

**FINANCIAL STATEMENTS**

**INDEPENDENT SCHOOL DISTRICT NO. 2689  
PIPESTONE AREA SCHOOLS  
PIPESTONE, MINNESOTA 56164**

**FOR THE YEAR ENDING JUNE 30, 2022**

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



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Independent School District No. 2689  
Pipestone Area Schools  
Pipestone, Minnesota

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

**BOARD OF EDUCATION**

<b><u>Name</u></b>	<b><u>Office</u></b>	<b><u>Term Expires</u></b>
Jeff Baatz	Chairman (1/1/19-present)	12/31/22
Randy Erdman	Vice Chairman (1/1/19-present)	12/31/24
Katie Wiese	Clerk (1/1/19-present)	12/31/24
Brad Carson	Treasurer (1/1/19-present)	12/31/22
Lance Oye	Director (1/1/19-present)	12/31/24
Amy Nelson	Director (1/1/19-present)	12/31/22
Chrissy DeBates	Director (1/1/21-present)	12/31/24

**ADMINISTRATIVE PERSONNEL**

Kevin Enerson	Superintendent
Jacque Kennedy	Business Manager

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**CERTIFIED PUBLIC ACCOUNTANTS**

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Marshall, Minnesota 56258  
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David W. Friedrichsen, CPA  
Daryl J. Kanthak, CPA  
Blake R. Klinsing, CPA  
Amy L. Mollberg, CPA

**INDEPENDENT AUDITOR'S REPORT**

To The Board of Education  
Independent School District No. 2689  
Pipestone Area Schools  
Pipestone, Minnesota

**Report on the Audit of the Financial Statements**

**Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Independent School District No. 2689, Pipestone Area Schools, Pipestone, Minnesota, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Independent School District No. 2689, Pipestone Area Schools, Pipestone, Minnesota as of June 30, 2022, and the respective changes in financial position, and the respective budgetary comparison for General Fund and Major Special Revenue Funds (Food Service Fund and Community Service Fund), for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Independent School District No. 2689, Pipestone Area Schools, Pipestone, Minnesota, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Independent School District No. 2689, Pipestone Area Schools, Pipestone, Minnesota's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Independent School District No. 2689, Pipestone Area Schools, Pipestone, Minnesota's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Independent School District 2689, Pipestone Area Schools, Pipestone, Minnesota's ability to continue as a going concern for a reasonable period of time.

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

The Financial statements include partial prior-year comparative information, which does not include all of the information required in a presentation in conformity with accounting principles generally accepted in the United States of America. The prior year partial comparative information has been derived from the District's financial statements for the year ended June 30, 2021, and in our report dated November 15, 2021, we expressed unqualified opinions on the respective financial statements of the governmental activities and each major fund. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2021, from which it was derived.

#### ***Required Supplementary Information***

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

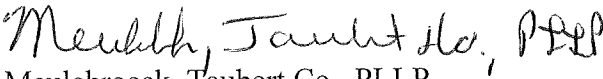
#### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Independent School District No. 2689, Pipestone Area Schools, Pipestone, Minnesota's basic financial statements. The accompanying combining and individual fund statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Uniform Financial Accounting and Reporting Standards Compliance Table are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Independent School District No. 2689  
Pipestone Area Schools  
Pipestone, Minnesota  
Page 4

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2022, on our consideration of the Independent School District No. 2689's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Independent School District No. 2689's internal control over financial reporting and compliance.

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

November 28, 2022

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

This section of the Independent School District No. 2689's annual financial report presents management's discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2022. Please read it in conjunction with the other components of the District's annual financial report.

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

**Financial Highlights**

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

- Net position increased by \$4,498,696, or 49.0% over June 30, 2021 due primarily to the GASB 68 required adjustment for TRA and PERA obligations.
- Fund Balance decreased by \$3,050,934, or 24.8% over June 30, 2021 due in part to school building project expenses in current year.
- Total governmental revenues increased by \$1,004,738 or 5.6% in comparison to fiscal year 2021, while governmental expenditures decreased by \$13,872,278 or 38.1% in comparison to fiscal year 2021 due in part to expenditures relating to the construction of the new building in prior year.

**Overview of the Financial Statements**

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

**Government-Wide Statements**

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

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

Independent School District No. 2689  
Pipestone Area Schools  
Pipestone, Minnesota

Fund Financial Statements

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

The District maintains the following funds:

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

Fiduciary Funds – The district is the trustee, or fiduciary, for assets that belong to others. 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 student activity fund is reported as an agency fund. All of the district's fiduciary activities are reported in a separate Statement of Cash Receipts and Disbursements. We exclude these activities from the district-wide financial statements because the district cannot use these assets to finance its operations.



**Financial Analysis of the District As A Whole**

As noted, net position may serve over time as a useful indicator of a government’s financial position. In the case of the Independent School District No. 2689, assets exceeded liabilities by \$13,680,748 at the close of the most recent fiscal year. This was an increase of \$4,498,696 or 49.0% from the previous year total of \$9,182,052.

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

<b>Table 1</b>		
<b>Statement of Net Position</b>		
<b>As of June 30, 2022</b>		
	<b><u>2022</u></b>	<b><u>2021</u></b>
<b>Assets</b>		
Current and other assets	14,524,995	18,362,051
Capital assets, net of depreciation	<u>41,686,541</u>	<u>38,924,344</u>
<b>Total Assets</b>	<b>56,211,536</b>	<b>57,286,395</b>
<b>Deferred Outflows of Resources</b>		
Related to OPEB	84,220	60,197
Related to Pensions	<u>2,532,968</u>	<u>803,157</u>
<b>Total Deferred Outflows of Resources</b>	<b><u>2,617,188</u></b>	<b><u>863,354</u></b>
<b>Total Assets and Deferred</b>		
<b>Outflows of Resources</b>	<b><u>58,828,724</u></b>	<b><u>58,149,749</u></b>
<b>Liabilities</b>		
Current and other liabilities	2,238,442	2,892,879
Long-term liabilities, including due within one year	<u>32,729,266</u>	<u>37,206,207</u>
<b>Total Liabilities</b>	<b>34,967,708</b>	<b>40,099,086</b>
<b>Deferred Inflows of Resources</b>		
Property Taxes Levied for Subsequent Year	3,399,834	3,577,538
Related to OPEB	52,273	12,381
Related to Pensions	<u>6,728,161</u>	<u>5,278,692</u>
<b>Total Deferred Inflows of Resources</b>	<b>10,180,268</b>	<b>8,868,611</b>
<b>Net Position</b>		
Net Investment in capital assets	14,191,958	10,323,748
Restricted	2,932,479	2,616,754
Unrestricted	<u>(3,443,689)</u>	<u>(3,758,450)</u>
<b>Net Position</b>	<b><u>13,680,748</u></b>	<b><u>9,182,052</u></b>
<b>Total Liabilities, Deferred Inflows</b>		
<b>of Resources &amp; Net Position</b>	<b><u>58,828,724</u></b>	<b><u>58,149,749</u></b>

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

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

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

<b>Revenues</b>	<u><b>2022</b></u>	<u><b>2021</b></u>
Program Revenues		
Charges for Services	305,053	205,021
Operating Grants and Contributions	4,000,091	3,851,062
General Revenues		
Property Taxes	2,968,212	2,840,115
Unrestricted Federal and State Aid	10,222,239	10,081,780
Federal Aid Restricted to Specific Purposes	1,147,514	477,903
Earnings on Investments	4,599	201,269
Bond Premium	139,852	139,852
Gain (Loss) on Sale of Property	436,050	
Other	<u>415,695</u>	<u>340,932</u>
<b>Total revenues</b>	<b>19,639,305</b>	<b>18,137,934</b>
<b>Expenses</b>		
District and School Administration	940,162	912,662
District Support Services	367,847	343,767
Regular Instruction	3,648,641	7,556,054
Vocational Instruction	379,895	349,314
Exceptional Instruction	1,931,166	1,809,790
Instructional Support Services	707,269	677,530
Pupil Support Services	1,474,167	1,463,221
Site, Buildings, and Equipment	3,266,650	2,149,274
Fiscal and Other Fixed Cost Programs	108,677	97,647
Food Service	945,367	1,164,791
Community Service	427,329	319,809
Interest and Fiscal Charges on Long-term Liabilities	<u>943,439</u>	<u>990,899</u>
<b>Total expenses</b>	<b>15,140,609</b>	<b>17,834,758</b>
<b>Change in net position</b>	<b>4,498,696</b>	<b>303,176</b>
Beginning net position	<u>9,182,052</u>	<u>8,878,876</u>
Ending net position	<u>13,680,748</u>	<u>9,182,052</u>

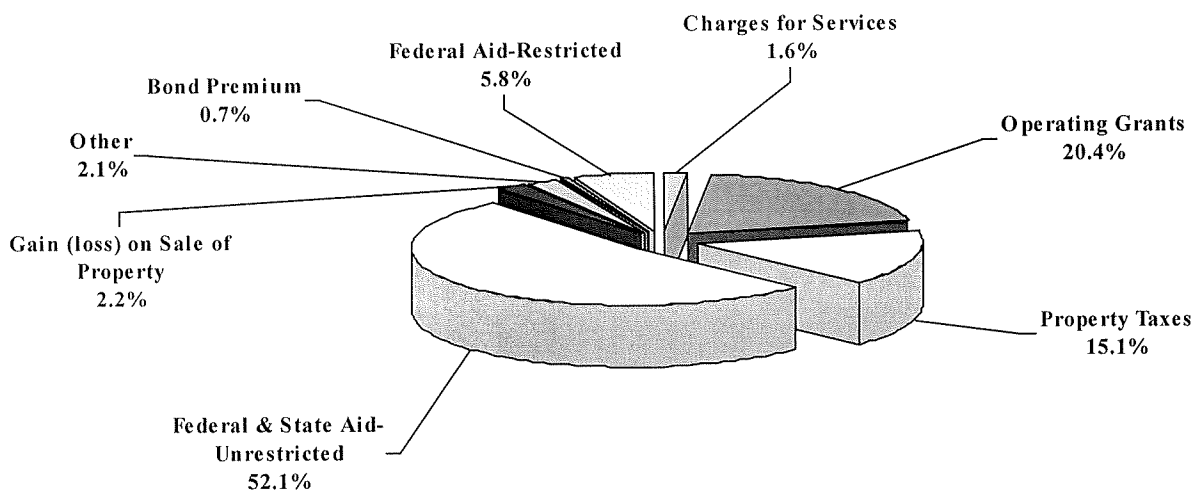
The district's total revenue consisted of program revenues of \$4,305,144, property taxes of \$2,968,212, federal and state aid not restricted to specific purposes of \$10,222,239, federal aid restricted to specific purposes of \$1,147,514, unrestricted investment earnings of \$4,599, bond premium of \$139,852, gain (loss) on sale of property of \$436,050, and other revenues of \$415,695.

The cost of all governmental activities this year was \$15,140,609.

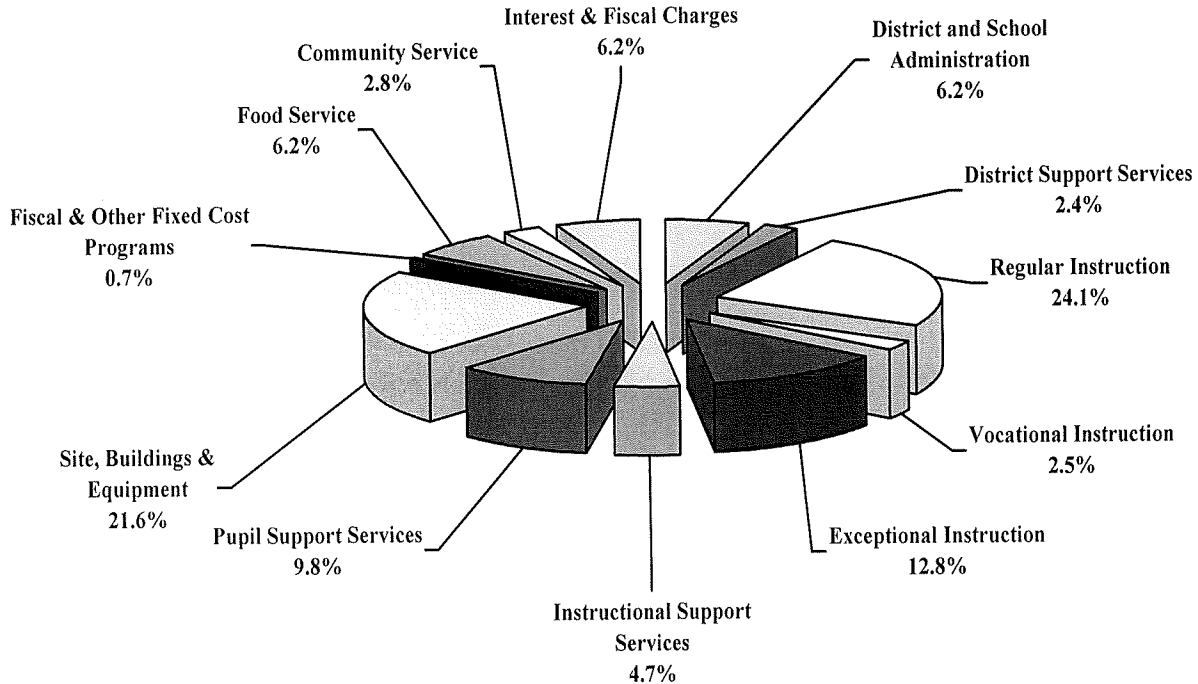
- The users of the district programs paid for \$305,053 or 2.0% of the total costs.
- Operating grants and contributions consisting of federal and state aids restricted for specific purposes and donations totaled \$4,000,091 or 26.4% of total costs.
- The state government subsidized certain programs with aid not restricted for specific purposes. This totaled \$10,222,239 or 67.5% of total costs.

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

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



**Figure B - Expenses for Fiscal Year 2022**



**Financial Analysis of the District’s Funds (Fund Financial Statements)**

**Fund Balance**

The financial performance of the district as a whole is reflected in its governmental funds as well. As the district completed the year, the governmental funds reported a combined fund balance of \$9,226,607, which is a decrease of \$3,050,934 over the prior year fund balance of \$12,277,541. The General Fund increase of \$744,288 is mainly due to increased Federal revenue. The Food Service Fund had an increase of \$57,546, which was due mainly to increased state revenue and lunch sales. The Community Service Fund had an increase of \$26,353. The Capital Projects Fund had a decrease of \$3,879,263, due to the new building project expenditures. The Debt Service Fund had an increase of \$142.

