

This section of Greenbush Middle River School District – Independent School District No. 2683's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2022. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

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

- *General Fund 01* – The overall revenues were \$4,801,501 while the overall expenditures were \$4,716,440, increasing the fund balance by \$85,061.
- *Food Service Fund 02* – The overall revenues were \$269,491 while the overall expenditures were \$249,336, increasing the fund balance by \$20,155.
- *Community Service Fund 04* – The overall revenues were \$75,970 while the overall expenditures were \$34,362, increasing the fund balance by \$41,608.
- *Capital Projects Fund 06* – The overall revenues were \$0 while the overall expenditures were \$11,045. These, along with net other financing sources of \$147,356, increased the fund balance by \$136,311.
- *Debt Service Fund 07* – The overall revenues were \$61,393 while the overall expenditures were \$61,277. These, along with net other financing sources of \$2,644, increased the fund balance by \$2,760.

Overview of the Financial Statements

Government-Wide Statements

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

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

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

In the government-wide financial statement the District's activities are shown in one category:

- *Governmental Activities* – All of the District's basic services are included here, such as regular and special education, transportation, administration, food service, and community education. Property taxes and state aids finance most of these activities.

Fund Financial Statements

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

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using revenues (e.g., federal grants).

The District has one kind of fund:

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

Financial Analysis of the District as a Whole

Net Position

The District's combined net deficit was \$2,150,062 on June 30, 2022.

Statement of Net Position
Years Ended June 30, 2022 and 2021

	2022	2021
Assets		
Current assets	\$ 1,932,663	\$ 1,456,877
Capital assets	2,051,178	1,886,971
Total assets	3,983,841	3,343,848
Deferred Outflows of Resources	994,091	1,386,739
Liabilities		
Other liabilities	373,448	311,892
Long-term liabilities	2,471,075	3,377,833
Total liabilities	2,844,523	3,689,725
Deferred Inflows of Resources	4,283,471	3,879,637
Net Deficit		
Net investment in capital assets	1,588,179	1,596,971
Restricted for specific purposes	973,770	742,393
Unrestricted	(4,712,011)	(5,178,139)
Total net deficit	\$ (2,150,062)	\$ (2,838,775)

Independent School District No. 2683
Greenbush Middle River School District
Management's Discussion and Analysis
Year Ended June 30, 2022

Changes in Net Deficit – The District's total revenues were approximately \$5.2 million for the year ended June 30, 2022. Property taxes and state formula aid accounted for 83.8% of total revenue for the year. Another 14.4% came from program revenues.

The total cost of all programs and services was approximately \$4.5 million. The District's expenses are predominantly related to educating and caring for students. The purely administrative activities of the District accounted for just 6.0% of total costs.

The total revenues exceeded expenses, decreasing the net deficit by approximately \$0.7 million for fiscal year 2022.

Statement of Activities
Years Ended June 30, 2022 and 2021

	2022	2021
Revenues		
Program revenues		
Charges for service	\$ 420,099	\$ 215,271
Operating grants and contributions	330,698	626,846
General		
Property taxes	420,225	299,305
Aids and payments from state and other	3,939,883	3,183,614
Miscellaneous revenues	90,871	185,077
Total revenues	5,201,776	4,510,113
Expenses		
Administration	271,212	314,567
District support services	196,166	259,977
Regular instruction	1,806,318	2,351,375
Vocational instruction	76,296	75,134
Special education instruction	501,664	565,012
Community education and services	30,180	27,708
Instructional support services	152,403	104,290
Pupil support services	806,000	688,052
Sites and buildings	619,593	564,820
Fiscal and other fixed-cost programs	53,231	49,592
Total expenses	4,513,063	5,000,527
Change in Net Deficit	688,713	(490,414)
Net Deficit - Beginning	(2,838,775)	(2,348,361)
Net Deficit - Ending	\$ (2,150,062)	\$ (2,838,775)

Independent School District No. 2683
Greenbush Middle River School District
Management's Discussion and Analysis
Year Ended June 30, 2022

General Fund

The General Fund includes the primary operations of the District in providing educational services to students from kindergarten through grade 12, including pupil transportation activities, buildings and grounds, and capital outlay projects.

The following schedule presents a summary of General Fund Revenues.

