at year end.

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

6. The District does not use encumbrance accounting.

The District amended the originally adopted budget for the General fund, Food Service fund, Community Service fund, Building Construction fund, and the Debt Service Fund in the current year to account for a projected decline in enrollment, health insurance renewal rates, updating staffing levels to current, and inclusion of revenue and expenses for COVID related grants.

B. Excess of Actual Expenditures Over Appropriations

For the year ended June 30, 2022, expenditures exceeded appropriations in the following funds:

Fund	Budget	Actual	Excess
Food Service	$ 1,993,392	$ 2,036,299	$ 42,907
Community Service	2,640,405	2,859,268	218,863
Debt service	1,653,363	1,656,264	2,901

The excess expenditures were funded by actual revenues in excess of budget and available fund balance.

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.

Note 3: Detailed Notes on All Funds (Continued)

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 $220,046 and the bank balance was $1,141,616. Of the bank balance, $254,710 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.

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.

Note 3: Detailed Notes on All Funds (Continued)

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.

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

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 AAA. The weighted average days to maturity are less than six months. The District's investment in the MSDLAF is equal to the value of pool shares.

Note 3: Detailed Notes on All Funds (Continued)

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using Level 1	Fair Value Measurement Using Level 2
Pooled Investments at Amortized Costs					
Minnesota School District Liquid Asset Fund (MSDLAF)	AAA	Under 1 year	$ 5,764,078		
Minnesota Trust Investment Shares Portfolio	N/A	Under 1 year	5,137,584		
Minnesota Trust Investment Shares Portfolio	N/A	1 - 5 years	2,223,217		
Investments held in other postemployment benefit trust					
Cash and money market funds	N/A	Under 1 year	183,452	$ 183,452	$ -
Government obligations	AAA	1 - 5 years	1,747,441	1,747,441	-
Government obligations	AAA	6-10 years	135,439	135,439	-
Corporate obligations	A+	6 - 10 years	219,583	219,583	-
Corporate obligations	A+	1 - 5 years	97,541	97,541	-
Corporate obligations	A-	1 - 5 years	617,504	617,504	-
Corporate obligations	BBB-	1 - 5 years	98,777	98,777	-
Corporate obligations	BBB+	1 - 5 years	173,864	173,864	-
Corporate obligations	A2	1 - 5 years	174,241	174,241	-
Corporate obligations	A	1 - 5 years	390,276	390,276	-
Corporate obligations	AA-	6 - 10 years	113,045	113,045	-
Corporate obligations	AAA	1 - 5 years	50,383	50,383	-
Corporate obligations	BBB	1 - 5 years	427,021	427,021	-
Corporate obligations	BBB	6 - 10 years	62,306	62,306	-
Corporate obligations	AA-	1 - 5 years	72,356	72,356	-
Equities			3,870,223	-	3,870,223
Real Estate Investment Trust			845,548	-	845,548
Total pooled investments			22,403,879	4,563,229	4,715,771
Non-pooled investments:					
Non-negotiable certificates of deposit	N/A	Under 1 year	748,700	-	748,700
Broker certificate of deposit	N/A	1 - 5 Years	1,210,640	-	-
Total non-pooled investments			1,959,340	-	748,700
Total investments			$ 24,363,219	$ 4,563,229	$ 5,464,471

(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.
N/A Indicates not applicable or available.

Note 3: Detailed Notes on All Funds (Continued)

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

Petty Cash	$ 5,339
Deposits	220,046
Investments	24,363,219
Total	24,588,604
Less Fiduciary Fund Cash and Temporary Investments	(8,366,512)
Total Cash and Temporary Investments	$ 16,222,092

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.

Taxes receivable is comprised of the following components:

	General	Debt Service	Nonmajor Governmental	Total
Current Taxes	$ 4,239,804	$ 779,170	$ 186,284	$ 5,205,258
Delinquent Taxes	41,156	11,227	1,886	54,269
Total Taxes Receivable	$ 4,280,960	$ 790,397	$ 188,170	$ 5,259,527
Property Taxes Levied for Subsequent Year	$ 8,099,619	$ 1,546,936	$ 383,330	$ 10,029,885

Note 3: Detailed Notes on All Funds (Continued)

C. Capital Assets

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

	Restated Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Governmental Activities				
Capital Assets not Being Depreciated/Amortized				
Land	$ 1,771,785	$ -	$ -	$ 1,771,785
Capital Assets Being Depreciated/Amortized				
Buildings and improvements	67,723,110	-	-	67,723,110
Land improvements	4,235,118	5,540	-	4,240,658
Equipment	16,432,283	514,444	-	16,946,727
Leased Building (Intangible Right to Use Asset)	245,907	-	-	245,907
Total Capital Assets Being Depreciated/Amortized	88,636,418	519,984	-	89,156,402
Less Accumulated Depreciation/Amortization				
Buildings and improvements	(43,064,596)	(2,070,045)	-	(45,134,641)
Land improvements	(3,173,229)	(69,486)	-	(3,242,715)
Equipment	(13,744,270)	(407,696)	-	(14,151,966)
Leased Building (Intangible Right to Use Asset)	-	(17,563)	-	(17,563)
Total Accumulated Depreciation/Amortization	(59,982,095)	(2,564,790)	-	(62,546,885)
Total Capital Assets Being Depreciated/Amortized, Net	28,654,323	(2,044,806)	-	26,609,517
Governmental Activities Capital Assets, Net	$ 30,426,108	$ (2,044,806)	$ -	$ 28,381,302

Depreciation expense was charged to governmental activities as follows:

Depreciation/Amortization Expense Was Charged to Governmental Activities as Follows	
Administration	$ 265
District Support Services	72,207
Elementary and Secondary Regular Instruction	1,211,911
Special Education Instruction	1,226
Vocational Education Instruction	69
Community Education	116,451
Instructional Support Services	99,529
Pupil Support Services	24,933
Sites and Buildings	1,038,199
Total Depreciation Expense	$ 2,564,790

Note 3: Detailed Notes on All Funds (Continued)

Construction Commitments

The District has active construction projects as of June 30, 2022. At year end the District's commitments are as follows:

Project	Spent to Date	Remaining Commitment
Retrofit Lighting & Design	$ -	$ 1,805,019

D. Interfund Receivables, Payables and Transfers

Interfund Receivables and Payables

The following interfund receivable and payables from/to other funds are to eliminate cash deficits:

	Due From Other Funds	Due To Other Funds
General Fund	$ 239,225	$ -
Internal Service Fund		
Medical Clinic	-	63,842
Fiduciary Fund		
Custodial	-	175,383
Total	$ 239,225	$ 239,225

E. Lease Receivable

The District leases 33 acres of land to New Energy Equity, LLC for a solar garden. The lease commenced on June 1, 2016 and for 25 years. Lease payments are $1,000 per acre, increasing 2% each year. As of June 30, 2022, the District's receivable which is offset with deferred inflow, was $618,190.