**Revenues and Expenditures**

Revenues of the district’s governmental funds totaled \$19,007,405 while total expenditures were \$22,540,529. A summary of the revenues and expenditures reported on the governmental financial statements is as follows:

	Revenue	Expenditures	Other Financing Sources (Uses)	Fund Balance Increase (Decrease)
General Fund	15,567,321	15,305,223	482,190	744,288
Food Service Fund	1,160,913	1,103,367	-0-	57,546
Community Service Fund	453,682	427,329	-0-	26,353
Capital Projects Fund	(9,253)	3,870,010	-0-	(3,879,263)
Debt Service Fund	1,834,742	1,834,600	-0-	142
<b>Total</b>	<b>19,007,405</b>	<b>22,540,529</b>	<b>482,190</b>	<b>(3,050,934)</b>

General Fund Budgetary Analysis

The District is required to adopt an operating budget prior to the beginning of its fiscal year, referred to as the original budget. During the year, the District might amend that budget for known changes in circumstances such as legislative funding. For fiscal year 2022, the District did revise the budget. The district’s budget anticipated that expenditures would exceed revenues and other financing sources (uses) by \$707,511. The actual results for the year showed revenues exceeding expenditures by \$744,288.

- Actual general fund revenues were more than the budget by \$670,252 primarily due to differences in state and federal aids.
- Actual general fund expenditures were less than budget by \$299,357 primarily due to over budgeting expenditures for various items, including salaries, supplies, equipment purchases, travel and transportation, fuel and building improvements.

Capital Assets

Table 3 shows the District's capital assets, together with changes from the previous year. The table also shows the total depreciation expense for fiscal year ending June 30, 2022. More detailed information about the district’s capital assets is presented in Note 6.

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

	<u>2022</u>	<u>2021</u>	<b>Increase (Decrease)</b>
Construction in Progress		24,324,596	(24,324,596)
Land	209,572	272,240	(62,668)
Land Improvements	3,062,978	3,188,570	(125,592)
Buildings and Improvements	45,227,225	19,949,470	25,277,755
Equipment	4,028,730	5,206,333	(1,177,603)
Pupil Transportation Vehicles	262,055	203,931	58,124
Less: Accumulated Depreciation	(11,104,019)	(14,220,796)	3,116,777
Total	<u>41,686,541</u>	<u>38,924,344</u>	<u>2,762,197</u>
Depreciation Expense	<u>962,988</u>	<u>740,645</u>	<u>222,343</u>

Capital asset activity for the current fiscal year includes weight room equipment, intercom systems, carpet in corridor and two classrooms, basketball system, furniture and fixtures for new elementary school, high school lockers, walk in freezer, dishwasher, parking lot, and construction of the new elementary building.

Long-Term Liabilities

In fiscal year 2022, long-term debt obligations were repaid in the amount of \$855,000, lease payments were paid in the amount of \$75,000, the net severance liability decreased by \$7,419, the net OPEB liability decreased by \$12,688, and the net pension liability decreased by \$3,386,982. Pension benefits payable total \$5,019,056 at June 30, 2022. More detailed information about the district’s long-term liabilities is presented in Note 9.

Independent School District No. 2689  
Pipestone Area Schools  
Pipestone, Minnesota

**Factors Bearing on the District's Future**

With the exception of voter-approved excess operating referendum, the District is dependent on the State of Minnesota for the vast majority of its funding. Recent experience shows uncertainty in state and federal funding.

**Contacting the District's Management**

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Independent School District No. 2689 at 1401 7th St. SW, Pipestone, Minnesota 56164.

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

	<b>2022</b>	<b>2021</b>
<b><u>Assets</u></b>		
Cash and Investments	9,468,051	14,051,223
Receivables:		
Property Taxes	2,076,649	2,128,357
Governmental Units	2,816,276	1,954,180
Other	18,425	100,361
Prepaid Expenses	145,594	127,930
Capital Assets:		
Non Depreciable	209,572	24,596,836
Depreciable - net of accumulated depreciation	41,476,969	14,327,508
<b>Total Assets</b>	<b>56,211,536</b>	<b>57,286,395</b>
 <b><u>Deferred Outflows of Resources</u></b>		
Related to OPEB	84,220	60,197
Related to Pensions	2,532,968	803,157
<b>Total Deferred Outflows of Resources</b>	<b>2,617,188</b>	<b>863,354</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>58,828,724</b>	<b>58,149,749</b>
 <b><u>Liabilities</u></b>		
Salaries Payable	749,442	675,612
Accounts Payable	881,055	1,674,613
Accrued Interest	367,521	403,682
Due to Other Governmental Units	195,168	106,818
Unearned Revenue	45,256	32,154
Long Term Liabilities:		
Portion Due Within One Year	1,122,177	1,075,177
Portion Due in More Than One Year	26,070,541	27,194,812
Pension Benefit Payable	5,019,056	8,406,038
Net OPEB Liability	517,492	530,180
<b>Total Liabilities</b>	<b>34,967,708</b>	<b>40,099,086</b>
 <b><u>Deferred Inflows of Resources</u></b>		
Property Taxes Levied for Subsequent Years	3,399,834	3,577,538
Related to OPEB	52,273	12,381
Related to Pensions	6,728,161	5,278,692
<b>Total Deferred Inflows of Resources</b>	<b>10,180,268</b>	<b>8,868,611</b>
 <b><u>Net Position</u></b>		
Net Investment in Capital Assets	14,191,958	10,323,748
Restricted for:		
General Fund State Mandated Purposes	1,384,852	1,153,168
Food Service	663,299	605,753
Community Service	490,162	463,809
Debt Service	394,166	394,024
Unrestricted	(3,443,689)	(3,758,450)
<b>Total Net Position</b>	<b>13,680,748</b>	<b>9,182,052</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>58,828,724</b>	<b>58,149,749</b>

See accompanying notes to the financial statements.

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

Functions	2022				2021
	Expenses	Program Revenues		Net (Expense)	Net (Expense)
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
				Total Governmental Activities	Total Governmental Activities
<b><u>Governmental Activities</u></b>					
District and School Administration	940,162			(940,162)	(912,662)
District Support Services	367,847			(367,847)	(343,767)
Regular Instruction	3,648,641	91,566	1,424,131	(2,132,944)	(6,286,060)
Vocational Instruction	379,895			(379,895)	(349,314)
Exceptional Instruction	1,931,166	59,005	1,386,102	(486,059)	(472,290)
Instructional Support Services	707,269			(707,269)	(677,530)
Pupil Support Services	1,474,167		20,736	(1,453,431)	(1,444,069)
Site, Buildings and Equipment	3,266,650			(3,266,650)	(2,149,274)
Fiscal and Other Fixed Cost Programs	108,677			(108,677)	(97,647)
Food Service	945,367	45,661	1,109,163	209,457	98,246
Community Service	427,329	108,821	59,959	(258,549)	(153,409)
Interest and Fiscal Charges on Long-term Liabilities	943,439			(943,439)	(990,899)
<b>Total</b>	<b>15,140,609</b>	<b>305,053</b>	<b>4,000,091</b>	<b>(10,835,465)</b>	<b>(13,778,675)</b>
<b><u>General Revenues</u></b>					
Property Taxes Levied for:					
General Purposes				1,808,966	1,606,758
Community Service				113,545	135,126
Debt Service				1,045,701	1,098,231
Federal and State Aid Not Restricted to Specific Purposes				10,222,239	10,081,780
Federal Aid Restricted to Specific Purposes				1,147,514	477,903
Earnings on Investments				4,599	201,269
Bond Premium				139,852	139,852
Gain (Loss) on Sale of Property				436,050	
Miscellaneous				415,695	340,932
<b>Total General Revenues</b>				<b>15,334,161</b>	<b>14,081,851</b>
Change in Net Position				4,498,696	303,176
Net Position - Beginning				9,182,052	8,878,876
Net Position - Ending				<b>13,680,748</b>	<b>9,182,052</b>

See accompanying notes to the financial statements.



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

	<u>2022</u>					<u>2021</u>	
	<u>Major Funds</u>					<u>Total</u>	<u>Total</u>
	<u>General</u>	<u>Food Service</u>	<u>Community Service</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Governmental Funds</u>	<u>Governmental Funds</u>
<b><u>Assets</u></b>							
Cash and Investments	6,973,212	784,065	534,669	315,610	860,495	9,468,051	14,051,223
Current Property Taxes Receivable	725,354		50,942		1,272,720	2,049,016	2,110,582
Delinquent Property Taxes Receivable	12,435		876		14,322	27,633	17,775
Accounts Receivable	8,876	8,382				17,258	4,904
Interest Receivable	1,167					1,167	95,457
Due From Department of Education	1,747,793		5,994		78,766	1,832,553	1,418,316
Due From Federal Government Through the Department of Education	620,362	19,435				639,797	349,067
Due From Other Governmental Units	274,324	5,000	64,602			343,926	186,797
Prepaid Expenses	145,594					145,594	127,930
Total Assets	<u>10,509,117</u>	<u>816,882</u>	<u>657,083</u>	<u>315,610</u>	<u>2,226,303</u>	<u>14,524,995</u>	<u>18,362,051</u>
<b><u>Liabilities, Deferred Inflows of Resources and Fund Balances</u></b>							
<b><u>Liabilities</u></b>							
Salaries Payable	695,459		53,983			749,442	675,612
Accounts Payable	187,540	108,327	733	2,720		299,320	1,167,111
Due to Other Governmental Units	195,168					195,168	106,818
Payroll Deductions	581,735					581,735	507,502
Unearned Revenue		45,256				45,256	32,154
Total Liabilities	<u>1,659,902</u>	<u>153,583</u>	<u>54,716</u>	<u>2,720</u>	<u>-0-</u>	<u>1,870,921</u>	<u>2,489,197</u>
<b><u>Deferred Inflows of Resources</u></b>							
Unavailable Revenue-Delinquent Taxes	12,435		876		14,322	27,633	17,775
Property Taxes Levied for Subsequent Years	1,470,690		111,329		1,817,815	3,399,834	3,577,538
Total Deferred Inflows of Resources	<u>1,483,125</u>	<u>-0-</u>	<u>112,205</u>	<u>-0-</u>	<u>1,832,137</u>	<u>3,427,467</u>	<u>3,595,313</u>
<b><u>Fund Balances</u></b>							
Fund Balance-Nonspendable	145,594					145,594	127,930
Fund Balance-Restricted	1,384,851	663,299	490,162	312,890	394,166	3,245,368	6,808,907
Fund Balance-Committed	65,656					65,656	73,075
Fund Balance-Assigned	18,950					18,950	21,766
Fund Balance-Unassigned	5,751,039					5,751,039	5,245,863
Total Fund Balances	<u>7,366,090</u>	<u>663,299</u>	<u>490,162</u>	<u>312,890</u>	<u>394,166</u>	<u>9,226,607</u>	<u>12,277,541</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>10,509,117</u>	<u>816,882</u>	<u>657,083</u>	<u>315,610</u>	<u>2,226,303</u>	<u>14,524,995</u>	<u>18,362,051</u>

See accompanying notes to the financial statements.

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

	<b>2022</b>	<b>2021</b>
Total Governmental Fund Balances	9,226,607	12,277,541
Amounts reported in governmental activities in the statement of net position are different because:		
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds		
Cost of Capital Assets	52,790,560	53,145,140
Less: Accumulated Depreciation	(11,104,019)	(14,220,796)
	41,686,541	38,924,344
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as unavailable revenue.		
	27,633	17,775
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		
	(367,521)	(403,682)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred Outflows of Resources related to Pensions	2,532,968	803,157
Deferred Outflows of Resources - OPEB	84,220	60,197
Deferred Inflows of Resources related to Pensions	(6,728,161)	(5,278,692)
Deferred Inflows of Resources - OPEB	(52,273)	(12,381)
	(4,163,246)	(4,427,719)
Long-term liabilities that pertain to governmental funds are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net assets. Balances at year-end are:		
Severance Payable	(65,656)	(73,075)
Bonds Payable	(24,668,000)	(25,598,000)
Bond Premium	(2,459,062)	(2,598,914)
Pension Benefits Payable	(5,019,056)	(8,406,038)
Net OPEB Liability	(517,492)	(530,180)
	(32,729,266)	(37,206,207)
Net Position of Governmental Activities	13,680,748	9,182,052

See accompanying notes to the financial statements.

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

	2022					2021	
	Major Funds				Total	Total	
	General	Food Service	Community Service	Capital Projects	Debt Service	Governmental Funds	Governmental Funds
<b>Revenues</b>							
Local Property Tax Levies	1,799,108		113,545		1,045,701	2,958,354	2,844,700
Other Local and County Revenues	363,518	6,089	269,119	(9,253)	1,382	630,855	721,449
Revenue from State Sources	11,682,415	39,409	59,959		787,659	12,569,442	12,230,193
Revenue from Federal Sources	1,720,817	1,069,754	9,831			2,800,402	2,180,552
Sales and Other Conversion of Assets	1,463	45,661	1,228			48,352	25,773
Total Revenues	15,567,321	1,160,913	453,682	(9,253)	1,834,742	19,007,405	18,002,667
<b>Expenditures</b>							
Current:							
District and School Administration	940,162					940,162	912,662
District Support Services	367,847					367,847	343,767
Regular Instruction	7,316,211					7,316,211	6,389,587
Vocational Instruction	379,895					379,895	349,314
Exceptional Instruction	1,931,166					1,931,166	1,809,790
Community Education and Services			427,329			427,329	319,809
Instructional Support Services	707,269					707,269	677,530
Pupil Support Services	1,517,824	1,103,367				2,621,191	2,612,292
Site, Buildings and Equipment	2,036,172			3,870,010		5,906,182	21,064,679
Fiscal and Other Fixed Cost Programs	108,677					108,677	97,647
Debt Service:							
Principal					855,000	855,000	395,000
Interest and Fiscal Charges					979,600	979,600	1,440,730
Total Expenditures	15,305,223	1,103,367	427,329	3,870,010	1,834,600	22,540,529	36,412,807
Excess Revenues (Expenditures)							
Before Other Financing Sources (Uses)	262,098	57,546	26,353	(3,879,263)	142	(3,533,124)	(18,410,140)
<b>Other Financing Sources (Uses)</b>							
Insurance Recovery	46,140					46,140	
Sale of Property	436,050					436,050	
Total Other Financing Sources (Uses)	482,190	-0-	-0-	-0-	-0-	482,190	-0-
Net Change in Fund Balance	744,288	57,546	26,353	(3,879,263)	142	(3,050,934)	(18,410,140)
Fund Balance-Beginning	6,621,802	605,753	463,809	4,192,153	394,024	12,277,541	30,687,681
Fund Balance-Ending	7,366,090	663,299	490,162	312,890	394,166	9,226,607	12,277,541

See accompanying notes to the financial statements.