	Year Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2022	2021		
Local property taxes	\$ 353,046	\$ 247,903	\$ 105,143	42.4%
Other local sources	621,999	287,180	334,819	116.6%
State sources	3,381,527	3,379,202	2,325	0.1%
Federal sources	440,759	222,792	217,967	97.8%
Miscellaneous	4,170	3,185	985	30.9%
Total general fund revenues	\$ 4,801,501	\$ 4,140,262	\$ 661,239	16.0%

Total General Fund revenue increased by \$661,239 or 16.0% from the previous year. Basic general education revenue is determined by a state per student funding formula and consists of an equalized mix of property tax and state aid revenue. The mix of property tax and state aid can change significantly from year to year without any net change on revenue. Federal aid increased during 2022 as a result of additional grant funding received through the CARES Act for the ongoing COVID 19 pandemic.

The following schedule presents a summary of General Fund expenditures.

	Year Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2022	2021		
Salaries and benefits	\$ 2,994,315	\$ 3,410,626	\$ (416,311)	-12.2%
Purchased services	701,877	675,765	26,112	3.9%
Supplies and materials	656,162	444,410	211,752	47.6%
Capital expenditures	327,266	169,335	157,931	93.3%
Other expenditures	36,820	70,687	(33,867)	-47.9%
Total general fund expenditures	\$ 4,716,440	\$ 4,770,823	\$ (54,383)	-1.1%

Total General Fund expenditures decreased by \$54,383 or 1.1% from the previous year. The majority of the decrease in expenditures for 2022 was for salaries and benefits of district staff. In addition, supplies and materials increased for COVID related purchases.

General Fund Budgetary Highlights

The District's general fund results when compared to the final budget are:

- Actual revenues were \$671,448 more than budget, mainly because of greater than anticipated revenue from federal sources and local sources other than property tax levies.
- Actual expenditures were \$326,467 more than budget.

Other Non-Major Funds

The Food Service Fund incurred a current year surplus of \$20,155. The Community Service Fund incurred a current year surplus of \$41,608. From the standpoint of maintaining current operating expenditures within the range of annual revenue, the Community Service Fund and Food Service Fund continue to operate on a sound financial basis. The Capital Projects Fund incurred a current year surplus of \$136,311 resulting from a bond issuance during the year.

Capital Assets

By the end of fiscal year 2022, the District had invested approximately \$6.9 million in a broad range of capital assets, including school buildings, athletic facilities, computer and audit-visual equipment, and school vehicles. Total depreciation/amortization expense for the year was \$261,743. Note 5 presents the detail of the District's capital assets.

Capital Assets Governmental Activities
Years Ended June 30, 2022 and 2021

	2022	2021 (Restated)
Land	\$ 3,048	\$ 3,048
Buildings	4,531,202	4,478,774
Improvements	196,670	180,875
Equipment	2,109,689	1,919,343
Right-to-Use Lease Assets	98,684	98,684
Accumulated Depreciation/Amortization	(4,888,115)	(4,695,069)
Total capital assets	\$ 2,051,178	\$ 1,985,655

Long-Term Liabilities

At year end the District had \$651,960 of long term debt, excluding pension and OPEB liabilities. This consisted of bonded indebtedness of \$385,000, leases payable of \$77,999, and severance payable of \$188,961. Note 7 presents the detail of the District's long-term debt. Note 6 presents the details of the District's leases. The District has \$114,932 in liabilities for other postemployment benefits. See Note 8 for further information on OPEB obligations. The District has \$1,704,183 in net pension liability at June 30, 2022. See Note 9 for further information on pensions.

Factors Bearing on the District's Future

With the exception of voter-approved excess operating referendum, the District is dependent on the State of Minnesota for its revenue authority. The state did allocate additional resources to school districts at a much greater level in the next two years than has been seen for quite some time. However, with the continuing uncertainty of funding sustainability and a substantial change across the district surrounding the opening of the new high school and reconfiguration of grade levels at every building, the District will continue to monitor its spending to remain fiscally responsible.

During 2022, the District received federal grant funding related to the global COVID-19 pandemic under the Elementary and Secondary School Emergency Relief Fund (ESSER) grant, as well as other federal grants. Grant funding will be used to cover COVID-19 expenditures of the district. This global pandemic has created unprecedented challenges for Federal, State and Local Government operations, creating uncertainty in the outcome of the budget.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or would like additional information, contact the Business Office, Independent School District No. 2683, Greenbush, Minnesota.