Note 3: Detailed Notes on All Funds (Continued)

F. Long-term Debt

Financed Purchase Arrangements

The District entered into financed purchase arrangements with Hewlett-Packard Financial Services for FireFly Computers. The details are as follows:

	Original Issue	Interest Rate	Issue Date	Final Maturity	Principal Outstanding Due Within One Year	Principal Outstanding Total
Firefly Lease 1	$ 7,075	3.35 %	02/11/20	02/11/24	$ 1,413	$ 2,874
Firefly Lease 2	239,000	3.35	03/23/20	03/23/22	60,702	60,702
Firefly Lease 3	116,154	3.35	03/17/20	03/17/22	29,501	29,501
Total Capital Leases					$ 91,616	$ 93,077

The annual requirements to amortize all financed purchase arrangements at June 30, 2022 are as follows:

Year Ending June 30,	Principal Payments	Interest Payments	Total
2023	$ 91,616	$ 3,118	$ 94,734
2024	1,461	49	1,510
Total	$ 93,077	$ 3,167	$ 96,244

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. In addition, general obligation bonds have been issued to refund general obligation bonds.

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

Description	Original Issue	Interest Rate	Issue Date	Final Maturity	Principal Outstanding Due Within One Year	Principal Outstanding Total
G.O. School Building Refunding Bonds, Series 2014A	$ 1,590,000	2.00 - 3.00 %	06/26/14	02/01/25	$ 170,000	$ 520,000
G.O. School Building Bonds, Series 2016A	21,935,000	2.00 - 4.00	08/19/16	02/01/37	950,000	17,930,000
G.O. Facilities Mainenance Bonds, Series 2022A	1,705,000	3.00 - 3.35	06/23/22	02/01/38	-	1,705,000
					$ 1,120,000	$ 20,155,000

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	$ 1,120,000	$ 560,241	$ 1,680,241
2024	1,250,000	538,069	1,788,069
2025	1,310,000	490,669	1,800,669
2026	1,165,000	451,369	1,616,369
2027	1,205,000	405,769	1,610,769
2028 - 2032	6,550,000	1,510,894	8,060,894
2033 - 2037	7,415,000	650,993	8,065,993
2038	140,000	4,688	144,688
Total	$ 20,155,000	$ 4,612,692	$ 24,767,692

Lease Payable

Lease arrangements are summarized as follows:

Description	Total Lease Liability	Interest Rate	Issue Date	Payment Terms	Payment Amount	Balance at Year End
Anderson Center Building	$ 245,907	6.500 %	07/01/18	10 Years	$ 43,000 varies	$ 210,300

The Anderson Center Building was leased for the purpose of operating an alternative high school. The lease continues through June 30, 2028 and either party may request re-negotiation of lease terms on June 30, 2023 and June 30, 2028.

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

Year Ending June 30,	Principal Payments	Interest Payments	Total
2023	$ 29,624	$ 13,376	$ 43,000
2024	31,608	11,392	43,000
2025	33,725	9,275	43,000
2026	35,984	7,016	43,000
2027	38,393	4,607	43,000
2028	40,966	2,035	43,001
Total	$ 210,300	$ 47,701	$ 258,001

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:

	Restated Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds Payable					
General obligation bonds	$ 19,530,000	$ 1,705,000	$ (1,080,000)	$ 20,155,000	$ 1,120,000
Bond premiums	566,523	11,797	(40,556)	537,764	-
Total Bonds Payable	20,096,523	1,716,797	(1,120,556)	20,692,764	1,120,000
Financed purchase arrangement	181,723	-	(88,646)	93,077	91,616
Lease payable	245,907	-	(35,607)	210,300	29,624
Other Liabilities					
Severance and compensated absences payable	1,074,810	197,874	(20,118)	1,252,566	24,986
Total Long-term Liabilities	$ 21,598,963	$ 1,914,671	$ (1,264,927)	$ 22,248,707	$ 1,266,226

Note 3: Detailed Notes on All Funds (Continued)

G. Components of Fund Balance

At June 30, 2022, portions of the District's fund balance are not available for appropriation due to not being in spendable form (nonspendable) and legal restrictions (restricted). The following is a summary of the components of fund balance:

	General	Debt Service	Nonmajor Governmental	Total	Reconciling Items	UFARS Balance
Nonspendable for						
Inventories	$ -	$ -	$ 46,855	$ 46,855	$ -	$ 46,855
Prepaid items	458,360	-	5,300	463,660	-	463,660
Total Nonspendable	$ 458,360	$ -	$ 52,155	$ 510,515	$ -	$ 510,515
Restricted for						
Student activities	$ 104,831	$ -	$ -	$ 104,831	$ -	$ 104,831
Staff development	187,070	-	-	187,070	-	187,070
Operating capital	395,546	-	-	395,546	-	395,546
Restricted for Area Learning Center	-	-	-	-	-	-
Long term facility maintenance	1,427,323	-	-	1,427,323	-	1,427,323
Community education	-	-	562,267	562,267	-	562,267
Early childhood and family education	-	-	-	-	(4,781)	(4,781)
School readiness	-	-	-	-	(16,186)	(16,186)
Food service	-	-	595,974	595,974	-	595,974
Adult basic education	-	-	12,187	12,187	-	12,187
Community service	-	-	150,524	150,524	20,967	171,491
Building construction	-	-	1,759,710	1,759,710	-	1,759,710
Debt service	-	961,426	-	961,426	-	961,426
Total Restricted	$ 2,114,770	$ 961,426	$ 3,080,662	$ 6,156,858	$ -	$ 6,156,858
Assigned for student activities	$ 205,653	$ -	$ -	$ 205,653	$ -	$ 205,653
Unassigned for student activities	$ 5,717,126	$ -	$ -	$ 5,717,126	$ -	$ 5,717,126

Restricted for Student Activities - This amount represents available resources for student activities. Revenues are derived from donations and fundraising and expenditures are for student activities at each site.

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 Area Learning Center – This amount represents resources for the Area Learning Center.

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

Note 3: Detailed Notes on All Funds (Continued)

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 sales to pupils and State aid.

Restricted for Adult Basic Education - This amount represents available resources available to provide adult basic education programming.

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 related to general obligation alternative and capital facility bonds issued for the addition/renovations of the District's building and property.

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.

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 members, one retired member and three statutory officials.

Educators employed in Minnesota's public elementary and secondary school, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members. 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.

Note 4: Defined Benefit Pension Plans - Statewide

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	1st 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

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.

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

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 Rate

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 $1,184,017, $1,167,303 and $1,099,043, respectively. The District’s contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

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 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 of Employer 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.

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

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 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% therafter
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.

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.