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

	<b>2022</b>	<b>2021</b>	
Net Change in Governmental Fund Balances	(3,050,934)	(18,410,140)	
Amounts reported for the governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures, however, in statement of activities, assets with an initial, individual cost of more than \$10,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period			
Capital Outlay	4,187,942	19,573,185	
Disposals	(462,757)		
Depreciation Expense	(962,988)	(740,645)	
	2,762,197		18,832,540
Governmental funds report long-term debt proceeds as financing sources, while repayment of long-term debt principal is reported as an expenditure. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues. The net effect of these differences is as follows:			
Amortization of Bond Premium	139,852	139,852	
Lease Payments	75,000	73,000	
Repayment of Bond Principal	855,000	395,000	
Interest Expense - General Obligation Bonds	36,161	449,831	
Severance Payments	5,325	11,304	
	1,111,338		1,068,987
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for current period's expenditures, and therefore deferred in the funds.			
	9,858		(4,585)
In the statement of activities, severance benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).			
Severance	2,094	641	
OPEB	(15,869)	16,496	
Pension Benefits	280,342	(270,318)	
	266,567		(253,181)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.			
Change in Pension Benefits	3,386,982	(924,433)	
Change in Net OPEB liability	12,688	(6,012)	
	3,399,670		(930,445)
Change in Net Position of Governmental Activities	4,498,696	303,176	

See accompanying notes to the financial statements.

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
				<u>Final</u>
				<u>Budget</u>
<b><u>Revenues</u></b>				
Local Property Tax Levies	1,742,352	1,742,352	1,799,108	56,756
Other Local and County Revenues	295,169	503,574	363,518	(140,056)
Revenue from State Sources	10,820,011	11,212,813	11,682,415	469,602
Revenue from Federal Sources	1,278,530	1,437,730	1,720,817	283,087
Sales and Other Conversion of Assets	600	600	1,463	863
Total Revenues	<u>14,136,662</u>	<u>14,897,069</u>	<u>15,567,321</u>	<u>670,252</u>
<b><u>Expenditures</u></b>				
District and School Administration	1,079,177	948,840	940,162	(8,678)
District Support Services	427,061	359,107	367,847	8,740
Regular Instruction	6,788,116	7,217,525	7,316,211	98,686
Vocational Instruction	407,494	391,131	379,895	(11,236)
Exceptional Instruction	2,025,050	1,984,266	1,931,166	(53,100)
Instructional Support Services	853,555	801,618	707,269	(94,349)
Pupil Support Services	1,673,001	1,586,143	1,517,824	(68,319)
Site, Building and Equipment	1,924,780	2,206,974	2,036,172	(170,802)
Fiscal and Other Fixed Cost Programs	100,576	108,976	108,677	(299)
Total Expenditures	<u>15,278,810</u>	<u>15,604,580</u>	<u>15,305,223</u>	<u>(299,357)</u>
Excess Revenues (Expenditures)	(1,142,148)	(707,511)	262,098	969,609
<b><u>Other Financing Sources (Uses)</u></b>				
Insurance Recovery			46,140	46,140
Sale of Property			436,050	436,050
Total Other Financing Sources (Uses)	<u>-0-</u>	<u>-0-</u>	<u>482,190</u>	<u>482,190</u>
Excess Revenues and Other Financing Sources Over Expenditures and Other Uses	<u>(1,142,148)</u>	<u>(707,511)</u>	744,288	<u>1,451,799</u>
Fund Balance-Beginning			<u>6,621,802</u>	
Fund Balance-Ending			<u>7,366,090</u>	

See accompanying notes to the financial statements.

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b><u>Revenues</u></b>				
Other Local and County Revenues	13,400	13,400	6,089	(7,311)
Revenue from State Sources	553	553	39,409	38,856
Revenue from Federal Sources	1,332,894	1,332,894	1,069,754	(263,140)
Sales and Other Conversion of Assets	23,174	23,174	45,661	22,487
Total Revenues	<u>1,370,021</u>	<u>1,370,021</u>	<u>1,160,913</u>	<u>(209,108)</u>
<b><u>Expenditures</u></b>				
Pupil Support Services	<u>1,448,409</u>	<u>1,448,409</u>	<u>1,103,367</u>	<u>(345,042)</u>
Total Expenditures	<u>1,448,409</u>	<u>1,448,409</u>	<u>1,103,367</u>	<u>(345,042)</u>
Net Change in Fund Balance	<u>(78,388)</u>	<u>(78,388)</u>	57,546	<u>135,934</u>
Fund Balance-Beginning			<u>605,753</u>	
Fund Balance-Ending			<u>663,299</u>	

See accompanying notes to the financial statements.

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b><u>Revenues</u></b>				
Local Property Tax Levies	110,921	110,921	113,545	2,624
Other Local and County Revenues	272,373	272,373	269,119	(3,254)
Revenue from State Sources	63,115	63,115	59,959	(3,156)
Revenue from Federal Sources			9,831	9,831
Sales and Other Conversion of Assets			1,228	1,228
Total Revenues	446,409	446,409	453,682	7,273
<b><u>Expenditures</u></b>				
Community Education and Services	457,362	413,472	427,329	13,857
Total Expenditures	457,362	413,472	427,329	13,857
Net Change in Fund Balance	(10,953)	32,937	26,353	(6,584)
Fund Balance-Beginning			463,809	
Fund Balance-Ending			490,162	

See accompanying notes to the financial statements.

**STATEMENT OF FIDUCIARY ASSETS**  
**AGENCY FUND**  
**JUNE 30, 2022**

<u>Assets</u>	<u>2022</u>	<u>2021</u>
Cash and Investments	<u>345</u>	<u>345</u>
 <b><u>Liabilities and Net Position</u></b>		
<u>Liabilities</u>		
Unearned Revenue	345	345
 <u>Net Position</u>		
Total Liabilities and Net Position	<u>-0-</u> <u>345</u>	<u>-0-</u> <u>345</u>

See accompanying notes to the financial statements.



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

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

**A.**    **Basis of Presentation**

The financial statements of Independent School District No. 2689 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**B.**    **Financial Reporting Entity**

Independent School District 2689, Pipestone, was formed and operates pursuant to applicable Minnesota laws and statutes. The District operates under an elected seven member Board of Education form of government. The Board has control over all activities related to the public school education in the District.

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

Component units are legally separate entities for which the District (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit include whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit. Based on these criteria, there are no organizations considered to be component units of the District.

**C.**    **Basic Financial Statements Presentation**

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

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 charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and

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

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

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

contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

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

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Property taxes are recognized as revenues in the year for which they are levied, except for amounts advance recognized in accordance with a statutory “tax shift” described later in these notes. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues are considered to be

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

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

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

available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes are considered to be available if collected within 60 days of fiscal year-end. Federal revenue is recorded in the year in which the related expenditure is made. State revenue is recognized in the year to which it applies according to Minnesota Statutes and U.S. generally accepted accounting principles. Other miscellaneous revenues (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

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

**Description of Funds**

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

**Governmental Funds**

**General Fund**

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

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

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

**D.**    **Basis of Accounting and Measurement Focus - continued**  
**Special Revenue Funds**

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

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

The Community Service fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, adult or early childhood programs, or other similar services.

**Capital Projects Fund**

The Capital Projects Fund is used to record all operations of the District's new building project.

**Debt Service Fund**

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

**Agency Fund**

The Agency Fund is used to account for donations specifically used to apply to food service accounts and community education fees. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurements of results of operations.

**E.**    **Budgets and Budgetary Accounting**

The budgeted amounts included in the statement of revenues and expenditures were accounted for and presented on the same basis and using the same accounting practices as are used to account and prepare financial reports for the funds. Budgets presented in this report for comparison to actual amounts are presented in accordance with generally accepted accounting principles. The budgets are prepared by the school personnel and approved by the school board. Encumbrances are not considered in the budget process or in the regular district accounting.

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

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

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

**F.**    **Cash and Temporary Investments**

Cash and temporary investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

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

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

**G.**    **Accounts Receivable**

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

**H.**    **Inventories**

Inventories consist of expendable supplies held for consumption and are stated at moving, weighted average cost. Inventory of the General Fund is recorded as expenditure when items are issued from central stores. Accordingly inventory items on hand at the school are not included in inventory.

**I.**    **Prepaid Items**

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

**J.**    **Property Tax Recognition**

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

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

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

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

**K.    Capital Assets**

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded at their estimated fair market value at the date of donation. The District defines capital assets as those with an initial, individual cost of \$10,000 or more, which benefit more than one fiscal year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the district-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount or scrapped when declared as no longer fit or needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for buildings and improvements, and 5 to 20 years for equipment and vehicles. Land is not depreciated.

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

**L.    Long-Term Obligations**

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

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

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

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. The District has two types, Related to pensions and Related to OPEB Obligations, which arise only under a modified accrual basis of accounting that qualifies for reporting in this category.

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

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

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

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

**N.    Fund Equity**

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

Non-Spendable Fund Balance

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

Restricted Fund Balance

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

Committed Fund Balance

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

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

Assigned Fund Balance

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2022**

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

**N. Fund Equity - continued**

**Unassigned Fund Balance**

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

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

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

**O. Net Position**

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

**P. Pensions**

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



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

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

**Q.**     **Certain Comparative Data and Reclassifications**

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

**R.**     **Estimates**

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

**S.**     **Subsequent Events**

Subsequent events have been evaluated through December 13, 2022, which is the date the financial statements were available to be issued.

**Note 2**     **Cash and Investments**

**A.**     **Deposits**

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

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

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

**Note 2**    **Cash and Investments - continued**

**A.**    **Deposits - continued**

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2022, none of the District's bank balance of \$4,265,653 (includes student activity fund account) was exposed to custodial credit risk because it was insured and properly collateralized with securities held by the pledging financial institution's trust department or agent in the district's name.

**B.**    **Investments**

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minnesota Stat. 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers' acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

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

**Note 2**    **Cash and Investments - continued**

**B.**    **Investments - continued**

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

Custodial Credit Risk

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

Credit Risk

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

Concentration of Credit Risk

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

Interest Rate Risk

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

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

	<u>Credit Risk</u>		<u>Concentration Risk</u>	<u>Interest Rate Risk</u>	
	<u>Credit Rating</u>	<u>Rating Agency</u>	<u>Over 5% of Portfolio</u>	<u>Maturity Date</u>	<u>Carrying Value</u>
Investment Pools:					
MN Trust					
Investment Shares Portfolio	AAA	S & P	72.84%	N/A	3,608,983
CD	AAA	S & P	5.03%	5/5/22-5/5/23	249,249
SDA	AAA	S & P	10.10%	N/A	500,705
Securities	AAA	S & P	12.03%	4/5/21-10/31/22	<u>595,965</u>
Total Investments					4,954,902
Checking & Money Market Accounts (not including Agency Funds)					4,510,039
Petty Cash					<u>3,110</u>
Total Cash and Investments					<u>9,468,051</u>

The MN Trust Investment Shares Portfolio is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The fair value of the position in the pool is the same as the value of the pool shares.

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

**Note 3 Due From Department of Education**

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

	<b>June 30</b>	
<b><u>General Fund</u></b>	<b>2022</b>	<b>2021</b>
General Education Aid	1,450,739	1,153,621
Other State Aids	24,233	24,150
Special Education	<u>272,821</u>	<u>158,436</u>
Total General Fund	1,747,793	1,336,207
<b><u>Special Revenue Funds</u></b>		
<b><u>Community Service Fund</u></b>		
Other State Credits	5,994	5,909
<b><u>Debt Service Fund</u></b>		
Other State Credits	<u>78,766</u>	<u>76,200</u>
Total All Funds	<u>1,832,553</u>	<u>1,418,316</u>

**Note 4 Due From Federal Government Through the Department of Education**

Amounts due from the federal government through the Department of Education are as follows:

	<b>June 30</b>	
<b><u>General Fund</u></b>	<b>2022</b>	<b>2021</b>
Title I	162,691	110,209
Title II	24,318	5,509
Title III	8,113	
Title IV	11,856	
ESSER I		62,763
ESSER II	239,001	29,300
ESSER III	134,385	
ESSER Summer	39,998	20,616
Other		<u>1,184</u>
Total General Fund	620,362	229,581
<b><u>Special Revenue Funds</u></b>		
<b><u>Food Service Fund</u></b>		
Summer Food Program	<u>19,435</u>	<u>119,486</u>
Total Special Revenue Funds	<u>19,435</u>	<u>119,486</u>
Total All funds	<u>639,797</u>	<u>349,067</u>

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

**Note 5 Due From Other Governmental Units**

Amounts due from Other Governmental Units are as follows:

	<b>June 30</b>	
<b><u>General Fund</u></b>	<b><u>2022</u></b>	<b><u>2021</u></b>
ACT	305	585
CEM		3,129
City of Pipestone	13,350	12,848
E Rate		55,358
Emergency Connectivity Fund	206,130	
ISD 581 – Edgerton	21,076	17,973
P-EBT Coordinator	628	
SW Health & Human Services	13,400	13,400
SW/WC Service Coop	11	13,374
Third Party	19,424	6,204
Total General Fund	274,324	122,871
<b><u>Special Revenue Funds</u></b>		
<b><u>Food Service Fund</u></b>		
Blue Mound Learning Center	5,000	5,004
<b><u>Community Service Fund</u></b>		
E Rate		847
State of MN-COVID Library Grant	4,602	
City of Pipestone	60,000	58,075
Total Community Service Fund	64,602	58,922
Total Special Revenue Funds	69,602	63,926
Total All Funds	343,926	186,797

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

**Note 6**    **Capital Assets**

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

	<b><u>Balance</u></b> <b><u>7/01/21</u></b>	<b><u>Additions</u></b>	<b><u>Retirements</u></b>	<b><u>Balance</u></b> <b><u>6/30/22</u></b>
Capital assets not depreciated				
Land	272,240		62,668	209,572
Construction in Progress	<u>24,324,596</u>		<u>24,324,596</u>	
Total capital assets not deprec.	24,596,836	-0-	24,387,264	209,572
Capital assets depreciated				
Land Improvements	3,188,570	356,290	481,882	3,062,978
Buildings	19,949,470	26,572,677	1,294,922	45,227,225
Equipment	5,206,333	1,525,446	2,703,049	4,028,730
Pupil Transportation Vehicles	<u>203,931</u>	<u>58,124</u>		<u>262,055</u>
Total Capital assets depreciated	28,548,304	28,512,537	4,479,853	52,580,988
Less accumulated depreciation for				
Land Improvements	1,736,129	123,661	409,706	1,450,084
Buildings	7,681,127	655,190	967,009	7,369,308
Equipment	4,649,187	169,669	2,703,050	2,115,806
Pupil Transportation Vehicles	<u>154,353</u>	<u>14,468</u>		<u>168,821</u>
Total accum depreciation	<u>14,220,796</u>	<u>962,988</u>	<u>4,079,765</u>	<u>11,104,019</u>
Total capital assets depreciated-net	<u>14,327,508</u>	<u>27,549,549</u>	<u>400,088</u>	<u>41,476,969</u>
Net Capital Assets	<u>38,924,344</u>	<u>27,549,549</u>	<u>24,787,352</u>	<u>41,686,541</u>

Depreciation expense of \$962,988 for the year ended June 30, 2022 was charged to the following governmental functions:

Regular Instruction	3,992
Pupil Support Services	14,468
Sites, Buildings, and Equipment	937,866
Food Service	<u>6,662</u>
Total	<u>962,988</u>

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

**Note 7 Due to Other Governmental Units**

Amounts due to Other Governmental Units are as follows:

	<b>June 30</b>	
<b><u>General Fund</u></b>	<b><u>2022</u></b>	<b><u>2021</u></b>
City of Pipestone		5,272
ISD 15 – Crossroads School		17,556
ISD 347 – Willmar School		4,751
ISD 991 - SW/WC Service Coop	181,627	62,014
MN West		4,200
MN Dept of Labor and Industry	80	
Pipestone County Medical Center	1,713	1,774
Pipestone County Sheriff’s Office	<u>11,748</u>	<u>11,251</u>
Total General Fund	<u>195,168</u>	<u>106,818</u>

**Note 8 Unearned Revenue**

Unearned revenues are as follows:

	<b>June 30</b>	
<b><u>Special Revenue Funds</u></b>	<b><u>2022</u></b>	<b><u>2021</u></b>
<b><u>Food Service Fund</u></b>		
Lunch Sales	<u>45,256</u>	<u>32,154</u>

**Note 9 Long-Term Liabilities**

**A. Severance Payable**

Contract employees who are at least 55 years of age and who have completed 15 years of teaching with at least ten years of service with Independent School District 2689 are eligible to receive an early retirement incentive payment. The maximum payment amount is limited to 100 days of pay calculated at the daily rate of pay during the last year of service, excluding pay for additional assignments. Payments will be paid in the following manner: one-third the amount due to the employee will be paid in July following retirement, one-third of the amount due to the employee will be paid the following January, and the remaining one-third will be paid in January one year later. The Board approves a maximum of five teachers in any given fiscal year.

The District estimates its vested severance pay obligations to be \$65,656 and \$73,075 at June 30, 2022 and 2021, respectively and the amount is designated in the fund balance of the General fund at those dates.

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

**Note 9 Long-Term Liabilities – continued**

**B. General Obligation School Building Bond, Series 2019A**

On August 22, 2019 the District issued general obligation bonds of \$25,415,000 with an interest rate ranging from 5.0% to 3.0%. Proceeds will be used for the construction of a new elementary school to be built on the site of the existing middle-high school location. Terms of the bond call for annual principal payments and semi-annual interest payments on February 1 and August 1 from February 1, 2020 to February 1, 2040.

The following is a summary of the bond transactions of the District for the year ending June 30, 2022:

Bonds Payable at July 1	25,020,000
Net Bonds Issued (Redeemed)	<u>(855,000)</u>
Bonds Payable at June 30	<u>24,165,000</u>

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

<b>Year Ended</b>	<b><u>June 30</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
	2023	900,000	936,850	1,836,850
	2024	940,000	891,850	1,831,850
	2025	990,000	844,850	1,834,850
	2026	1,040,000	795,350	1,835,350
	2027	1,090,000	743,350	1,833,350
	2028-2032	6,330,000	2,841,750	9,171,750
	2033-2037	7,685,000	1,483,650	9,168,650
	2038-2040	<u>5,190,000</u>	<u>314,400</u>	<u>5,504,400</u>
Total		<u>24,165,000</u>	<u>8,852,050</u>	<u>33,017,050</u>



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

**Note 9 Long-Term Liabilities – continued**

**C. Lease-Purchase Agreement**

On July 25, 2017 the District entered into a Lease-Purchase Agreement for the construction of tennis courts on the District property as follows:

\$790,000 Lease-Purchase Agreement, due in  
 semi-annual payments of \$91,814 to \$93,867  
 from February 2, 2018 to August 1, 2027,  
 interest rate of 3.15%. \$503,000

The annual requirements to amortize the Lease-Purchase Agreement outstanding as of June 30, 2022, including interest payments, are listed below.

<b><u>Year Ended</u></b>	<b><u>June 30</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2023	77,000	14,632	91,632	91,632
2024	80,000	12,159	92,159	92,159
2025	82,000	9,608	91,608	91,608
2026	85,000	6,977	91,977	91,977
2027	88,000	4,253	92,253	92,253
2028	91,000	1,433	92,433	92,433
Total	<u>503,000</u>	<u>49,062</u>	<u>552,062</u>	<u>552,062</u>

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

	<b><u>Balance</u></b>			<b><u>Balance</u></b>	<b><u>Due Within</u></b>
	<b><u>7/01/21</u></b>	<b><u>Additions</u></b>	<b><u>Retirements</u></b>	<b><u>6/30/22</u></b>	<b><u>One Year</u></b>
GO School Bldg Bonds					
Series 2019A	25,020,000		855,000	24,165,000	900,000
Lease-Purchase					
Agreement	578,000		75,000	503,000	77,000
Bond Premium	2,598,914		139,852	2,459,062	139,852
Severance	73,075		7,419	65,656	5,325
Total	<u>28,269,989</u>	<u>-0-</u>	<u>1,077,271</u>	<u>27,192,718</u>	<u>1,122,177</u>

**Note 10 Fund Balances**

**Non-Spendable Fund Balance**

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

**General Fund**

Prepaid Items	<u>145,594</u>
Total Funds	<u>145,594</u>

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

**Note 10 Fund Balances - continued**

**Restricted Fund Balance**

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

**General Fund**

Student Activities	116,909
Staff Development	355,631
Operating Capital	445,099
Learning and Development	10,317
Gifted and Talented	241,422
Basic Skills	141,697
Achievement and Integration	207
Safe Schools	41,468
Restricted	7,315
Long Term Facility Maintenance	5,886
Medical Assistance	<u>18,900</u>
Total General Fund	1,384,851

**Special Revenue Funds**

**Food Service Fund**

Restricted	663,299
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**Community Service Fund**

Community Education	267,690
Early Childhood and Family Education	231,773
Learning Readiness	(14,595)
Restricted	<u>5,294</u>
Total Community Service Fund	<u>490,162</u>
Total Special Revenue funds	1,153,461

**Capital Projects Fund**

Restricted	312,890
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**Debt Service Fund**

Restricted	<u>394,166</u>
Total All Funds	<u><u>3,245,368</u></u>

**Committed Fund Balance**

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

**General Fund**

Severance	<u>65,656</u>
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**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**Note 10 Fund Balances - continued**

Assigned Fund Balance

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

**General Fund**

Athletic Help Fund	12,263
Help Fund	3,059
Elem Help	1,419
Arrow Way	<u>2,209</u>
Total General Fund	<u>18,950</u>

Unassigned Fund Balance

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

<b><u>General Fund</u></b>	<u>5,751,039</u>
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Stabilization Amounts

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

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

**Note 11 Defined Benefit Pension Plans**

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

**1. Plan Description**

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

**General Employees Retirement Plan (GERF)**

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

**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.

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

**Note 11 Defined Benefit Pension Plans - continued**

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

**2. Benefits Provided – continued**

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 fired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

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

**3. Contributions**

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

**General Employees Fund Contributions**

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2022 and the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the GERP for the year ended June 30, 2022, were \$116,465. The District's contributions were equal to the required contributions for each year as set by state statute.

**4. Pension Costs**

At June 30, 2022, the District reported a liability of \$905,335 for its proportionate share of the GERP'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

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

**Note 11 Defined Benefit Pension Plans - continued**

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

**4. Pension Costs - continued**

contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$27,714.

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 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, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0212 percent at the end of the measurement period and 0.0224 percent for the beginning of the period.

District's proportionate share of the net pension liability	905,335
State of Minnesota's proportionate share of the net pension liability associated with the District	<u>27,714</u>
Total	<u>933,049</u>

For the year ended June 30, 2022, the District recognized pension expense of \$76,059 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized \$2,236 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the annual \$16 million contribution.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$5,982	\$27,888
Changes in actuarial assumptions	\$552,779	\$21,281
Difference between projected and actual investment earnings		\$781,454
Changes in proportion		\$77,497
Contributions paid to PERA subsequent to the measurement date	\$116,465	
Total	\$675,226	\$908,120

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

**Note 11 Defined Benefit Pension Plans - continued**

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

**4. Pension Costs - continued**

\$116,465 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 deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Pension Expense Amount
2022	(\$76,498)
2023	(\$35,707)
2024	(\$23,300)
2025	(\$213,854)

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

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

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

**6. Actuarial Methods and Assumptions**

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

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

**Note 11 Defined Benefit Pension Plans - continued**

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

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

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

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

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

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

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

**General Employees Fund**

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

**7. 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 positions of the General Employees Fund were 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.

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

**Note 11 Defined Benefit Pension Plans - continued**

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

**8. Pension Liability Sensitivity**

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

<b>Sensitivity Analysis (In Thousands)</b>		
<i>Net Pension Liability (Asset) at Different Discount Rates</i>		
	General Employees Fund	
1% Lower	5.50%	1,846,421
Current Discount Rate	6.50%	905,335
1% Higher	7.50%	133,116

**9. Pension Plan Fiduciary Net Position**

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

**B. Teachers Retirement Association**

**1. Plan Description**

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

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

**2. Benefits Provided**

TRA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by Minnesota Statute and vest after three years of service credit. The defined retirement



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

**Note 11 Defined Benefit Pension Plans - continued**

**B. Teachers Retirement Association - continued**

**2. Benefits Provided - continued**

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 Benefits*

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

With these provisions:

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

or

*Tier II Benefits*

For years of service prior to July 1, 2006, a level formula of 1.7 percent per year for coordinated members and 2.7 percent per year for basic members is applied. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year

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

**Note 11 Defined Benefit Pension Plans - continued**

**B. Teachers Retirement Association - continued**

**2. Benefits Provided - continued**

for Coordinated members and 2.7 for Basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statute. Smaller reductions, for favorable to the members, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

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

Six different types of annuities are available to members upon retirement. The No Refund Life Plan (A-1) is a lifetime annuity that ceases upon the death of the retiree – no survivor annuity is payable. A retiring member may also choose to provide survivor benefits to a designated beneficiary(ies) by selecting one of the five plans which have survivorship features. Vested members may also leave their contributions in the TRA Fund upon termination of service in order to qualify for a deferred annuity at retirement age. Any member terminating service is eligible for a refund of their employee contributions plus interest.

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

**3. Contribution Rate**

Per Minnesota Statute, Chapter 354 sets the contribution rates for employers and employees. Rates for each fiscal year ended June 30, 2020, June 30, 2021, and June 30, 2022 were:

	June 30, 2020		June 30, 2021		June 30, 2022	
	Employee	Employer	Employee	Employer	Employee	Employer
<b>Basic</b>	11.00%	11.92%	11.00%	12.13%	11.00%	12.34%
<b>Coordinated</b>	7.50%	7.92%	7.50%	8.13%	7.50%	8.34%

The following is a reconciliation of employer contributions in TRA’s fiscal year 2021 CAFR “Statement of Changes in Fiduciary Net Position” to the employer contributions used in the Schedule of Employer and Non-Employer Pension Allocations.

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

**Note 11 Defined Benefit Pension Plans - continued**

**B. Teachers Retirement Association - continued**

**3. Contribution Rate – continued**

Employer contributions reported in TRA’s CAFR	<i>In thousands</i>
Statement of Changes in Fiduciary Net Position	\$448,829
Add employer contributions not related to future contribution efforts	379
Deduct TRA’s contributions not included in allocations	<u>(538)</u>
Total employer contributions	\$448,670
Total non-employer contributions	<u>37,840</u>
Total contributions reported in <i>Schedule of Employer and Non-Employer Allocations</i>	<u>\$486,510</u>

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

**4. Actuarial Assumptions**

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

<b>Key Methods and Assumptions Used in Valuation of Total Pension Liability</b>	
<b>Actuarial Information</b>	
Valuation Date	July 1, 2021
Measurement Date	June 30, 2021
Experience Study	June 5, 2019 (demographic assumptions) November 6, 2017 (economic assumptions)
Actuarial Cost Method	Entry Age Normal
<b>Actuarial Assumptions:</b>	
Investment Rate of Return	7.00%
Price Inflation	2.50%
Wage growth rate	2.85% before July 1, 2028 and 3.25% after June 30, 2028
Projected Salary Increase	2.85 to 8.85% before July 1, 2028 and 3.25 to 9.25% after June 20, 2028
Cost of living adjustment	1.00% for January 2020 through January 2023, then increasing by 0.1% each year up to 1.5% annually.