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
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 7.5 percent to 7.00 percent

5. Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent. The discount rate used to measure the TPL at the Prior Measurement Date was 7.5 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, the District reported a liability of $10,538,128 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 0.2408 percent at the end of the measurement period and 0.2388 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	$ 10,538,128
State's Proportionate Share of Net Pension Liability Associated with the District	888,743

For the year ended June 30, 2022, the District recognized pension expense of $293,908. It also recognized $9,951 as a decrease 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 Experience	$ 283,140	$ 293,305
Net Difference Between Projected and Actual Earnings on Plan Investments	-	8,837,122
Changes in Actuarial Assumptions	3,868,253	9,195,727
Changes in Proportion	222,375	2
Contributions to TRA Subsequent to the Measurement Date	1,184,017	-
Total	$ 5,557,785	$ 18,326,156

Deferred outflows of resources totaling $1,184,017 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	$ (6,401,911)
2024	(4,766,521)
2025	(850,695)
2026	(1,239,861)
2027	(1,313,279)
Thereafter	619,879

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%)
$ 21,287,531	$ 10,538,128	$ 1,722,760

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

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.

<u>General Employees Retirement Plan (GERP)</u>

All full-time and certain part-time employees of the District are covered by the General Employees Retirement Plan (GERP). 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.

<u>General Employee Plan Benefits</u>

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.

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

3. Contributions

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

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 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ending June 30, 2022, 2021 and 2020 were $407,443, $415,398 and $416,184, respectively. The District's contributions were equal to the contractually required contributions for each year as set by statute.

4. Pension Costs

General Employee Fund Pension Costs

At June 30, 2022, the District reported a liability of $3,283,975 for 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 $100,225. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021 through June 30, 2022 relative to the total employer contributions received from all of PERA's participating employers. The District's proportion was 0.0769 percent which was an decrease of 0.0012 percent from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the District recognized negative pension expense of $15,445 for its proportionate share of General Employees Plan's pension expense. In addition, the District recognized an additional $8,087 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, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 20,278	$ 100,680
Net Difference Between Projected and Actual Earnings on Plan Investments	-	2,835,071
Changes in Actuarial Assumptions	2,005,126	73,534
Changes in Proportion	80,818	(4)
Contributions Paid to PERA Subsequent to the Measurement Date	407,443	-
Total	$ 2,513,665	$ 3,009,281

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

The $407,443 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	$ (67,879)
2024	(35,609)
2025	(23,841)
2026	(775,730)

5. Actuarial Assumptions

The total pension liability in the June 30, 2022, 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.

Actuarial assumptions used in the June 30, 2022 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 became effective with the July 1, 2020 actuarial valuation. The most recent four-year experience study for the Police and Fire Plan was completed in 2020 were adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

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

<u>General Employees Fund</u>

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.

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

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

Asset Class	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 2021 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.

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%)
$ 6,697,632	$ 3,283,975	$ 482,860

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 single-employer retiree benefit plan (“the Plan”) that provides health insurance to eligible employees and their spouses through the District’s health insurance plan. There are 355 active participants, 71 retired participants and 17 spouses. Benefit and eligibility provisions are established through negotiations between the District and various unions representing District employees and are renegotiated at various times. The Plan does not issue a publicly available financial report.

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

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	71
Active Plan Members	355
Total Plan Members	426

B. Funding Policy

Contributions requirements are also negotiated between the District and union representatives. The District contributes the premiums for family medical or premiums for single medical for teachers hired before July 1, 2008 and retiring prior to July 1, 2010 and other eligible retired plan members. Also, for teachers hired before July 1, 2008 and retiring on or after July 1, 2010, a $11,500 annual contribution to an HRA will be made by the District. The District also contributes an implicit rate subsidy for retired plan members. This is due to the actual cost for retirees being higher than the average per-person premium for the entire group. For fiscal year 2022, the District did not make any direct contributions to the plan.

C. Investments

The District’s policy in regards to the allocation of invested assets is established and may be amended by the School Board. The following was the District’s adopted asset allocation policy as of June 30, 2022:

Asset Class	Target Allocation
Cash	1.00 %
Fixed Income	39.00
Domestic Equity	26.00
International Equity	14.00
Real Estate	10.00
Other (Hedged Equity Funds)	10.00
Total	100.00

Note 5: Postemployment Benefits Other Than Pensions (Continued)

D. Actuarial Methods and Assumptions

The District's total OPEB liability (asset) was measured as of June 30, 2022. And the total OPEB liability was determined by an actuarial valuation as of July 1, 2021.

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	6.20%
Expected Long-term Investment Return Rate	6.20%
20-Year Municipal Bond rate	2.10%
Inflation Rate	2.00%
Salary Increases	Service graded ranging from 2.85% to 11.25% based on position and years of service
Medical Trend Rate	6.50% in 2021 grading to 5.00% over 6 years and then to 4.00% over 48 years
Dental Trend Rate	3.00%

The long-term return on assets has been set based on the plan's target investment allocation along with long-term return expectations by asset class. When there is sufficient historical evidence of market outperformance, historical average returns may be considered. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2022 are summarized in the following table:

Asset Class	Expected Class Return
Cash	2.50 %
Fixed Income	2.60
Domestic Equity	9.00
International Equity	10.00
Real Estate	8.70
Other (Hedged Equity Funds)	5.80
Total	6.20 %

E. Sensitivity of the Total Net OPEB Liability

The following presents the net OPEB liability (asset) of the School, as well as what the School's total net OPEB liability (asset) would be if it were calculated using a discount rate that is one-percentage point lower (5.20 percent) or one-percentage-point higher (7.20 percent) than the current discount rate:

1 Percent Decrease (5.20%)	Current (6.20%)	1 Percent Increase (7.20%)
$ (3,531,890)	$ (3,733,241)	$ (3,923,885)

The following presents the total net OPEB liability (asset) of the School, as well as what the School's net OPEB liability (asset) would be if it were calculated using a Healthcare Cost Trend Rate that is one-percentage point lower (5.50 percent decreasing to 4.00 percent) or one-percentage-point higher (7.50 percent decreasing to 6.00 percent) than the current trend rate:

Note 5: Postemployment Benefits Other Than Pensions (Continued)

1 Percent Decrease (5.50% Decreasing to 4.00%)	Healthcare Cost Trend Rates (6.50% Decreasing to 5.00%)	1 Percent Increase (7.50% Decreasing to 6.00%)
$ (3,935,926)	$ (3,733,241)	$ (3,501,448)

F. Changes in the Total Net OPEB Liability (Asset)

	Total OPEB Liability (a)
Balance at June 30, 2021	$ (4,556,315)
Changes for the Year:	
Service Cost	175,489
Interest	339,615
Plan changes	68,640
Assumption changes	25,095
Projected investment return	(639,087)
Differences between expencted and actual experience	853,322
Net Changes	823,074
Balances at June 30, 2022	$ (3,733,241)

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 RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale.

- The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and contract group.