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

**Note 11 Defined Benefit Pension Plans - continued**

**A. Teachers Retirement Association - continued**

**4. Actuarial Assumptions – continued**

<b>Mortality Assumptions</b>	
Pre-Retirement	RP-2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP-2015 scale.
Post-Retirement	RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
Post-Disability	RP-2014 disabled retiree mortality table, without adjustment.

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

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return (Geometric Mean)</b>
Domestic Equity	35.5%	5.10%
International Equity	17.5%	5.30%
Private Markets	25.0%	5.90%
Fixed Income	20%	0.75%
Unallocated Cash	2%	0.00%
<b>Total</b>	<b>100%</b>	

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2022 is six years. The *Difference between Expected and Actual Experience*, *Changes of Assumptions*, and *Changes in Proportion* use the amortization period of 6 years in the schedule presented. The amortization period for

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

**Note 11 Defined Benefit Pension Plans - continued**

**B. Teachers Retirement Association - continued**

**4. Actuarial Assumptions – continued**

*Net difference between projected and actual investment earnings on pension plan investments is five years as required by GASB 68.*

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

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

**5. Discount Rate**

The discount rate used to measure the total pension liability was 7.00 percent. The discount rate used to measure the TPL at the Prior Measurement Date was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2021 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

**6. Net Pension Liability**

On June 30, 2022, the District reported a liability of \$4,113,721 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. District proportionate share was 0.0940% at the end of the measurement period and 0.0956% for the beginning of the year.

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

District’s proportionate share of net pension liability	\$4,113,721
State’s proportionate share of the net pension Liability associated with the District	\$346,851

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

**Note 11 Defined Benefit Pension Plans - continued**

**B. Teachers Retirement Association - continued**

**6. Net Pension Liability - continued**

For the year ended June 30, 2022, the District recognized pension expense of \$72,549. It also recognized \$3,884 as an increase to pension expense for the support provided by direct aid.

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	\$94,429	\$76,528
Net difference between projected and actual earnings on plan inv.		\$2,757,969
Change in assumptions	\$1,256,329	\$2,795,993
Changes in proportion	\$49,904	\$189,551
Contributions paid to TRA subsequent to measurement date	\$457,080	
<b>Total</b>	<b>\$1,857,742</b>	<b>\$5,820,041</b>

\$457,080 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to TRA will be recognized in the pension expense as follows:

2022	\$(1,893,486)
2023	\$(1,797,711)
2024	\$(431,453)
2025	\$(522,289)
2026	\$225,560

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

**Note 11 Defined Benefit Pension Plans – continued**

**B. Teachers Retirement Association - continued**

**7. Pension Liability Sensitivity**

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

Sensitivity of Net Pension Liability (NPL) to changes in the discount rate		
1 percent decrease (6.00%)	Current (7.00%)	1 percent increase (8.00%)
\$8,309,917	\$4,113,721	\$672,506

The Employer’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](http://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.

**Note 12 Other Postemployment Benefits**

The District has implemented Governmental Accounting Standards Board (GASB), Statement No. 75, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions.

**General Information about the OPEB Plan**

Plan Description

The District provides a single-employer defined benefit healthcare plan to eligible retirees and their spouses.

Benefits Provided

The plan offers medical insurance benefits. Benefits are provided through a third-party insurer. Retirees and their spouses contribute to the healthcare plan at the same cost as District employees.

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

**Note 12 Other Postemployment Benefits – continued**

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefit payments	7
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>160</u>
	<u>167</u>

Contributions

The contribution requirements of the plan members and the District are established and may be amended by the Board of Education. For the year ended June 30, 2021, the District’s average contribution rate was 7.0 percent of covered-employee payroll.

**Net OPEB Liability**

The District’s net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021.

Actuarial Assumptions

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale.
- The salary increase rates for non-teachers were updated to reflect the latest experience study.
- The withdrawal rates were updated to reflect the latest experience study.
- The inflation rate was changed from 2.50% to 2.00%.
- The discount rate was changed from 3.10% to 2.10%.
- These changes increased the liability \$32,968.



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

**Note 12 Other Postemployment Benefits – continued**

**Changes in the Net OPEB Liability**

	<b>Total OPEB Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net OPEB Liability (a)-(b)</b>
Balances at 7/1/2021	530,180	-0-	530,180
Changes for the year:			
Service cost	47,705		47,705
Interest cost	16,989		16,989
Assumption Changes	32,968		32,968
Differences between Expected and Actual Experience	(50,153)		(50,153)
Benefit Payment	(60,197)	-0-	(60,197)
Net changes	(12,688)		(12,688)
Balances at 6/30/2019	<u>517,492</u>	-0-	<u>517,492</u>

**Sensitivity of the net OPEB liability to changes in discount rate**

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.1 percent) or 1-percentage-point higher (4.1 percent) than the current discount rate:

	1% Decrease (1.1%)	Discount Rate (2.1%)	1% Increase (3.1%)
Net OPEB liability	\$542,177	\$517,492	\$493,066

**Sensitivity of the net OPEB liability to changes in healthcare cost trend rates**

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.5 percent decreasing to 4.0 percent) or 1-percentage-point higher (7.5 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

	1% Decrease (5.5% decreasing To 4.0%)	Healthcare Cost Trend Rates (6.5% decreasing to 5.0%)	1% Increase (7.5% decreasing to 6.0%)
Net OPEB Liability	\$474,429	\$517,492	\$568,125

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

**Note 12 Other Postemployment Benefits – continued**  
**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 \$59,143. At June 30, 2022, the District reported deferred outflow of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability Gains		\$48,493
Assumption Changes	\$28,258	\$3,780
Contributions paid to plan subsequent to measurement date	\$55,962	
	<u>\$84,220</u>	<u>\$52,273</u>

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

June 30, 2023	(\$5,551)
June 30, 2024	(\$5,551)
June 30, 2025	(\$5,548)
June 30, 2026	(\$2,455)
June 30, 2027	(\$2,455)
June 30, 2028	(\$2,455)

**Note 13 Vacation and Sick Leave**

Under the terms of contracts, certain employees accrue vacation at varying rates, which can be carried over to future years. The majority of vacation leave is lost if not taken each year, therefore a liability for accrued vacation is not recorded in the financial statements. Vacation pay is charged to operations when taken by the employees of the district.

Substantially all District employees are entitled to sick leave at various rates. Upon termination or retirement, employees are not entitled to receive compensation for their accrued sick leave. Since the employees' accumulating rights to receive compensation for future absences are contingent upon the absences being caused by future illnesses and such amounts cannot be reasonably estimated, a liability for unused sick leave is not recorded in the financial statements.

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

**Note 14**    **Risk Management**

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

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

**Note 15**    **Excess Expenditures over Budget Appropriations**

The following governmental fund had excess expenditures over budget appropriations:

Community Service Fund    \$13,857

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**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD & A**

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

Actuarial Valuation Date	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (if Applicable) (b)	Total (a+b)	District's Covered- Employee Payroll (c)	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<b>PERA</b>							
June 30, 2014	0.0354%	1,662,915		1,662,915	1,860,279	89.4%	78.7%
June 30, 2015	0.0318%	1,648,041		1,648,041	1,887,731	87.3%	78.2%
June 30, 2016	0.0297%	2,411,493	31,508	2,443,001	1,923,321	127.0%	68.9%
June 30, 2017	0.0243%	1,551,296	19,509	1,570,805	1,487,907	105.6%	75.9%
June 30, 2018	0.0237%	1,314,779	43,167	1,357,946	1,616,067	84.0%	79.5%
June 30, 2019	0.0228%	1,260,561	39,165	1,299,726	1,594,533	81.5%	80.2%
June 30, 2020	0.0224%	1,342,982	41,250	1,384,232	1,528,840	90.5%	79.0%
June 30, 2021	0.0212%	905,335	27,714	933,049	1,552,867	60.1%	87.0%
<b>TRA</b>							
June 30, 2014	0.0112%	5,156,271		5,156,271	5,107,987	100.9%	81.5%
June 30, 2015	0.0103%	6,346,825		6,346,825	5,238,958	121.1%	76.8%
June 30, 2016	0.0996%	23,756,976	2,384,641	26,141,617	5,182,320	504.4%	44.9%
June 30, 2017	0.0981%	19,582,540	1,893,280	21,475,820	5,281,646	406.6%	51.6%
June 30, 2018	0.0990%	6,218,127	584,205	6,802,332	5,469,213	124.4%	78.1%
June 30, 2019	0.0976%	6,221,044	550,350	6,771,394	5,542,101	112.3%	78.1%
June 30, 2020	0.0956%	7,063,056	591,839	7,654,895	5,556,326	127.1%	75.5%
June 30, 2021	0.0940%	4,113,721	346,851	4,460,572	5,622,140	73.2%	86.6%

See Note 11, Defined Benefit Pension Plans, for more information

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

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS**  
**DEFINED BENEFIT PENSION PLANS**  
**JUNE 30, 2022**

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a - b)	Covered- Employee Payroll (d)	Contributions as a Percentage of Covered- Employee Payroll (b/d)
<b><u>Pensions</u></b>					
<b>PERA</b>					
June 30, 2014	134,731	134,731	-0-	1,860,279	7.2%
June 30, 2015	138,002	138,094	(92)	1,887,731	7.3%
June 30, 2016	138,146	138,146	-0-	1,887,731	7.3%
June 30, 2017	111,593	111,593	-0-	1,487,907	7.5%
June 30, 2018	121,205	121,205	-0-	1,616,067	7.5%
June 30, 2019	119,590	119,590	-0-	1,594,533	7.5%
June 30, 2020	114,663	114,663	-0-	1,528,840	7.5%
June 30, 2021	116,465	116,465	-0-	1,552,867	7.5%
<b>TRA</b>					
June 30, 2014	357,559	357,559	-0-	5,107,987	7.0%
June 30, 2015	390,392	389,399	993	5,238,958	7.4%
June 30, 2016	388,674	388,674	-0-	5,182,320	7.5%
June 30, 2017	396,123	396,123	-0-	5,281,646	7.5%
June 30, 2018	410,191	410,191	-0-	5,469,213	7.5%
June 30, 2019	427,296	427,296	-0-	5,542,101	7.7%
June 30, 2020	440,061	440,061	-0-	5,556,326	7.9%
June 30, 2021	457,080	457,080	-0-	5,622,140	8.1%

See Note 11, Defined Benefit Pension Plans, for more information

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

Independent School District No. 2689  
 Pipestone Area Schools  
 Pipestone, Minnesota

**REQUIRED SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF CHANGES IN THE DISTRICT'S**  
**NET OPEB LIABILITY AND RELATED RATIOS**  
**JUNE 30, 2022**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB liability</b>					
Service Cost	47,705	36,159	35,106	36,384	35,324
Interest Cost	16,989	16,650	18,430	17,881	16,992
Assumption Changes	32,968		(7,560)		
Differences between Expected and Actual Experience	(50,153)		(11,013)		
Benefit Payments	(60,197)	(46,797)	(35,200)	(38,460)	(16,183)
Net change in total OPEB liability	(12,688)	6,012	(237)	15,805	36,133
Total OPEB liability - beginning	530,180	524,168	524,405	508,600	472,467
Total OPEB liability - ending	<u>517,492</u>	<u>530,180</u>	<u>524,168</u>	<u>524,405</u>	<u>508,600</u>
<b>Covered-employee payroll</b>	6,911,596	6,764,797	6,567,764	6,614,006	6,421,365
<b>District's Net OPEB liability as a percentage of covered-employee payroll</b>	7.49%	7.84%	7.98%	7.93%	7.92%

See Note 12, Other Postemployment Benefits, for more information.

Multi-year trend information is not available at this time.

The District will report the above RSI information prospectively as the information becomes available.



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

**General Employees Fund**

**2021 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**2020 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

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

**General Employees Fund - continued**

**2019 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**2018 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**2017 Changes**

Changes in Actuarial Assumptions

- The combined service annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA load are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

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

**General Employees Fund - continued**

Changes in Plan Provisions

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

**2016 Changes:**

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2015 Changes:**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions:

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

**TRA Retirement Funds**

**2021 Changes**

Changes in Actuarial Assumptions

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

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

**TRA Retirement Funds – continued**

**2020 Changes**

Changes in Actuarial Assumptions

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

**2019 Changes**

Changes in Actuarial Assumptions

- None

**2018 Changes**

Changes in Actuarial Assumptions

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

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

**TRA Retirement Funds – continued**

**2017 Changes**

Changes in Actuarial Assumptions

- The discount rate was increased to 5.12% from 4.66%.
- The cost of living adjustment (COLA) was assumed to increase from 2.0 percent annually to 2.5 percent annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5 percent, but remain at 2.0 percent for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4 percent to 0.0 percent, the vested inactive load increased from 4.0 percent to 7.0% and the non-vested inactive load increased from 4.0 percent to 9.0 percent.
- The investment return assumption was changed from 8.00 percent to 7.50 percent.
- The price inflation assumption was lowered from 2.75 percent to 2.50 percent.
- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.
- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for ten years followed by 3.25 percent thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

**2016 Changes**

Changes in Actuarial Assumptions

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

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

**TRA Retirement Funds – continued**

**2015 Changes**

Changes of Benefit Terms

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

Changes in Actuarial Assumptions

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

**Post Employment Health Care Plan**

**2022 Changes**

Assumption changes

- The health care trend rates, mortality tables, salary increase rates for non-teachers, and withdrawal rates were updated.
- The rate of inflation was changed from 2.50% to 2.00%.
- The discount rate was changed from 3.10% to 2.10%.

**2021 Changes**

Assumption changes

- None

**2020 Changes**

Assumption changes

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated 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.
- The discount rate changed from 3.40% to 3.10%.

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

**Post Employment Health Care Plan – continued**

**2019 Changes**

Assumption changes

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2000 Combined Healthy Mortality Tables projected to 2014 with Scale BB to the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale.
- The discount rate was changed from 4.00% to 3.40%.
- The withdrawal table for all employees and retirement table for only employees eligible to retire with Rule of 90 also were updated.

Method Changes

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

**GENERAL FUND**  
**BALANCE SHEET**  
**JUNE 30, 2022**

<b><u>Assets</u></b>	<b><u>2022</u></b>	<b><u>2021</u></b>
Cash	4,757,567	4,613,808
Investments	2,215,645	2,351,601
Current Property Taxes Receivable	725,354	805,256
Delinquent Property Taxes Receivable	12,435	11,869
Accounts Receivable	8,876	4,003
Interest Receivable	1,167	3,391
Due From Department of Education	1,747,793	1,336,207
Due From Federal Government Through the Department of Education	620,362	229,581
Due From Other Governmental Units	274,324	122,871
Prepaid Expenses	145,594	127,930
Total Assets	<u>10,509,117</u>	<u>9,606,517</u>
<b><u>Liabilities, Deferred Inflows of Resources and Fund Balances</u></b>		
<b><u>Liabilities</u></b>		
Salaries Payable	695,459	624,849
Accounts Payable	187,540	107,129
Due to Other Governmental Units	195,168	106,818
Accrued Payroll Liabilities	581,735	507,502
Total Liabilities	<u>1,659,902</u>	<u>1,346,298</u>
<b><u>Deferred Inflows of Resources</u></b>		
Unavailable Revenue-Delinquent Taxes	12,435	11,869
Property Taxes Levied for Subsequent Years	1,470,690	1,626,548
Total Deferred Inflows of Resources	<u>1,483,125</u>	<u>1,638,417</u>
<b><u>Fund Balances</u></b>		
Fund Balance-Nonspendable	145,594	127,930
Fund Balance-Restricted	1,384,851	1,153,168
Fund Balance-Committed	65,656	73,075
Fund Balance-Assigned	18,950	21,766
Fund Balance-Unassigned	5,751,039	5,245,863
Total Fund Balances	<u>7,366,090</u>	<u>6,621,802</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>10,509,117</u>	<u>9,606,517</u>



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

	Year Ended June 30			
	2022		2021	
	Budget	Actual	Variance with Final Budget	Actual
<b>Revenues</b>				
<u>Local Property Tax Levy</u>				
County Apportionment	30,000	32,019	2,019	21,056
Local Tax Levy	1,694,352	1,690,695	(3,657)	1,574,868
Miscellaneous Tax Revenue	18,000	76,394	58,394	15,419
Total Local Property Tax Levy	<u>1,742,352</u>	<u>1,799,108</u>	<u>56,756</u>	<u>1,611,343</u>
<u>Other Local and County Revenues</u>				
Admissions	37,500	45,485	7,985	243
Fees	41,780	17,907	(23,873)	14,935
Gifts and Bequests	12,250	21,919	9,669	15,436
Interest Income	18,900	10,515	(8,385)	20,691
Medical Assistance Revenue	60,000	59,005	(995)	41,240
Other Miscellaneous Income	300,233	181,976	(118,257)	159,979
Rent of Facilities	4,200	5,635	1,435	1,300
Tuition from Other Minnesota School Districts	28,711	21,076	(7,635)	17,973
Total Other Local and County Revenues	<u>503,574</u>	<u>363,518</u>	<u>(140,056)</u>	<u>271,797</u>
<u>Revenue From State Sources</u>				
Disparity	17,500	17,481	(19)	16,374
Education Homestead Credit	20,000	8,167	(11,833)	15,498
Endowment Fund Apportionment	48,000	45,111	(2,889)	48,025
General Education Aid	9,599,623	10,008,033	408,410	9,839,605
Other State Aids	284,891	238,787	(46,104)	211,646
Special Education	1,242,799	1,364,836	122,037	1,274,483
Total Revenue From State Sources	<u>11,212,813</u>	<u>11,682,415</u>	<u>469,602</u>	<u>11,405,631</u>
<u>Revenue From Federal Sources</u>				
Title Programs	396,559	352,437	(44,122)	300,216
American Rescue Plan	41,146	91,258	50,112	
COVID Testing	62,039	62,039		
CARES		628	628	403,997
ESSER	909,787	983,758	73,971	63,357
Federal Aid Programs	28,199	230,697	202,498	163,892
Total Revenue From Federal Sources	<u>1,437,730</u>	<u>1,720,817</u>	<u>283,087</u>	<u>931,462</u>
<u>Sales and Other Conversion of Assets</u>				
Insurance Recovery				1,524
Sales of Material	600	1,463	863	1,037
Total Sales and Other				
Conversion of Assets	600	1,463	863	2,561
Total Revenues	<u>14,897,069</u>	<u>15,567,321</u>	<u>670,252</u>	<u>14,222,794</u>

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

	Year Ended June 30			2021 Actual
	2022	Variance with Final Budget		
<u>Expenditures</u>	<u>Budget</u>	<u>Actual</u>	<u>Final Budget</u>	<u>Actual</u>
<u>District and School Administration</u>				
<u>Administration</u>				
Dues and Membership	9,781	6,930	(2,851)	9,622
Equipment	8,500	8,500		8,500
Fixed Charges and Employee Benefits	228,427	226,718	(1,709)	229,653
Instructional Supplies	26,396		(26,396)	
Other	1,450		(1,450)	
Professional Services	45,600	65,799	20,199	48,835
Salaries	589,716	591,520	1,804	586,539
Supplies	37,370	35,390	(1,980)	25,286
Travel and Transportation	100	3,805	3,705	2,685
Utilities	1,500	1,500		1,542
Total Administration	948,840	940,162	(8,678)	912,662
<u>District Support Services</u>				
Dues and Membership	400	119	(281)	431
Equipment		3,475	3,475	3,475
Fixed Charges and Employee Benefits	61,938	61,100	(838)	59,817
Other	17,965	9,132	(8,833)	12,109
Professional Services	53,006	58,075	5,069	51,684
Rentals and Leases	50,800	62,362	11,562	50,412
Salaries	166,998	167,579	581	160,878
Supplies	8,000	6,005	(1,995)	4,920
Travel				41
Total District Support Services	359,107	367,847	8,740	343,767
<u>Regular Instruction</u>				
<u>District Wide</u>				
Dues and Memberships	11,250		(11,250)	6,146
Equipment		2,975	2,975	3,093
Fixed Charges and Employee Benefits	66,118	113,197	47,079	59,445
Instructional Supplies	3,529	4,454	925	18,168
Professional Services	36,050	30,823	(5,227)	43,291
Rent	300		(300)	
Repair and Maintenance				1,535
Salaries	392,659	333,772	(58,887)	335,567
Supplies	75,100	107,567	32,467	67,541
Travel and Transportation	8,510	3,381	(5,129)	1,314
Total District Wide	593,516	596,169	2,653	536,100
<u>Elementary School</u>				
Dues and Membership				235
Equipment				4,616
Fixed Charges and Employee Benefits	547,549	501,093	(46,456)	498,815
Instructional Supplies	166,460	216,725	50,265	122,149
Professional Services	31,750	8,366	(23,384)	3,577
Repair and Maintenance				110
Salaries	1,933,623	2,052,308	118,685	1,934,049
Supplies	12,902	14,303	1,401	2,737
Travel and Transportation	29,645	22,160	(7,485)	9,817
Total Elementary School	2,721,929	2,814,955	93,026	2,576,105

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

	Year Ended June 30			2021
	2022		Variance with Final Budget	
<u>Expenditures - continued</u>	<u>Budget</u>	<u>Actual</u>		
<u>Regular Instruction - continued</u>				
<u>Middle School</u>				
Fixed Charges and Employee Benefits	248,098	257,541	9,443	265,504
Instructional Supplies	58,930	73,262	14,332	48,281
Salaries	885,170	870,122	(15,048)	967,444
Supplies	2,179	1,858	(321)	645
Travel and Transportation	13,000		(13,000)	165
Total Middle School	<u>1,207,377</u>	<u>1,202,783</u>	<u>(4,594)</u>	<u>1,282,039</u>
<u>Secondary School</u>				
Dues and Memberships	320	6,431	6,111	5,470
Equipment	157,764	150,439	(7,325)	1,607
Fixed Charges and Employee Benefits	349,000	337,568	(11,432)	242,932
Instructional Supplies	114,993	100,876	(14,117)	128,924
Professional Services	119,612	184,068	64,456	30,723
Reimbursements to Other Agencies/Districts	230,000	108,923	(121,077)	166,288
Reimbursements to Other MN Districts	10,000	11,642	1,642	22,696
Rentals and Leases	24,032	11,467	(12,565)	12,413
Repair and Maintenance	2,000	11,012	9,012	11,093
Salaries	1,532,946	1,580,720	47,774	1,217,200
Supplies	3,282	75,980	72,698	70,026
Travel and Transportation	150,754	123,178	(27,576)	85,971
Total Secondary School	<u>2,694,703</u>	<u>2,702,304</u>	<u>7,601</u>	<u>1,995,343</u>
Total Regular Instruction	<u>7,217,525</u>	<u>7,316,211</u>	<u>98,686</u>	<u>6,389,587</u>
<u>Vocational Instruction</u>				
Dues and Memberships		40	40	
Fixed Charges and Employee Benefits	58,454	57,916	(538)	55,136
Instructional Supplies	63,942	53,657	(10,285)	22,684
Rentals and Leases	8,400	7,200	(1,200)	12,600
Salaries	244,940	251,650	6,710	258,590
Supplies	595	599	4	304
Travel and Transportation	14,800	8,833	(5,967)	
Total Vocational Instruction	<u>391,131</u>	<u>379,895</u>	<u>(11,236)</u>	<u>349,314</u>

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

	<u>Year Ended June 30</u>			
	<u>2022</u>			<u>2021</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
<b><u>Expenditures - continued</u></b>				
<b><u>Exceptional Instruction</u></b>				
Equipment	11,047	9,742	(1,305)	4,848
Fixed Charges and Employee Benefits	230,707	227,137	(3,570)	194,282
Instructional Supplies	8,978	17,893	8,915	14,922
Professional Services	124,000	105,867	(18,133)	162,549
Reimbursements to Other Agencies/Districts	23,200	51,663	28,463	54,725
Reimbursements to Other MN Districts	459,152	410,153	(48,999)	376,229
Salaries	1,091,922	1,079,204	(12,718)	966,815
Supplies	1,091	3,720	2,629	1,040
Travel and Transportation	34,169	25,787	(8,382)	34,380
Total Exceptional Instruction	<u>1,984,266</u>	<u>1,931,166</u>	<u>(53,100)</u>	<u>1,809,790</u>
<b><u>Instructional Support Services</u></b>				
Dues	895	5,859	4,964	5,069
Equipment	70,115	73,680	3,565	34,324
Fixed Charges and Employee Benefits	69,677	66,159	(3,518)	51,405
Instructional Supplies	120,149	38,155	(81,994)	202,597
Professional Services	96,770	114,050	17,280	95,249
Repair and Maintenance	13,000	44,614	31,614	10,371
Salaries	361,442	298,321	(63,121)	218,100
Supplies	29,765	34,666	4,901	43,093
Travel and Transportation	39,305	31,265	(8,040)	16,822
Utilities	500	500		500
Total Instructional Support	<u>801,618</u>	<u>707,269</u>	<u>(94,349)</u>	<u>677,530</u>
<b><u>Pupil Support Services</u></b>				
Building Improvements				1,113
Fixed Charges and Employee Benefits	111,899	84,862	(27,037)	71,049
Insurance	4,378	4,094	(284)	
Instructional Supplies	4,024	462	(3,562)	610
Other		252	252	8,374
Professional Services	60,443	60,012	(431)	45,000
Reimbursements to Other MN Districts		35,744	35,744	48,977
Repair and Maintenance	312		(312)	105
Salaries	354,927	306,810	(48,117)	279,087
Supplies	23,160	28,606	5,446	15,325
Travel and Transportation	1,027,000	996,982	(30,018)	979,038
Total Pupil Support Services	<u>1,586,143</u>	<u>1,517,824</u>	<u>(68,319)</u>	<u>1,448,678</u>

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

	Year Ended June 30			2021
	2022			
	Budget	Actual	Variance with Final Budget	Actual
<b><u>Expenditures - continued</u></b>				
<b><u>Site, Building and Equipment</u></b>				
Building Improvements	169,643	200,509	30,866	302,871
Dues and Memberships	550	317	(233)	619
Equipment	143,575	97,157	(46,418)	288,258
Fixed Charges and Employee Benefits	188,086	151,309	(36,777)	165,754
Fuel	71,500	69,730	(1,770)	57,730
Lease Interest	17,026	17,026		19,370
Lease Principle	75,000	75,000		73,000
Professional Services	118,133	66,346	(51,787)	28,312
Reimbursements to Other MN Districts	50,000	36,968	(13,032)	22,384
Repair and Maintenance	199,125	187,917	(11,208)	98,809
Salaries	382,345	343,972	(38,373)	355,733
Site and Ground Acquisition	365,000	356,290	(8,710)	12,990
Supplies	112,155	123,678	11,523	115,757
Travel and Transportation		569	569	2,123
Utilities	314,836	309,384	(5,452)	315,349
Total Site, Building and Equipment	<u>2,206,974</u>	<u>2,036,172</u>	<u>(170,802)</u>	<u>1,859,059</u>
<b><u>Fixed Cost Programs</u></b>				
Property Insurance	108,976	108,677	(299)	97,647
Total Fixed Cost Programs	<u>108,976</u>	<u>108,677</u>	<u>(299)</u>	<u>97,647</u>
Total Expenditures	<u>15,604,580</u>	<u>15,305,223</u>	<u>(299,357)</u>	<u>13,888,034</u>
Excess Revenues (Expenditures)	(707,511)	262,098	969,609	334,760
<b><u>Other Financing Sources (Uses)</u></b>				
Insurance Recovery		46,140	46,140	
Sale of Property		436,050	436,050	
Total Other Financing Sources (Uses)	<u>-0-</u>	<u>482,190</u>	<u>482,190</u>	<u>-0-</u>
Excess Revenues and Other Financing Sources Over Expenditures and Other Uses	<u>(707,511)</u>	744,288	<u>1,451,799</u>	334,760
Fund Balance-July 1		<u>6,621,802</u>		<u>6,287,042</u>
Fund Balance-June 30		<u>7,366,090</u>		<u>6,621,802</u>