Note 5: Postemployment Benefits Other Than Pensions (Continued)

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

For the year ended June 30, 2022, the District recognized OPEB expense of $190,581. 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	$ 817,103	$ -
Liability Gains	-	1,023,139
Changes in Assumptions	33,295	151,581
Total	$ 850,398	$ 1,174,720

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

Year Ended June 30	
2023	$ (145,621)
2024	(179,651)
2025	(74,515)
2026	200,737
2027	(125,272)

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 for employee health, liability, property and automotive. Settled claims have not exceeded this coverage in any of the past three fiscal years. There was no reduction in insurance coverage during 2022.

B. Federal And State Programs

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 fund. 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.

C. Jointly Governed Organizations

The Goodhue County Education District No. 6051-61 was established by an act of the 1987 Legislature of the State of Minnesota. The primary objective of the District is to provide, by a cooperative effort, comprehensive education programs and other related services as can be effectively operated by its five member districts. Each member district shares in the cost of the programming, which is paid to the education district in the form of membership fees, reimbursements, and other changes for services. The education district is able to recover the cost of its programs through the previously mentioned revenue sources. The jointly governed organization’s financial statements are audited and available for inspection.

Note 7: Change in Accounting Principles

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

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REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 256
RED WING, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2022

Independent School District No. 256
Red Wing, 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	0.2408 %	$ 10,538,128	$ 888,743	$ 11,426,871	$ 14,357,970	73.4 %	86.6 %
06/30/20	0.2388	17,642,864	1,478,454	19,121,318	13,876,806	127.1	75.5
06/30/19	0.2337	14,896,087	1,318,353	16,214,440	13,267,056	112.3	78.2
06/30/18	0.2329	14,628,341	1,374,472	16,002,813	12,867,520	113.7	78.1
06/30/17	0.2326	46,431,179	4,488,622	50,919,801	12,518,867	370.9	51.6
06/30/16	0.2407	57,412,693	5,763,607	63,176,300	12,518,973	458.6	44.9
06/30/15	0.2608	16,133,059	1,978,944	18,112,003	12,518,947	128.9	76.8
06/30/14	0.2791	12,860,727	904,631	13,765,358	12,738,778	101.0	81.5

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	$ 1,184,017	$ 1,184,017	$ -	$ 14,196,847	8.3 %
06/30/21	1,167,303	1,167,303	-	14,357,970	8.1
06/30/20	1,099,043	1,099,043	-	13,876,806	7.9
06/30/19	1,022,890	1,022,890	-	13,267,056	7.7
06/30/18	965,064	965,064	-	12,867,520	7.5
06/30/17	938,915	938,915	-	12,518,867	7.5
06/30/16	992,663	992,663	-	13,235,507	7.5
06/30/15	891,714	891,714	-	11,889,520	7.5

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.

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	0.0769 %	$ 3,283,975	$ 100,225	$ 3,384,200	$ 5,538,644	59.3 %	87.0 %
06/30/20	0.0781	4,682,452	144,375	4,826,827	5,549,120	84.4	79.0
06/30/19	0.0773	4,273,744	132,828	4,406,572	5,468,133	78.2	80.2
06/30/18	0.0737	4,088,574	134,082	4,222,656	4,954,560	82.5	79.5
06/30/17	0.0760	4,851,790	61,021	4,912,811	4,897,200	99.1	75.9
06/30/16	0.0758	6,154,584	80,392	6,234,976	4,702,213	130.9	68.9
06/30/15	0.0846	4,384,411	-	4,384,411	4,644,219	94.4	78.2
06/30/14	0.0930	4,368,674	-	4,368,674	4,884,545	89.4	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	$ 407,443	$ 407,443	$ -	$ 5,432,573	7.5 %
06/30/21	415,398	415,398	-	5,538,640	7.5
06/30/20	416,184	416,184	-	5,549,120	7.5
06/30/19	410,110	410,110	-	5,468,133	7.5
06/30/18	371,592	371,592	-	4,954,560	7.5
06/30/17	367,290	367,290	-	4,897,200	7.5
06/30/16	352,666	352,666	-	4,702,213	7.5
06/30/15	354,130	354,130	-	4,721,733	7.5

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. 256
Red Wing, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2022

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

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service Cost	$ 175,489	$ 201,446	$ 195,579	$ 190,756	$ 182,235
Interest	339,615	362,824	408,134	427,426	501,250
Assumption changes	25,095	-	(275,801)	28,895	(47,896)
Plan change	68,640	-	-	-	-
Differences between expencted and actual experience	(776,737)	-	(163,743)	-	(1,028,969)
Benefit Payments	(912,458)	(912,831)	(889,233)	(818,878)	(756,001)
Net Change in Total OPEB Liability	(1,080,356)	(348,561)	(725,064)	(171,801)	(1,149,381)
Total OPEB Liability - Beginning	5,751,540	6,100,101	6,825,165	6,996,966	8,146,347
Total OPEB Liability - Ending	$ 4,671,184	$ 5,751,540	$ 6,100,101	$ 6,825,165	$ 6,996,966
Plan Fiduciary Net Position					
Projected investment return	$ (990,972)	$ 1,625,541	$ 626,298	$ 647,478	$ 615,448
Differences between expected and actual experience	-	-	(243,505)	(170,206)	-
Benefit payments	(912,458)	(912,831)	(889,233)	(818,878)	(756,001)
Net Change in Plan Fiduciary Net Position	(1,903,430)	712,710	(506,440)	(341,606)	(140,553)
Plan Fiduciary Net Position - Beginning	10,307,855	9,595,145	10,101,585	10,443,191	10,583,744
Plan Fiduciary Net Position - Ending	$ 8,404,425	$ 10,307,855	$ 9,595,145	$ 10,101,585	$ 10,443,191
Net OPEB Liability - Ending	$ (3,733,241)	$ (4,556,315)	$ (3,495,044)	$ (3,276,420)	$ (3,446,225)
Covered - Employee Payroll	$ 18,282,935	$ 18,572,493	$ 18,031,547	$ 17,973,472	$ 17,449,973
Districts's Total OPEB Liability as a Percentage of Covered Employee Payroll	-20.42% %	-24.53% %	-19.38% %	-18.23% %	-19.75% %

Note: This schedule intended to show 10-year trends. Additional years will be reported as they become available.

Notes to the Required Supplementary Information – OPEB

The following benefit changes occurred:

2022 - Employees who continue on the $3,000 or $5,000 BCBS medical plans in retirement are now paid $1,800 annually to an HRA until reaching Medicare eligibility. Directors' post-employment subsidized benefits are only available to those who are hired prior to July 1, 2001.

2021 - None.

2020 - None.

The following changes in assumptions occurred:

2022 - The health care trend rates, dental trend rates, mortality tables, salary increase rates for non-teachers, and withdrawal rates were updated.

2021 - The health care trend rates, mortality tables, and salary increase rates were updated.

2020 - The health care trend rates were changed to better anticipate short term and long term medical increases.

The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale.

The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and contract group.