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

	<b>Food</b>	<b>Community</b>	<b>Total</b>	
<b><u>Assets</u></b>	<b><u>Service</u></b>	<b><u>Service</u></b>	<b>(Memo Only)</b>	
			<b><u>2022</u></b>	<b><u>2021</u></b>
Cash and Investments	784,065	534,669	1,318,734	1,195,939
Current Property Taxes Receivable		50,942	50,942	53,657
Delinquent Property Taxes Receivable		876	876	392
Accounts Receivable	8,382		8,382	901
Due from Department of Education		5,994	5,994	5,909
Due from Federal Government Through the Department of Education	19,435		19,435	119,486
Due from other Governmental Units	5,000	64,602	69,602	63,926
Total Assets	816,882	657,083	1,473,965	1,440,210
<b><u>Liabilities, Deferred Inflows of Resources and Fund Balances</u></b>				
<b><u>Liabilities</u></b>				
Salaries Payable		53,983	53,983	50,763
Accounts Payable	108,327	733	109,060	170,317
Unearned Revenue	45,256		45,256	32,154
Total Liabilities	153,583	54,716	208,299	253,234
<b><u>Deferred Inflows of Resources</u></b>				
Unavailable Revenue-Delinquent Taxes		876	876	392
Property Taxes Levied for Subsequent Years Expenditures		111,329	111,329	117,022
Total Deferred Inflows of Resources	-0-	112,205	112,205	117,414
<b><u>Fund Balances</u></b>				
Fund Balance-Restricted	663,299	490,162	1,153,461	1,069,562
Total Fund Balances	663,299	490,162	1,153,461	1,069,562
Total Liabilities, Deferred Inflows of Resources and Fund Balances	816,882	657,083	1,473,965	1,440,210

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

<b><u>Revenues</u></b>	<b><u>Food Service</u></b>	<b><u>Community Service</u></b>	<b>Total (Memo Only)</b>	
			<b><u>2022</u></b>	<b><u>2021</u></b>
Local Property Tax Levy		113,545	113,545	135,126
Other Local and County Revenues	6,089	269,119	275,208	272,644
Revenue from State Sources	39,409	59,959	99,368	62,563
Revenue from Federal Sources	1,069,754	9,831	1,079,585	1,249,090
Other	45,661	1,228	46,889	23,212
Total Revenues	<u>1,160,913</u>	<u>453,682</u>	<u>1,614,595</u>	<u>1,742,635</u>
<b><u>Expenditures</u></b>				
Community Education and Services		427,329	427,329	319,809
Pupil Support Services	1,103,367		1,103,367	1,163,614
Total Expenditures	<u>1,103,367</u>	<u>427,329</u>	<u>1,530,696</u>	<u>1,483,423</u>
Excess Revenues (Expenditures)	57,546	26,353	83,899	259,212
Fund Balance-July 1	605,753	463,809	1,069,562	810,350
Fund Balance-June 30	<u><u>663,299</u></u>	<u><u>490,162</u></u>	<u><u>1,153,461</u></u>	<u><u>1,069,562</u></u>

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

	<u>Year Ended June 30</u>			<u>2021</u>
	<u>2022</u>			
	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
<b><u>Revenues</u></b>				
<b><u>Other Local and County Revenues</u></b>				
Interest Income	8,400	1,068	(7,332)	2,316
Miscellaneous	5,000	5,021	21	5,000
Total Other Local and County Revenues	<u>13,400</u>	<u>6,089</u>	<u>(7,311)</u>	<u>7,316</u>
<b><u>Revenue From State Sources</u></b>				
Breakfast Reimbursement				858
Lunch Reimbursement	553	18,568	18,015	1,344
Summer Food Service Program		20,841	20,841	
Total Revenue From State Sources	<u>553</u>	<u>39,409</u>	<u>38,856</u>	<u>2,202</u>
<b><u>Revenue From Federal Sources</u></b>				
Breakfast Reimbursement		287,237	287,237	3,022
Commodities	60,000	64,175	4,175	51,928
ESSER		865	865	17,049
Lunch Reimbursement	147,217	643,079	495,862	85,208
Summer Food Service Program	1,125,677	74,398	(1,051,279)	1,081,334
Total Revenue From Federal Sources	<u>1,332,894</u>	<u>1,069,754</u>	<u>(263,140)</u>	<u>1,238,541</u>
<b><u>Sales and Other Conversion of Assets</u></b>				
Lunch and Breakfast Sales	23,174	45,661	22,487	22,294
Total Revenues	<u>1,370,021</u>	<u>1,160,913</u>	<u>(209,108)</u>	<u>1,270,353</u>
<b><u>Expenditures</u></b>				
<b><u>Pupil Support Services</u></b>				
Commodities	60,000	64,175	4,175	51,928
Equipment	219,000	288,388	69,388	130,710
Milk		15,029	15,029	
Other		7,699	7,699	
Professional Services	1,133,909	686,908	(447,001)	931,295
Repairs and Maintenance	12,000	11,979	(21)	14,478
Supplies	23,100	28,980	5,880	35,018
Travel and Transportation	400	209	(191)	185
Total Expenditures	<u>1,448,409</u>	<u>1,103,367</u>	<u>(345,042)</u>	<u>1,163,614</u>
Excess Revenues (Expenditures)	<u>(78,388)</u>	57,546	<u>135,934</u>	106,739
Fund Balance-July 1		<u>605,753</u>		<u>499,014</u>
Fund Balance-June 30		<u>663,299</u>		<u>605,753</u>



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

	<u>Year Ended June 30</u>			
	<u>2022</u>	<u>2021</u>		
<b><u>Revenues</u></b>	<b><u>Budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance with</u></b>	<b><u>Actual</u></b>
			<b><u>Final Budget</u></b>	
<b><u>Local Property Tax Levy</u></b>				
Local Tax Levy	110,921	113,545	2,624	135,126
Total Local Property Tax Levy	110,921	113,545	2,624	135,126
<b><u>Other Local and County Revenues</u></b>				
Fees	31,900	34,373	2,473	33,420
Gifts and Bequests				6,544
Interest Income	4,200	887	(3,313)	1,254
Other Miscellaneous Income	152,073	160,639	8,566	152,409
Tuition from Patrons	84,200	73,220	(10,980)	71,701
Total Other Local and County Revenues	272,373	269,119	(3,254)	265,328
<b><u>Revenue From State Sources</u></b>				
Disparity	2,700	2,338	(362)	2,301
Market Value Credits	3,400	1,092	(2,308)	2,178
Other State Aids	57,015	56,529	(486)	55,882
Total Revenue From State Sources	63,115	59,959	(3,156)	60,361
<b><u>Revenue From Federal Sources</u></b>				
ESSER		5,229	5,229	5,549
American Rescue Plan		4,602	4,602	
CARES				5,000
Total Revenue From Federal Sources	-0-	9,831	9,831	10,549
<b><u>Sales and Other Conversion of Assets</u></b>				
Sales of Materials		1,228	1,228	918
Total Sales and Other Conversion of Assets	-0-	1,228	1,228	918
Total Revenues	446,409	453,682	7,273	472,282
<b><u>Expenditures</u></b>				
<b><u>Community Education and Services</u></b>				
Dues and Memberships	675	676	1	644
Equipment	1,100	427	(673)	
Fixed Charges	70,820	73,281	2,461	36,787
Instructional Supplies	37,349	50,849	13,500	32,069
Other Non-Education Agencies	17,000	17,000		17,000
Professional Services	10,100	3,402	(6,698)	8,533
Rentals and Leases	4,658	4,521	(137)	31,417
Repair and Maintenance	750		(750)	197
Salaries	257,442	262,309	4,867	182,733
Supplies	10,428	10,623	195	7,292
Travel and Transportation	3,150	3,231	81	1,808
Utilities		1,010	1,010	1,329
Total Expenditures	413,472	427,329	13,857	319,809
Excess Revenues (Expenditures)	32,937	26,353	(6,584)	152,473
Fund Balance-July 1		463,809		311,336
Fund Balance-June 30		490,162		463,809

**CAPITAL PROJECTS FUND**  
**BALANCE SHEET**  
**JUNE 30, 2022**

	<b>2022</b>	<b>2021</b>
<b><u>Assets</u></b>		
Cash	315,610	4,989,752
Interest Receivable		92,066
Total Assets	315,610	5,081,818
 <b><u>Liabilities, Deferred Inflows of Resources and Fund Balances</u></b>		
<b><u>Liabilities</u></b>		
Accounts Payable	2,720	889,665
Total Liabilities	2,720	889,665
 <b><u>Fund Balances</u></b>		
Fund Balance-Restricted	312,890	4,192,153
Total Fund Balances	312,890	4,192,153
Total Liabilities, Deferred Inflows of Resources and Fund Balances	315,610	5,081,818

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

	<b>Year Ended June 30</b>			
	<b>2022</b>			<b>2021</b>
	<b><u>Budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance with Final Budget</u></b>	<b><u>Actual</u></b>
<b><u>Revenues</u></b>				
<b><u>Other Local and County Revenues</u></b>				
Interest Income	27,753	(9,253)	(37,006)	175,252
Total Other Local and County Revenues	<u>27,753</u>	<u>(9,253)</u>	<u>(37,006)</u>	<u>175,252</u>
<b><u>Expenditures</u></b>				
<b><u>Site, Building and Equipment</u></b>				
Building	3,520,680	1,963,811	(1,556,869)	16,635,531
Equipment	681,147	995,264	314,117	819,993
Professional Services	1,002,313	910,935	(91,378)	1,749,846
Travel and Transportation				250
Total Expenditures	<u>5,204,140</u>	<u>3,870,010</u>	<u>(1,334,130)</u>	<u>19,205,620</u>
Excess Revenues (Expenditures)	<u>(5,176,387)</u>	<u>(3,879,263)</u>	<u>1,297,124</u>	<u>(19,030,368)</u>
Fund Balance-July 1		<u>4,192,153</u>		<u>23,222,521</u>
Fund Balance-June 30		<u>312,890</u>		<u>4,192,153</u>

**DEBT SERVICE FUND**  
**BALANCE SHEET**  
**JUNE 30, 2022**

<u>Assets</u>	<u>2022</u>	<u>2021</u>
Cash	860,495	900,123
Current Property Taxes Receivable	1,272,720	1,251,669
Delinquent Property Taxes Receivable	14,322	5,514
Due from Department of Education	78,766	76,200
Total Assets	<u>2,226,303</u>	<u>2,233,506</u>
<b><u>Liabilities, Deferred Inflows of Resources and Fund Balances</u></b>		
<u>Deferred Inflows of Resources</u>		
Unavailable Revenue-Delinquent Taxes	14,322	5,514
Property Taxes Levied for Subsequent Years	1,817,815	1,833,968
Total Liabilities	<u>1,832,137</u>	<u>1,839,482</u>
<u>Fund Balances</u>		
Fund Balance-Restricted	394,166	394,024
Total Fund Balances	<u>394,166</u>	<u>394,024</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>2,226,303</u>	<u>2,233,506</u>

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

	<u>Year Ended June 30</u>			<u>2021</u>
	<u>2022</u>	<u>Variance with</u>		
<u>Revenues</u>	<u>Budget</u>	<u>Actual</u>	<u>Final Budget</u>	<u>Actual</u>
<u>Local Property Tax Levy</u>				
Local Tax Levy	1,117,882	1,045,701	(72,181)	1,098,231
Total Local Property Tax Levy	1,117,882	1,045,701	(72,181)	1,098,231
<u>Other Local and County Revenues</u>				
Interest Income	3,500	1,382	(2,118)	1,756
Total Other Local and County Revenues	3,500	1,382	(2,118)	1,756
<u>Revenue From State Sources</u>				
Disparity Reduction	36,000	36,617	617	37,762
Market Value Credits	44,752	17,106	(27,646)	35,741
School Building Bond Ag Credit	635,334	733,936	98,602	688,496
Total Revenue From State Sources	716,086	787,659	71,573	761,999
Total Revenue	1,837,468	1,834,742	(2,726)	1,861,986
<u>Expenditures</u>				
<u>Fiscal and Other Fixed Cost Programs</u>				
Interest and Fiscal Charges	979,600	979,600		1,440,730
Principal	855,000	855,000		395,000
Total Expenditures	1,834,600	1,834,600	-0-	1,835,730
Excess Revenues (Expenditures)	2,868	142	(2,726)	26,256
Fund Balance-July 1		394,024		367,768
Fund Balance-June 30		394,166		394,024

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

	Audit	UFARS	Audit - UFARS
<b><u>01 GENERAL FUND</u></b>			
Total Revenues	<u>15,567,321</u>	<u>15,567,322</u>	<u>-1</u>
Total Expenditures	<u>15,305,223</u>	<u>15,305,224</u>	<u>(1)</u>
Nonspendable:			
460 Non Spendable Fund Balance	145,594	145,594	0
Restricted/Reserve:			
401 Student Activities	116,909	116,909	0
403 Staff Development	355,631	355,631	0
424 Operating Capital	445,099	445,099	0
428 Learning & Development	10,317	10,317	0
438 Gifted & Talented	241,422	241,422	0
441 Basic Skills Programs	141,697	141,697	0
448 Achievement & Integration	207	206	1
449 Safe Schools Levy	41,468	41,468	0
467 Long Term Facility Maintenance	5,886	5,886	0
472 Medical Assistance	18,900	18,900	0
Restricted:			
464 Restricted Fund Balance	7,315	7,315	0
Committed:			
418 Committed for Separation	65,656	65,656	0
Assigned:			
462 Assigned Fund Balance	18,950	18,950	0
Unassigned:			
422 Unassigned Fund Balance	5,751,039	5,751,039	0
<b><u>02 FOOD SERVICE</u></b>			
Total Revenues	<u>1,160,913</u>	<u>1,160,913</u>	<u>0</u>
Total Expenditures	<u>1,103,367</u>	<u>1,103,367</u>	<u>0</u>
Restricted:			
464 Restricted Fund Balance	663,299	663,299	0
<b><u>04 COMMUNITY SERVICE</u></b>			
Total Revenues	<u>453,682</u>	<u>453,682</u>	<u>0</u>
Total Expenditures	<u>427,329</u>	<u>427,329</u>	<u>0</u>
Restricted/Reserve:			
431 Community Education	267,690	267,690	0
432 Early Childhood and Family Education	231,773	231,773	0
444 Learning Readiness	(14,595)	(14,594)	-1
Restricted:			
464 Restricted Fund Balance	5,294	5,294	0
<b><u>06 BUILDING CONSTRUCTION</u></b>			
Total Revenues	<u>(9,253)</u>	<u>(9,253)</u>	<u>0</u>
Total Expenditures	<u>3,870,010</u>	<u>3,870,010</u>	<u>0</u>
Restricted			
464 Restricted	312,890	312,890	0
<b><u>07 DEBT SERVICE</u></b>			
Total Revenues	<u>1,834,742</u>	<u>1,834,742</u>	<u>0</u>
Total Expenditures	<u>1,834,600</u>	<u>1,834,600</u>	<u>0</u>
Restricted:			
464 Restricted Fund Balance	394,166	394,166	0