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COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS, SCHEDULES AND TABLE

INDEPENDENT SCHOOL DISTRICT NO. 256
RED WING, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2022

Independent School District No. 256

Red Wing, Minnesota
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2022

	Special Revenue		Capital Projects	
	Food Service	Community Service	Building Construction	Total
Assets				
Cash and temporary investments	$ 702,894	$ 958,324	$ 1,737,710	$ 3,398,928
Receivables				
Accounts and interest	-	91,785	-	91,785
Taxes				
Current	-	186,284	-	186,284
Delinquent	-	1,886	-	1,886
Due from other school districts	-	19,684	22,000	41,684
Intergovernmental	27,208	241,382	-	268,590
Prepaid items	5,300	-	-	5,300
Inventories	46,855	-	-	46,855
Total Assets	$ 782,257	$ 1,499,345	$ 1,759,710	$ 4,041,312
Liabilities				
Salaries payable	$ 57,609	$ 116,572	$ -	$ 174,181
Accounts and other payables	13,411	87,781	-	101,192
Due to other school districts	-	16,628	-	16,628
Due to other governments	-	11,384	-	11,384
Unearned revenue	63,108	156,786	-	219,894
Total Liabilities	134,128	389,151	-	523,279
Deferred Inflows of Resources				
Property taxes levied for subsequent year	-	383,330	-	383,330
Unavailable revenue - delinquent property taxes	-	1,886	-	1,886
Total Deferred Inflows of Resources	-	385,216	-	385,216
Fund Balances				
Nonspendable for				
Inventories	46,855	-	-	46,855
Prepaid	5,300	-	-	5,300
Restricted for				
Community education	-	562,267	-	562,267
Adult basic education	-	12,187	-	12,187
Community service	-	150,524	-	150,524
Food service	595,974	-	-	595,974
Building construction	-	-	1,759,710	1,759,710
Total Fund Balances	648,129	724,978	1,759,710	3,132,817
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 782,257	$ 1,499,345	$ 1,759,710	$ 4,041,312

Independent School District No. 256

Red Wing, 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		Capital Projects	
	Food Service	Community Service	Building Construction	Total
Revenues				
Local property tax levies	$ -	$ 555,578	$ -	$ 555,578
Other local and county revenue	133,816	1,960,827	22,000	2,116,643
Interest earned on investments (losses)	-	-	674	674
Revenue from state sources	69,705	331,570	-	401,275
Revenue from federal sources	2,069,004	109,229	-	2,178,233
Total Revenues	2,272,525	2,957,204	22,674	5,252,403
Expenditures				
Current				
Community education and services	-	2,810,680	-	2,810,680
Pupil support services	2,036,299	4,076	-	2,040,375
Capital outlay	-	44,512	19,777	64,289
Debt service				
Bond issuance costs	-	-	64,469	64,469
Total Expenditures	2,036,299	2,859,268	84,246	4,979,813
Excess (Deficiency) of Revenues Over (Under) Expenditures	236,226	97,936	(61,572)	272,590
Other Financing Sources (Uses)				
Bonds issued	-	-	1,672,871	1,672,871
Premium on bonds issued	-	-	11,797	11,797
Other Financing Sources (Uses)	-	-	1,684,668	1,684,668
Net Change In Fund Balances	236,226	97,936	1,623,096	1,957,258
Fund Balances, July 1	411,903	627,042	136,614	1,175,559
Fund Balances, June 30	$ 648,129	$ 724,978	$ 1,759,710	$ 3,132,817

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Independent School District No. 256
Red Wing, Minnesota
General Fund
Balance Sheet
June 30, 2022
(With Comparative Totals for the Year Ended June 30, 2021)

	2022	2021
Assets		
Cash and temporary investments	$ 11,063,952	$ 10,668,498
Receivables		
Taxes		
Current	4,239,804	4,362,631
Delinquent	41,156	44,622
Accounts and interest	26,080	86,401
Due from other school districts	197,935	96,295
Intergovernmental	4,142,937	3,546,771
Due from other funds	63,842	80,982
Due from fiduciary fund	175,383	222,674
Lease receivable	618,190	-
Prepaid items	458,360	400,838
Total Assets	$ 21,027,639	$ 19,509,712
Liabilities		
Salaries payable	$ 1,108,061	$ 1,027,047
Accounts and other payables	377,031	913,913
Due to other school districts	1,050,015	185,552
Due to other governments	89,382	81,726
Accrued expenses	1,117,518	1,063,338
Unearned revenue	42,622	36,311
Total Liabilities	3,784,629	3,307,887
Deferred Inflows of Resources		
Property taxes levied for subsequent year	8,099,619	8,438,350
Unavailable revenue - delinquent property taxes	41,156	44,622
Lease revenue	606,326	-
Total Deferred Inflows of Resources	8,747,101	8,482,972
Fund Balances		
Nonspendable for		
Prepaid items	458,360	400,838
Restricted for		
Student activities	104,831	90,013
Staff development	187,070	182,387
Operating capital	395,546	395,546
Long term facility maintenance	1,427,323	1,059,592
Restricted for area learning center	-	65,658
Assigned		
Student activities	205,653	171,266
Unassigned	5,717,126	5,353,553
Total Fund Balances	8,495,909	7,718,853
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 21,027,639	$ 19,509,712

Independent School District No. 256
Red Wing, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued on the Following Page)
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	$ 8,909,199	$ 8,955,372	$ 8,963,280	$ 7,908	$ 9,493,076
Other local and county revenue	1,216,448	1,693,343	1,212,726	(480,617)	1,166,706
Interest earned on investments (losses)	50,000	50,000	(43,292)	(93,292)	58,042
Revenue from state sources	25,171,181	25,172,791	25,477,574	304,783	25,545,804
Revenue from federal sources	947,133	2,806,830	2,608,190	(198,640)	2,701,300
Student activities	92,840	73,686	105,913	32,227	98,653
Sales and other conversion of assets	2,316	1,784	37	(1,747)	41
Total Revenues	36,389,117	38,753,806	38,324,428	(429,378)	39,063,622
Expenditures					
Current					
Administration					
Salaries	915,374	1,068,528	1,211,752	(143,224)	950,527
Employee benefits	362,349	392,962	392,553	409	320,039
Purchased services	81,723	78,910	41,989	36,921	117,245
Supplies and materials	20,116	19,116	12,575	6,541	17,902
Other expenditures	43,409	33,421	30,138	3,283	28,714
Total administration	1,422,971	1,592,937	1,689,007	(96,070)	1,434,427
District support services					
Salaries	236,424	238,925	239,525	(600)	232,680
Employee benefits	112,759	142,056	116,982	25,074	81,791
Purchased services	568,045	627,845	563,276	64,569	635,161
Supplies and materials	24,360	37,510	50,060	(12,550)	22,411
Other expenditures	(2,012)	(545)	3,352	(3,897)	9,061
Total district support services	939,576	1,045,791	973,195	72,596	981,104
Elementary and secondary regular instruction					
Salaries	8,047,911	8,588,665	8,393,142	195,523	9,084,377
Employee benefits	3,098,012	2,870,122	2,850,852	19,270	2,980,262
Purchased services	883,518	1,868,956	1,785,252	83,704	1,585,222
Supplies and materials	462,464	782,985	587,428	195,557	533,052
Other expenditures	7,552	125,475	375,330	(249,855)	5,578
Total elementary and secondary regular instruction	12,499,457	14,236,203	13,992,004	244,199	14,188,491
Vocational education instruction					
Salaries	758,183	625,637	570,759	54,878	630,319
Employee benefits	322,506	248,136	234,902	13,234	225,449
Purchased services	5,905	6,416	2,112	4,304	3,098
Supplies and materials	18,298	18,548	27,722	(9,174)	18,485
Total vocational education instruction	1,104,892	898,737	835,495	63,242	877,351
Special education instruction					
Salaries	5,432,648	5,334,940	5,437,344	(102,404)	5,125,979
Employee benefits	1,907,790	1,757,096	1,707,053	50,043	1,639,337
Purchased services	458,746	291,760	250,425	41,335	436,829
Supplies and materials	42,472	42,472	31,600	10,872	4,436
Other expenditures	75,200	76,101	109,598	(33,497)	88,471
Total special education instruction	7,916,856	7,502,369	7,536,020	(33,651)	7,295,052

Independent School District No. 256
Red Wing, 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	$ 1,155,386	$ 1,064,875	$ 1,062,739	$ 2,136	$ 1,056,185
Employee benefits	460,459	397,624	388,653	8,971	390,934
Purchased services	214,056	400,928	278,872	122,056	342,284
Supplies and materials	253,997	717,365	622,092	95,273	367,874
Other expenditures	14,212	63,300	53,064	10,236	4,866
Total instructional support services	2,098,110	2,644,092	2,405,420	238,672	2,162,143
Pupil support services					
Salaries	765,747	749,289	800,996	(51,707)	823,014
Employee benefits	297,305	231,019	222,355	8,664	239,925
Purchased services	2,820,374	2,971,222	2,944,971	26,251	2,700,326
Supplies and materials	69,379	171,794	125,210	46,584	75,488
Total pupil support services	3,952,805	4,123,324	4,093,532	29,792	3,838,753
Sites and buildings					
Salaries	1,538,162	1,559,536	1,555,893	3,643	1,463,774
Employee benefits	631,757	596,534	565,623	30,911	593,644
Purchased services	2,179,027	2,173,498	1,758,164	415,334	1,700,182
Supplies and materials	351,278	480,465	443,785	36,680	396,346
Other expenditures	2,000	900	1,621	(721)	4,521
Total sites and buildings	4,702,224	4,810,933	4,325,086	485,847	4,158,467
Student activities					
Salaries	494,365	493,846	461,358	32,488	441,708
Employee benefits	104,255	113,015	95,918	17,097	89,079
Purchased services	220,242	234,554	199,958	34,596	147,125
Supplies and materials	212,614	194,808	136,113	58,695	79,925
Other expenditures	9,000	9,000	8,910	90	19,933
Total student activities	1,040,476	1,045,223	902,257	142,966	777,770
Fiscal and other fixed cost programs					
Purchased services	162,529	177,392	177,447	(55)	170,761
Total Current	35,839,896	38,077,001	36,929,463	1,147,538	35,884,319
Capital outlay					
Administration	18,403	14,792	4,614	10,178	803
District support services	54,922	25,028	22,096	2,932	-
Elementary and secondary regular instruction	103,275	71,896	62,807	9,089	102,717
Special education instruction	5,000	5,000	7,524	(2,524)	1,825
Instructional support services	296,364	401,597	351,700	49,897	252,424
Sites and buildings	91,200	18,642	71,421	(52,779)	536,272
Student activities	3,000	3,000	4,969	(1,969)	-
Total Capital Outlay	572,164	539,955	525,131	14,824	894,041
Debt service					
Principal	114,540	-	124,253	(124,253)	85,772
Interest and other charges	-	-	12,487	(12,487)	8,962
Total debt service	114,540	-	136,740	(136,740)	94,734
Total Expenditures	36,526,600	38,616,956	37,591,334	1,025,622	36,873,094
Excess (Deficiency) of Revenues Over (Under) Expenditures	(137,483)	136,850	733,094	596,244	2,190,528
Other Financing Sources (Uses)					
Sale of assets	3,783	-	25,000	25,000	3,783
Insurance recovery	-	4,729	18,962	14,233	97
Total Other Financing Sources (Uses)	3,783	4,729	43,962	39,233	3,880
Net Change In Fund Balances	(133,700)	141,579	777,056	635,477	2,194,408
Fund Balances, July 1	7,718,853	7,718,853	7,718,853	-	5,524,445
Fund Balances, June 30	$ 7,585,153	$ 7,860,432	$ 8,495,909	$ 635,477	$ 7,718,853

Independent School District No. 256
Red Wing, 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 (losses)	$ 750	$ 750	$ -	$ (750)	$ 2,112
Other local and county revenues	128,875	121,840	133,816	11,976	30,812
Revenue from state sources	2,500	25,800	69,705	43,905	56,182
Revenue from federal sources	1,678,000	1,661,000	2,069,004	408,004	1,738,924
Total Revenues	1,810,125	1,809,390	2,272,525	463,135	1,828,030
Expenditures					
Current					
Pupil support services					
Salaries	591,771	563,481	587,591	(24,110)	625,113
Employee benefits	219,667	230,527	244,349	(13,822)	236,045
Purchased services	3,800	28,339	27,663	676	39,478
Supplies and materials	970,475	1,167,395	1,174,027	(6,632)	762,471
Other expenditures	2,650	3,650	2,669	981	3,178
Total Expenditures	1,788,363	1,993,392	2,036,299	(42,907)	1,666,285
Net Change In Fund Balances	21,762	(184,002)	236,226	420,228	161,745
Fund Balances, July 1	-	411,903	411,903	-	250,158
Fund Balances, June 30	$ 21,762	$ 227,901	$ 648,129	$ 420,228	$ 411,903

Independent School District No. 256
Red Wing, 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	$ 555,604	$ 555,397	$ 555,578	$ 181	$ 545,011
Other local and county revenue	1,156,830	1,647,287	1,960,827	313,540	1,301,239
Interest earned on investments (losses)	-	-	-	-	4,041
Revenue from state sources	339,104	335,401	331,570	(3,831)	352,332
Revenue from Federal sources	57,762	125,502	109,229	(16,273)	164,675
Total Revenues	2,109,300	2,663,587	2,957,204	293,617	2,367,298
Expenditures					
Current					
Community education and services					
Salaries	1,310,887	1,231,674	1,500,127	(268,453)	1,206,143
Employee benefits	363,223	436,941	458,751	(21,810)	352,759
Purchased services	321,906	571,320	573,968	(2,648)	533,237
Supplies and materials	131,659	211,950	267,959	(56,009)	120,608
Other expenditures	8,633	8,533	9,875	(1,342)	8,943
Total community education and services	2,136,308	2,460,418	2,810,680	(350,262)	2,221,690
Pupil support services					
Salaries	6,169	4,913	2,943	1,970	6,243
Employee benefits	1,254	1,214	1,133	81	1,115
Total pupil support services	7,423	6,127	4,076	2,051	7,358
Total Current	2,143,731	2,466,545	2,814,756	(348,211)	2,229,048
Capital outlay					
Community education and services	23,300	173,860	44,512	129,348	13,725
Total Expenditures	2,167,031	2,640,405	2,859,268	(218,863)	2,242,773
	-				
Net Change in Fund Balances	(57,731)	23,182	97,936	74,754	124,525
Fund Balances, July 1	627,042	627,042	627,042	-	502,517
Fund Balances, June 30	$ 569,311	$ 650,224	$ 724,978	$ 74,754	$ 627,042