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

<b>Pass Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>	<b>Expenditures to Subrecipients</b>	<b>Federal Funding Source</b>
<b>Through Minnesota Department of Education</b>				
Child Nutrition Cluster:				
School Breakfast Program	10.553	287,237	None	USDOA
National School Lunch Program	10.555	703,355	None	USDOA
Summer Food Service Program for Children	10.559	74,398	None	USDOA
Total Child Nutrition Cluster		<u>1,064,990</u>		
Supply Chain Assistance	10.558	3,898	None	USDOA
American Rescue Plan-Summer Academic	21.027	40,127	None	USDOED
COVID Testing	93.323	62,039	None	USDOED
Title I	84.010	272,618	None	USDOED
Title II	84.367	38,443	None	USDOED
Title III	84.365	16,026	None	USDOED
Title IV	84.424	25,350	None	USDOED
COVID-ARPA-Library	45.310	4,602	None	USDOED
Pandemic Electronic Transfer Program	10.649C	628	None	USDOED
Education Stabilization Cluster:				
COVID-ESSER-I	84.425	13	None	USDOED
COVID-ESSER-II	84.425DC	781,591	None	USDOED
COVID-ESSER-III	84.425UC	167,316	None	USDOED
COVID-ESSER-Expanded Summer	84.425D	40,934	None	USDOED
Total Education Stabilization Cluster		<u>989,854</u>		
<b>Through SW/WC Coop</b>				
Special Education Cluster:				
Special Education	84.027	65,843	None	USDOED
Handicapped Early Education	84.173	6,553	None	USDOED
Perkins	84.048	3,301	None	USDOED
Total Special Education Cluster		<u>75,697</u>		
<b>Through US Federal Communications Commission</b>				
COVID-19 Emergency Connectivity Fund	32.009	206,130	None	USDOFCC
Total Federal Expenditures		<u><u>2,800,402</u></u>		

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.

Independent School District No. 2689  
Pipestone Area Schools  
Pipestone, 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 includes the federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of the financial statements.

**NOTE 2 – PASS-THROUGH GRANT NUMBERS**

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

**NOTE 3 – INDIRECT COST RATE**

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



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

To The Board of Education  
Independent School District No. 2689  
Pipestone Area Schools  
Pipestone, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Independent School District No. 2689, Pipestone Area Schools, Pipestone, Minnesota, as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the Independent School District No. 2689's basic financial statements and have issued our report thereon dated November 28, 2022.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Independent School District No. 2689's internal control over financial reporting to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Independent School District No. 2689's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Independent School District No. 2689's internal control over financial reporting.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2022-001 and 2022-002, that we consider to be material weaknesses.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Independent School District No. 2689's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### **Minnesota Legal Compliance**

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

In connection with our audit, nothing came to our attention that caused us to believe that the Independent School District No. 2689 failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for School District's*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Independent School District No. 2689's noncompliance with the above referenced provisions.

Independent School District No. 2689  
Pipestone Area Schools  
Pipestone, Minnesota  
Page 3

### **Independent School District No. 2689's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Independent School District No. 2689's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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



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

November 28, 2022

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

To The Board of Education  
Independent School District No. 2689  
Pipestone Area Schools  
Pipestone, Minnesota

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the Independent School District No. 2869, Pipestone Area Schools, Pipestone, Minnesota's 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 Independent School District No. 2869's major federal programs for the year ended June 30, 2022. Independent School District No. 2689's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance.

In our opinion, the District complied in all material respects, with the compliance requirements referred to above that could have a direct and material effect on 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 (GAAS); 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

Independent School District No. 2689  
Pipestone Area Schools  
Pipestone, Minnesota

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

### ***Auditor's Responsibilities for the Audit of Compliance***

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

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

- Exercise professional judgement 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, and planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## Report on Internal Control Over Compliance

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

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. 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



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

November 28, 2022

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**IN ACCORDANCE WITH THE UNIFORM GUIDANCE**  
**FOR THE YEAR ENDED JUNE 30, 2022**

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

**Financial Statements**

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

**Federal Awards**

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

**Identification of Major Programs**

CFDA No:	10.553
Name of Federal Program or Cluster:	Child Nutrition Cluster
CFDA No:	10.555
Name of Federal Program or Cluster:	Child Nutrition Cluster
CFDA No:	10.559
Name of Federal Program or Cluster:	Child Nutrition Cluster
CFDA No:	84.425
Name of Federal Program or Cluster:	Education Stabilization Cluster
CFDA No:	84.425DC
Name of Federal Program or Cluster:	Education Stabilization Cluster

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**IN ACCORDANCE WITH THE UNIFORM GUIDANCE**  
**FOR THE YEAR ENDED JUNE 30, 2022**

**SECTION I – SUMMARY OF AUDITOR’S RESULTS - CONTINUED**

CFDA No: 84.425UC  
Name of Federal Program or Cluster: Education Stabilization Cluster

CFDA No: 84.425D  
Name of Federal Program or Cluster: Education Stabilization Cluster

Dollar threshold used to distinguish between type A  
and type B programs: \$750,000

Auditee qualified as low risk auditee? No

**SECTION II – FINANCIAL STATEMENT FINDINGS**

2022-001 Internal Accounting Controls

Criteria: Internal control should include an adequate segregation of duties in the accounting functions.

Condition: Due to a limited number of office personnel, proper segregation of duties in the accounting functions is not always possible.

Cause: This condition is not unusual where staffing size can result in an improper segregation of duties. Management has determined that given the size and resource limitations the desirable level of segregation of duties necessary may not be feasible.

Effect: Without an adequate segregation of duties these are opportunities for errors or fraudulent activities to occur and remain undetected.

Recommendation: We recommend that the District’s management be aware of the lack of segregation of the accounting functions and implement oversight procedures to ensure that the internal control policies and procedures are being implemented by staff and encourage additional controls as they become available due to changes in staff, etc.

**Corrective Action Plan (CAP)**

Evaluation of disagreement with audit findings:

There is no disagreement with the audit findings.

Actions planned in response to the finding:

Because it is economically infeasible to hire additional staff to adequately provide for the proper segregation of duties, the district will utilize staff and board members to segregate duties to the extent possible.



**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**IN ACCORDANCE WITH THE UNIFORM GUIDANCE**  
**FOR THE YEAR ENDED JUNE 30, 2022**

**SECTION II – FINANCIAL STATEMENT FINDINGS – CONTINUED**

2022-001 Internal Accounting Controls – continued

Official responsible for Ensuring CAP:

The District's Superintendent in conjunction with the Business Manager is the official responsible for ensuring corrective action.

Planned completion date for CAP:

December 31, 2022

Plan to monitor completion of CAP:

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

2022-002 GAAP Financial Statements

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

Criteria: Personnel in the District should prepare the financial statements in accordance with generally accepted accounting principles.

Condition: It was determined that the personnel lacked the necessary expertise to prepare the financial statements in accordance with generally accepted accounting principles.

Cause: Personnel in the District do not have the experience or expertise to prepare the financial statements in accordance with generally accepted accounting principles.

Effect: As the District personnel were unable to prepare the financial statements in accordance with generally accepted accounting principles, the District had the audit firm assist with the preparation of the financial statements in accordance with generally accepted accounting principles.

**Corrective Action Plan (CAP):**

Evaluation of disagreement with audit findings:

There is no disagreement with the audit findings.

Actions planned in response to the finding:

The District has studied the situation and found that it is economically infeasible to hire or provide adequate training required to adequately prepare financial statements in accordance with generally accepted accounting principles. The cost benefit of providing the necessary training to acquire and maintain this expertise prohibits it. Although the district will continue to have the auditor prepare the financial statements, the district implemented an internal control policy that documents the annual review of the financial statements, disclosures and schedules.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**IN ACCORDANCE WITH THE UNIFORM GUIDANCE**  
**FOR THE YEAR ENDED JUNE 30, 2022**

**SECTION II – FINANCIAL STATEMENT FINDINGS – CONTINUED**

2022-002 GAAP Financial Statements – continued

Official Responsible for Ensuring CAP:

The District's Superintendent in conjunction with the Business Manager is the official responsible for ensuring corrective action.

Planned Completion Date for CAP:

December 31, 2022

Plan to Monitor Completion of CAP:

The Superintendent and Board of Education will monitor the internal control policy is being followed in relation to the annual review of the financial statements

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no federal award findings or questioned costs.

**SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

2021-001 Internal Accounting Controls

Criteria: Internal control should include an adequate segregation of duties in the accounting functions.

Condition: Due to a limited number of office personnel, proper segregation of duties in the accounting functions is not always possible.

Cause: This condition is not unusual where staffing size can result in an improper segregation of duties. Management has determined that given the size and resource limitations the desirable level of segregation of duties necessary may not be feasible.

Effect: Without an adequate segregation of duties these are opportunities for errors or fraudulent activities to occur and remain undetected.

Recommendation: We recommend that the District's management be aware of the lack of segregation of the accounting functions and implement oversight procedures to ensure that the internal control policies and procedures are being implemented by staff and encourage additional controls as they become available due to changes in staff, etc.

**Corrective Action Plan (CAP)**

Evaluation of disagreement with audit findings:

There is no disagreement with the audit findings.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**IN ACCORDANCE WITH THE UNIFORM GUIDANCE**  
**FOR THE YEAR ENDED JUNE 30, 2022**

**SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS - CONTINUED**

2021-001 Internal Accounting Controls – continued

Actions planned in response to the finding:

Because it is economically infeasible to hire additional staff to adequately provide for the proper segregation of duties, the district will utilize staff and board members to segregate duties to the extent possible.

Official responsible for Ensuring CAP:

The District's Superintendent in conjunction with the Business Manager is the official responsible for ensuring corrective action.

Planned completion date for CAP:

December 31, 2022

Plan to monitor completion of CAP:

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

2021-002 GAAP Financial Statements

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

Criteria: Personnel in the District should prepare the financial statements in accordance with generally accepted accounting principles.

Condition: It was determined that the personnel lacked the necessary expertise to prepare the financial statements in accordance with generally accepted accounting principles.

Cause: Personnel in the District do not have the experience or expertise to prepare the financial statements in accordance with generally accepted accounting principles.

Effect: As the District personnel were unable to prepare the financial statements in accordance with generally accepted accounting principles, the District had the audit firm assist with the preparation of the financial statements in accordance with generally accepted accounting principles.

**Corrective Action Plan (CAP):**

Evaluation of disagreement with audit findings:

There is no disagreement with the audit findings.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**IN ACCORDANCE WITH THE UNIFORM GUIDANCE**  
**FOR THE YEAR ENDED JUNE 30, 2022**

**SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS - CONTINUED**

2021-002 GAAP Financial Statements – continued

Actions planned in response to the finding:

The District has studied the situation and found that it is economically infeasible to hire or provide adequate training required to adequately prepare financial statements in accordance with generally accepted accounting principles. The cost benefit of providing the necessary training to acquire and maintain this expertise prohibits it.

Official Responsible for Ensuring CAP:

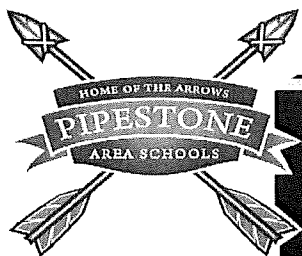
The District's Superintendent in conjunction with the Business Manager is the official responsible for ensuring corrective action.

Planned Completion Date for CAP:

December 31, 2022

Plan to Monitor Completion of CAP:

The Superintendent and Board of Education will monitor the internal control policy is being followed in relation to the annual review of the financial statements.



Kevin Enerson, Superintendent  
Cory Strasser, MS/HS Principal  
Jennifer Moravetz, Elementary Principal  
Melany Wellnitz, Director of Curriculum

Jacque Kennedy, Business Manager  
Rick Zollner, Activities Director  
Richard Stangle, Maintenance Director  
Jean Bailey, Food Service Director

*"District and Community committed to working together to provide educational excellence and support our students for their future."*

## Financial Statement Findings

### **2022-001 Internal Accounting Controls**

#### **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

Because it is economically infeasible to hire additional staff to adequately provide for the proper segregation of duties, the district will utilize staff and board members to segregate duties to the extent possible.

3. Official Responsible for Ensuring CAP

The District's Superintendent in conjunction with the Business Manager are the officials responsible for ensuring corrective action.

4. Planned Completion Date for CAP

December 31, 2022

5. Plan to Monitor Completion of CAP

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

### **2022-002 GAAP Financial Statements**

#### **Corrective Action Plan (CAP):**

1. Explanation of Disagreement with Audit Finding

There is no disagreement with the audit finding.

*"Inspire life-long learners. Build Character. Prepare them for their future."*

2. Actions Planned in Response to Finding

The District has studied the situation and found that it is economically infeasible to hire or provide adequate training required to adequately prepare financial statements in accordance with generally accepted accounting principles. The cost benefit of providing the necessary training to acquire and maintain this expertise prohibits it. Although the district will continue to have the auditor prepare the financial statements, the district implemented an internal control policy that documents the annual review of the financial statements, disclosures and schedules.

3. Official Responsible for Ensuring CAP

The District's Superintendent in conjunction with the Business Manager are the officials responsible for ensuring corrective action.

4. Planned Completion Date for CAP

December 31, 2022

5. Plan to Monitor Completion of CAP

The Superintendent and Board of Education will monitor the internal control policy is being followed in relation to the annual review of the financial statements.

Sincerely,



Kevin Enerson  
Superintendent of Schools