Independent School District No. 256

Red Wing, Minnesota
Building Construction 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					
Other local and county revenue	$ 22,000	$ 22,000	$ 22,000	$ -	$ 22,000
Interest earned on investments (losses)	50	50	674	624	14
Total Revenues	22,050	22,050	22,674	624	22,014
Expenditures					
Current					
Sites and buildings					
Purchased services	-	-	-	-	7,503
Capital outlay					
Sites and buildings	22,050	158,664	19,777	138,887	-
Debt service					
Bond issuance costs	-	-	64,469	(64,469)	-
Total Expenditures	22,050	158,664	84,246	74,418	7,503
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	-	(136,614)	(61,572)	75,042	14,511
Other Financing Sources (Uses)					
Bonds issued	-	-	1,672,871	(1,672,871)	-
Premium on bonds issued	-	-	11,797	(11,797)	-
Total Other Financing Sources (Uses)	-	-	1,684,668	(1,684,668)	-
Net Change in Fund Balances	-	(136,614)	1,623,096	1,759,710	14,511
Fund Balances, July 1	-	136,614	136,614	-	122,103
Fund Balances, June 30	$ -	$ -	$ 1,759,710	$ 1,759,710	$ 136,614

Independent School District No. 256
Red Wing, 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	$ 1,575,791	$ 1,577,125	$ 1,582,169	$ 5,044	$ 1,671,659
Interest earned on investments (losses)	4,000	4,000	-	(4,000)	10,071
Revenue from state sources	72,179	70,845	70,831	(14)	72,178
Total Revenues	1,651,970	1,651,970	1,653,000	1,030	1,753,908
Expenditures					
Debt service					
Principal	1,080,000	1,080,000	1,080,000	-	1,050,000
Interest and other charges	573,363	573,363	576,264	(2,901)	603,263
Total Expenditures	1,653,363	1,653,363	1,656,264	(2,901)	1,653,263
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,393)	(1,393)	(3,264)	(1,871)	100,645
Other Financing Sources (Uses)					
Bonds issued	-	-	32,129	32,129	-
Net Change in Fund Balances	(1,393)	(1,393)	28,865	30,258	100,645
Fund Balances, July 1	932,561	932,561	932,561	-	831,916
Fund Balances, June 30	$ 931,168	$ 931,168	$ 961,426	$ 30,258	$ 932,561

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Independent School District No. 256
Red Wing, Minnesota
Schedules of Tax Capacity, Tax Levy and Tax Rates
For the Years Ended June 30, 2022 and 2021

	2022	2021
Tax Capacity		
Agricultural	$ 3,105,363	$ 3,091,239
Nonagricultural	37,774,071	37,369,252
Total	$ 40,879,434	$ 40,460,491
Tax Levy		
General	$ 8,806,641	$ 9,099,328
Community Service	383,330	397,033
Debt Service	1,546,936	1,647,727
Total	$ 10,736,907	$ 11,144,088
Tax Capacity Rates		
General	5.855	5.747
Community Service	0.929	0.966
Debt Service	3.749	4.009
Total	10.533	10.722

DEPARTMENT OF EDUCATION

Fiscal Compliance

Fiscal Compliance Report - 6/30/2022
District: RED WING (256-1)

01 GENERAL FUND

	Audit	UFARS	Audit - UFARS
Total Revenue	$38,324,428	$38,324,429	($1)
Total Expenditures	$37,837,241	$37,837,243	($2)
Non Spendable:			
4.60 Non Spendable Fund Balance	$458,360	$458,360	$0
Restricted / Reserved:			
4.01 Student Activities	$104,831	$104,831	$0
4.02 Scholarships	$0	$0	$0
4.03 Staff Development	$187,070	$187,072	($2)
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	$395,546	$395,546	$0
4.26 $25 Taconite	$0	$0	$0
4.27 Disabled Accessibility	$0	$0	$0
4.28 Learning & Development	$0	$0	$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	$0	$0	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.41 Basic Skills Programs	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.49 Safe School Crime - Crime Levy	$0	$0	$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	$1,427,323	$1,427,323	$0
4.72 Medical Assistance	$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
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	$205,653	$205,653	$0
Unassigned:			
4.22 Unassigned Fund Balance	$5,717,126	$5,717,125	$1

02 FOOD SERVICES

	Audit	UFARS	Audit - UFARS
Total Revenue	$2,272,525	$2,272,523	$2
Total Expenditures	$2,036,299	$2,036,297	$2
Non Spendable:			
4.60 Non Spendable Fund Balance	$52,155	$52,155	$0
Restricted / Reserved:			
4.52 OPEB Liab Not In Trust			

06 BUILDING CONSTRUCTION

	Audit	UFARS	Audit - UFARS
Total Revenue	$22,674	$22,674	$0
Total Expenditures	$84,250	$84,247	$3
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	$1,620,198	$1,620,200	($2)
Restricted:			
4.64 Restricted Fund Balance	$139,508	$139,509	($1)
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

07 DEBT SERVICE

	Audit	UFARS	Audit - UFARS
Total Revenue	$1,649,027	$1,649,026	$1
Total Expenditures	$1,656,264	$1,656,263	$1
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	$470,553	$470,553	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

08 TRUST

	Audit	UFARS	Audit - UFARS
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

	Audit	UFARS	Audit - UFARS
Total Revenue	$443,797	$443,798	($1)
Total Expenditures	$451,359	$451,361	($2)
Restricted / Reserved:			
4.01 Student Activities	$0	$0	$0
4.02 Scholarships	$69,201	$69,202	($1)
4.48 Achievement and Integration	$0	$0	$0
4.64 Restricted Fund Balance	$0	$0	$0

20 INTERNAL SERVICE

	Audit	UFARS	Audit - UFARS
Total Revenue	$435,134	$435,134	$0
Total Expenditures	$411,847	$411,847	$0
4.22 Unassigned Fund Balance (Net Assets)	$47,513	$47,513	$0

25 OPEB REVOCABLE TRUST

	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures			

	$0	$0	$0
4.74 EIDL Loan	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$595,974	$595,974	$0
Unassigned:			
4.63 Unassigned Fund Balancee	$0	$0	$0

04 COMMUNITY SERVICE

Total Revenue	$2,957,204	$2,957,195	$9
Total Expenditures	$2,859,268	$2,859,259	$9
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.26 $25 Taconite	$0	$0	$0
4.31 Community Education	$562,267	$562,268	($1)
4.32 E.C.F.E	($4,781)	($4,783)	$2
4.40 Teacher Development and Evaluation	$0	$0	$0
4.44 School Readiness	($16,186)	($16,187)	$1
4.47 Adult Basic Education	$12,187	$12,189	($2)
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	$171,491	$171,492	($1)
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

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

45 OPEB IRREVOCABLE TRUST

Total Revenue	($884,996)	($884,997)	$1
Total Expenditures	$1,018,463	$1,018,463	$0
4.22 Unassigned Fund Balance (Net Assets)	$8,404,396	$8,404,395	$1

47 OPEB DEBT SERVICE

Total Revenue	$3,973	$3,973	$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	$490,873	$490,873	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

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OTHER REPORTS

INDEPENDENT SCHOOL DISTRICT NO. 256
RED WING, 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. 256
Red Wing, 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. 256, Red Wing, Minnesota, (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements which collectively compromise the District's basic financial statements, and have issued our report thereon dated November 30, 2022.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the Minnesota Legal Compliance Audit Guide for Districts, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, except as described in the Schedule of Findings, Responses and Questioned Costs as items 2022-001. 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 response to the findings in our audit are described in the accompanying schedule of findings, responses and questioned Costs. We did not audit the District's response and, accordingly, we express no opinion on them.

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

Abdo

Abdo
Mankato, Minnesota
November 30, 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. 256
Red Wing, 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. 256, Red Wing, 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 November 30, 2022.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 one instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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Mankato, Minnesota
November 30, 2022

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FEDERAL FINANCIAL AWARD PROGRAMS

INDEPENDENT SCHOOL DISTRICT NO. 256
RED WING, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2022

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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. 256
Red Wing, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Independent School District No. 256, Red Wing, Minnesota, (the District) compliance 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 federal 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 June 30, 2022

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2022-001. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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.

Abdo

Abdo
Mankato, Minnesota
November 30, 2022

Independent School District No. 256
Red Wing, 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 Agriculture	Minnesota Department of Education	National School Lunch Program	10.555	1000003875	$ 1,234,355	
U.S. Department of Agriculture	Minnesota Department of Education	Commodity Supplement Food Program	10.555	1000003875	121,997 *	
U.S. Department of Agriculture	Minnesota Department of Education	COVID-19 - Supply Chain Assistance	10.555C	1000003875	33,265	
U.S. Department of Agriculture	Minnesota Department of Education	School Breakfast Program	10.553	1000003875	524,239	
U.S. Department of Agriculture	Minnesota Department of Education	Summer Food Service Program for Children	10.559	1000003875	153,551	
		Total Child Nutrition cluster				$ 2,067,407
U.S. Department of Education	Goodhue County Education District Flow through payments	Special Education Grants to States	84.027	256304	304,319	
		Total Special Education cluster				304,319
U.S. Department of Education	Minnesota Department of Education	Adult Education - Basic Grants to States	84.002	S424A210024		57,880
U.S. Department of Education	Minnesota Department of Education	Title I Grants to Local Educational Agencies	84.010	S010A210023A		332,425
U.S. Department of Education	Goodhue County Education District Flow through payments	Career and Technical Education -- Basic Grants to States	84.048	256304		13,065
U.S. Department of Education	Direct	Indian Education Grants to Local Educational Agencies	84.060	N/A		24,125
U.S. Department of Education	Minnesota Department of Education	Rehabilitation Services–Vocational Rehabilitation Grants to States	84.126	N/A		220
U.S. Department of Education	Goodhue County Education District Flow through payments	Special Education - Grants for Infants and Families	84.181	256304		18,796
U.S. Department of Education	Minnesota Department of Education	Improving Teacher Quality State Grants	84.367	S367A210022		63,669
U.S. Department of Education	Minnesota Department of Education	Student Support and Academic Enrichment Program	84.424	S424A210024		22,834
U.S. Department of Education	Minnesota Department of Education	COVID-19 - Governor's Emergency Education Relief Fund (GEER Expanded Summer Learning)	84.425C	N/A		44,579
U.S. Department of Education	Minnesota Department of Education	COVID-19 - Governor's Emergency Education Relief Fund (GEER Summer School Age Care)	84.425CC	N/A		25,650
U.S. Department of Education	Minnesota Department of Education	COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER III)	84.425DC	N/A		1,188
U.S. Department of Education	Minnesota Department of Education	COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief Fund (ARP ESSER)	84.425UC	N/A		1,154,236
U.S. Department of Health and Human Services	Minnesota Department of Human Services	Emergency Connectivity Fund Program	32.009	N/A		447,027
U.S. Department of Health and Human Services	Minnesota Department of Human Services	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	N/A		78,670
U.S. Department of Treasury	Minnesota Department of Revenue	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A		121,548
U.S. Department of Agriculture	Minnesota Department of Education	Child and Adult Care Food Program (CACFP)	10.558	N/A		1,597
U.S. Department of Agriculture	Minnesota Department of Education	State Pandemic Electronic Benefit Transfer (P-EBT) Administrative Costs Grants	10.649	N/A		7,188
		Total Other Programs				2,414,697
			Total Expended			$ 4,786,423

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

Independent School District No. 256
Red Wing, Minnesota
Notes to the Schedule of Expenditures of Federal Awards
For The Year Ended June 30, 2022

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. 256, Red Wing, 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.

Note 3: Pass-through Entity Identifying Numbers

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

Note 4: Sub recipients

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 percent de Minimis indirect cost rate.

Independent School District No. 256
Red Wing, 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?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
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?	None reported
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/Projects	**CFDA No.**
Title I Grants to Local Educational Agencies	84.010
Education Stabilization Fund Under The Coronavirus Aid, Relief, and Economic Security Act	84.425

Dollar threshold used to distinguish between Type A and Type B Programs	$ 750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

None

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.

Finding	**Description**
2022-001	**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 $702,894 which exceeds the allowable three months average expenditures of $671,979.
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 is aware of the condition and will take the proper steps to ensure compliance in future periods.

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Red Wing Public Schools
2451 Eagle Ridge Drive
Red Wing, MN 55066

Phone 651.385.4500 www.redwing.k12.mn.us Fax 651.385.4510

2022-001 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 Finding:

The District will monitor cash in the Food Service Fund for the upcoming year.

3. Official Responsible for Ensuring CAP:

Frank Norton, Superintendent, is the official responsible for ensuring corrective action.

4. Planned Completion Date for CAP:

6/30/2023

5. Plan to Monitor Completion of CAP:

The Board of Education will be monitoring this corrective action plan.

Frank Norton
Superintendent